

Q4



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Fourth quarter



Quarterly report for fourth quarter 2015

Seventh consecutive quarter of improved profits

- * Profitability continues to increase
- * Full year improvement and proposed dividend increase
- * Strong overall revenue growth
- * Strengthened order backlog
- * Significantly improved operational cash flow
- * Facility upgrades and relocations in Sweden and Norway

Continued profitability improvement

Kitron's revenue for the fourth quarter was NOK 524.6 million (NOK 476.3 million), which represents an increase of 10.1 per cent compared to the same period last year. Growth adjusted for foreign exchange effects in consolidation was 3.7 per cent. The fourth quarter EBITDA was NOK 44.3 million (NOK 23.4 million), an increase of 89.2 per cent compared to last year. Profit after tax was NOK 22.6 million (NOK 17.3 million), corresponding to NOK 0.13 earnings per share (NOK 0.10).

Operating profit (EBIT) for the fourth quarter ended at NOK 33.6 million, compared to NOK 14.3 million in the same period last year. Profitability expressed as EBIT as a percentage of revenue was 6.4 per cent (3.0 per cent) for the fourth quarter. The substantially improved results are a consequence of increased revenue, improved product mix and increased service sales, both from development and engineering. In general, there is a stronger demand for technical services than last year.

Full year improvement

Full year revenue of NOK 1 951.8 million (NOK 1 751.3 million) gave an overall revenue growth of 11.4 per cent for the year. Growth adjusted for foreign exchange effects in consolidation was 5.7 per cent. Operating profit for the year ended at NOK 102.7 million (NOK 30.0 million), resulting in an EBIT margin of 5.3 per cent (1.7 per cent).

The EBITDA was NOK 144.0 million (NOK 64.7 million), an increase of 122.5 per cent compared to last year. Profit after tax was NOK 72.2 million (NOK 24.3 million), corresponding to NOK 0.42 earnings per share (NOK 0.14).

Following a fundamental strengthening of Kitron's business, with an improved profitability and successful programs to improve the working capital, the board has decided to adjust the company's dividend policy. The new policy is as follows: "Kitron's dividend policy is to pay out an annual dividend between 30 and 60 per cent of the company's ordinary net profit after tax. When deciding on the annual pay-out ratio the company will evaluate the cash requirements and financial flexibility required in the company." The revised policy will improve the direct returns for shareholders and the higher capital efficiency will have a positive impact on the return on capital employed.

Key figures

NOK million	Q4 2015	Q4 2014	Change	31.12.2015	31.12.2014	Change
Revenue	524.6	476.3	48.2	1 951.8	1 751.3	200.5
EBIT	33.6	14.3	19.3	102.7	30.0	72.7
Order backlog	975.6	868.4	107.1	975.6	868.4	107.1
Operating cash flow	87.8	12.9	74.9	204.1	(4.8)	208.8
Net working capital	507.6	565.5	(57.9)	507.6	565.5	(57.9)

The board proposes that the Annual General Meeting decides on a dividend of NOK 0.21 per share.

Strong overall revenue growth

Kitron's revenue in the fourth quarter was 10.1 per cent higher than last year, and amounted to NOK 524.6 million (NOK 476.3 million). Growth adjusted for the reduction in the Offshore/Marine sector was 14.4 per cent. Revenue in the market sector Defence/Aerospace increased by 16.2 per cent, driven by rollout of military communications equipment orders announced in the previous quarter. Medical equipment increased by 9.5 per cent driven by announced contracts and increased demand from existing customers. Energy/Telecoms was up 28.3 per cent, driven by growth in North America for existing customers. Offshore/Marine was down 27.3 per cent compared to the fourth quarter of 2014 due to a very weak market, as previously noted.

Strengthened order backlog

The order backlog ended at NOK 975.6 million (NOK 868.4 million). This is an increase of NOK 107.2 million (12.3 per cent) compared to last year, in spite of a reduction of NOK 74.9 million within the Offshore/Marine sector. Orders received in the quarter were NOK 566.5 million (NOK 492.6 million), an increase of 15.0 per cent compared to last year.

Of particular strategic importance, Kitron in the fourth quarter signed an agreement with a global energy company. The company is headquartered in the US, and Kitron will deliver prototypes and serial manufacturing for a specific product family of power controllers. The agreement is valid for three years with an option of a one-year extension. The deal is estimated to be worth NOK 100 million for Kitron.

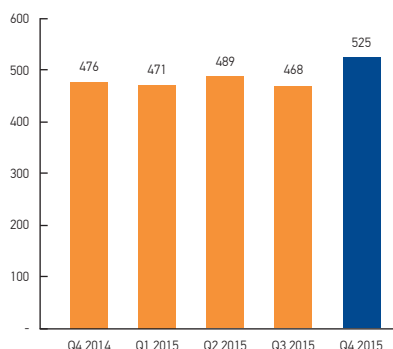
Significantly improved operational cash flow

Operational cash flow was NOK 87.8 million (NOK 12.9 million) for the quarter, which is an increase of NOK 74.9 million compared to same quarter last year.

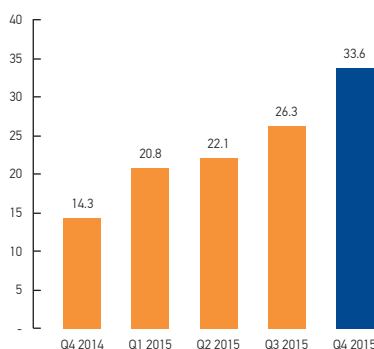
In the quarter, net working capital has been reduced by NOK 33.7 million, and cash conversion cycle based on three months rolling average is reduced by 15 days to 90 days (105 days).



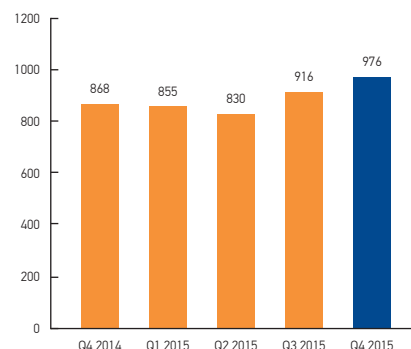
REVENUE Group NOK million



EBIT Group NOK million



ORDER BACKLOG Group NOK million



Facility upgrades and relocations in Sweden and Norway

Kitron has decided to relocate the Swedish operations to a facility that will be built for Kitron in Torsvik, not far from the current facility in Jönköping. Kitron will lease the new facility, and the move is expected to take place in late 2016. Kitron will make EMS customization investments of NOK 8.5 million in the leased facility. One-off costs relating to the move are expected to be NOK 1.4 million and were charged in the fourth quarter of 2015. In the fourth quarter of 2014 there was charged NOK 6.9 in one-off costs related to the move of the Norwegian operation in Arendal.

The relocation of the Norwegian facility in Arendal, from Hisøy to Kilsund is performed according to plan and budget. The first production in Kilsund started up in the beginning of January.

Key figures

Revenue from customers in the Swedish market represented a 47.4 per cent share of the total revenue during the fourth quarter (45.7 per cent). The Norwegian market represented 37.4 per cent of Kitron's total revenue in the fourth quarter (40.4 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 fourth quarter was NOK 33.6 million, which was an increase of NOK 19.3 million compared with the same period last year (NOK 14.3 million).

Profit before tax in the fourth quarter of 2015 was NOK 32.9 million, which was an increase of NOK 10.0 million compared to the same period last year.

The company's total payroll expenses in the fourth quarter were NOK 10.2 million higher than in the corresponding period in 2014. The relative payroll costs ended at 23.4 per cent, down from 23.7 per cent of revenue in the fourth quarter last year. Other operating costs were 6.6 per cent of revenue in the fourth quarter of 2015 (8.1 per cent).

During the quarter net financial items amounted to a net cost of NOK 0.7 million. The corresponding figure for the fourth quarter last year was a net income of NOK 8.6 million. The main reason for the net change was currency effects on intra- group financial loans.

Balance sheet

Kitron's gross balance as of 31 December 2015 amounted to NOK 1 274.0 million, compared to NOK 1 152.0 million at the same time in 2014. Equity was NOK 566.5 million (NOK 494.7 million), corresponding to an equity ratio of 44.5 per cent (42.9 per cent).

Inventory was NOK 361.4 million as of 31 December 2015 (NOK 402.3 million). Inventory turns was 4.0 in the fourth quarter 2015. For the fourth quarter 2014 inventory turns was 3.5.

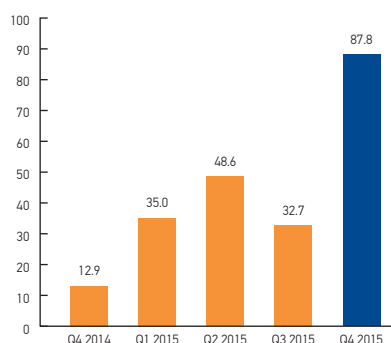
Accounts receivables amounted to NOK 398.5 million at the end of the fourth quarter of 2015. The corresponding amount at the same time in 2014 was NOK 377.8 million.

The group's reported interest-bearing debt amounted to NOK 345.9 million as of 31 December 2015. Interest-bearing debt at the end of the fourth quarter 2014 was NOK 336.2 million.

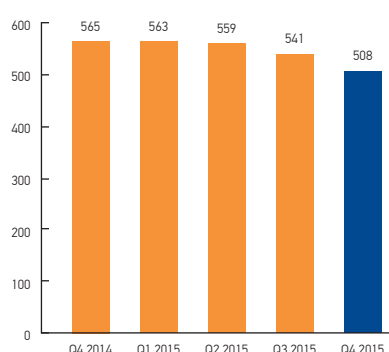
Cash flow from operational activities for the fourth quarter of 2015 was NOK 87.8 million (NOK 12.9 million).



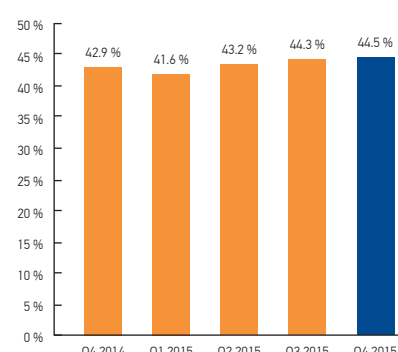
OPERATING CASH FLOW Group
NOK million



NET WORKING CAPITAL Group
NOK million



EQUITY RATIO Group
Per cent



Revenue business entities

NOK million	Q4 2015	Q4 2014	Change	31.12.2015	31.12.2014	Change
Norway	227.7	225.1	2.6	859.2	857.5	1.7
Sweden	140.2	123.3	16.8	483.5	436.0	47.5
Lithuania	129.2	109.1	20.1	472.2	419.2	52.9
Others	89.8	71.5	18.3	387.1	239.4	147.7
Group and eliminations	(62.3)	(52.7)	(9.6)	(250.2)	(200.8)	(49.3)
Total group	524.6	476.3	48.2	1 951.8	1 751.3	200.5

EBIT business entities

NOK million	Q4 2015	Q4 2014	Change	31.12.2015	31.12.2014	Change
Norway	11.3	3.5	7.9	36.7	(10.0)	46.7
Sweden	6.7	7.3	(0.6)	26.5	14.5	11.9
Lithuania	7.5	6.0	1.5	23.5	27.0	(3.5)
Others	7.6	4.0	3.7	32.7	6.6	26.1
Group and eliminations	0.5	(6.4)	6.9	(16.6)	(8.1)	(8.5)
Total group	33.6	14.3	19.3	102.7	30.0	72.7

Order backlog business entities and market sectors

NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical equipment	Offshore/ Marine	Total
Norway	294.7	-	41.4	54.6	20.5	411.1
Sweden	30.0	73.3	29.2	60.7	-	193.2
Lithuania	4.1	21.3	189.5	28.9	2.6	246.4
Other	93.9	1.5	25.4	4.0	-	124.8
Total group	422.8	96.0	285.5	148.2	23.1	975.6

Revenue geographic markets

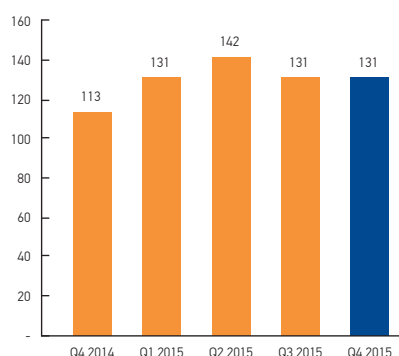
NOK million	Q4 2015	Q4 2014	Change	31.12.2015	31.12.2014	Change
Norway	196.4	192.4	(19.2)	719.7	719.5	0.2
Sweden	248.6	217.6	5.1	902.2	803.4	8.8
Rest of Europe	17.9	19.6	(4.5)	68.4	88.3	(19.9)
USA	54.3	44.8	61.6	234.9	134.6	100.2
Others	7.4	2.0	5.2	26.7	5.5	21.2
Total group	524.6	476.3	48.2	1 951.8	1 751.3	200.5

Full time employees

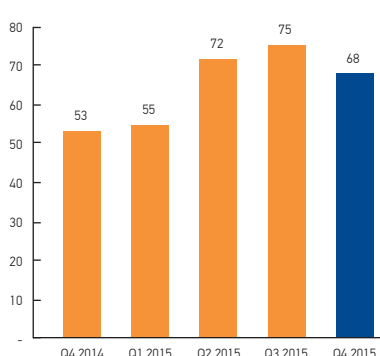
	31.12.2015	31.12.2014	Change
Norway	414	438	(25)
Sweden	130	126	4
Lithuania	478	409	68
Other	199	201	(2)
Total group	1 221	1 174	46



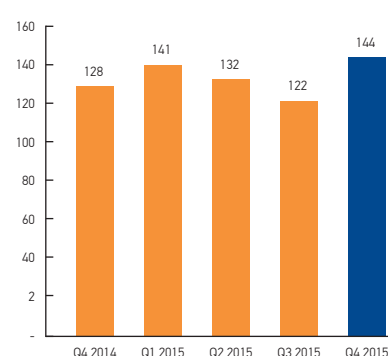
REVENUE Defence/Aerospace
NOK million



REVENUE Energy/Telecoms
NOK million



REVENUE Industry
NOK million



Organisation

The Kitron workforce corresponded to 1 221 full-time employees on 31 December 2015. This is an increase of 47 since the fourth quarter of 2014. There is a decrease of 21 related to the operations in Norway and Sweden, while there is an increase of the workforce in Lithuania of 68. The number of full-time employees in low-cost regions now accounts for 55 per cent of the total.

Market

Order intake in the quarter was NOK 566.5 million, which is 15.0 per cent higher than for the fourth quarter 2014. The order backlog ended at NOK 975.6 million, which is 12.3 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 482.1 million at the beginning of the fourth quarter to NOK 500.6 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 16.2 per cent compared to last year, and equalled the third quarter 2015. The order

backlog at NOK 422.8 million increased by NOK 31.2 million during the quarter. Compared to last year, the order backlog increased by NOK 60.6 million (16.7 per cent).

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 28.3 per cent compared to last year, and decreased by 9.3 per cent compared to the third quarter of 2015. The order backlog is NOK 96.0 million, an increase of NOK 13.8 million compared to the third quarter in 2015, and NOK 12.3 million (14.7 per cent) higher than a year ago.

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

Revenue market sectors

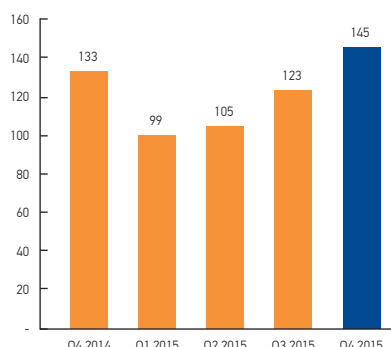
NOK million	Q4 2015	Q4 2014	Change	31.12.2015	31.12.2014	Change
Defence/Aerospace	131.4	113.0	18.4	535.2	368.5	166.8
Energy/Telecoms	68.1	53.0	15.0	269.6	221.7	47.9
Industry	144.0	128.4	15.6	538.5	472.1	66.5
Medical equipment	145.3	132.7	12.6	472.6	446.8	25.8
Offshore/Marine	35.8	49.2	(13.4)	135.8	242.2	(106.4)
Total group	524.6	476.3	48.2	1 951.8	1 751.3	200.5

Order Backlog market sectors

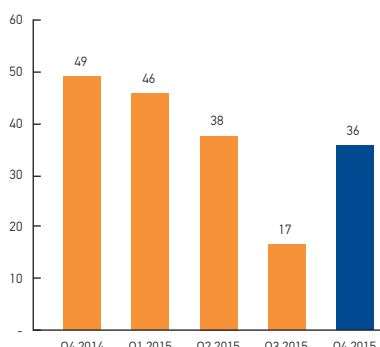
NOK million	31.12.2015	31.12.2014	Change
Defence/Aerospace	422.8	362.2	60.6
Energy/Telecoms	96.0	83.7	12.3
Industry	285.5	188.0	97.5
Medical equipment	148.2	136.5	11.7
Offshore/Marine	23.1	98.0	(74.9)
Total group	975.6	868.4	107.1



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 12.2 per cent compared to the fourth quarter last year, and the revenue was 18.5 per cent higher than the third quarter of 2015. The order backlog increased by NOK 97.5 million (51.9 per cent) compared to the same period last year and increased by NOK 62.9 million from the preceding quarter (28.3 per cent).

The Industry sector continues to grow, due to increased revenue from 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 increased by 9.5 per cent compared to the same period last year. The order backlog is NOK 148.2 million, up NOK 11.7 million (8.6 per cent) from the same period last year, but down NOK 30.0 million compared to 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 27.3 per cent compared to the same period last year. The order backlog is NOK 23.1 million, a decrease of NOK 18.0 million compared to the preceding quarter and a reduction of NOK 74.9 million compared to the same period last year (76.4 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, 10 February 2016, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q4 2015	Q4 2014	31.12.2015	31.12.2014
Revenue	524 555	476 337	1 951 818	1 751 300
Cost of materials	323 244	302 523	1 244 121	1 114 612
Payroll expenses	122 992	112 760	443 656	442 817
Other operational expenses	34 734	38 802	123 693	127 640
Other gains / (losses)	761	1 191	3 697	(1 514)
Operating profit before depreciation and impairments (EBITDA)	44 347	23 443	144 044	64 717
Depreciation and impairments	10 700	9 110	41 303	34 675
Operating profit (EBIT)	33 647	14 333	102 741	30 041
Net financial items	(733)	8 610	(422)	(434)
Profit (loss) before tax	32 914	22 943	102 319	29 607
Tax	10 339	5 626	30 094	5 319
Profit (loss) for the period	22 575	17 317	72 225	24 289
Earnings per share-basic	0,13	0,10	0,42	0,14
Earnings per share-diluted	0,13	0,10	0,41	0,14



Condensed balance sheet

NOK 1 000	31.12.2015	31.12.2014
ASSETS		
Goodwill	26 786	26 786
Other intangible assets	25 843	32 409
Tangible fixed assets	211 828	162 147
Deferred tax assets	84 810	105 407
Total non-current assets	349 267	326 750
Inventory	361 350	402 260
Accounts receivable	398 500	377 824
Other receivables	45 900	32 823
Cash and cash equivalents	118 958	12 337
Total current assets	924 709	825 244
Total assets	1 273 976	1 151 994
LIABILITIES AND EQUITY		
Equity	566 510	494 683
Total equity	566 510	494 683
Deferred tax liabilities	1 068	1 081
Loans	64 170	15 277
Pension commitments	6 502	12 241
Total non-current liabilities	71 740	28 599
Accounts payable	252 250	214 611
Other payables	96 382	84 962
Loans	281 687	320 938
Other provisions	5 407	8 200
Total current liabilities	635 726	628 712
Total liabilities and equity	1 273 976	1 151 994

Condensed cash flow statement

NOK 1 000	Q4 2015	Q4 2014	31.12.2015	31.12.2014
Net cash flow from operational activities	87 789	12 879	204 070	(4 763)
Net cash flow from investment activities	(22 911)	(35 136)	(75 926)	(62 959)
Net cash flow from financing activities	8 490	467	56 033	(16 521)
Change in cash and bank credit	73 367	(21 790)	184 176	(84 244)
Cash and bank credit opening balance	(25 068)	(92 811)	(122 662)	(27 586)
Currency conversion of cash and bank credit	(4 655)	(8 060)	(17 870)	(10 832)
Cash and bank credit closing balance	43 644	(122 661)	43 644	(122 662)

Consolidated statement of comprehensive income

NOK 1 000	Q4 2015	Q4 2014	31.12.2015	31.12.2014
Profit (loss) for the period	22 575	17 317	72 225	24 289
Actuarial gain / losses pensions	143	(4 337)	143	(4 337)
Actuarial gain / losses forward contract	(1 063)	-	(1 063)	-
Currency translation differences and other changes	(6 982)	8 773	(1 274)	(234)
Total comprehensive income for the period	14 673	21 753	70 030	19 718
Allocated to shareholders	14 673	21 753	70 030	19 718

Changes in equity

NOK 1 000	31.12.2015	31.12.2014
Equity opening balance	494 683	473 708
Profit (loss) for the period	72 225	24 289
Effect from options	1 797	1 257
Other comprehensive income for the period	(2 194)	(4 571)
Equity closing balance	566 510	494 683



Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the fourth quarter of 2015 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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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.