



# INTERIM REPORT Q4 2006 — AND PRELIMINARY FULL YEAR RESULTS

Kitron (NASDAQ:KITR) is a leading provider of high-quality, high-performance, and high-reliability electronic components and assemblies. The company's products are used in a wide range of applications, including automotive, industrial, and consumer electronics. Kitron's products are manufactured in a state-of-the-art facility in Mexico, and the company has a strong presence in the United States and Europe.

Kitron's revenue for the fourth quarter of 2006 was \$1.2 million, compared to \$1.1 million for the same quarter in 2005. The company's revenue for the first nine months of 2006 was \$3.5 million, compared to \$3.4 million for the same period in 2005. Kitron's net income for the fourth quarter of 2006 was \$0.2 million, compared to \$0.1 million for the same quarter in 2005. The company's net income for the first nine months of 2006 was \$0.6 million, compared to \$0.5 million for the same period in 2005.

Kitron's operating margin for the fourth quarter of 2006 was 16.7%, compared to 15.5% for the same quarter in 2005. The company's operating margin for the first nine months of 2006 was 17.1%, compared to 16.2% for the same period in 2005. Kitron's return on assets for the fourth quarter of 2006 was 12.3%, compared to 11.5% for the same quarter in 2005. The company's return on assets for the first nine months of 2006 was 12.8%, compared to 12.1% for the same period in 2005.

Kitron's working capital for the fourth quarter of 2006 was \$0.5 million, compared to \$0.4 million for the same quarter in 2005. The company's working capital for the first nine months of 2006 was \$1.5 million, compared to \$1.4 million for the same period in 2005. Kitron's current ratio for the fourth quarter of 2006 was 1.5, compared to 1.4 for the same quarter in 2005. The company's current ratio for the first nine months of 2006 was 1.6, compared to 1.5 for the same period in 2005.

Kitron's debt to capitalization ratio for the fourth quarter of 2006 was 0.1, compared to 0.1 for the same quarter in 2005. The company's debt to capitalization ratio for the first nine months of 2006 was 0.1, compared to 0.1 for the same period in 2005. Kitron's interest coverage ratio for the fourth quarter of 2006 was 10.0, compared to 9.0 for the same quarter in 2005. The company's interest coverage ratio for the first nine months of 2006 was 10.0, compared to 9.0 for the same period in 2005.

Kitron's free cash flow for the fourth quarter of 2006 was \$0.1 million, compared to \$0.1 million for the same quarter in 2005. The company's free cash flow for the first nine months of 2006 was \$0.3 million, compared to \$0.3 million for the same period in 2005. Kitron's capital expenditures for the fourth quarter of 2006 were \$0.1 million, compared to \$0.1 million for the same quarter in 2005. The company's capital expenditures for the first nine months of 2006 were \$0.3 million, compared to \$0.3 million for the same period in 2005.

Kitron's research and development expenses for the fourth quarter of 2006 were \$0.1 million, compared to \$0.1 million for the same quarter in 2005. The company's research and development expenses for the first nine months of 2006 were \$0.3 million, compared to \$0.3 million for the same period in 2005. Kitron's selling, general, and administrative expenses for the fourth quarter of 2006 were \$0.1 million, compared to \$0.1 million for the same quarter in 2005. The company's selling, general, and administrative expenses for the first nine months of 2006 were \$0.3 million, compared to \$0.3 million for the same period in 2005.

Kitron's income tax expense for the fourth quarter of 2006 was \$0.1 million, compared to \$0.1 million for the same quarter in 2005. The company's income tax expense for the first nine months of 2006 was \$0.3 million, compared to \$0.3 million for the same period in 2005. Kitron's net income before taxes for the fourth quarter of 2006 was \$0.3 million, compared to \$0.2 million for the same quarter in 2005. The company's net income before taxes for the first nine months of 2006 was \$0.9 million, compared to \$0.8 million for the same period in 2005.

Kitron's net income for the fourth quarter of 2006 was \$0.2 million, compared to \$0.1 million for the same quarter in 2005. The company's net income for the first nine months of 2006 was \$0.6 million, compared to \$0.5 million for the same period in 2005. Kitron's earnings per share for the fourth quarter of 2006 was \$0.02, compared to \$0.01 for the same quarter in 2005. The company's earnings per share for the first nine months of 2006 was \$0.07, compared to \$0.06 for the same period in 2005.

Kitron's diluted earnings per share for the fourth quarter of 2006 was \$0.02, compared to \$0.01 for the same quarter in 2005. The company's diluted earnings per share for the first nine months of 2006 was \$0.07, compared to \$0.06 for the same period in 2005. Kitron's weighted average number of shares outstanding for the fourth quarter of 2006 was 10,000,000, compared to 10,000,000 for the same quarter in 2005. The company's weighted average number of shares outstanding for the first nine months of 2006 was 10,000,000, compared to 10,000,000 for the same period in 2005.

Kitron's market capitalization for the fourth quarter of 2006 was \$1.2 million, compared to \$1.1 million for the same quarter in 2005. The company's market capitalization for the first nine months of 2006 was \$3.5 million, compared to \$3.4 million for the same period in 2005. Kitron's enterprise value for the fourth quarter of 2006 was \$1.2 million, compared to \$1.1 million for the same quarter in 2005. The company's enterprise value for the first nine months of 2006 was \$3.5 million, compared to \$3.4 million for the same period in 2005.

Kitron's operating leverage for the fourth quarter of 2006 was 1.5, compared to 1.4 for the same quarter in 2005. The company's operating leverage for the first nine months of 2006 was 1.6, compared to 1.5 for the same period in 2005. Kitron's financial leverage for the fourth quarter of 2006 was 0.1, compared to 0.1 for the same quarter in 2005. The company's financial leverage for the first nine months of 2006 was 0.1, compared to 0.1 for the same period in 2005.

Kitron's total leverage for the fourth quarter of 2006 was 0.1, compared to 0.1 for the same quarter in 2005. The company's total leverage for the first nine months of 2006 was 0.1, compared to 0.1 for the same period in 2005. Kitron's debt to operating assets ratio for the fourth quarter of 2006 was 0.1, compared to 0.1 for the same quarter in 2005. The company's debt to operating assets ratio for the first nine months of 2006 was 0.1, compared to 0.1 for the same period in 2005.

Kitron's debt to total assets ratio for the fourth quarter of 2006 was 0.1, compared to 0.1 for the same quarter in 2005. The company's debt to total assets ratio for the first nine months of 2006 was 0.1, compared to 0.1 for the same period in 2005. Kitron's debt to equity ratio for the fourth quarter of 2006 was 0.1, compared to 0.1 for the same quarter in 2005. The company's debt to equity ratio for the first nine months of 2006 was 0.1, compared to 0.1 for the same period in 2005.

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# CONTINUED GROWTH – INCREASED PROFIT

## HIGHLIGHTS

Figures in brackets refer to the fourth quarter of 2005 or the year 2005 unless otherwise stated.

- **Improved profit before tax**  
 NOK 18.1 million (NOK -50.0 million including restructuring provision of NOK 49.5 million) in the fourth quarter, and NOK 45.4 million (NOK -58.2 million including restructuring) in the year.
- **16 per cent revenue growth**  
 NOK 514.8 million (NOK 443.5 million) in the quarter, and NOK 1 693.6 (NOK 1 576.3) for the year.
- **Stable gross margin**  
 40.1 per cent (39.5 per cent) in the quarter and 40.0 per cent (40.3 per cent) in the year.
- **Positive operating profit**  
 EBITDA and EBIT were NOK 32.5 million (NOK -37.5 million) and NOK 23.9 million (NOK -44.7 million) respectively. In 2006 EBITDA and EBIT were NOK 93.8 million (NOK -2.6 million) and NOK 64.4 million (NOK -35.4 million) in the quarter.
- **Good order intake**  
 The order intake in the quarter increased by 8.5 per cent to NOK 496 million (NOK 457 million), and the order intake for the year increased by 17.5 per cent to NOK 1 872 million (NOK 1 593 million). The order backlog at the end of the quarter and year was NOK 959 million (NOK 781 million).
- **Strong cash flow**  
 Cash flow from operations was NOK 143.1 million in the fourth quarter and NOK 48.3 million in the year excluding this year's payment on restructuring accruals.

Kitron achieved increased revenue and profitability in the fourth quarter 2006. Following this year's completion of the restructuring resolved in 2005, quality indicators are improving. Kitron expects to capitalize from this position by a further strengthening of ongoing customer relationships and maintain a strong order intake position. Improved capacity utilisation in a strong market forms a good basis for revenue growth and stable margins ahead.

## REVENUE

Kitron's revenue in the fourth quarter was 16.1 per cent higher than during the same period in 2005 and amounted to NOK 514.8 million (NOK 443.5 million). The revenue increase is largely a result of higher activity in the EMS business in Norway and in Lithuania, as well as in the Swedish part of Kitron Microelectronics. Revenue increased the most within the Industry and Medical Equipment segments, but Data/Telecom also showed an increase compared to the fourth quarter of 2005. Revenue in the Defence/Marine segment in the fourth quarter was in line with the corresponding period in 2005.

Revenue in the Norwegian Electronic Manufacturing Services (EMS) operation, Kitron AS, represented 58.7 per cent of the Group's total revenue during the fourth quarter. The Swedish EMS operation, Kitron AB, represented 14.8 per cent of Group revenue. Kitron's operation in Lithuania, UAB Kitron, provided for 12.3 per cent of Group revenue in the fourth quarter. UAB Kitron's share of Group value creation is increasing as a result of its growth, caused by the com-

petitive strength from quality and pricing.

In total the EMS business provided 85.0 per cent of total Group revenue in the fourth quarter, while during the fourth quarter of 2005 it generated 87.9 per cent. Kitron Microelectronics, which consistently achieves higher operating margins than the EMS area, has increased its share correspondingly. The increase within Microelectronics is largely a result of the favourable market conditions.

For 2006 as a whole, Kitron's revenue was NOK 1 693.6 million (NOK 1 576.3 million for 2005).

The Group's four market segments are of almost equal size in terms of revenue. This contributes to lower vulnerability and reduced risk. Kitron's revenue in the fourth quarter of 2006 was distributed as follows:

Defence/Marine	28% (33%)
Data/Telecom	23% (24%)
Medical Equipment	25% (23%)
Industry	24% (20%)

## REVENUE Business areas

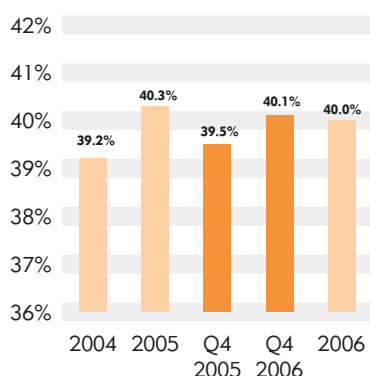
NOK million	Q4 2006	Q4 2005	31.12.2006	31.12.2005
Kitron AS (EMS)	322.1	303.6	1 044.2	1 088.9
Kitron AB (EMS)	81.2	95.2	286.3	316.2
UAB Kitron (EMS)	67.2	31.0	207.3	129.5
Eliminations EMS	(30.7)	(33.2)	(124.0)	(124.6)
<b>Total EMS</b>	<b>439.8</b>	<b>396.6</b>	<b>1 413.8</b>	<b>1 410.0</b>
Microelectronics	77.9	54.7	290.0	195.5
Others and eliminations	(2.9)	(7.8)	(10.2)	(29.2)
<b>Total group</b>	<b>514.8</b>	<b>443.5</b>	<b>1 693.6</b>	<b>1 576.3</b>

## OPERATING PROFIT/(LOSS) Business areas

NOK million	Q4 2006	Q4 2005	31.12.2006	31.12.2005
Kitron AS (EMS)	20.7	(42.8)	39.5	(39.3)
Kitron AB (EMS)	(8.9)	0.2	(10.8)	(2.1)
UAB Kitron (EMS)	8.9	0.8	19.0	6.4
Eliminations EMS	-	(0.3)	-	(0.3)
<b>Total EMS</b>	<b>20.7</b>	<b>(42.1)</b>	<b>47.7</b>	<b>(35.3)</b>
Microelectronics	4.5	(0.4)	23.9	9.1
Others and eliminations	(1.3)	(2.2)	(7.2)	(9.2)
<b>Total group</b>	<b>23.9</b>	<b>(44.7)</b>	<b>64.4</b>	<b>(35.4)</b>

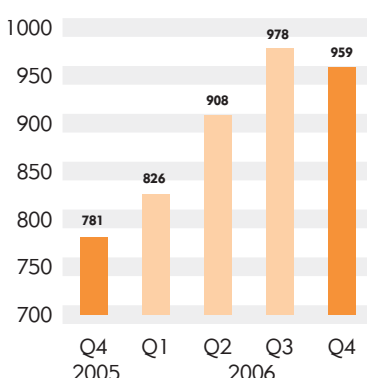
## GROSS MARGIN Group

Per cent



## ORDER BACKLOG Group

NOK million



Kitron achieved a strongly improved operating profit in the fourth quarter compared to the same period in 2005

## REVENUE Geographic distribution

NOK million	Q4 2006	Q4 2005	31.12.2006	31.12.2005
Norway	270.1	265.1	760.3	819.0
Sweden	212.1	147.7	777.0	624.2
Rest of Europe	12.3	21.7	59.9	56.7
USA	6.5	(2.6)	35.1	14.5
Others	13.8	11.6	61.3	61.9
Total group	514.8	443.5	1 693.6	1 576.3

## ORDER BACKLOG By business segment

NOK million	Defence/ Marine	Data/ Telecom	Medical equipment	Industry	Total
Kitron AS (EMS)	283.0	100.0	101.0	170.0	654.0
Kitron AB (EMS)	104.0	-	21.0	45.0	170.0
UAB Kitron (EMS)	3.0	7.0	7.0	5.0	22.0
Microelectronics	2.0	79.0	28.0	4.0	113.0
Total	392.0	186.0	157.0	224.0	959.0

The geographic distribution of the revenue shows that Swedish customers' share of the total revenue increased to 41 per cent during the fourth quarter, against 33 per cent of Kitron's total revenue during the same period the year before. The Norwegian market represented 52 per cent of Kitron's total revenue in the fourth quarter, against 60 per cent during the same quarter in 2005.

## GROSS MARGIN

The gross margin was stable, and amounted to 40.1 per cent during the quarter. This represents an increase of 0.6 percentage points over the fourth quarter of 2005. The annual gross margin was 40.0 per cent, down from 40.3 per cent in 2005.

## PROFIT

Kitron achieved a strongly improved operating profit for the fourth quarter compared to the same period in 2005. The costs in the quarter includes NOK 4.9 million in one-off expenses, mainly related to changes implemented in the Swedish organisation. The operating profit was NOK 23.9 million (2005: NOK 4.8 million before restructuring costs). The progress is a result of higher activity and

capacity utilisation, partly as a benefit of the reorganisation Kitron carried out in the Norwegian EMS business in 2006.

For 2006 as a whole the operating profit amounted to NOK 64.4 million after one-off costs amounting to NOK 11.7 million, compared to NOK -35.4 million after restructuring provision of NOK 49.5 million in 2005. The basic operating profit improved from NOK 14.1 million in 2005 to 75.6 million in 2006.

The company's total payroll costs were NOK 10.2 million higher in the fourth quarter of 2006 compared to the corresponding period in 2005. Other operating costs increased by NOK 0.7 million compared to the corresponding period in 2005. These increases result from the increase in revenue during the period.

During the fourth quarter net financial costs amounted to NOK 5.7 million, which is NOK 0.5 million more than during the same period the year before.

In view of good results over several quarters Kitron eyes opportunities to expand its capital base and at the same time establish long-term financing on terms that reflect the Group's improved profits and strengthened position.

## BALANCE SHEET

Kitron's gross balance as at 31 December 2006 amounted to NOK 957.5 million, against NOK 652.5 million at the same time in 2005. Equity was NOK 185.7 million, corresponding to an equity ratio of 19.4 per cent.

Inventory was NOK 282.9 million as at 31 December 2006, against NOK 242.5 million at the same time in 2005. The increase is a result of higher production activity during the quarter and into 2007. In the fourth quarter inventory was reduced by NOK 34.4 million.

Trade debtors and other receivables amounted to NOK 410.8 million at the end of the fourth quarter of 2006. The corresponding amount at the same time in 2005 was NOK 141.8 million. The increase is mainly a result of a new factoring scheme implemented from the beginning of the fourth quarter. The previous scheme involving sale of the Group's trade debtors was replaced by a conventional factoring arrangement in which Kitron's trade debtors remain on the Group's balance sheet. This involves an increase in the Group's balance and thus a reduction in the equity ratio. The change does not affect the size of the Group's equity.

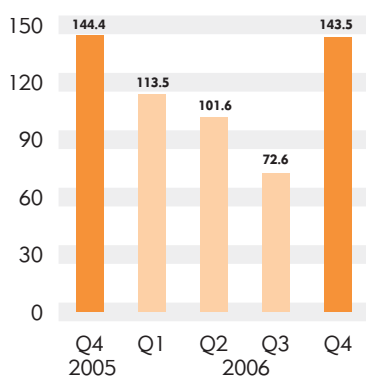
The Group's reported interest-bearing debt totalled NOK 324.3 million as at 31 December 2006. Interest-bearing debt at the end of the fourth quarter of 2005 was NOK 52.6 million. The increase is largely the factoring debt introduced by the change in Kitron's factoring scheme described above, as well as higher drawings on the overdraft at the end of 2006. The new factoring scheme is cash flow neutral and Kitron expects to incur lower financial costs.

Cash flow from operational activities for the fourth quarter of 2006 was positive by NOK 139.6 million (NOK 61.6 million). The positive cash flow is largely a result of the positive results during the period and working capital changes. For 2006 as a whole, cash flow from operational activities was NOK 9.6 million (NOK 9.4 million).

In the cash flow analysis, cash and bank credit as at 31 December comprise the following:

## REVENUE Defence/Marine

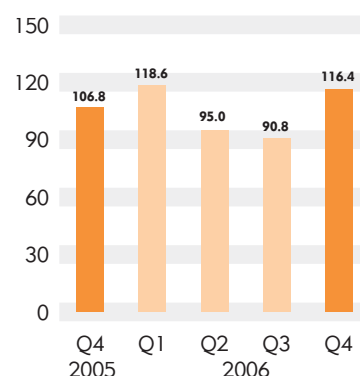
NOK million



■ ■ Kitron's largest customers represented an increased portion of revenue during the fourth quarter

## REVENUE Data/Telecom

NOK million



### REVENUE BREAKDOWN Defence/Marine

	Q4 2006		Q4 2005	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	118.1	82%	100.2	69%
Kitron AB (EMS)	23.5	16%	43.9	30%
UAB Kitron (EMS)	6.4	4%	2.8	2%
Microelectronics	-	0%	-	0%
Others and eliminations	(4.5)	(2%)	(2.5)	(1%)
<b>Total</b>	<b>143.5</b>	<b>100%</b>	<b>144.4</b>	<b>100%</b>

### REVENUE BREAKDOWN Data/Telecom

	Q4 2006		Q4 2005	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	57.9	50%	72.6	68%
Kitron AB (EMS)	0.7	1%	0.6	1%
UAB Kitron (EMS)	11.9	10%	4.0	4%
Microelectronics	53.0	46%	41.3	39%
Others and eliminations	(7.1)	(7%)	(11.7)	(12%)
<b>Total</b>	<b>116.4</b>	<b>100%</b>	<b>106.8</b>	<b>100%</b>

(Figures in NOK million)

Cash and cash equivalents	98.3
Drawings on the overdraft facility	(74.2)
Restricted bank deposits	(18.9)
<b>Total</b>	<b>5.2</b>

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 128.8 million at the end of the fourth quarter.

## SHAREHOLDER MATTERS

As at 31 December 2006 Kitron had 3 395 shareholders with a total of 172 961 625 shares (NOK 1.00 nominal value per share). The ten largest shareholders as at 31 December 2006 were:

Clearstream Banking S.A. (UAB Hermis Capital, 29.98%)	29.98%
Kongsberg Gruppen ASA	19.33%
ING Luxembourg SA	13.77%
SEB Vilnius Bankas (UAB Hermis Capital, 10.01%)	10.39%
MP Pensjon	6.02%
Statoils Pensjonskasse	1.08%
AS Bemacs	0.98%
AS Hansabank Clients	0.96%
Parentz AS	0.93%
Verdipapirfondet NOR	0.68%
Statoil Forsikring AS	0.63%

## ORGANISATION

At the end of the fourth quarter 2006 the Kitron workforce corresponded to 1 279 full time equivalents (FTE). This represents an increase of 79 FTEs since the fourth quarter of the year before.

Full time equivalents	31.12.06	31.12.05
Kitron AS	613	633
Kitron AB	216	228
UAB Kitron	286	198
Kitron Microelectronics	147	122
Kitron ASA og Kitron Sourcing AS	17	19
<b>Total</b>	<b>1 279</b>	<b>1 200</b>

## MARKET TRENDS

### EMS

The EMS market is growing and is expected to continue to grow by about 11.6 per cent annually during the period up to 2010 (Source: ETP – The Worldwide Electronics Manufacturing Services Market, Third Edition 2006). There is overall growth in the electronics industry and the data/telecom segment is the fastest growing. The medical segment offers the most attractive margins.

Kitron enjoys an increasing demand for production of prototypes. To meet this demand the capacity for production of prototypes was expanded with a New Product Introduction (NPI) centre in Arendal, Norway in the fourth quarter. Another NPI centre will be established in Jönköping, Sweden during 2007.

Strong world market, and increased focus on quality, efficiency and costs of procurement, has created increased interest in total solutions for complex modules and complete products. System assembly and testing (high level assembly, HLA) is one of the customer requirements which has led to several new orders as well as exciting future opportunities for Kitron. Several

of Kitron's plants are located close to our customers. Customers who purchase complex complete solutions, value geographic proximity to the manufacturer, because the proximity facilitates flexibility throughout the process.

The Group's largest customers represented an increasing portion of revenue in the fourth quarter. This gives Kitron the opportunity of further optimising the product mix on profitability.

Kitron's strong competency in every step of the value chain, combined with production at favourable prices through UAB Kitron, is increasingly recognised as a concept with strong competitive power.

### MICROELECTRONICS

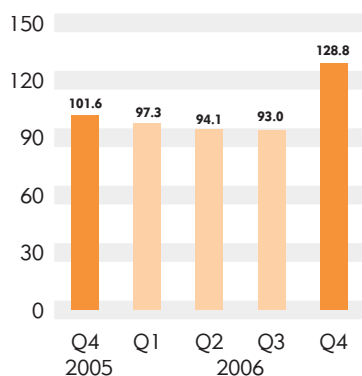
Microelectronics technology is increasingly in demand in new areas of application, but it is mainly the existing customers who provide the revenue increase. Kitron offers recognized technology and greater precision of delivery, as well as flexibility both in production and volume. Several new customers want to industrialise products and existing customers are placing an increasing number of new orders with Kitron.

The demand for assembly of complete products (HLA), ready for delivery to the end user, is also increasing in the market for microelectronics. Kitron has a strong offering in the area and is winning new production orders.

The growth in Microelectronics during the fourth quarter and the year as a whole came first and foremost in Sweden where Kitron's market offering is gaining ground. Several customers that arrived in 2005 have devel-

## REVENUE Medical equipment

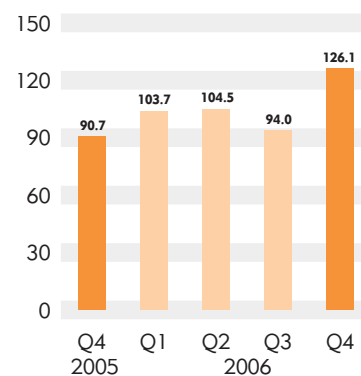
NOK million



■ ■ Kitron is working hard to form and retain strong and long-term customer relations with existing customers

## REVENUE Industry

NOK million



### REVENUE BREAKDOWN Medical equipment

	Q4 2006		Q4 2005	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	75.6	59%	60.4	59%
Kitron AB (EMS)	40.8	32%	39.0	38%
UAB Kitron (EMS)	15.9	12%	9.9	10%
Microelectronics	4.2	3%	2.1	2%
Others and eliminations	(7.7)	(6%)	(9.8)	(9%)
<b>Total</b>	<b>128.8</b>	<b>100%</b>	<b>101.6</b>	<b>100%</b>

### REVENUE BREAKDOWN Industry

	Q4 2006		Q4 2005	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	70.5	56%	70.4	78%
Kitron AB (EMS)	16.2	13%	11.7	13%
UAB Kitron (EMS)	33.0	26%	14.3	16%
Microelectronics	20.7	16%	11.3	12%
Others and eliminations	(14.3)	(11%)	(17.0)	(19%)
<b>Total</b>	<b>126.1</b>	<b>100%</b>	<b>90.7</b>	<b>100%</b>

oped positively during 2006 by way of new and expanded production orders to Kitron.

#### HIGH ORDER INTAKE

Kitron's total order intake during the fourth quarter of 2006 amounted to NOK 496 million. That is an increase of 8.5 per cent over the order intake in the fourth quarter of 2005 (NOK 457 million). The order intake for the year increased by 17.5 per cent to NOK 1 872 million (NOK 1 593 million). The high order intake is very much a result of good relationships with existing customers, as well as targeted marketing effort.

The order backlog showed a small reduction, to NOK 959 million, as a result of the increased rate of delivery.

#### DEFENCE/MARINE

During the first three quarters of 2006 revenue in this market segment was lower than in the corresponding period of 2005. In the fourth quarter of 2006 however, revenue was at the same level as for the same period in 2005. Kitron has earlier indicated an expectation of low activity in this market segment during 2006, and expectation of growth in 2007 and 2008. The revenue in Defence/Marine in the fourth quarter indicates a higher level of activity.

In the past, offset agreements with the defence industry has represented important opportunities for Kitron. The Group is well positioned to several important players and projects. For example Kitron expects offset agreements with all of the suppliers of fighter aircraft under consideration by the Norwegian authorities in connection with deliveries to the Norwegian Air Force. The political decision of fighter aircraft is expected to be taken in 2008.

#### DATA/TELECOM

The increase in revenue in this segment is primarily linked to an increased demand for products based on microelectronics technology. Infrastructure products in fibre-optic cable networks for 'triple play' and professional use are in strong demand. Wireless transmission link equipment also shows strong growth.

New infrastructure products for telecom and new professional communications equipment launched by Kitron's customers have led to encouraging order growth.

#### MEDICAL EQUIPMENT

There is high activity in the medical equipment market sector. Kitron enjoys both a strong increase in the demand from existing customers and a good intake of new customers.

During the fourth quarter Kitron made the initial deliveries of prototypes assembled at Kitron AS's new assembly line in Horten. The unit was set up during the second half of 2006. The work on industrialising manufacture and assembly of complete products progressed as planned at the plant. Kitron expects steadily increasing activity at the Horten unit through 2007.

#### INDUSTRY

Kitron's revenue within the Industry segment was significantly higher during the fourth quarter of 2006 than in the same period the year before. Good markets for the customers led to increased volume and more orders from Kitron's existing customers. Increased production in Lithuania and a more favourable product mix has created the opportunity for revenue growth within the market segment.

There has been a continuing trend over several quarters that new customers request a significant amount of assistance throughout the value chain, from design of products, via industrialisation, to production and system assembly.

#### PROSPECTS

Kitron is working hard to form and retain strong and long-term customer relations with existing customers. The company also has won significant new customers. The market is strong and expected to continue to grow. Hopefully this will bring Kitron into a position to increase its order intake and revenue. Consequently, Kitron expects further progress in 2007. In particular the Group will continue its focus on growing its sales to the Swedish market where the opportunities for volume growth and increased market share are considered good.

The high activity level will provide opportunities for Kitron to develop the logistic and manufacturing processes to be more cost-effective. The Group is also working continuously on achieving an optimal product mix which matches the factories' manufacturing processes.

To enable Kitron to benefit from the market growth and also increase its market share, market and sales activities will be coordinated across the Group to a greater extent than before. This is expected to lead to better yield from capacity and market opportunities.

Oslo, 8 February 2007

The Board of Directors of Kitron ASA

# PROFIT AND LOSS ACCOUNT

(Figures in NOK 1 000)	Q4 2006	Q4 2005	31.12.2006	31.12.2005
Revenue	514 778	443 457	1 693 559	1 576 341
Cost of materials	308 344	268 438	1 015 739	941 242
Gross profit margin	40.1%	39.5%	40.0%	40.3%
Payroll expenses	136 957	126 731	466 043	463 472
Other operational expenses	37 017	36 317	117 942	124 711
Restructuring costs		49 485		49 485
<b>EBITDA</b>	<b>32 460</b>	<b>(37 514)</b>	<b>93 835</b>	<b>(2 569)</b>
Depreciation and impairments	8 603	7 202	29 387	32 876
<b>Operating profit/(loss) (EBIT)</b>	<b>23 856</b>	<b>(44 716)</b>	<b>64 448</b>	<b>(35 445)</b>
Net financial items	(5 747)	(5 288)	(19 009)	(22 768)
<b>Profit/(loss) before tax</b>	<b>18 109</b>	<b>(50 004)</b>	<b>45 439</b>	<b>(58 213)</b>
Tax	1 812	726	3 763	726
<b>Profit/(loss) after tax</b>	<b>16 297</b>	<b>(50 730)</b>	<b>41 676</b>	<b>(58 939)</b>
Earnings per share	0.09	(0.31)	0.24	(0.39)
Dilluted earnings per share	0.09	(0.31)	0.24	(0.39)

# BALANCE SHEET

(Figures in NOK 1 000)	31.12.2006	31.12.2005
<b>ASSETS</b>		
Tangible fixed assets	123 523	112 447
Goodwill	19 123	18 489
Investment in shares	41	190
Deferred tax assets	20 000	20 000
Other receivables	2 920	3 855
<b>Total fixed assets</b>	<b>165 607</b>	<b>154 981</b>
Inventory	282 891	242 542
Accounts receivable and other receivables	410 768	141 771
Cash and cash equivalents	98 264	113 229
<b>Total current assets</b>	<b>791 923</b>	<b>497 542</b>
<b>Total assets</b>	<b>957 530</b>	<b>652 523</b>
<b>LIABILITIES AND EQUITY</b>		
Equity	185 699	144 479
<b>Total equity</b>	<b>185 699</b>	<b>144 479</b>
Loans	31 011	40 678
Pension commitments	23 007	21 543
Other provisions	7 160	15 104
<b>Total long-term liabilities</b>	<b>61 178</b>	<b>77 325</b>
Accounts payable and other current liabilities	383 621	350 947
Loans	324 399	46 369
Other provisions	2 633	33 403
<b>Total current liabilities</b>	<b>710 653</b>	<b>430 719</b>
<b>Total liabilities and equity</b>	<b>957 530</b>	<b>652 523</b>

Sold receivables as at 31.12.2005 amounted to NOK 208.0 million.

# CASH FLOW STATEMENT

(Figures in NOK 1 000)	Q4 2006	Q4 2005	31.12.2006	31.12.2005
Net cash flow from operational activities *	139 609	61 616	9 642	9 367
Net cash flow from investment activities	(5 179)	(28 053)	(45 415)	(39 495)
Net cash flow from financing activities	(10 883)	58 375	(11 827)	91 981
Change in cash and bank credit	123 546	91 938	(47 601)	61 853
Cash and bank credit opening balance	(118 340)	(39 131)	52 807	(9 046)
Cash and bank credit closing balance	5 206	52 807	5 206	52 807

\* Negative cash flow in Q4 2006 and as per 31.12.2006 related to restructuring provision made in 2005 is respectively NOK 3.5 million and NOK 38.7 million. Cash flow from other operations in Q4 2006 and as per 31.12.2006 was respectively NOK 143.1 million and NOK 48.3 million.

# CHANGES IN EQUITY

(Figures in NOK 1 000)	31.12.2006	31.12.2005
Equity opening balance *	144 479	121 428
Profit/(loss) for the year	41 676	(58 939)
Share issue		90 760
Change in minority interests		(12 558)
Other **	(457)	3 788
Equity closing balance	185 699	144 479

\* Equity opening balance 2005 has been reduced by NOK 6.6 million due to corrections of errors in previous years.

\*\* Conversion differences, share based compensation etc.

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



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