

# Q1|2015



KONTRON GROUP | QUARTERLY REPORT

THE PULSE OF INNOVATION

# KONTRON IN FIGURES

		Q1/2015	Q1/2014
<b>RESULTS OF OPERATIONS AND PROFITABILITY</b>			
Revenues	€ million	98.5	102.8
EBITDA <sup>1</sup>	€ million	0.8	5.5
EBITDA margin <sup>2</sup>	%	0.8	5.4
EBIT <sup>3</sup>	€ million	-4.3	0.1
EBIT <sup>4</sup> (adjusted for restructuring cost)	€ million	-2.2	1.2
EBIT margin <sup>2</sup> (adjusted for restructuring cost)	%	-2.2	1.2
EBT	€ million	-4.7	-0.2
Income/loss from continuing operations	€ million	-4.1	-0.4
Earnings per share (continuing operations)	€	-0.07	-0.01
<b>STATEMENT OF FINANCIAL POSITION</b>			
		<b>03/31/2015</b>	<b>12/31/2014</b>
Total assets	€ million	428.4	421.8
Equity	€ million	262.2	252.7
Equity ratio	%	61.2	59.9
Financial debt	€ million	31.9	36.1
<b>CASH FLOW<sup>5</sup></b>			
		<b>Q1/2015</b>	<b>Q1/2014</b>
Cash flow from operating activities	€ million	13.5	4.5
<b>EMPLOYEES</b>			
		<b>03/31/2015</b>	<b>03/31/2014</b>
Number of employees		1,292	1,452
Revenues per employee	€k	76.3	70.8

<sup>1</sup> EBITDA is defined as EBIT before depreciation and amortization.

<sup>2</sup> Margins refer to revenues.

<sup>3</sup> EBIT is defined as earnings before financial income and taxes.

<sup>4</sup> EBIT is adjusted for cost of restructuring and reorganization of the company.

<sup>5</sup> No breakdown of continuing and discontinued operations is made in the statement of cash flows.

# KONTRON – A PROFILE OF THE COMPANY

Kontron is one of the leading developers and manufacturers of Embedded Computer Technology (ECT) with a product portfolio that covers the entire range of standard modern products for circuit boards and modules right through to specific system solutions for customers. In addition to offering its customers embedded technologies, Kontron is increasing its offer of services tailored to the product portfolio. Our engineers have a wealth of experience in developments and solutions expertise and our sales staff possess a great depth of knowledge when it comes to the market, customers and products – this makes Kontron an internationally respected partner.

Embedded computer technology is used in technical applications to realize monitoring, management and controlling functions as well as special forms of data processing or data transmission. The requirements placed on ECT are as numerous as the fields of application: The products from Kontron not only have to possess the mandatory certifications but also meet the detailed specifications of the customer and remain available without any technical change over the entire life cycle of the application. Qualities such as reliability, security and longevity are what make our high-quality products so successful on the market. The development of solutions that, on the one hand, occupy ever less space and, on the other, are increasingly networked, opens up a growing field of technological applications for ECT. The relevant market segments for Kontron display a particular need for ECT products, promising growth rates and great prospects for the future. Furthermore trends and market demand for IoT (Internet of Things) devices and M2M (machine to machine) communication continue to drive positive market development.

## GLOBAL ORGANIZATION AND BUSINESS UNITS

The global organization divides our business into three global business units:

- “Industrial” focuses on the markets for industrial automation, medical technology and infotainment
- “Communications” covers the telecommunications market
- “Avionics/Transportation/Defense” bundles the activities on the markets for civil aviation, transport, security and defense.

## GLOBAL PRESENCE

Together with its subsidiaries and sales offices, Kontron AG maintains a global presence. After the organizational changes the company has new headquarters in Augsburg and subsidiaries in 13 countries, including Germany, France, the US, Canada, China, India and Malaysia. These subsidiaries and the international sales offices put us in close proximity to our customers and regional markets. As of March 31, 2015, Kontron employed a total of 1,292 employees worldwide.

For further information visit: [www.kontron.com](http://www.kontron.com).

# LETTER TO THE SHAREHOLDERS

Sticking to our plan despite a slow start to the year

*Ladies and gentlemen,  
dear shareholders,*

While we continue to be confident regarding the strategic, operational and financial objectives we have set ourselves for 2015, we have to admit that our first quarter did not go according to plan. This is clearly unsatisfactory, but we know where we missed targets and what corrective action we need to take: the underperformance occurred mainly in our business unit Communications and was due to two large customers ordering less than forecast in the first two months of the year. Since then, things have been improving: March was profitable again with group revenues of about € 44 million and with our Communication customers back to normal order patterns. We fully intend to use the remaining three quarters of the year to catch up. More to the point: our financial targets for the year remain unchanged.

Let me highlight a few performance cornerstones for the first quarter of this year: order intake and revenues were particularly disappointing, with the former coming in at € 87.7 million, minus 17% on the same quarter last year, and the latter standing at € 98.5 million or 4% lower than Q1 2014. On the bright side, our order backlog stands at € 338.1 million as per the end of the first quarter, which represents a substantial part of the revenue we will have to generate in order to achieve our guidance for the year. Needless to say that Q1 profitability has suffered as a direct consequence of the low revenues generated: while our Q1 gross margin remained solidly above our targeted 25% level at 25.5%, our EBIT margin dropped into slightly negative territory even when adjusted for restructuring costs: minus 2.2%.

Looking at the revenue breakdown by business unit and by region shows us precisely the reasons for this performance: Communications revenue dropped by 16% relative to the same quarter last year. As mentioned, this was due to two customers not drawing down as much on their contracts with us as we had forecast. The fact that our revenues in North America dropped by 14% reveals where these customers are located.

In the meantime, our business unit Communications has stabilized and we are confident that revenue shortfalls suffered in Q1 will be compensated by growth in our business units Avionics, Transport and Defense, as predicted earlier in the year, and Industrial as well as our innovation portfolio. Another prediction is coming true in a remarkable way: we foresaw strong growth in Asia, and indeed our order intake there is up by as much as 50%.

This event alone justifies our investment in Beijing/China, where we recently opened a new office. The facility, nearly twice as large as the previous one, boasts its own production line as well as a repair and service center to serve our customers in the whole APAC region. Furthermore, strengthened R&D

capabilities support Kontron's flexibility to react to new demands for reliable, scalable and energy-efficient products and solutions to fulfil local customer and market needs. The office expansion is part of Kontron's APAC growth initiative, started last year with the opening of an office in Tokyo.

We also have encouraging internal news: after the many changes our company has undergone especially during the last few months, we conducted an employee survey for the first time. A participation rate of more than 85 % in itself shows that this survey was unusually successful. Over and above many remarkably fair and useful comments, positive and critical, one major message came across loud and clear: more than 80 % of our employees are committed to Kontron and would recommend our company as an employer. This is a great result which we feel proves that the company is on the right track.

In the past quarters, we have built a platform that now allows us to profit from powerful megatrends such as the Internet of Things and Industry 4.0. Today, our work focuses on collaborating closely with customers and technology providers, developing truly innovative devices and systems with them, and expanding globally. Kontron already has innovative IoT products commercially available that help customers unleash the true potential of the Internet of Things. I invite you all to have a look at our website – newly designed by the way - where you will find many examples of these new, exciting developments pictured and described.

With our "New Kontron" program now nearly complete, we have been able to spend the last few months working out a detailed strategic plan for Kontron. This plan will soon be made public and I would encourage you all to click on our investor relations website towards the end of May, where you will find detailed information of Kontron's strategy for the coming years.

Since early 2013, we have made clear commitments for measures we needed to take, and for targets we intended to meet. This wasn't always easy, in fact it was often very difficult, but we stuck to our promises at all times. For this year, we are confident that we can do the same again and that we will reach all targets set in the New Kontron program. I am personally very confident about our plans and I hope so are all of you, as well as my colleagues and all friends of Kontron AG.

Yours,



**Rolf Schwirz**

# THE KONTRON SHARE

## CAPITAL MARKET ENVIRONMENT AND PRICE DEVELOPMENT

Although most of the 2014 share year was burdened by geopolitical and economic policy factors, financial markets experienced a global upswing in the first quarter of 2015 which began in the final quarter of 2014. Triggered by the purchase of government bonds by the European Central Bank that kicked off in March, this was strengthened further by the postponement of plans to raise interest rates in the US.

Real economy activity also increased notably in Europe in the first quarter. The sentix economic index, the mood barometer for the European economy, rose steadily and reached 18.6 points in March 2015, a new record high since August 2007

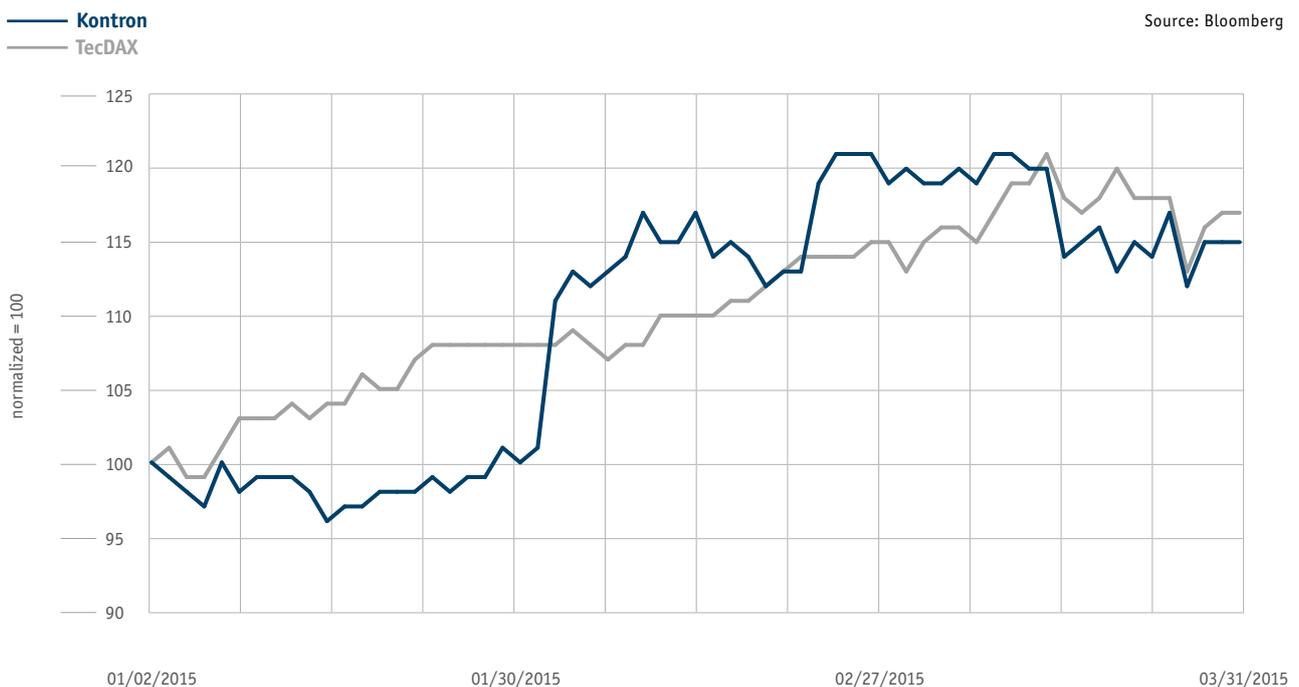
The German economy was also experiencing an upswing at the beginning of the year. Positive trends were seen above all in industry, the employment market and private consumption.

This was also reflected in the development of the DAX, Germany's leading share index, which achieved a record high of 12,167.7 points on March 16, 2015. Overall, the DAX recorded an increase in excess of 22% since the beginning of the year. Kontron's benchmark index, the TecDAX, reported growth of just above 17% in the same period to 1,615 points.

The Kontron share had a subdued start to the year, similar to the market as a whole, and recorded its quarterly low of € 5.00 on January 16. Steady growth was, however, recorded from February to mid-March, peaking at the quarterly high of € 6.30 on March 11, 2015. The closing price for the first quarter came to € 5.95 was thus 18.8% higher than the closing price for the 2014 fiscal year of € 5.01.

Following a decision by Deutsche Börse, the Kontron AG share has not been listed on the TecDAX since March 23, 2015.

## DEVELOPMENT OF THE KONTRON SHARE COMPARED TO THE TECDAX



**KEY FIGURES OF THE KONTRON SHARE AT A GLANCE**

		<b>01-03/2015</b>	01-03/2014
Share capital	€	55,683,024	55,683,024
Number of shares as of the reporting date	shares	55,683,024	55,683,024
Market capitalization as of March 31	€ million	331.3	276.8
Closing price (XETRA as of March 31)	€	5.95	4.97
Closing price high (XETRA)	€	6.30	5.68
Closing price low (XETRA)	€	5.00	4.84
Earnings per share	€	-0.07	0.00
Equity per share	€	4.71	4.41
Operating cash flow per share	€	0,24	0.08
Trading volume (XETRA)	million shares	7.5	7.9

**STOCK EXCHANGE TRADING AND MARKET CAPITALIZATION**

7.5 million Kontron shares were traded on Xetra in the reporting period (Q4/2014: 3.9 million; Q1/2014: 7.9 million). This corresponds to an average daily trading volume of 118,902 shares (Q1/2014: 125,911 shares). The month of March saw the heaviest trading with 3.3 million shares. The month of January saw the weakest trading with 1.1 million shares.

The company's market capitalization stood at € 331.3 million on March 31, 2015.

For further information on the Kontron share visit Kontron's website at [www.kontron.com/investor](http://www.kontron.com/investor).

# INTERIM MANAGEMENT REPORT

## RESULTS OF OPERATIONS

Despite positive currency effects of €9.7 million, consolidated revenues were down €4.3 million in the first quarter of 2015 (decrease of 4.2%). At €-2.2 million, earnings before interest and tax (EBIT) adjusted for restructuring cost, like revenues, fell short of expectations.

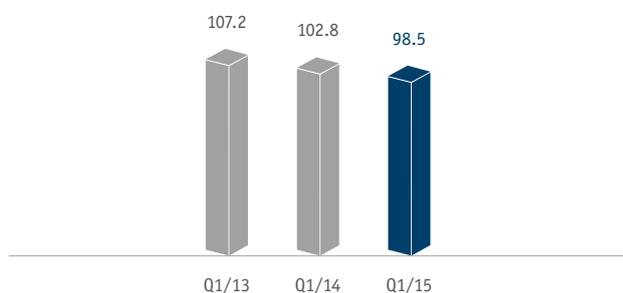
The lower revenues are mainly attributable to the Communications business unit, where revenues came to €22.0 million in the first quarter following €26.2 million in the comparable prior-year quarter (€29.6 million after currency adjustments). This corresponds to a decrease of 16.0% or 25.7% after currency adjustments and is mainly due to the fact that the business unit is determined by a number of key accounts who placed few orders under their existing framework agreements. As a result, the Communications business unit's share in total revenues decreased from 26% to 22%. The Industrial business unit generated revenues of €47.0 million (Q1/2014: €50.3 million or €53.6 million after currency adjustments). This development is attributable to lower revenues in business with customers in the infotainment segment, especially in North America. Both the medical and industrial automation segments developed well, which was reflected in the

growth compared to the prior-year quarter. The Industrial business unit continues to be by far the largest business unit of the Kontron Group with a share of nearly 48% (Q1/2014: 48%). Revenues in the Avionics/Transportation/Defense business unit developed positively. Revenues grew from €26.2 million (€29.4 million after currency adjustments) to €29.6 million on account of exchange rate effects. Thanks to this increase, this business unit now accounts for 30% of total revenues (Q1/2014: 26%).

The cost of goods sold decreased by €2.9 million or 3.8% to €73.4 million in the first quarter of 2015 (Q1/2014: €76.3 million). Savings in the cost of materials achieved in the first quarter partially compensated for the negative development resulting from the strong US dollar. Similarly, other production cost was reduced from €7.4 million to €7.2 million, in part as a result of measures from the cost reduction program (CRP) as part of the "New Kontron" restructuring program. Amortization of capitalized development projects also decreased by €0.2 million to €3.1 million. In the course of the further focus on the ECT core-business, Kontron has decided to adjust its project business in Poland. As a consequence the order-related development cost have declined by 50% to €0.5 million.

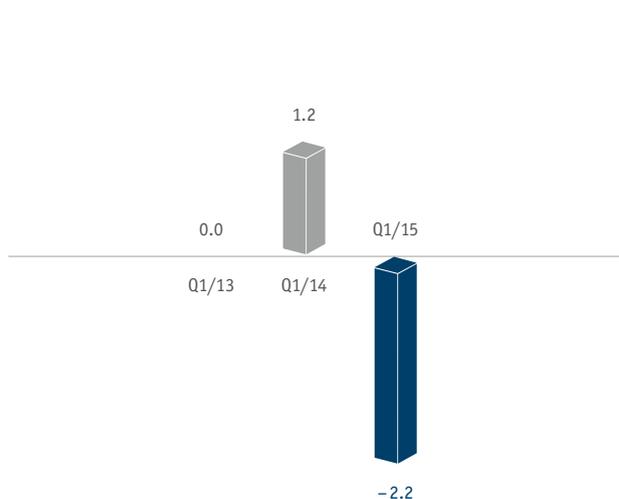
## REVENUE TRENDS 2013 – 2015

IN € MILLION



## EBIT TRENDS 2013 – 2015 (ADJUSTED FOR RESTRUCTURING COST)

IN € MILLION



As a result, the gross profit came to € 25.1 million in the first quarter of 2015, thus below the level of the prior-year quarter (Q1/2014: € 26.5 million). This is primarily due to lower revenues and the cost of material procurement, which was burdened by exchange rates. The gross margin decreased slightly from 25.7% to 25.5%.

Operating cost increased from € 25.3 million to € 28.7 million in the first quarter of 2015. This also reflects the weak development of the euro with a currency effect of € 2.0 million compared to the prior year. Selling and marketing cost increased by 28.1% to € 12.3 million (Q1/2014: € 9.6 million). The increase due to exchange rates amounted to € 0.8 million. The increase in selling and marketing cost is, among other things, attributable to the opening of a sales office in Japan to reinforce our presence in Asia, which was not included in the prior-year quarter, as well as the increase in the headcount in China on account of the expansion of our location in Beijing with a new repair and service center for the APAC region. In addition, selling and marketing cost includes higher personnel costs stemming from the changes in the global organizational structure. Another explanation for the greater increase in selling and marketing cost compared to the first quarter of 2014 is the release of allowances of € 0.5 million in the comparative quarter. At € 8.8 million, the general and administrative cost remained virtually unchanged compared to the prior year (Q1/2014: € 8.6 million). The currency effect of € 0.5 million in

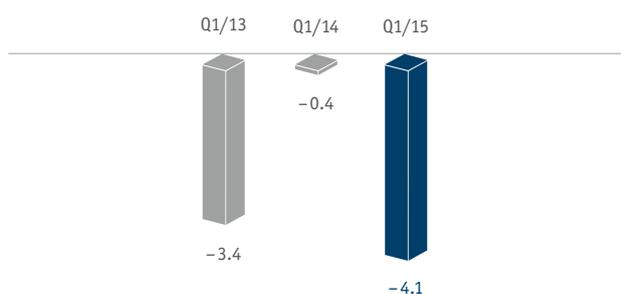
this context was more than compensated for by the successful implementation of measures from the cost reduction program (CRP). Research and development cost rose on account of exchange rates by 7.0% to € 7.6 million (Q1/2014: € 7.1 million). Without considering the exchange rate effects, this amount would have decreased by € 0.2 million. The increase in capitalized development costs of € 3.4 million is also viewed as positive (Q1/2014: € 2.8 million). The restructuring cost rose by € 1.0 million to € 2.1 million (Q1/2014: € 1.1 million). This amount also comprises costs for the optimization measures implemented at foreign locations in the first quarter of 2015.

On aggregate, earnings before interest and taxes (EBIT) deteriorated from € 0.1 million to € -4.3 million. At € -0.5 million, the financial result remained virtually unchanged (Q1/2014: € -0.3 million). Income of € 0.6 million was recognized in income taxes thanks to the recognition of deferred tax assets on unused tax losses, following the recognition of an expense of € 0.2 million in the prior-year period. There was no income/loss from discontinued operations as the Energy project business was sold during the 2014 fiscal year.

This gives rise to a net loss of € 4.1 million (Q1/2014: net income of € 0.1 million). Earnings per share totaled € -0.07, after € 0.00 in the prior-year quarter.

## INCOME / LOSS FROM CONTINUING OPERATIONS 2013 – 2015

IN € MILLION



**ORDER INTAKE AND ORDER BACKLOG**

At € 87.7 million, order intake was down in the first quarter of 2015 on the prior-year quarter (Q1/2014: € 105.2 million). This decrease is also primarily attributable to the Communications business unit (Q1/2015: € 12.5 million; Q1/2014: € 29.4 million). The 6.3% decrease in the Industrial business unit to € 50.6 million was moderate (Q1/2014: € 54.0 million). The Avionics/Transportation/Defense business unit raised order backlog – like revenues – by 12.8% to € 24.6 million (Q1/2014: € 21.8 million).

Compared to March 31, 2014, the order backlog rose by € 54.6 million to € 338.1 million as of March 31, 2015; nearly half of this increase is attributable to exchange rate effects.

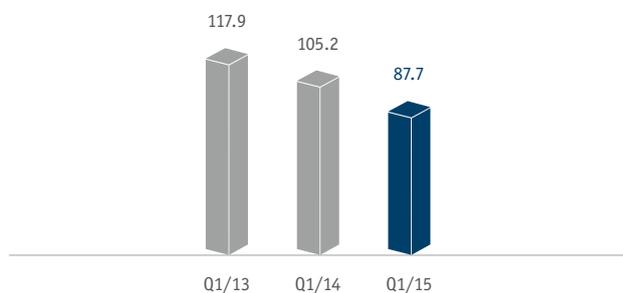
**FINANCIAL POSITION**

Compared to the first quarter of 2014, the net cash used in / provided by operating activities rose by € 9.0 million to € 13.5 million. In this context, the € 23.7 million increase in funds freed up by reducing the volume of trade receivables had a positive effect. Net cash was negatively impacted above all by the € 4.2 million lower net income / loss as well as the € 6.7 million higher capital tied up in inventories compared to the prior year quarter.

The net cash used in / provided by investing activities rose slightly by € 0.3 million to € 7.4 million (Q1/2014: € 7.1 million). In the first quarter of 2015, the net cash used in investments in intangible assets (development projects and investments in the global IT infrastructure) increased by € 2.3 million but was counterbalanced by net cash of € 1.6 million provided by the sale of a property that is no longer used.

**ORDER INTAKE 2013 – 2015**

IN € MILLION



**ORDER BACKLOG 2013 – 2015**

IN € MILLION



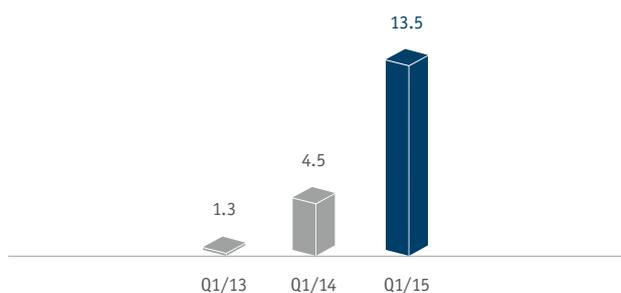
The net cash used in/ provided by financing activities came to € -4.2 million in the first quarter of 2015. This corresponds to a € 6.8 million improvement on the first quarter of 2014 (€ -11.0 million). As in the comparative quarter, the Kontron Group was able to repay some of its liabilities to banks on account of the improvement in its liquidity situation.

As of the reporting date March 31, 2015, the Group carried cash and cash equivalents of € 18.9 million, € 3.3 million higher than as of December 31, 2014. Short-term borrowings from banks were redeemed in full and € 4.2 million of long-term borrowings from banks was repaid, resulting in liabilities to banks of € 31.7 million as of the reporting date. In effect, the net cash position (interest-bearing financial liabilities less cash and cash equivalents) as of March 31, 2015 improved by € 7.3 million to a cash deficit of € 13.0 million (prior year: a cash deficit € 20.3 million).

The gearing ratio (debt/equity) of 63.4% is 3.5 percentage points below the level of the prior year of 66.9%.

#### CASH FLOW FROM OPERATING ACTIVITIES 2013 – 2015

IN € MILLION



#### NET ASSETS

Total assets as of March 31, 2015 came to € 428.4 million (December 31, 2014: € 421.8 million), up slightly by 1.6% on the prior year. Current assets decreased by 4.0%, while non-current assets rose by 9.0%. Total liabilities fell by 1.8% and equity rose by 3.8% on account of exchange rate effects.

Compared to December 31, 2014, cash and cash equivalents rose by € 3.3 million to € 18.9 million. Inventories rose by € 13.9 million to € 99.6 million as of the reporting date, primarily as a result of the low level of inventories at the end of the year due to strong revenues in December and exchange rate effects. At € 88.1 million, trade receivables were € 27.0 million below the level as of December 31, 2014, which was unusually high on account of strong revenues in the fourth quarter. Income tax receivables remained unchanged at € 3.3 million. Other current receivables and assets rose by € 1.8 million to € 16.1 million, mainly due to the deferral of annual insurance payments and prepayments. The decrease in assets-held-for-sale is due to the sale of property that is no longer used on account of the consolidation of facilities in the prior year.

The € 16.3 million increase to € 195.9 million as of March 31, 2015 essentially stems from investments in other intangible assets (up € 6.7 million) as well as the recognition of deferred tax assets on unused tax losses (up € 4.6 million). Other intangible assets mainly comprise capitalized development cost and increased on account of the investments in global IT infrastructure to € 67.7 million (prior year: € 61.1 million). As of March 31, 2015, goodwill increased by € 3.9 million due to exchange rate effects totaling € 95.1 million (prior year: € 91.2 million).

At € 120.1 million, current liabilities remained at the level seen at the end of 2014 (December 31, 2014: € 121.0 million). While trade payables decreased by € 9.0 million to € 67.3 million, chiefly on

account of a lower use of materials compared to the end of 2014 (December 31, 2014: € 76.3 million), other current liabilities rose by € 6.9 million to € 32.2 million. The increase is, among other things, due to reaching further subproject milestones and the resulting recognition of liabilities for outstanding invoices in connection with the group-wide roll-out of SAP as well as the recognition of severance obligations.

The slight decrease in non-current liabilities of € 2.1 million to € 46.1 million was shaped by a number of contrary movements: On the one hand, long-term borrowings from banks decreased by € 4.2 million on account of additional repayments to € 31.7 million. On the other, deferred tax liabilities rose by € 2.1 million to € 8.9 million.

As of March 31, 2015, the carrying amount of equity came to € 262.2 million, an increase of € 9.5 million compared to the end of 2014 (€ 252.7 million). The equity ratio rose slightly by 1.3 percentage points to 61.2%. The net loss of € 4.1 million in the reporting period was countered to some extent by exchange rate gains of € 13.7 million.

#### NON-FINANCIAL PERFORMANCE INDICATORS

As of March 31, 2015, Kontron had 1,292 employees (March 31, 2014: 1,452 employees). The reduction of 160 employees on the prior year was caused by the consolidation of the German locations as well as the completion of measures introduced as part of the

New Kontron restructuring program. The other main driver of this decrease were further optimization measures implemented at various foreign subsidiaries in the first quarter of 2015. The measures in Canada and Denmark were the main cause of the decrease by 50 employees since year-end 2014.

#### FORECAST

The Management Board anticipates revenues between € 490 million and € 510 million for the 2015 fiscal year, despite a slow start. The gross profit margin is expected to remain above 25%. Kontron also expects a positive operating margin excluding restructuring costs (EBIT adjusted for restructuring costs) of between 3% and 5%.

The healthy growth expected in the 2015 fiscal year is to be achieved in particular in the Avionics/Transportation/Defense business unit. Business development in 2015 will also rely heavily on the successful expansion of the channel business through extended business with selected sales partners as well as the promotion of our business activities in Asia. A new sales office in Tokyo and an enlarged location in Beijing will significantly improve access to these growth markets in terms of both strategy and operations and allow Kontron to capture new market shares in the APAC region.

The Management Board expects revenues of at least € 550 million for 2016. The gross profit margin is expected to exceed 25%, while the operating margin excluding restructuring costs (EBIT adjusted for restructuring costs) is expected to be higher than 6%.

# CONSOLIDATED STATEMENT OF INCOME (IFRS)

IN €K	01-03/2015	01-03/2014
<b>REVENUES</b>	<b>98,532</b>	<b>102,788</b>
Cost of materials	-62,650	-64,539
Other production cost	-7,197	-7,446
Amortization of capitalized development projects	-3,110	-3,313
Order-related development cost	-469	-1,027
<b>Cost of goods sold</b>	<b>-73,426</b>	<b>-76,325</b>
<b>GROSS MARGIN</b>	<b>25,106</b>	<b>26,463</b>
Selling and marketing cost	-12,272	-9,615
General and administrative cost	-8,751	-8,616
Research and development cost	-7,642	-7,071
<b>SUBTOTAL OPERATING COSTS</b>	<b>-28,665</b>	<b>-25,302</b>
Restructuring cost	-2,100	-1,093
Other operating income	13,517	1,339
Other operating expenses	-12,118	-1,306
<b>OPERATING INCOME BEFORE FINANCIAL RESULT AND INCOME TAXES</b>	<b>-4,259</b>	<b>101</b>
Finance income	43	9
Finance expense	-517	-318
Income taxes	646	-215
<b>INCOME / LOSS FROM CONTINUING OPERATIONS</b>	<b>-4,087</b>	<b>-423</b>
Net income/loss from discontinued operations	0	519
<b>NET INCOME / LOSS FOR THE PERIOD</b>	<b>-4,087</b>	<b>96</b>
thereof attributable to non-controlling interests	-122	-96
thereof attributable to equity holders of Kontron AG	-3,966	192
Earnings per share (basic) in €	-0.07	0.00
Earnings per share (diluted) in €	-0.07	0.00
Earnings per share (basic) from continuing operations in €	-0.07	-0.01
Earnings per share (diluted) from continuing operations in €	-0.07	-0.01

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

IN €K	01-03/2015	01-03/2014
<b>NET INCOME / LOSS FOR THE PERIOD</b>	<b>-4,087</b>	<b>96</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	13,662	-1,269
	<b>13,662</b>	<b>-1,269</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
	<b>0</b>	<b>0</b>
<b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>	<b>13,662</b>	<b>-1,269</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>9,575</b>	<b>-1,173</b>
thereof attributable to non-controlling interests	-196	-293
thereof attributable to equity holders of Kontron AG	9,771	-880

# CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

IN €K	01 – 03/2015	01 – 03/2014*
Income/loss from continuing operations	– 4,087	– 423
Net income/loss from discontinued operations	0	519
<b>NET INCOME / LOSS FOR THE PERIOD</b>	<b>– 4,087</b>	<b>96</b>
Depreciation and amortization of fixed assets	5,045	5,424
Net gain/loss in connection with investing activities	– 2	50
Change in deferred taxes	– 2,345	– 424
Interest income	– 190	– 24
Interest expense	278	367
Other non-cash items	572	– 556
Change in assets / liabilities:		
Trade receivables	31,423	7,754
Inventories	– 9,412	– 2,700
Other receivables	– 1,557	907
Liabilities and provisions	– 5,434	– 5,591
Interest paid	– 333	– 312
Interest received	15	9
Income taxes paid	– 798	– 487
Income taxes refunded	374	0
<b>NET CASH USED IN / PROVIDED BY OPERATING ACTIVITIES</b>	<b>13,549</b>	<b>4,513</b>
Purchases of property, plant and equipment	– 934	– 785
Purchases of intangible assets	– 8,116	– 5,781
Proceeds from the disposal of property, plant and equipment	1,648	2
Proceeds from the sale of subsidiaries, net of cash	0	– 562
<b>NET CASH USED IN / PROVIDED BY INVESTING ACTIVITIES</b>	<b>– 7,402</b>	<b>– 7,126</b>
Change in current account/overdrafts	– 3	– 509
Repayment of short-term borrowings	– 5	– 6,178
Proceeds from short-term borrowings	0	6,143
Repayment of long-term debt	– 4,210	– 10,430
Proceeds from long-term debt	0	0
<b>NET CASH USED IN / PROVIDED BY FINANCING ACTIVITIES</b>	<b>– 4,218</b>	<b>– 10,974</b>
Effect of exchange rate changes on cash	1,343	– 163
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,272</b>	<b>– 13,750</b>
Cash and cash equivalents at the beginning of period	15,637	30,742
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>18,909</b>	<b>16,992</b>

\* No breakdown of continuing and discontinued operations is made in the statement of cash flows.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) ASSETS

IN €K	03/31/2015	12/31/2014
<b>ASSETS</b>		
Cash and cash equivalents	18,909	15,637
Inventories	99,608	85,731
thereof prepayments	1,139	1,096
thereof receivables from construction contracts	200	506
Trade receivables	88,083	115,083
Tax receivables	3,327	3,320
Other current receivables and assets	16,102	14,279
Assets held for sale	6,497	8,146
<b>TOTAL CURRENT ASSETS</b>	<b>232,525</b>	<b>242,196</b>
Financial assets	655	637
Property, plant and equipment	11,384	10,902
Other intangible assets	67,741	61,085
Goodwill	95,094	91,221
Other non-current receivables and assets	2,235	1,597
Tax receivables	18,762	14,181
<b>TOTAL NON-CURRENT ASSETS</b>	<b>195,871</b>	<b>179,624</b>
<b>TOTAL ASSETS</b>	<b>428,396</b>	<b>421,820</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) LIABILITIES AND EQUITY

IN €K	03/31/2015	12/31/2014
<b>LIABILITIES AND EQUITY</b>		
Trade payables	67,304	76,334
Short-term borrowings	0	5
Current portion of finance lease obligation	48	39
Current provisions	11,203	10,868
Deferred income	4,288	4,796
Obligations from construction contracts	594	135
Taxes payable	4,452	3,467
Other current liabilities	32,217	25,304
<b>TOTAL CURRENT LIABILITIES</b>	<b>120,106</b>	<b>120,950</b>
Long-term borrowings	31,737	35,938
Non-current provisions	1,747	1,662
Pension provisions	1,768	1,742
Non-current portion of finance lease obligation	83	100
Other non-current liabilities	1,796	1,840
Deferred taxes	8,945	6,890
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>46,076</b>	<b>48,172</b>
Issued capital	55,683	55,683
Additional paid-in capital	200,048	200,048
Retained earnings	16,588	20,554
Other equity components	-7,755	-21,492
Treasury shares	-1,813	-1,813
<b>Equity attributable to equity holders of the parent</b>	<b>262,750</b>	<b>252,980</b>
Non-controlling interests	-536	-282
<b>TOTAL EQUITY</b>	<b>262,214</b>	<b>252,698</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>428,396</b>	<b>421,820</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

IN €K	Equity attributable to equity holders of the parent							Non-controlling interests	Total equity
	Issued capital	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Discontinued operations	Treasury shares			
<b>JANUARY 01, 2014</b>	<b>55,683</b>	<b>200,048</b>	<b>26,990</b>	<b>-32,705</b>	<b>-3,836</b>	<b>-1,813</b>	<b>244,367</b>	<b>2,577</b>	<b>246,944</b>
Net income/loss			192				192	-96	96
Other comprehensive income				-253	-819		-1,072	-197	-1,269
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>0</b>	<b>0</b>	<b>192</b>	<b>-253</b>	<b>-819</b>	<b>0</b>	<b>-880</b>	<b>-293</b>	<b>-1,173</b>
<b>MARCH 31, 2014</b>	<b>55,683</b>	<b>200,048</b>	<b>27,182</b>	<b>-32,958</b>	<b>-4,655</b>	<b>-1,813</b>	<b>243,487</b>	<b>1,961</b>	<b>245,448</b>
<b>JANUARY 01, 2015</b>	<b>55,683</b>	<b>200,048</b>	<b>20,554</b>	<b>-21,492</b>	<b>0</b>	<b>-1,813</b>	<b>252,980</b>	<b>-282</b>	<b>252,698</b>
Net income/loss			-3,966				-3,966	-122	-4,087
Other comprehensive income				13,737			13,737	-75	13,662
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>0</b>	<b>0</b>	<b>-3,966</b>	<b>13,737</b>	<b>0</b>	<b>0</b>	<b>9,771</b>	<b>-196</b>	<b>9,575</b>
<b>MARCH 31, 2015</b>	<b>55,683</b>	<b>200,048</b>	<b>16,588</b>	<b>-7,755</b>	<b>0</b>	<b>-1,813</b>	<b>262,750</b>	<b>-536</b>	<b>262,214</b>

# SELECTED NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The financial statements were prepared in euro and in accordance with the IFRS as adopted by the EU. The accounting policies remained unchanged compared to the consolidated financial statements for the 2014 fiscal year. Standards and interpretations that are issued, but not yet effective, up to the date of publication of the interim financial statements are presented on pages 99 et seq. of the 2014 Annual Report of the Kontron Group. The application of these standards and interpretations – with the exception of IFRS 9 and IFRS 15 – is not expected to have any effects on the net assets, financial position and results of operations of the Group. The impact of IFRS 9 (accounting for and measurement of financial instruments) and IFRS 15 (revenue recognition) on the net assets, financial position and results of operations of the Kontron Group is currently being analyzed.

All figures are in thousands of euro (€k), unless otherwise stated. Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

## 2. DISCONTINUED OPERATIONS

In its drive to focus entirely on its core competencies in the market for embedded computer technology (ECT), Kontron decided at the end of 2013 to sell its Energy project business. The sale was completed in the 2014 fiscal year as planned (see 2014 Annual Report/ pages 129 et seq.).

The income/ loss from this business unit for the first quarter of 2014 was recorded separately in net income/ loss from discontinued operations in the statement of income.

## 3. EQUITY

Issued capital (share capital) of Kontron AG stood at € 55,683k as of March 31, 2015, unchanged on the prior year, and is divided into 55,683,024 shares with a par value of € 1 each.

**4. SHARES AND STOCK OPTIONS OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD**

SHARES	Shares	Stock options
<b>SUPERVISORY BOARD</b>		
Rainer Erlat	0	0
Peter Bauer	0	0
Sten Daugaard	0	0
Martin Bertinchamp	30,500	0
Harald Joachim Joos	0	0
Dr. Harald Schrimpf	2,500	0
<b>MANAGEMENT BOARD</b>		
Rolf Schwirz	25,000	0
Michael Boy	0	0
Andreas Plikat	13,000	0

**5. INFORMATION ON FINANCIAL INSTRUMENTS**

The carrying amount of all financial assets and financial liabilities as of March 31, 2015 corresponds with their fair value. The derivative financial instruments held by the Group consist of forward exchange contracts, foreign exchange swaps as well as currency call options and qualify for classification in level 2 of the fair value hierarchy. The fair value of forward exchange contracts and foreign exchange swaps is calculated at the forward rates as of the reporting date and the results are then presented at the

discounted present value. The fair value of currency call options is measured using common option-pricing models and is provided by the contracting banks.

The nominal volume of outstanding currency hedging transactions rose to € 46.2 million as of the reporting date (prior year: € 34.5 million) on account of the adjusted hedging strategy to mitigate currency risks from future cash flows in foreign currencies.

## 6. SEGMENT REPORTING

Kontron completed its conversion of the group-wide business management and financial reporting in the fourth quarter of 2014. While in previous periods the management and reporting structure was based above all on three regions: EMEA, North America and Emerging Markets, operational management was aligned in the fourth quarter of 2014 to the three global business units: Industrial, Communications and Avionics/Transportation/

Defense. In accordance with IFRS 8 (Operating Segments), Kontron's segment reporting reflects the group-wide business management so that the operating segments now correspond to the three global business units. In the first quarterly report of 2014, the three geographical regions still made up the operating segments. Further explanations can be found on page 99 of the 2014 Annual Report.

### SEGMENT INFORMATION 01 – 03/2015

IN €K	Industrial	Communications	Avionics/ Transportation/ Defense	Other	Consolidated financial statements
REVENUES	46,973	21,987	29,572	0	98,532
OPERATING RESULT (EBIT)	1,281	-262	3,488	-8,766	-4,259
TRADE RECEIVABLES	91,396	10,799	23,315	0	125,510

### SEGMENT INFORMATION 01 – 03/2014

IN €K	Industrial	Communications	Avionics/ Transportation/ Defense	Other	Consolidated financial statements
REVENUES	50,346	26,233	26,209	0	102,788
OPERATING RESULT (EBIT)	3,036	2,456	2,282	-7,673	101
TRADE RECEIVABLES	80,269	17,876	17,766	0	115,911

Segment Other includes intercompany items that are eliminated as well as income or expenses that are not directly allocable to the segments. This primarily includes costs for support functions such as human resources, IT and finance as well as restructuring cost.

Trade receivables are presented prior to the recognition of allowances.

## 7. SUBSEQUENT EVENTS

There were no significant events after the time the financial statements were finalized.

# FINANCIAL CALENDAR

---

May 06, 2015	Publication of Q1/2015 Quarterly Report
May 19, 2015	Capital Market Day
June 11, 2015	Annual General Meeting of Shareholders
July 30, 2015	Publication of Q2/2015 Quarterly Report
October 29, 2015	Publication of Q3/2015 Quarterly Report

---

Our annual report and our quarterly reports can be found on our website [www.kontron.com/investor](http://www.kontron.com/investor) from publication date. Any eventual date changes are also announced on our website in good time.

This quarterly report was published on May 06, 2015. It is available in German and in English. The German version is authoritative.

The quarterly report contains statements relating to the future that are based on current assumptions and estimates of the Management Board concerning future development. Although we are of the opinion that the assumptions and estimates are realistic and correct, they are subject to certain risks and uncertainties that may cause actual future results to diverge materially from the assumptions and estimates. Factors that may result in a discrepancy include changes in the overall economic, business, financial and competitive situation, exchange and interest rate fluctuations as well as changes to the business strategy. We cannot guarantee that the future development and actual future results will coincide with the assumptions and estimates expressed in this annual report. Assumptions and estimates presented in this report will not be updated.





**CONTACT**

Investor Relations  
Alexandra Habekost  
P + 49 (0) 821-4086-114  
F + 49 (0) 821-4086-122  
investor@kontron.com

**PUBLISHER**

Kontron AG  
Lise-Meitner-Strasse 3-5  
86156 Augsburg  
P + 49 (0) 821-4086-0  
F + 49 (0) 821-4086-122  
www.kontron.com