

Q1



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First quarter



Quarterly report for first quarter 2015

Revenue growth with improved profitability

- * Fourth consecutive quarter of improved profits
- * Revenue growth fueled by increased demand in defence
- * Strengthened order intake
- * Cash flow improved

Fourth consecutive quarter of improved profits

Kitron's revenue for the first quarter was NOK 470.6 million (NOK 435.8 million), which represents an increase of 8.0 per cent compared to the same period last year. Growth adjusted for foreign exchange effects in consolidation was 4.4 per cent. The growth in revenue came within the defence and industry sectors whereas there was a reduction in the Offshore/Marine sector.

The EBITDA was NOK 30.6 million (NOK 10.5 million), an increase of 191 per cent compared to last year. Profit after tax was NOK 13.6 million (NOK negative 1.7 million), corresponding to NOK 0.08 earnings per share (NOK negative 0.01).

Operating profit (EBIT) for the first quarter ended at NOK 20.8 million, compared to NOK 2.0 million in the same period last year. This is the fourth consecutive quarter of improved profits. Profitability expressed as EBIT as a percentage of revenue was 4.4 per cent (0.5 per cent) for the first quarter. The improved results are a consequence of increased revenue and of reductions in personnel cost performed last year, in addition to a non-recurring non-cash effect related to buy-out of pension liabilities of NOK 3.5 million in Norway.

Revenue growth fueled by increased demand in defence

Kitron's revenue in the first quarter was 8.0 per cent higher than last year, and amounted to NOK 470.6 million (NOK 435.8 million). Revenue in the market sector Defence/Aerospace increased by 49.1 per cent, Energy/Telecoms was up 9.4 per cent, Industry increased by 29.7 per cent, Medical equipment decreased by 7.6 per cent and Offshore/Marine was down 44.7 per cent compared to the first quarter of 2014.

Strengthened order intake

The order backlog ended at NOK 854.6 million (NOK 707.4 million). This is an increase of NOK 147.2 million compared to last year and a reduction of NOK 13.8 million during the quarter. Compared to last year, the large orders within the defence sector have increased order backlog

by NOK 191 million whereas the downturn in the Offshore/Marine sector has caused a reduction of NOK 38.7 million. Orders received in the quarter were NOK 461 million (NOK 408 million), an increase of 13.2 per cent compared to last year.

Kitron Norway received a contract from Lockheed Martin Mission Systems and Training for production of Integrated Backplane Assembly, for deliveries to the F-35 low rate initial production program, LRIP 9 and 10. The Integrated Backplane Assembly (IBA) is an advanced and complex High Level Assembly test, and Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter. The contract value is USD 6.5 mill.

Kitron Norway was also awarded a four-year development contract by Northrop Grumman Corporation to develop a test program set (TPS) for evaluating and troubleshooting Lightning II Joint Strike Fighter aircraft avionics. Kitron was selected as an international source for TPS equipment, which consists of complex Interface Test Assemblies that work with the LM-STAR test system developed by Lockheed Martin. The contract has a total value of NOK 16 million.

Cash flow improved

Operational cash flow was NOK 35.0 million (NOK negative 17.4 million) for the quarter, which is an increase of NOK 52.3 million compared to same quarter last year, primarily related to the improvement in profit.

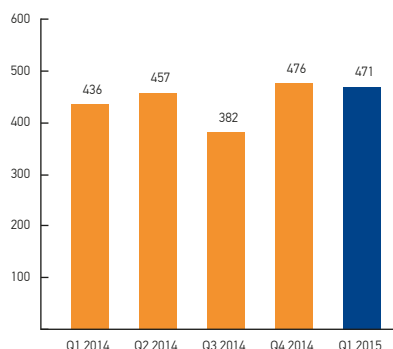
Cash conversion cycle based on three months rolling average is 106, compared to 105 last year. Working capital reduction actions continue to be in focus.

Key figures

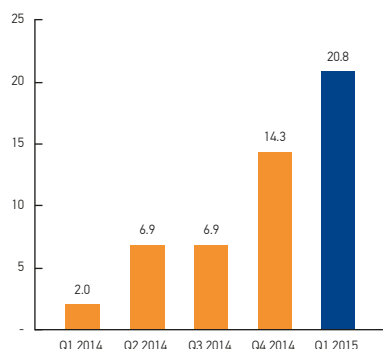
NOK million	Q1 2015	Q1 2014	Change
Revenue	470.6	435.8	34.8
EBIT	20.8	2.0	18.8
Order backlog	854.6	707.4	147.2
Operating cash flow	35.0	(17.4)	52.3
Net working capital	562.8	487.9	74.9



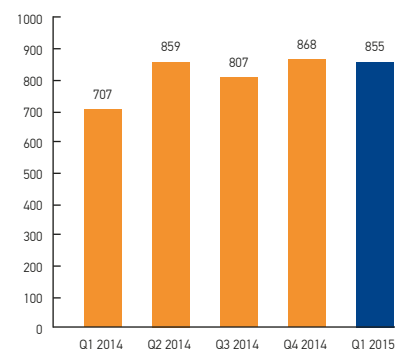
REVENUE Group NOK million



EBIT Group NOK million



ORDER BACKLOG Group NOK million



Revenue from customers in the Swedish market represented a 44.7 per cent share of the total revenue during the first quarter (45.7 per cent). The Norwegian market represented 38.4 per cent of Kitron's total revenue in the first quarter (43.6 per cent).

Contribution margin

The contribution margin, defined as revenue minus cost of materials and direct payroll expenses, increased slightly from the same period last year, mainly due to the reduction in labour costs.

Profit

Kitron's operating profit (EBIT) in the first quarter was NOK 20.8 million, which was an increase of NOK 18.8 million compared with the same period last year (NOK 2.0 million).

Profit before tax in the first quarter of 2015 was NOK 20.2 million, which was an increase of NOK 23.5 million compared to the same period last year.

The company's total payroll expenses in the first quarter were NOK 13.4 million lower than in the corresponding period in 2014. The relative payroll costs went from 28.7 per cent of revenue in the first quarter 2014 to 23.7 per cent of revenue in the first quarter this year. Other operating costs were 6.1 per cent of revenue in the first quarter of 2015 (7.1 per cent). During the quarter net financial costs amounted to NOK 0.6 million.

This was a decrease of NOK 4.7 million compared to the same period last year. The main reason for the decrease was currency effects on intra-group financial loans.

Balance sheet

Kitron's gross balance as of 31 March 2015 amounted to NOK 1 194.1 million, against NOK 1 065.3 million at the same time in 2014. Equity was NOK 497.0 million (NOK 468.6 million), corresponding to an equity ratio of 41.6 per cent (44.0 per cent).

Inventory was NOK 432.8 million as of 31 March 2015 (NOK 383.9 million). Inventory turns was up from 3.5 in the first quarter 2014 to 3.6 in the first quarter 2015.

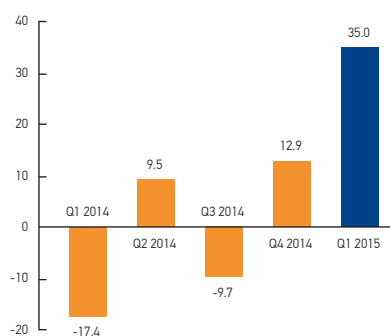
Accounts receivables amounted to NOK 380.3 million at the end of the first quarter of 2015. The corresponding amount at the same time in 2014 was NOK 316.2 million.

The group's reported interest-bearing debt amounted to NOK 337.1 million as of 31 March 2015. Interest-bearing debt at the end of the first quarter 2014 was NOK 284.7 million.

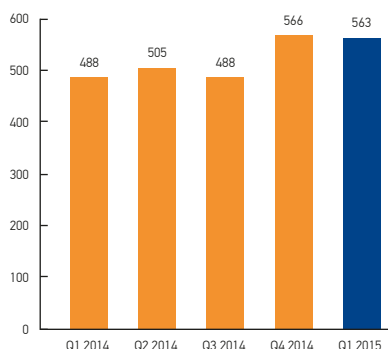
Cash flow from operational activities for the first quarter of 2015 was NOK 35.0 million (negative NOK 17.4 million).



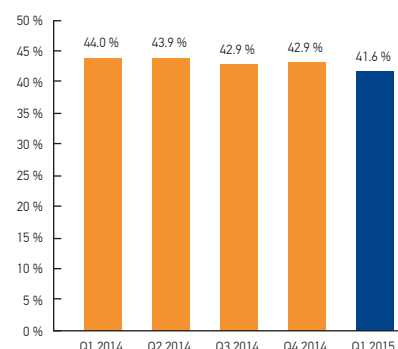
OPERATING CASH FLOW Group NOK million



NET WORKING CAPITAL Group NOK million



EQUITY RATIO Group Per cent



Revenue business entities

NOK million	Q1 2015	Q1 2014	Change	31.12.2014
Norway	231.3	226.6	4.7	857.5
Sweden	98.5	107.2	(8.7)	436.0
Lithuania	112.3	94.8	17.5	419.2
Others	85.8	40.7	45.2	239.4
Group and eliminations	(57.4)	(33.5)	(23.9)	(200.8)
Total group	470.6	435.8	34.8	1 751.3

EBIT business entities

NOK million	Q1 2015	Q1 2014	Change	31.12.2014
Norway	12.0	(0.6)	12.6	(10.0)
Sweden	3.4	3.0	0.4	14.5
Lithuania	5.1	5.7	(0.6)	27.0
Others	6.0	(1.6)	7.5	6.6
Group and eliminations	(5.7)	(4.5)	(1.1)	(8.1)
Total group	20.8	2.0	18.8	30.0

Order backlog business entities and market sectors

NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical equipment	Offshore/ Marine	Total
Norway	250.2	-	23.2	65.7	60.3	399.3
Sweden	7.1	65.7	21.0	61.1	-	154.9
Lithuania	6.4	16.6	91.1	12.1	2.3	128.6
Other	147.2	(0.1)	21.0	3.7	-	171.8
Total group	410.9	82.3	156.2	142.6	62.6	854.6

Revenue geographic markets

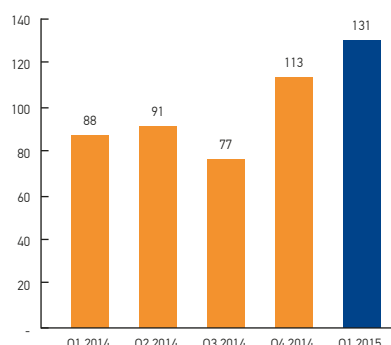
NOK million	Q1 2015	Q1 2014	Change	31.12.2014
Norway	180.9	190.0	(9.1)	742.7
Sweden	210.1	199.1	11.1	829.3
Rest of Europe	18.0	22.5	(4.5)	91.2
USA	56.6	23.4	33.2	82.5
Others	5.0	0.8	4.2	5.7
Total group	470.6	435.8	34.8	1 751.3

Full time employees

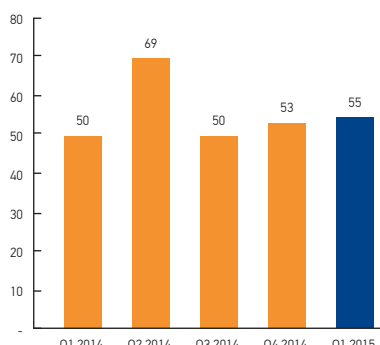
	31.03.2015	31.03.2014	Change
Norway	421	501	(80)
Sweden	131	133	(2)
Lithuania	425	378	47
Other	204	171	33
Total group	1 180	1 182	(2)



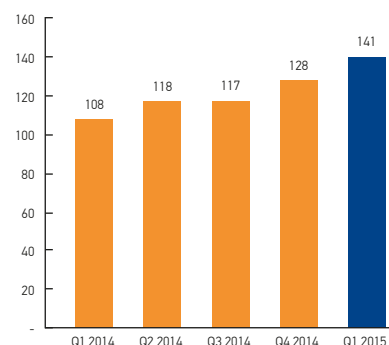
REVENUE Defence/Aerospace
NOK million



REVENUE Energy/Telecoms
NOK million



REVENUE Industry
NOK million



Organisation

The Kitron workforce corresponded to 1 180 full-time employees on 31 March 2015. This is a decrease of 2 since the first quarter of 2014. There is an increase of 80 related to the operations in Lithuania, US and China, while there is a decrease of the workforce in Norway and Sweden of 82. The number of full-time employees in low-cost regions now accounts for 53 per cent of the total.

Market

Order intake in the quarter was NOK 461.0 million, which is 13.0 per cent higher than for the first quarter 2014. The order backlog ended at NOK 854.6 million, which is 20.8 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 458.7 million at the beginning of the first quarter to NOK 472.0 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

Defence/Aerospace

The Defence/Aerospace sector consists of three main product divisions: military and civil avionics, military communication and weapon control systems.

The Defence/Aerospace sector revenue increased by 49.1 per cent compared to last year, and increased by 15.6 per cent compared to the fourth quarter 2014. The order backlog at NOK 410.9 million increased by NOK 48.7 million during the quarter. Compared to last year, the order backlog increased by NOK 190.8 million (86.7 per cent).

Several large orders have been announced in the quarter regarding deliveries within the defence sector to different customers related to the JSF striker program. The high level of activity within the defence sector continues.

Energy/Telecoms

Within the Energy/Telecoms sector Kitron offers clients particular expertise in manufacturing products such as transmission systems, high frequency microwave modules, radio frequency (RF) and remote measurement of electrical metering.

The Energy/Telecoms sector revenues increased by 9.4 per cent compared to last year, and increased by 3.0 per cent compared to the fourth quarter of 2014. The order backlog is NOK 82.3 million, a decrease of NOK 1.4 million compared to the fourth quarter in 2014, and NOK 9.7 million (10.5 per cent) lower than a year ago.

Revenue market sectors

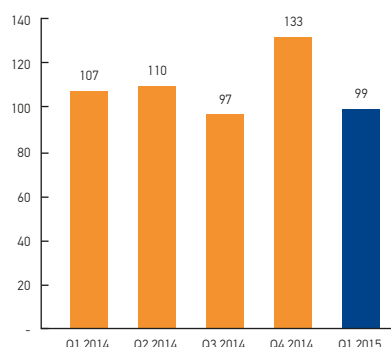
NOK million	Q1 2015	Q1 2014	Change	31.12.2014
Defence/Aerospace	130.6	87.6	42.9	368.5
Energy/Telecoms	54.6	49.9	4.7	221.7
Industry	140.6	108.4	32.2	472.1
Medical equipment	99.1	107.3	(8.2)	446.8
Offshore/Marine	45.8	82.6	(36.9)	242.2
Total group	470.6	435.8	34.8	1 751.3

Order Backlog market sectors

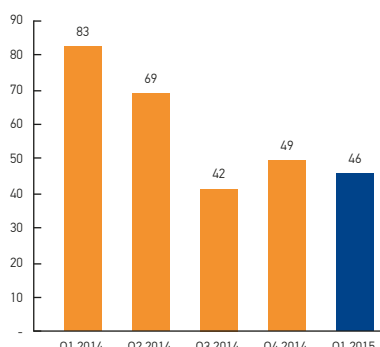
NOK million	31.03.2015	31.03.2014	Change	31.12.2014
Defence/Aerospace	410.9	220.1	190.8	362.2
Energy/Telecoms	82.3	91.9	(9.7)	83.7
Industry	156.2	154.5	1.7	188.0
Medical equipment	142.6	139.4	3.2	136.5
Offshore/Marine	62.6	101.4	(38.8)	98.0
Total group	854.6	707.4	147.2	868.4



REVENUE Medical equipment
NOK million



REVENUE Offshore/Marine
NOK million



Industry

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

The industry sector showed a revenue increase of 29.7 per cent compared to the first quarter last year, and the revenue was 9.5 per cent higher than the fourth quarter of 2014. The order backlog was increased by NOK 1.7 million (1.1 per cent) compared to the same period last year but reduced by NOK 31.8 million from the preceding quarter (minus 16.9 per cent).

The Industry sector continues to grow, due to increased revenue with existing customers as well as new customers.

Medical equipment

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

Revenue in the Medical sector decreased by 7.6 per cent compared to the same period last year. The order backlog is NOK 142.6 million, up NOK 3.2 million (2.3 per cent) from the same period last year, and increased by NOK 6.1 million compared to the preceding quarter.

In total, the activity within the Medical sector is stable.

Offshore/Marine

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

The Offshore/Marine sector revenue decreased by 44.7 per cent compared to the same period last year. The order backlog is NOK 62.6 million, a decrease of NOK 35.4 million compared to the preceding quarter and a reduction of NOK 38.8 million compared to the same period last year (minus 38.3 per cent). The decline in revenue is due to the previously announced reduction in the Norwegian market, which is connected to the general adjustment in the oil service market.

Outlook

For 2015, Kitron expects growth and a clear improvement in profitability. Growth is driven by increased demand in the Defense sector for US and Norwegian markets, as well as increases in Energy/Telecoms and Industry. Offshore/Marine will have a reduction due to oil service market in Norway.

Kitron continue to monitor the volatile currency markets and its effect on our operations.

The board emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.

Board of directors, Kitron ASA Oslo, 21 April 2015

Condensed profit and loss statement

NOK 1 000	Q1 2015	Q1 2014	31.12.2014
Revenue	470 601	435 805	1 751 300
Cost of materials	298 893	269 591	1 114 612
Payroll expenses	111 493	124 912	442 817
Other operational expenses	28 551	30 861	127 640
Other gains / (losses)	(998)	125	(1 514)
Operating profit before depreciation and impairments (EBITDA)	30 667	10 566	64 717
Depreciation and impairments	9 877	8 594	34 675
Operating profit (EBIT)	20 790	1 972	30 041
Net financial items	(590)	(5 299)	(434)
Profit (loss) before tax	20 200	(3 327)	29 607
Tax	6 615	(1 620)	5 319
Profit (loss) for the period	13 584	(1 707)	24 289
Earnings per share-basic	0.08	(0.01)	0.14
Earnings per share-diluted	0.08	(0.01)	0.14



Condensed balance sheet

NOK 1 000	31.03.2015	31.03.2014	31.12.2014
ASSETS			
Goodwill	26 786	26 786	26 786
Other intangible assets	30 294	34 903	32 409
Tangible fixed assets	153 240	115 859	162 147
Deferred tax assets	99 801	102 828	105 407
Total non-current assets	310 122	280 376	326 750
Inventory	432 756	383 859	402 260
Accounts receivable	380 305	316 180	377 824
Other receivables	41 938	43 890	32 823
Cash and cash equivalents	29 024	40 948	12 337
Total current assets	884 023	784 876	825 244
Total assets	1 194 145	1 065 252	1 151 994
LIABILITIES AND EQUITY			
Equity	497 048	468 608	494 683
Total equity	497 048	468 608	494 683
Deferred tax liabilities	1 027	1 054	1 081
Loans	43 763	31 573	15 277
Pension commitments	8 038	8 552	12 241
Total non-current liabilities	52 828	41 179	28 599
Accounts payable	250 302	212 137	214 611
Other payables	92 555	87 522	84 962
Loans	293 299	253 100	320 938
Other provisions	8 114	2 705	8 200
Total current liabilities	644 270	555 465	628 712
Total liabilities and equity	1 194 145	1 065 252	1 151 994

Condensed cash flow statement

NOK 1 000	Q1 2015	Q1 2014	31.12.2014
Net cash flow from operational activities	34 961	(17 366)	(4 763)
Net cash flow from investment activities	(2 659)	(991)	(62 959)
Net cash flow from financing activities	21 149	(6 542)	(16 521)
Change in cash, cash equivalents and bank overdraft	53 452	(24 900)	(84 244)
Cash, cash equivalents and bank overdraft at 1 January	(122 662)	(27 585)	(27 586)
Exchange gains (losses) on cash and cash equivalents	(2 032)	2 022	(10 832)
Cash, cash equivalents and bank overdraft closing balance	(71 242)	(50 463)	(122 662)

Consolidated statement of comprehensive income

NOK 1 000	Q1 2015	Q1 2014	31.12.2014
Profit (loss) for the period	13 584	(1 707)	24 289
Actuarial gain / losses	-	-	(4 337)
Currency translation differences and other changes	(11 583)	(3 586)	234
Total comprehensive income for the period	2 001	(5 292)	19 718
Allocated to shareholders	2 001	(5 292)	19 718

Changes in equity

NOK 1 000	31.03.2015	31.03.2014	31.12.2014
Equity opening balance	494 683	473 709	473 709
Profit (loss) for period	13 584	(1 707)	24 289
Effect from options	363	192	1 257
Other comprehensive income for the period	(11 583)	(3 586)	(4 571)
Equity closing balance	497 048	468 608	494 683



Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the fourth quarter of 2014 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 2014. 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 2014, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2014 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 2014.

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 2015.

Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses.



Your ambition. Our passion.

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Norway

Kitron is a medium-size Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Germany, China and the US and has about 1 200 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.