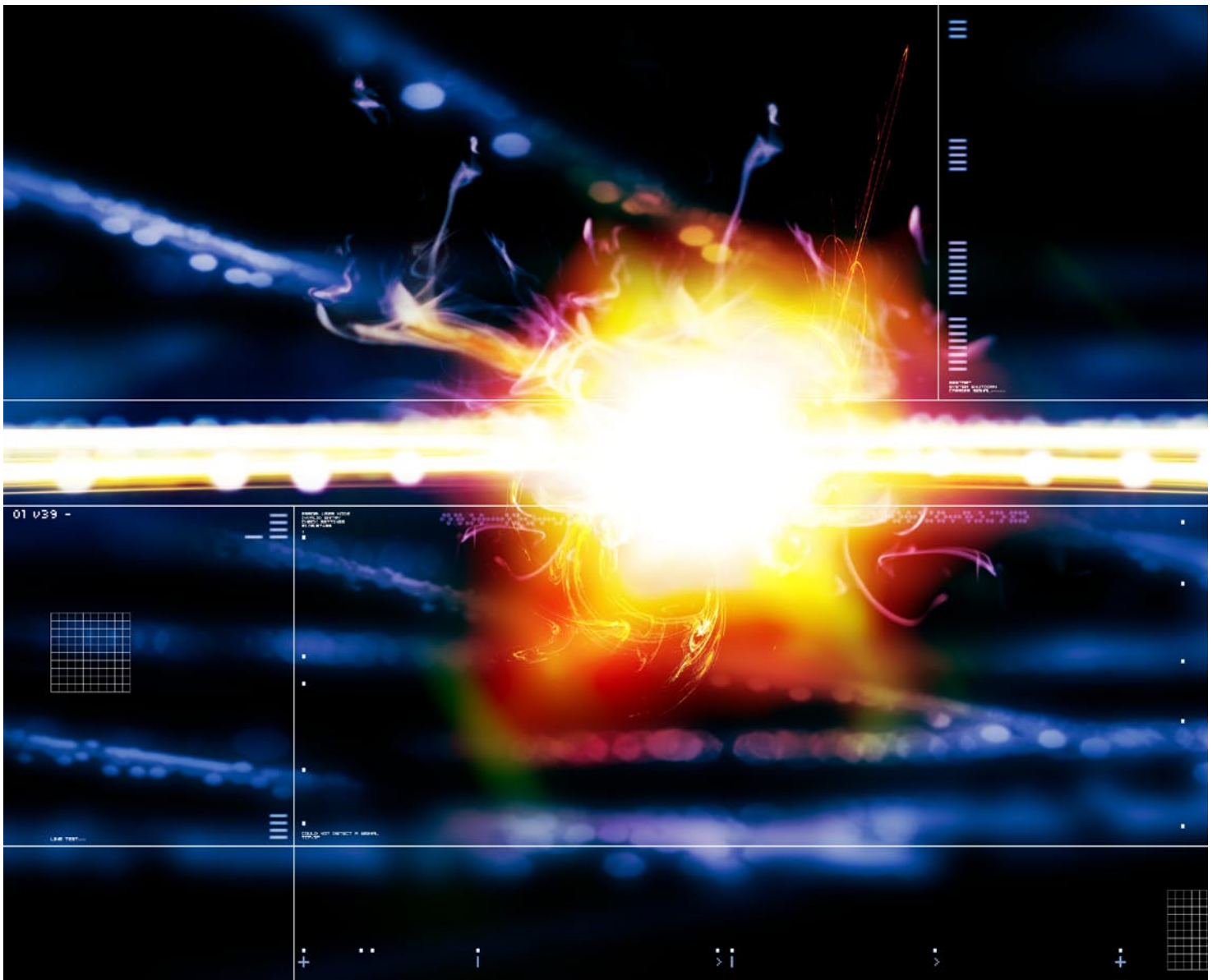


INTERIM REPORT Q42005



RESTRUCTURING STRENGTHENS OPERATIONS

A provision of NOK 49.5 million for restructuring the Norwegian EMS business affected Kitron's fourth-quarter results. The action taken is expected to yield annual savings of NOK 51 million on top of the NOK 89 million in cuts realised from the measures adopted in the autumn of 2004. Kitron's costs have thereby been sharply reduced. The order backlog strengthened to its highest level since the third quarter of 2004.

Highlights

Figures in brackets refer to the comparable period of 2004 unless otherwise specified.

- **Weak pre-tax result** A pre-tax loss of NOK 50 million (NOK -19.4 million).
- **Turnover down** NOK 443.5 million (NOK 461.1 million). A higher exchange rate for the Norwegian krone reduced revenue of about NOK 11 million.
- **Gross margin improved** 39.5 per cent (38.9 per cent).
- **Restructuring costs** NOK 49.5 million in restructuring costs charged to the fourth-quarter accounts.
- **Realised cost savings exceeded 2005 target** Operating costs reduced by NOK 88.6 million after 2004 measures, NOK 19 million above expectations.
- **Operating loss** EBITDA and EBIT were negative at NOK 37.5 million (NOK -7.1 million) and NOK 44.7 million (NOK -18.5 million) respectively.
- **Full control of UAB Kitron** Outstanding shares (33.4 per cent) in Lithuania's UAB Kitron acquired.
- **Growing order backlog** The order backlog amounted to NOK 781 million (NOK 764 million).

OPERATING REVENUES BUSINESS AREAS

NOK million	Q4 2005	Q4 2004	31.12.05	31.12.04
Kitron AS	303.6	317.0	1 088.9	1 253.6
Kitron AB	95.2	102.6	316.2	333.3
Kitron Litauen	31.0	33.6	129.5	142.9
Microelectronics	54.7	54.4	195.5	190.9
Others and eliminations	(41.0)	(46.5)	(153.8)	(172.7)
Total group	443.5	461.1	1 576.3	1 748.0

OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q4 2005	Q4 2004	31.12.05	31.12.04
Kitron AS	(42.8)	0.6	(39.3)	(31.3)
Kitron AB	0.2	(6.1)	(2.1)	(9.3)
Kitron Litauen	0.8	3.3	6.4	12.6
Microelectronics	(0.4)	(1.4)	9.1	2.0
Others and eliminations	(2.4)	(14.9)	(9.6)	(27.3)
Total group	(44.7)	(18.5)	(35.4)	(53.3)

OPERATING REVENUES

Kitron's overall operating revenues for the fourth quarter declined by 3.8 per cent from the same period of 2004 to NOK 443.5 million (NOK 461.1 million). This primarily reflected delays in starting up a number of large projects as well as a decline in markets for some of the group's customers. A high exchange rate for the Norwegian krone also had a negative effect.

Turnover has historically been at its highest in the fourth quarter. Sales by Kitron AS, the Norwegian electronic manufacturing services (EMS) business, represented 62.7 per cent of total group turnover for the period. Kitron AB, the Swedish EMS business, accounted for 19.6 per cent. Overall, EMS provided 88.7 per cent of sales both in the fourth quarter and for the year as a whole.

Kitron Lithuania accounted for 6.4 per cent of group turnover in the fourth quarter and 7.5 per cent for the full year. About 70 per cent of Lithuanian production is supplied to Kitron's units in Norway and Sweden, while remaining sales go to external customers.

Kitron Microelectronics had a good year, and accounted for 11.3 per cent of total fourth-quarter sales.

Group turnover for the full year totalled NOK 1 576.3 million (NOK 1 748 million).

Kitron's overall gross margin amounted to 39.5 per cent in the fourth quarter, corresponding to an increase of 0.6 percentage points from the same period of last year. This positive trend reflects a continued strong focus on the common sourcing function. The increase in Kitron Microelectronics' share of group turnover also made a positive contribution, since this business has a higher gross margin than the EMS side.

The gross margin for the group in 2005 was 40.3 per cent (39.2 per cent).

PROFIT AND LOSS ACCOUNT

The operating loss after restructuring and one-off costs for the fourth quarter was NOK 44.7 million, down by NOK 26.2 million from the same period of 2004. Operating loss for the

year as a whole came to NOK 35.4 million (NOK -53.3 million).

Kitron implemented a number of measures in 2004 which reduced its operating costs. That was again reflected in results for the fourth quarter, with payroll expenses and other operating costs reduced by NOK 14.4 million and NOK 9.2 million respectively from the same period of 2004. Realised cost reductions of NOK 23.6 million in the fourth quarter and NOK 88.6 million for the full year exceeded the target of NOK 70 million in savings for 2005.

As noted in the third-quarter report, it was resolved in October 2005 to reduce capacity in Kitron AS. The company planned the transfer of production from the Oslo and Kilsund units to other manufacturing sites. This process is due to be completed by 30 June 2006. In connection with the restructuring decision, a one-off charge of NOK 49.5 million was made against the fourth-quarter accounts. This figure is reduced compared to what was communicated in the third-quarter report, reflecting a lower write-down on the property in Kilsund and some reduction in estimated lease commitments in Oslo.

The company agreed during the fourth quarter to write off receivables totalling NOK 2.5 million against a supplier. This write-off has been charged to the fourth-quarter accounts. At the same time, Kitron was freed from earlier contractual purchasing commitments.

A provision of NOK 1.4 million has also been charged in the fourth quarter for a development project in the Swedish part of the business. This project resulted in an accounting loss of NOK 7 million in the group accounts for 2005. However, Kitron expects this will result in a manufacturing assignment starting in 2006.

One-off costs totalling NOK 53.4 million incurred by the group in the fourth quarter break down as follows:

- Restructuring costs: NOK 49.5 million
- Write-down of receivables: NOK 2.5 million
- Provision for project: NOK 1.4 million

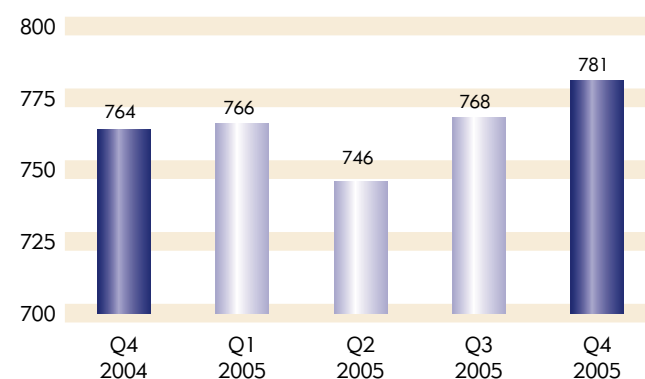
Kitron changed its pension scheme at 31 December from a defined benefit to a defined contribution basis. This means that its pension commitment has been reduced from about NOK 31 million to roughly NOK 15 million.

Option costs totalling NOK 1.2 million were charged to the accounts in the fourth quarter. The charge for the year as a whole was NOK 4.8 million. These costs are a consequence of converting to the IFRS at 1 January 2005.

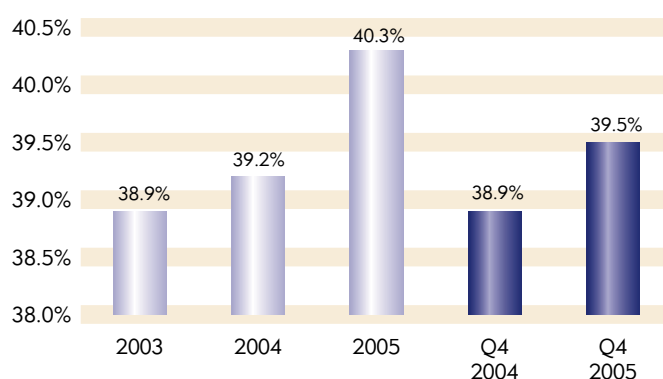
Net financial expenses for the fourth quarter totalled NOK 5.3 million, up by NOK 4.3 million from the same period of last year. Currency gains account for the low financial expenses in the fourth quarter of 2004.

DEVELOPMENT IN ORDER BACKLOG GROUP

NOK MILLION



MARGIN DEVELOPMENT GROUP



BALANCE SHEET

Kitron's balance sheet at 31 December totalled NOK 652.5 million (NOK 610.8 million). Group equity amounted to NOK 151.1 million, giving an equity ratio of 23.2 per cent.

Capital locked up in stocks has been reduced, and was NOK 242.5 million at 31 December as against NOK 246.4 a year earlier. Capital tied up in accounts receivable amounted to NOK 90.4 million at 31 December (NOK 130.8 million). Sales of accounts receivable represented NOK 208 million (NOK 223 million).

As mentioned above, NOK 49.5 million in restructuring costs have been charged to the fourth-quarter accounts. NOK 45.2 million of this amount was outstanding at 31 December.

The company's capitalised interest-bearing debt totalled NOK 52.6 million at 31 December (NOK 33.5 million), including NOK 11.8 million in long-term interest-bearing debt (NOK 16.2 million).

In December 2005, Kitron exercised its option to acquire the remaining 33.4 per cent of the shares in UAB Kitron for about NOK 11 million. One accounting consequence of this acquisition is a reduction in group equity, since it now excludes a minority share. In addition, winding up the Kilsund Invest company involved a payment of roughly NOK 1 million to minority

■ ■ Realised cost reductions for the full year exceeded the target of NOK 70 million in savings for 2005.

shareholders. The company's balance sheet at 31 December 2005 accordingly contains no minority interests.

Kitron raised NOK 44.5 million in net additional equity through a private share placement during November.

Cash flow from operations was NOK 62.3 million in the fourth quarter (NOK 82.5 million) and NOK 6.8 million for the full year.

■ ■ Cash flow from operations was NOK 62.3 million in the fourth quarter.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Kitron has reported in accordance with the IFRS from the first quarter of 2005. This interim report contains comparable figures for 2004 which have been restated to comply with the IFRS. The effect of the transition to new accounting standards is described in more detail in the first-quarter report.

SHAREHOLDERS

The company had 3 087 shareholders at 31 December, who held 172 961 625 shares with a nominal value of NOK 1 each. The 10 largest shareholders at 31 December were:

UAB Hermis Capital	39.97%
Kongsberg Gruppen ASA	19.33%
ING Luxembourg SA	9.39%
MP Pension	6.02%
Statoil Pension Fund	2.06%
J P Morgan Chase Bank	1.73%
Statoil Forsikring	1.40%
OKO Osuuspankkien KE	1.02%
Verdipapirfondet NOR	0.92%
A/S Bemacs	0.77%

ORGANISATION

Employees in Kitron at 31 December corresponded to 1 200 man-years, a decline of 50 man-years from the same period of 2004 and an increase of 16 from the third quarter of 2005.

	Man-years
Kitron AS	633
Kitron AB	228
UAB Kitron	198
Kitron Microelectronics	122
Kitron ASA/Kitron Sourcing	19
Total	1 200

MARKET DEVELOPMENTS

EMS

A positive trend in the Nordic EMS market is that product owners are increasingly considering the outsourcing of several stages in their manufacturing process, such as high-level assembly (HLA). EMS specialists are being invited to participate more extensively in the development process from concept to industrialisation for series production. Kitron is active at all stages here.

The group's deliveries are characterised by a high technological content, low volume and substantial flexibility in terms of both process and end product. Demand for such services is expected to grow in the Nordic and Baltic markets.

Since Kitron does not sell services and products directly to end-users but acts as a sub-contractor to others, it is dependent on successful customers for its own progress. The group wants to contribute to customer success through more efficient processes, shorter lead times from idea to finished product, high quality, and good terms and conditions.

Kitron has customers in a number of sectors, and a large proportion of these have an international scope. This means that demand for the group's services is influenced by a number of different factors in the world economy. A rise in oil exploration activity because of high crude prices affects demand for Kitron's deliveries to the oil supplies industry, for instance.

The complexity of Kitron's production means that sales are a time-consuming job. Fluctuating demand for customer products in a geographic market or segment could accordingly have a substantial impact on the group's turnover from quarter to quarter.

European Union requirements for removing lead and other substances hazardous to health from solder and components come into force on 1 July 2006. Kitron has worked systematically in recent years to prepare for these new standards.

MICROELECTRONICS

This business area is experiencing a positive trend, with a high level of activity. Aggressive marketing activities is expected to pay off in 2006. Growth in this market is primarily taking place in the data/telecom and industry segments. Microelectronics for new applications will also become more relevant in future, not least in lighting solutions and deliveries to the car industry. For this reason the German market looks promising to Kitron.

INCREASE IN ORDER INTAKE

New orders for the fourth quarter totalled NOK 457 million, an increase of 10 per cent from NOK 416 million in the same period of 2004.

This performance shows that Kitron is aggressively pursuing sales, and that prospects for 2006 are good.

Turnover in the fourth quarter breaks down as follows:

Defence/marine	32.6%	(30.9%)
Data/telecom	24.1%	(24.1%)
Medical equipment	22.9%	(22.7%)
Industry	20.4%	(22.3%)

DEFENCE/MARINE

Turnover in this market segment came to NOK 450.3 million for 2005 (NOK 524.1 million).

This segment is characterised by a limited number of large customers in both Norway and Sweden. The company has positioned itself in the market for offset agreements and delivers products of advanced electronics for avionic systems. Kitron is continuing to pursue a number of opportunities in the offset sector. Although the market is promising, this is first expected to have an effect for Kitron in 2007.

The level of activity in the marine segment is also rising. This sector represents a growth area for shipboard monitoring and control systems. Demand for equipment on seismic survey ships is rising as a result of the high level of oil exploration and production activity.

Turnover breakdown Q4 2005 – Defence/marine

	NOK million	Share %
Kitron AS	100.2	69%
Kitron AB	43.9	30%
Kitron Litauen	2.8	2%
Microelectronics	-	0%
Others and eliminations	(2.5)	(1%)
Total	144.4	100%

DATA/TELECOM

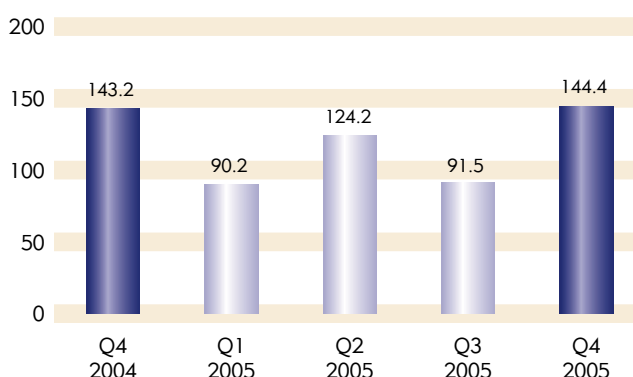
Production in the data/telecom segment totalled NOK 422.4 million in 2005 (NOK 489.5 million).

Kitron expects an expansion in this segment during 2006, even though individual customers are likely to decline from 2005. Growth is primarily expected in the Swedish market, both in EMS and microelectronics.

However, Kitron Microelectronics has strengthened its position in this market segment, primarily through equipment deliveries for road traffic surveillance. Kitron Microelectronics delivers key components for such applications.

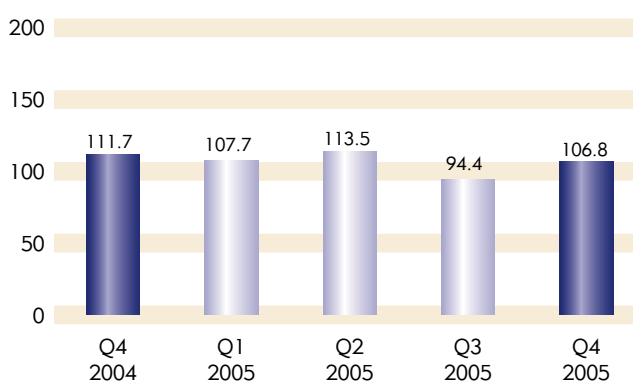
TURNOVER DEVELOPMENT DEFENCE/MARINE

NOK MILLION



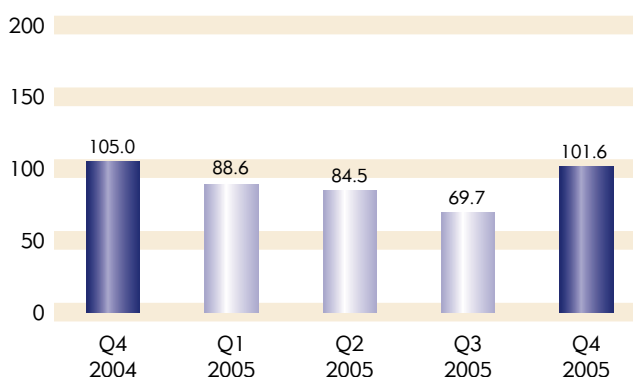
TURNOVER DEVELOPMENT DATA/TELECOM

NOK MILLION



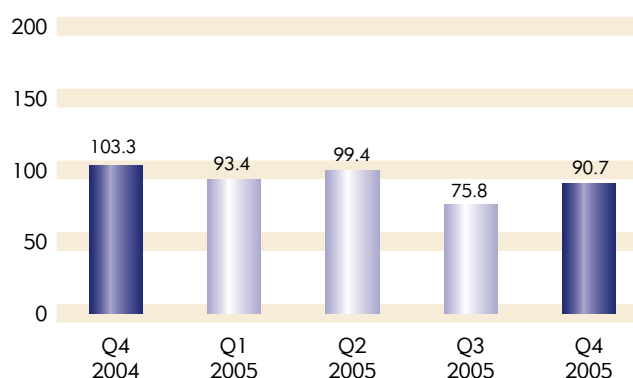
TURNOVER DEVELOPMENT MEDICAL EQUIPMENT

NOK MILLION



TURNOVER DEVELOPMENT INDUSTRY

NOK MILLION



■ ■ Customers increasingly want their technology suppliers to understand assembly and testing of complete products.

Turnover breakdown Q4 2005 – Data/telecom		
	NOK million	Share %
Kitron AS	72.6	68%
Kitron AB	0.6	1%
Kitron Litauen	4.0	4%
Microelectronics	41.3	39%
Others and eliminations	(11.7)	(12%)
Total	106.8	100%

MEDICAL EQUIPMENT

Deliveries to the medical equipment market totalled NOK 344.5 million in 2005 (NOK 364.2 million).

This segment is expanding. The productive life of medical equipment has declined as new methods are developed on a large scale and call for new hardware. Kitron is benefiting from this, and expects market progress to have an on-going effect.

Customers increasingly want their technology suppliers to understand assembly and testing of complete products. Kitron is responsible for turnkey deliveries to a number of customers, and is well positioned to secure more contracts which mean that it has control over a larger share of the value chain than traditional EMS would involve.

Turnover breakdown Q4 2005 – Medical equipment		
	NOK million	Share %
Kitron AS	60.4	59%
Kitron AB	39.0	38%
Kitron Litauen	9.9	10%
Microelectronics	2.1	2%
Others and eliminations	(9.8)	(9%)
Total	101.6	100%

INDUSTRY

Turnover in the industry segment totalled NOK 359.2 million in 2005 (NOK 370.2 million).

Kitron is working with a number of customers who expect to make considerable progress in their markets. This is likely to mean stable or increasing sales for the group from the segment in 2006. Tomra's market breakthrough in Germany is expected to have a positive impact.

Turnover breakdown Q4 2005 – Industry		
	NOK million	Share %
Kitron AS	70.4	78%
Kitron AB	11.7	13%
Kitron Litauen	14.3	16%
Microelectronics	11.3	12%
Others and eliminations	(17.0)	(19%)
Total	90.7	100%

PROSPECTS

After making substantial cost savings over the past two years, Kitron now has a structure which provides flexibility and robustness in relation to its markets.

Kitron will give priority to profitability in 2006, and aims to realise identified savings opportunities in Norway. It will also work to identify new improvement opportunities – including in the Swedish business.

Kitron expects that a reduced cost base and an increased order backlog will contribute to profitability in 2006.

The principal markets will remain Norway and Sweden, and a continued commitment in Lithuania is important in this context for maintaining the group's competitiveness. Kitron expects the Swedish part of the business to develop positively, since growth is likely to be highest in this market.

Oslo, 8 February 2006

The board of directors of Kitron ASA

KITRON ASA – INTERIM REPORT Q4 2005

Profit and loss (NOK 1 000)	Q4 2005	Q4 2004	31.12.05	31.12.04
Operating income	443 457	461 110	1 576 341	1 748 047
Cost of materials	268 438	281 554	941 242	1 062 104
Gross profit margin	39.5%	38.9%	40.3%	39.2%
Payroll expenses	126 731	141 154	463 472	528 185
Other operational expenses	36 317	45 530	124 711	148 633
Restructuring costs	49 485		49 485	24 169
EBITDA	(37 514)	(7 128)	(2 569)	(15 044)
Ordinary depreciation	7 202	9 591	30 779	36 492
Write-down of goodwill	-	1 735	2 097	1 735
Operating profit/loss (EBIT)	(44 716)	(18 454)	(35 445)	(53 271)
Net financial costs	5 288	923	22 768	18 529
Profit/loss before tax	(50 004)	(19 377)	(58 213)	(71 800)
Taxes	726	2 007	726	2 007
Profit/loss after tax	(50 730)	(21 384)	(58 939)	(73 807)
Earnings per share	(0.31)	(0.16)	(0.39)	(0.56)
Diluted earnings per share	(0.31)	(0.16)	(0.39)	(0.56)
Balance sheet (NOK 1 000)			31.12.05	31.12.04
ASSETS				
Deferred tax credits			20 000	20 000
Other intangible fixed assets			18 489	20 586
Fixed assets			112 447	120 561
Financial assets			4 045	8 524
Total fixed assets			154 981	169 671
Inventory			242 542	246 394
Accounts receivable			90 417	130 819
Receivable			51 354	33 835
Funds available			113 229	30 065
Total current assets			497 542	441 113
Total assets			652 523	610 784
LIABILITIES AND SHAREHOLDERS' EQUITY				
Paid-in equity			151 118	115 509
Retained earnings			-	-
Minority interests			-	12 558
Total shareholders' equity			151 118	128 067
Pension commitments			14 904	31 532
Provision for liabilities and charges			6 175	13 822
Debt to credit institutions			11 852	16 194
Other long term debt			29 173	22 792
Total long term debt			62 104	84 340
Debt to credit institutions			40 701	17 322
Provision for liabilities and charges			48 132	5 858
Other short term debt			350 468	375 197
Total short term debt			439 301	398 377
Total liabilities and shareholders' equity			652 523	610 784
Financing of accounts receivable as at 31.12.2005 was NOK 208.0 mill				
Cash Flow Statement (NOK 1 000)	Q4 2005	Q4 2004	31.12.05	31.12.04
Net cash flow from operational activities	62 338	82 544	6 849	(33 046)
Net cash flow from investment activities	(29 082)	(14 265)	(40 524)	(23 718)
Net cash flow from financing activities	48 971	(59 944)	116 839	34 695
Net change in cash	82 227	8 335	83 164	(22 069)
Cash balance opening balance	31 002	21 730	30 065	52 134
Cash balance closing balance	113 229	30 065	113 229	30 065
Shareholders' equity (NOK 1 000)			31.12.05	31.12.04
Shareholders' equity opening balance			128 067	147 039
Profit/loss for the year			(58 939)	(73 807)
Conversion difference			(1 049)	(2 579)
Share issue after issue costs			90 760	43 348
Change in minority interests			(12 558)	(1 139)
Equity provided through options			4 837	15 205
Shareholders' equity closing balance			151 118	128 067

This interim report has been prepared in accordance with IAS 34.



Kitron ASA

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