



## INTERIM REPORT Q1 2007





## KEY ITEMS

Figures in brackets refer to the first quarter of 2006 unless otherwise stated.

- **Profit before tax slightly reduced**  
NOK 15.7 million (NOK 16.1 million). Profit before tax amounted to 3.2 per cent (3.7 per cent), compared to average 2.7 per cent in 2006.
- **Robust revenue growth (12 per cent)**  
NOK 485.7 million (NOK 433.1 million). The revenue growth is in line with Kitron's stated expectations.
- **Reduced gross margin**  
Gross margin was 37.7 per cent (39.8 per cent) i.a. because of competitive considerations, mainly in Microelectronics.
- **Increased operating profit**  
EBITDA and EBIT were NOK 28.9 million (NOK 27.1 million) and NOK 21.4 million (NOK 20.6 million) respectively, reflecting the revenue growth.
- **Good order intake**  
NOK 461 million (NOK 478 million). The order backlog at the end of the quarter was NOK 934 million (NOK 826 million), and amounted to about six months' revenue.
- **Cash flow**  
Cash flow from operations in the first quarter was NOK -68.6 million (NOK -73.9 million), mainly because of disbursed payments to vendors and an increase in inventory.

# ROBUST GROWTH

Revenue grew 12 per cent, to NOK 485.7 million, in the first quarter of 2007 compared to the same period in 2006. Profit before tax was slightly reduced, but the profit rate was better than average for the full year 2006. Order inflow was in line with revenue, and production capacity utilisation remains close to maximum. Kitron is considering various opportunities for expansion to be able to serve both current customer requirements and gain market share.

## REVENUE

Kitron's revenue in the first quarter was 12.1 per cent higher than during the same period in 2006 and amounted to NOK 485.7 million (NOK 433.1 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 segment, but Data/Telecom and Defence/Marine also increased compared to the first quarter of 2006. Revenue in the Medical Equipment segment in the first quarter was in line with the corresponding period in 2006.

Revenue in the Norwegian Electronic Manufacturing Services (EMS) operation, Kitron AS, represented 57.8 per cent of Kitron's gross revenue during the first quarter. The Swedish EMS operation, Kitron AB, represented 12.6 per cent of the Group. Kitron's operation in Lithuania, UAB Kitron, provided for 13.7 per cent. UAB Kitron continued its growth based on its competitive strength from quality and pricing. Consequently, the subsidiary's share of Kitron's value creation increased.

The EMS business provided for 83.8 per cent of net group revenue in the first quarter, while during the first quarter of 2006 it generated 84.3 per cent. Kitron Microelectronics, which normally achieves higher operating margins than the EMS area, has increased its share correspondingly. The volume increase within Microelectronics is largely a result of the favourable market conditions.

Kitron's revenue in the first quarter of 2007 remained well balanced between the four segments:

Defence/Marine	26% (26%)
Data/Telecom	27% (28%)
Medical Equipment	20% (22%)
Industry	27% (24%)

Sales to customers in the Swedish market represented a 44 per cent share of the total revenue during the first quarter, which was unchanged from the same period of the year before. The Norwegian market represented 50 per cent of Kitron's total revenue in the first quarter, against 46 per cent during the same quarter in 2006.

## GROSS MARGIN

The gross margin amounted to 37.7 per cent during the quarter. This represented a decrease of 2.1 percentage points from the first quarter of 2006. Competitive considerations, mainly in Microelectronics, have led to margin reductions. Product mix variations also cause varying gross margin from quarter to quarter.

## PROFIT

Kitron achieved a slightly improved operating profit for the first quarter compared to the same period in 2006. The operating profit (EBIT) was NOK 21.4 million (NOK 20.6 million). Following the reorganisation of Kitron's Norwegian EMS business in 2006, the group's operations are now steadily profitable, albeit at a lower level than desirable.

The company's total payroll expenses were NOK 8.5 million higher in the first quarter of 2007 compared to the corresponding period in 2006. This increase resulted from the increase in revenue. Payroll costs were reduced from 27.2 per cent of revenue in first quarter 2006 to 26.0 per cent of revenue in the first quarter this year. Other operating costs remained in line with the corresponding period in 2006.

During the first quarter net financial costs amounted to NOK 5.7 million, which is NOK 1.2 million more than during the same period the year before. The principal reason was higher bank overdraft, but also unfavourable exchange effects compared to the first quarter of 2006.

## BALANCE SHEET

Kitron's gross balance as at 31 March 2007 amounted to NOK 907.7 million, against NOK 647.2 million at the same time in 2006. Equity was NOK 199.0 million (NOK 160.5 million), corresponding to an equity ratio of 21.9 per cent (24.8 per cent).

Inventory was NOK 298.9 million as at 31 March 2007, against NOK 255.8 million at the same time in 2006, and also up from NOK 282.9 million at the end of 2006. The increase from first quarter in 2006 is a result of higher production activity.

- ■ The group's operations are now steadily profitable, albeit still at a lower level than desirable

### REVENUE Business areas

NOK million	Q1 2007	Q1 2006	31.12.2006
Kitron AS (EMS)	301.5	280.4	1 044.2
Kitron AB (EMS)	65.8	78.6	286.3
UAB Kitron (EMS)	71.4	40.3	207.3
Eliminations EMS	(31.5)	(34.1)	(124.0)
Total EMS	407.2	365.2	1 413.8
Microelectronics	82.5	69.8	290.0
Others and eliminations	(4.0)	(1.9)	(10.2)
Total group	485.7	433.1	1 693.6

### REVENUE Geographic distribution

NOK million	Q1 2007	Q1 2006	31.12.2006
Norway	241.7	199.4	760.3
Sweden	214.9	190.8	777.0
Rest of Europe	17.4	16.2	59.9
USA	3.9	8.8	35.1
Others	7.8	17.9	61.3
Total group	485.7	433.1	1 693.6

### OPERATING PROFIT/(LOSS) Business areas

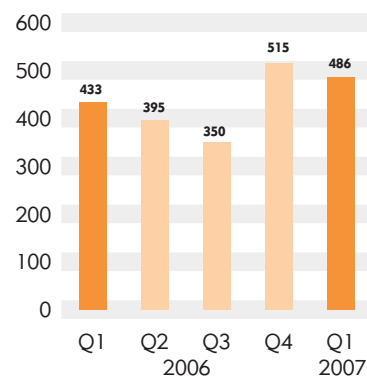
NOK million	Q1 2007	Q1 2006	31.12.2006
Kitron AS (EMS)	14.8	10.1	39.5
Kitron AB (EMS)	(2.1)	2.2	(10.8)
UAB Kitron (EMS)	7.0	1.6	19.0
Eliminations EMS	-	-	-
Total EMS	19.7	13.9	47.7
Microelectronics	4.3	7.7	23.9
Others and eliminations	(2.6)	(1.0)	(7.2)
Total group	21.4	20.6	64.4

### ORDER BACKLOG By business segment

NOK million	Defence/ Marine	Data/ Telecom	Medical equipment	Industry	Total
Kitron AS (EMS)	253.6	97.1	156.3	87.6	594.6
Kitron AB (EMS)	80.6	-	80.0	21.8	182.4
UAB Kitron (EMS)	3.8	9.3	4.9	10.3	28.3
Microelectronics	0.6	93.0	5.3	29.9	128.8
Total	338.6	199.4	246.5	149.6	934.1

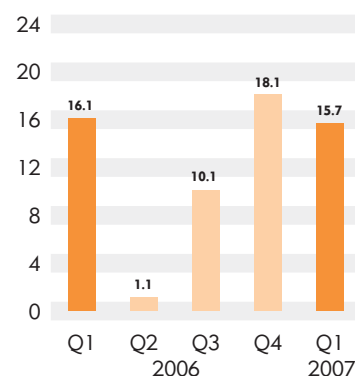
### REVENUE Group

NOK million



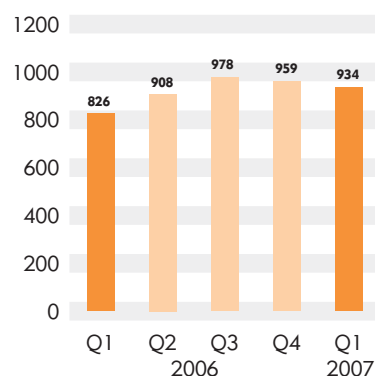
### PROFIT BEFORE TAX Group

NOK million



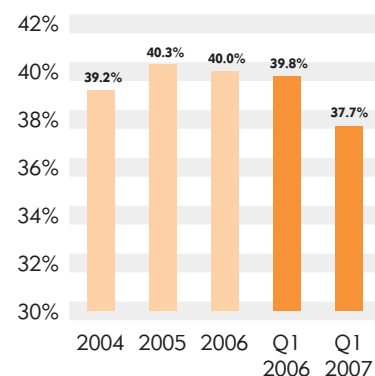
### ORDER BACKLOG Group

NOK million



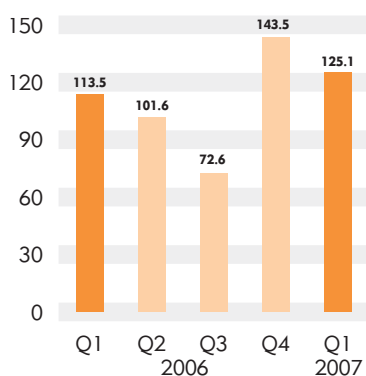
### GROSS MARGIN Group

Per cent



## REVENUE Defence/Marine

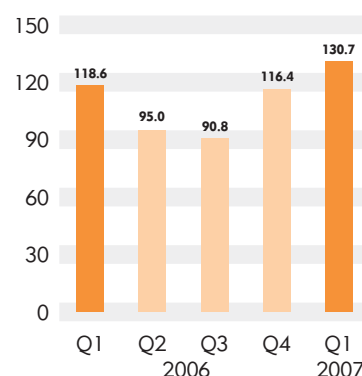
NOK million



Kitron takes pride in strong competency in every step of the value chain, combined with great flexibility and certified quality

## REVENUE Data/Telecom

NOK million



### REVENUE BREAKDOWN Defence/Marine

	Q1 2007		Q1 2006	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	100.5	80%	83.7	74%
Kitron AB (EMS)	14.1	11%	29.9	26%
UAB Kitron (EMS)	14.7	12%	4.5	4%
Microelectronics	1.2	1%	-	0%
Others and eliminations	(5.4)	(4%)	(4.6)	(4%)
<b>Total</b>	<b>125.1</b>	<b>100%</b>	<b>113.5</b>	<b>100%</b>

### REVENUE BREAKDOWN Data/Telecom

	Q1 2007		Q1 2006	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	68.5	52%	63.2	68%
Kitron AB (EMS)	-	0%	0.3	1%
UAB Kitron (EMS)	13.2	10%	9.7	4%
Microelectronics	53.0	41%	54.4	39%
Others and eliminations	(4.0)	(3%)	(9.0)	(12%)
<b>Total</b>	<b>130.7</b>	<b>100%</b>	<b>118.6</b>	<b>100%</b>

Trade debtors and other receivables amounted to NOK 393.6 million at the end of the first quarter of 2007. The corresponding amount at the same time in 2006 was NOK 197.2 million. The increase is a result of the new factoring scheme implemented from the fourth quarter in 2006. The previous scheme involving sale of the group's trade debtors was replaced by a conventional factoring arrangement in which the trade debtors remain on Kitron'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 amount of equity.

The group's reported interest-bearing debt totalled NOK 324.7 million as at 31 March 2007. Interest-bearing debt at the end of the first quarter of 2006 was NOK 98.7 million. The increase is largely the factoring debt introduced by the change in the factoring scheme.

Following the good results over several quarters Kitron will seek 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.

Cash flow from operational activities for the first quarter of 2007 was negative by NOK 68.6 million (NOK -73.9 million). The negative cash flow is largely a result of working capital changes.

In the cash flow analysis, cash and bank credit as at 31 March 2007 comprise the following:

(Figures in NOK million)

Cash and cash equivalents	47.1
Drawings on the overdraft facility	(108.1)
Restricted bank deposits	(17.9)
<b>Total</b>	<b>(78.9)</b>

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 47.3 million at the end of the first quarter, versus NOK 64.1 million at the same time in 2006 and NOK 128.8 million at the end of 2006.

### SHAREHOLDERS

As at 31 March 2007 Kitron had 3,267 shareholders with a total of 172,961,625 shares (NOK 1.- nominal value per share). The ten largest shareholders as at 31 March 2007 were:

Clearstream Banking S.A.	29.97%
Kongsberg Gruppen ASA	19.33%
ING Luxembourg SA	13.77%
SEB Vilniaus Bankas	10.80%
MP Pensjon	6.02%
AS Hansabank Clients	1.62%
AS Bemacs	0.99%
Parentz AS	0.93%
Stiftelsen Statoils Pensjonskasse	0.79%
Verdipapirfondet NORDEA SMB	0.73%

### ORGANISATION

The Kitron workforce increased by 18 full time equivalents (FTE) in the first quarter, and corresponded to 1,297 FTE at 31 March. This represents an increase of 130 FTEs since the first quarter of 2006. The increase reflects the revenue growth.

	31.03.07	31.03.06
Full time equivalents	31.03.07	31.03.06
Kitron AS	615	583
Kitron AB	194	226
UAB Kitron	306	219
Kitron Microelectronics	170	122
Kitron ASA and Kitron Sourcing AS	12	17
<b>Total</b>	<b>1 297</b>	<b>1 167</b>

### MARKET TRENDS

#### EMS

The EMS market continues its positive development and is expected to grow by about 12 per cent annually during the period up to 2010 according to ETP – The Worldwide Electronics Manufacturing Services Market, Third Edition 2006. The growth is driven by a strong international economy as well as an increasing degree of outsourcing.

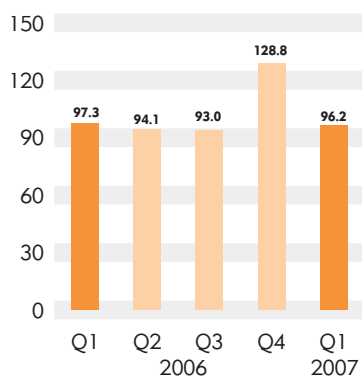
Kitron offers closeness to customers in all steps of the value chain, from design via industrialisation and production to after-market services. The group also offer top quality EMS at favourable prices through UAB Kitron. Kitron's staff and production facilities are versatile, and we are able to provide production from component-level and the traditional circuit boards as well as complex modules and complete products. Kitron takes pride in strong competency in every step of the value chain, combined with great flexibility and certified quality.

#### MICROELECTRONICS

Microelectronics technology is increasingly in demand in new areas of application. Kitron is experiencing growth with its existing custom-

## REVENUE Medical equipment

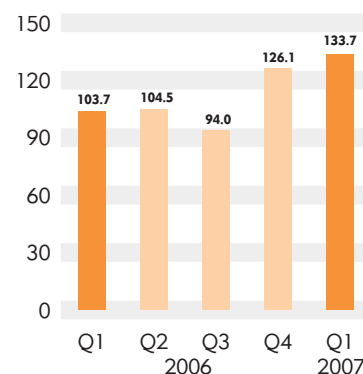
NOK million



■ ■ Kitron expects to gain market share and exploit opportunities for possible margin improvement

## REVENUE Industry

NOK million



### REVENUE BREAKDOWN Medical equipment

	Q1 2007		Q1 2006	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	52.8	55%	60.9	63%
Kitron AB (EMS)	38.3	40%	34.8	36%
UAB Kitron (EMS)	14.1	15%	12.3	13%
Microelectronics	3.2	3%	2.8	3%
Others and eliminations	(12.2)	(13%)	(13.5)	(15%)
<b>Total</b>	<b>96.2</b>	<b>100%</b>	<b>97.3</b>	<b>100%</b>

### REVENUE BREAKDOWN Industry

	Q1 2007		Q1 2006	
	NOK mill.	Share	NOK mill.	Share
Kitron AS (EMS)	79.7	60%	72.6	70%
Kitron AB (EMS)	13.4	10%	13.6	13%
UAB Kitron (EMS)	29.4	22%	13.8	13%
Microelectronics	25.1	19%	12.6	12%
Others and eliminations	(13.9)	(11%)	(8.9)	(8%)
<b>Total</b>	<b>133.7</b>	<b>100%</b>	<b>103.7</b>	<b>100%</b>

ers. The demand for assembly of complete products (HLA), ready for delivery to the end customer, is developing positively also in the Microelectronics area. Kitron has a strong offering in the area and is actively seeking growth opportunities.

The growth in Microelectronics during the first quarter came first and foremost in Sweden where Kitron's market offering is still gaining ground. Several customers are continuing their growth and have placed new and expanded production orders with Kitron.

#### Order intake remains strong

Kitron's total order intake during the first quarter amounted to NOK 461 million. This was 4 per cent less than the order intake in the first quarter of 2006. After growing order backlog during 2005 and 2006, the order backlog have stabilised at about six months' revenue.

#### DEFENCE/MARINE

Revenue in this market segment was higher than in the corresponding period of 2006, but lower than the exceptionally high revenue in the fourth quarter. Kitron expects higher activity in this market segment this year and the next compared to the level of activity in 2006. The European defence industry is forecasted to grow in the coming year as a result of strong technology focus and development of new equipment.

Kitron is well positioned to several important players and projects arranged as offset agreements with the defence industry. Such contracts have been important for Kitron in the past and will also be of significant importance going forward.

#### DATA/TELECOM

This market segment is also recovering after a comparatively weak first half in 2006. The increasing level of activity in this segment is related to products based on microelectronics technology in network infrastructure as well as conventional products. Kitron's ability to bring products rapidly and reliably to market is a key element for Kitron's increasing activity in this segment.

#### MEDICAL EQUIPMENT

There is high and stable activity in the medical equipment market sector. Kitron enjoys a strong increase in the demand from existing customers. First quarter is seasonally lower than fourth quarter of the preceding year. Kitron AS's assembly line in Horten was set up during the second half of 2006 and operates at prototype stage.

#### INDUSTRY

Kitron's revenue within the Industry segment continued to grow in first quarter. Increased volume on existing products as well as launch of certain new products have generated revenue growth within the market segment.

#### PROSPECTS

Kitron's main markets are Norway and Sweden, and the marketing and sales capacity is being increased in order to grow sales to the Swedish market.

The high level of activity gives Kitron the opportunity to continuously improve the cost effectiveness of the sites in Norway, Sweden and Lithuania. In order to improve the financial result in Kitron's Swedish operations,

Kitron is considering to transfer production from its site in Flen to the sites in Karlskoga and Jönköping in Sweden as well as Kaunas in Lithuania before the end of 2007. If the relocation will be carried out, Kitron expects that all significant customer relationships will be retained and served from the other manufacturing sites. The total business volume is expected to remain about unchanged. Kitron's Swedish operation is expected to generate profitable growth and yield overall positive results for 2007.

Experience shows that activity level and sales vary between quarters. In 2007, Kitron expects to increase its market share and exploit opportunities for possible margin improvement through economy of scale, productivity improvement and materials sourcing.

To be able to serve current customer requirements, and also gain market share, Kitron is considering various opportunities for expansion, both organic and by acquisition. The board expects higher volume and profit in 2007 than in 2006.

Oslo, 7 May 2007

The board of directors of Kitron ASA

# PROFIT AND LOSS STATEMENT

(Figures in NOK 1 000)	Q1 2007	Q1 2006	31.12.2006
Revenue	485 691	433 113	1 693 559
Cost of materials	302 453	260 811	1 015 739
Gross profit margin	37.7%	39.8%	40.0%
Payroll expenses	126 174	117 658	466 043
Other operational expenses	28 205	27 588	117 942
Operating profit before depreciation and impairments (EBITDA)	28 860	27 056	93 835
Depreciation and impairments	7 460	6 467	29 387
Operating profit (EBIT)	21 400	20 589	64 448
Net financial items	(5 708)	(4 472)	(19 009)
Profit before tax	15 692	16 117	45 439
Tax	899	251	3 763
Profit after tax	14 793	15 866	41 676
Earnings per share	0.09	0.09	0.24
Diluted earnings per share	0.09	0.09	0.24

# BALANCE SHEET

(Figures in NOK 1 000)	Q1 2007	Q1 2006	31.12.2006
<b>ASSETS</b>			
Goodwill	19 123	18 489	19 123
Tangible fixed assets	126 236	108 136	123 523
Investment in shares	41	190	41
Deferred tax assets	20 000	20 000	20 000
Other receivables	2 749	3 152	2 920
Total fixed assets	168 149	149 967	165 607
Inventory	298 910	255 761	282 891
Accounts receivable and other receivables	393 566	197 220	410 768
Cash and cash equivalents	47 116	44 221	98 264
Total current assets	739 592	497 202	791 923
Total assets	907 740	647 169	957 530
<b>LIABILITIES AND EQUITY</b>			
Equity	198 974	160 482	185 699
Total equity	198 974	160 482	185 699
Loans	31 373	41 149	31 011
Pension commitments	22 827	21 914	23 007
Other provisions	4 639	14 140	7 160
Total long-term liabilities	58 839	77 203	61 178
Accounts payable and other current liabilities	354 958	328 904	383 621
Loans	293 320	57 550	324 399
Other provisions	1 649	23 030	2 633
Total current liabilities	649 927	409 484	710 653
Total liabilities and equity	907 740	647 169	957 530

Sold receivables as at 31.03.2006 amounted to NOK 168.8 million

# CASH FLOW STATEMENT

(Figures in NOK 1 000)

	Q1 2007	Q1 2006	31.12.2006
Net cash flow from operational activities	(68 636)	(73 880)	9 642
Net cash flow from investment activities	(10 173)	(2 154)	(45 415)
Net cash flow from financing activities	(5 285)	(2 423)	(11 827)
Change in cash and bank credit	(84 094)	(78 458)	(47 601)
Cash and bank credit opening balance	5 206	52 807	52 807
Cash and bank credit closing balance	(78 888)	(25 651)	5 206

# CHANGES IN EQUITY

(Figures in NOK 1 000)

	Q1 2007	Q1 2006	31.12.2006
Equity opening balance	185 699	144 479	144 479
Profit for the year	14 793	15 866	41 676
Other *	(1 519)	137	(457)
Equity closing balance	198 974	160 482	185 699

\* Conversion differences, etc.

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



## Kitron ASA

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