

Q1 2016



Kitron

Your ambition. Our passion.



Defence/Aerospace
Energy/Telecoms
Industry
Medical devices
Offshore/Marine

Norway
Sweden
Lithuania
Germany
USA
China



Continued growth, solid order backlog

- * Revenue continues to grow
- * Underlying profitability improved
- * Solid order backlog
- * Key defence order

Revenue continues to grow

Kitron's revenue for the first quarter was NOK 497 million. The Industry market sector performed particularly well, with a revenue growth of 35 per cent. As in preceding quarters, revenue within Offshore/Marine continues to fall due to the general downturn in the oil service market. Growth was very strong for the business units in Lithuania and Sweden, which increased revenues by 54 and 32 per cent, respectively.

Underlying profitability improved

Operating profit (EBIT) for the first quarter ended at NOK 20.5 million (NOK 20.8 million). Profitability expressed as EBIT as a percentage of revenue was 4.1 per cent (4.4 per cent).

In the quarter one-off costs of NOK 5 million have been booked related to a contemplated acquisition process that ultimately was deemed not to be in the best interest of Kitron's shareholders, and therefore terminated. In first quarter of 2015 there was a one-off related to buy-out of pension liabilities having a positive effect of NOK 3.5 million. Adjusted for this, the underlying profit (EBIT) is increased from NOK 17.3 million (3.7 per cent) in the first quarter 2015 to NOK 25.5 million (5.1 per cent) in the first quarter 2016.

The completed factory move in Norway has had a negative impact on efficiency and profitability in the first quarter.

EBITDA was NOK 31.5 million (NOK 30.7 million). Profit after tax was NOK 10.0 million (NOK 13.6 million), corresponding to undiluted earnings per share of NOK 0.06 (NOK 0.08).

In Kitron's opinion, the underlying trend of improving profitability remains unchanged.

Revenues in Norway are in line with the assumptions made for the previously announced facility relocation in Arendal. The relocation has gone well, and the first production started in the beginning of January, however the move affected efficiencies and profit in the quarter.

Cash conversion is at the same level as the last quarter despite a temporary increase of inventory in preparation of planned Defence/Aerospace deliveries in the second quarter. Operational cash flow was NOK minus 25.3 million (NOK 35.0 million) for the quarter.

Solid order backlog

The order backlog ended at NOK 902 million, an increase of 6 per cent compared to last year. Growth in order backlog was especially strong in the Industry market sector, with an increase of 56 per cent. As in preceding quarters, the order backlog within Offshore/Marine continues to fall due to the general downturn in the oil service market.

Orders received in the quarter were NOK 438.2 million.

Key defence order

On 31 March it was announced that Kitron has been selected as an international source for manufacturing of a sub-assembly related to the JSF Radar system developed by Northrop Grumman Corporation for the F-35 Lightning II. The contract has a potential value of more than NOK 500 million over the serial production lifespan of the F-35 program.

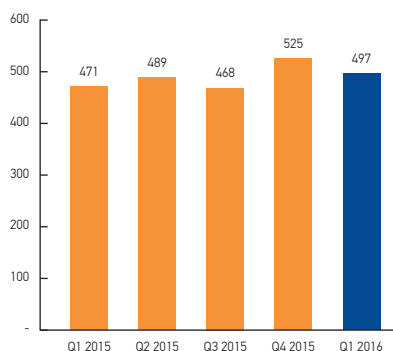
The initial steps of transferring technical knowhow and manufacturing prototypes for testing and validation, as well as designing and building equipment for testing, will be on-going to mid-2017. Serial production will commence after completion of testing and validation.

Key figures

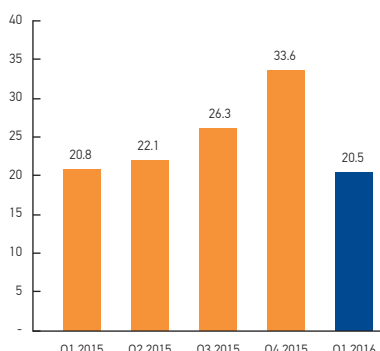
NOK million	Q1 2016	Q1 2015	Change
Revenue	497.0	470.6	26.4
EBIT	20.5	20.8	(0.3)
Order backlog	901.7	854.6	47.1
Operating cash flow	(25.3)	35.0	(60.3)
Net working capital	522.1	562.8	(40.7)



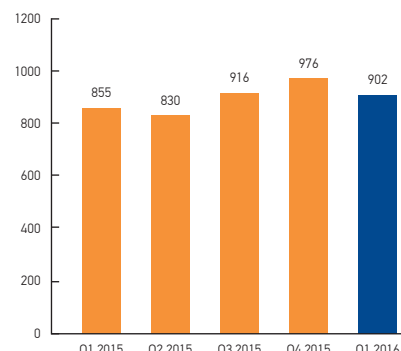
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



Key figures

Revenue from customers in the Swedish market represented a 53.0 per cent share of the total revenue during the first quarter (44.7 per cent). The Norwegian market represented 33.4 per cent of Kitron's total revenue in the first quarter (38.4 per cent).

Contribution margin

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

Profit

Kitron's operating profit (EBIT) in the first quarter was NOK 20.5 million, which was at the same level compared with the same period last year (NOK 20.8 million). The first quarter EBIT is negatively influenced by the NOK 5 million one-off costs related to a terminated acquisition process.

Profit before tax in the first quarter of 2016 was NOK 10.4 million, which was a decrease of NOK 9.8 million compared to the same period last year.

The company's total payroll expenses in the first quarter were NOK 4.3 million higher than in the corresponding period in 2015. The relative payroll costs ended at 23.3 per cent, down from 23.7 per cent of revenue in the first quarter last year. Other operating costs were 6.7 per cent of revenue in the first quarter of 2016 (6.1 per cent). The increase is related to the terminated acquisition process.

During the quarter net financial items amounted to a net cost of NOK 10.1 million. The corresponding figure for the first quarter last year was a net cost of NOK 0.6 million. The main reason for the net change was non-cash currency effects on intra- group financial loans.

Balance sheet

Kitron's gross balance as of 31 March 2016 amounted to NOK 1 299.5 million, compared to NOK 1 194.1 million at the same time in 2015. Equity was NOK 573.6 million (NOK 497.0 million), corresponding to an equity ratio of 44.1 per cent (41.6 per cent).

Inventory was NOK 421.6 million as of 31 March 2016 (NOK 432.8 million). Inventory turns was 3.6 in the first quarter 2016, which was at the same level as for the first quarter last year (3.6).

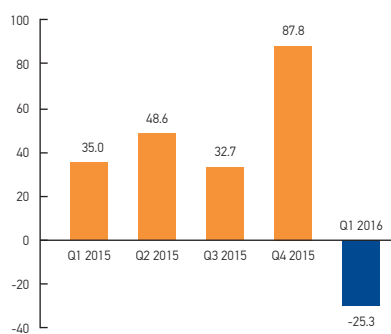
Accounts receivables amounted to NOK 409.0 million at the end of the first quarter of 2016. The corresponding amount at the same time in 2015 was NOK 380.3 million.

The group's reported interest-bearing debt amounted to NOK 309.9 million as of 31 March 2016. Interest-bearing debt at the end of the first quarter 2015 was NOK 337.1 million.

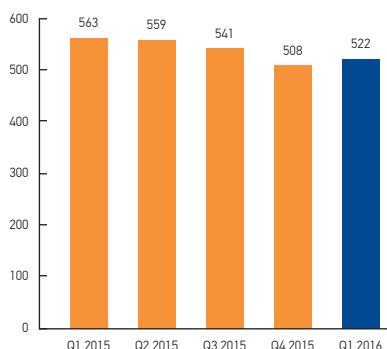
Cash flow from operational activities for the first quarter of 2016 was NOK minus 25.3 million (NOK 35.0 million).



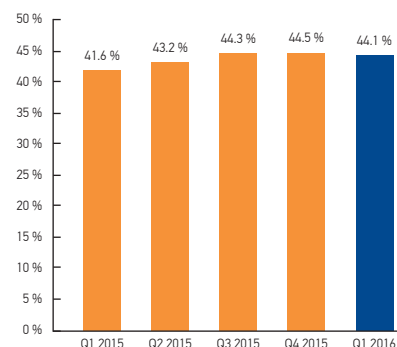
OPERATING CASH FLOW Group
NOK million



NET WORKING CAPITAL Group
NOK million



EQUITY RATIO Group
Per cent



Revenue business entities

NOK million	Q1 2016	Q1 2015	Change	31.12.2015
Norway	184.2	231.3	(47.2)	859.2
Sweden	129.8	98.5	31.3	483.5
Lithuania	173.4	112.3	61.0	472.2
Others	76.3	85.8	(9.5)	387.1
Group and eliminations	(66.7)	(57.4)	(9.3)	(250.2)
Total group	497.0	470.6	26.4	1 951.8

EBIT business entities

NOK million	Q1 2016	Q1 2015	Change	31.12.2015
Norway	0.6	12.0	(11.4)	36.7
Sweden	10.3	3.4	6.9	26.5
Lithuania	15.4	5.1	10.3	23.5
Others	3.4	6.0	(2.6)	32.7
Group and eliminations	(9.2)	(5.7)	(3.5)	(16.6)
Total group	20.5	20.8	(0.3)	102.7

Order backlog business entities and market sectors

NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical devices	Offshore/ Marine	Total
Norway	276.5	-	34.8	52.0	21.1	384.4
Sweden	36.7	65.6	24.7	63.3	-	190.3
Lithuania	2.0	21.0	158.6	29.7	-	211.3
Other	85.8	1.2	24.9	3.8	-	115.7
Total group	401.0	87.8	243.0	148.7	21.1	901.7

Revenue geographic markets

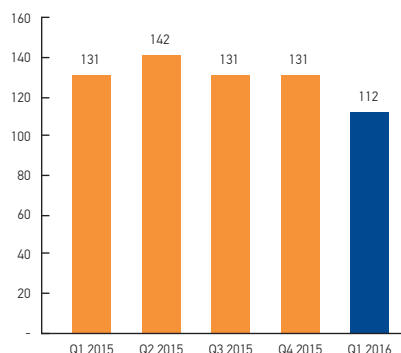
NOK million	Q1 2016	Q1 2015	Change	31.12.2015
Norway	168.9	180.9	(12.0)	719.7
Sweden	263.2	210.1	53.0	902.2
Rest of Europe	19.1	18.0	1.1	68.4
USA	38.3	56.6	(18.3)	234.9
Others	7.6	5.0	2.7	26.7
Total group	497.0	470.6	26.4	1 951.8

Full time employees

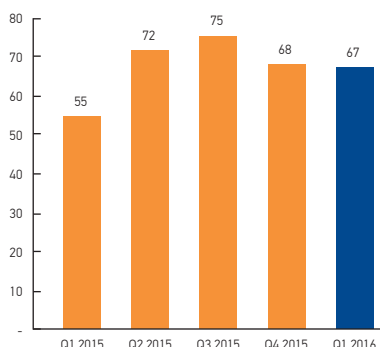
	31.03.2016	31.03.2015	Change
Norway	380	421	(41)
Sweden	132	131	1
Lithuania	547	425	122
Other	194	204	(10)
Total group	1 253	1 180	73

**REVENUE Defence/Aerospace**

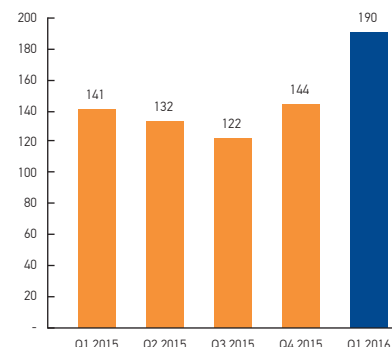
NOK million

**REVENUE Energy/Telecoms**

NOK million

**REVENUE Industry**

NOK million

**Organisation**

The Kitron workforce corresponded to 1 253 full-time employees on 31 March 2016. This is an increase of 73 since the first quarter of 2015. There is a decrease of 41 related to the operations in Norway, while there is an increase of the workforce in Lithuania of 122. The number of full-time employees in low-cost regions now accounts for 59 per cent of the total.

Market

Order intake in the quarter was NOK 438.2 million, which is 4.9 per cent lower than for the first quarter 2015. The order backlog ended at NOK 901.7 million, which is 5.5 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 500.6 million at the beginning of the first quarter to NOK 494.9 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 decreased by 13.9 per cent compared to last year. The order backlog at NOK 401.0 million decreased by NOK 21.8 million during the quarter. Compared to last year, the order backlog decreased by NOK 9.9 million (2.4 per cent).

The Defence /Aerospace is characterised by project deliveries, which vary between the quarters, and is the primary reason for reduction in revenue in this quarter and build-up of inventory.

The high level of activity in the defence sector continues, driven by roll-out of military communications equipment in Norway and supported by a quicker ramp-up of deliveries of defence projects in Sweden. Kitron's expansion of its footprint in the F35 program secures the company's future position as a strong partner within the defence sector.

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 22.7 per cent compared to last year, and decreased by 1.8 per cent compared to the fourth quarter of 2015. The order backlog is NOK 87.8 million, a decrease of NOK 8.2 million compared to the fourth quarter in 2015, and NOK 5.5 million (6.7 per cent) higher than a year ago.

The revenue increase is driven by growth in North America for existing customers.

Revenue market sectors

NOK million	Q1 2016	Q1 2015	Change	31.12.2015
Defence/Aerospace	112.4	130.6	(18.1)	535.2
Energy/Telecoms	66.9	54.6	12.4	269.6
Industry	190.4	140.6	49.8	538.5
Medical devices	114.1	99.1	15.0	472.6
Offshore/Marine	13.2	45.8	(32.6)	135.8
Total group	497.0	470.6	26.4	1 951.8

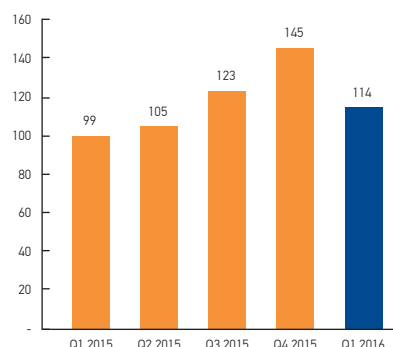
Order Backlog market sectors

NOK million	31.03.2016	31.03.2015	Change	31.12.2015
Defence/Aerospace	401.0	410.9	(9.9)	422.8
Energy/Telecoms	87.8	82.3	5.5	96.0
Industry	243.0	156.2	86.9	285.5
Medical devices	148.7	142.6	6.1	148.2
Offshore/Marine	21.1	62.6	(41.5)	23.1
Total group	901.7	854.6	47.1	975.6



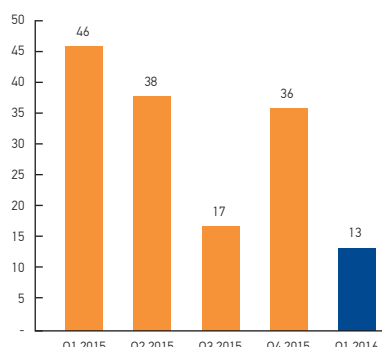
REVENUE Medical devices

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 35.4 per cent compared to the first quarter last year, and the revenue was 32.2 per cent higher than the fourth quarter of 2015. The order backlog increased by NOK 86.8 million (55.6 per cent) compared to the same period last year and decreased by NOK 42.5 million from the preceding quarter (14.9 per cent).

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

Medical devices

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

Revenue in the Medical device sector increased by 15.2 per cent compared to the same period last year. The order backlog is NOK 148.7 million, up NOK 6.1 million (4.3 per cent) from the same period last year, and at the same level as the preceding quarter.

The increase in revenue is due to previously announced contracts and increased demand from existing customers.

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 71.2 per cent compared to the same period last year. The order backlog is NOK 21.1 million, a decrease of NOK 2.0 million compared to the preceding quarter and a reduction of NOK 41.5 million compared to the same period last year (66.3 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 2016, Kitron expects revenue of between NOK 2 050 and 2 250 million and EBIT margin of 5.3 to 6.3 per cent. The growth is driven by increased demand in the Industry and Defence/Aerospace sectors. The profitability increase is driven by cost reduction activities and improved efficiency.

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

Oslo, 21 April 2016, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q1 2016	Q1 2015	31.12.2015
Revenue	497 006	470 601	1 951 818
Cost of materials	316 571	298 893	1 244 121
Payroll expenses	115 748	111 493	443 656
Other operational expenses	33 209	28 551	123 693
Other gains / (losses)	50	(998)	3 697
Operating profit before depreciation and impairments (EBITDA)	31 528	30 667	144 044
Depreciation and impairments	11 035	9 877	41 303
Operating profit (EBIT)	20 493	20 790	102 741
Net financial items	(10 126)	(590)	(422)
Profit (loss) before tax	10 367	20 200	102 319
Tax	336	6 615	30 094
Profit (loss) for the period	10 031	13 584	72 225
Earnings per share-basic	0.06	0.08	0.42
Earnings per share-diluted	0.06	0.08	0.41



Condensed balance sheet

NOK 1 000	31.03.2016	31.03.2015	31.12.2015
ASSETS			
Goodwill	26 786	26 786	26 786
Other intangible assets	23 820	30 294	25 843
Tangible fixed assets	205 461	153 240	211 828
Deferred tax assets	84 930	99 801	84 810
Total non-current assets	340 997	310 122	349 267
Inventory	421 628	432 756	361 350
Accounts receivable	408 976	380 305	398 500
Other receivables	47 506	41 938	45 900
Cash and cash equivalents	80 399	29 024	118 958
Total current assets	958 509	884 023	924 709
Total assets	1 299 506	1 194 145	1 273 976
LIABILITIES AND EQUITY			
Equity	573 577	497 048	566 510
Total equity	573 577	497 048	566 510
Deferred tax liabilities	1 045	1 027	1 068
Loans	58 064	43 763	64 170
Pension commitments	6 502	8 038	6 502
Total non-current liabilities	65 610	52 828	71 740
Accounts payable	308 512	250 302	252 250
Other payables	98 482	92 555	96 382
Loans	251 789	293 299	281 687
Other provisions	1 535	8 114	5 407
Total current liabilities	660 318	644 270	635 726
Total liabilities and equity	1 299 506	1 194 145	1 273 976

Condensed cash flow statement

NOK 1 000	Q1 2016	Q1 2015	31.12.2015
Net cash flow from operational activities	(25 315)	34 961	204 070
Net cash flow from investment activities	(6 503)	(2 659)	(75 926)
Net cash flow from financing activities	(6 860)	21 149	56 033
Change in cash and bank credit	(38 678)	53 452	184 176
Cash and bank credit opening balance	43 644	(122 662)	(122 662)
Currency conversion of cash and bank credit	3 783	(2 032)	(17 870)
Cash and bank credit closing balance	8 749	(71 242)	43 644

Consolidated statement of comprehensive income

NOK 1 000	Q1 2016	Q1 2015	31.12.2015
Profit (loss) for the period	10 031	13 584	72 225
Actuarial gain / losses pensions	-	-	143
Actuarial gain / losses forward contract	-	-	(1 063)
Currency translation differences	(4 506)	(11 583)	7 374
Total comprehensive income for the period	5 525	2 001	78 678
Allocated to shareholders	5 525	2 001	78 678

Changes in equity

NOK 1 000	31.03.2016	31.03.2015	31.12.2015
Equity opening balance	566 510	494 683	494 683
Paid dividends	-	-	(8 648)
Effect from options	1 542	363	1 797
Other comprehensive income for the period	(4 506)	(11 583)	6 454
Equity closing balance	573 577	497 048	566 510



Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the first quarter of 2016 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 2015. 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 2015, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2015 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 2015.

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 2016.

Note 4 – Other gains and losses

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



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Kitron is an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1200 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.