



Simrad Optronics ASA

Interim Financial Reporting

1st Quarter 2010

Simrad Optronics ASA
Lindholmveien 14
P.O.Box 143, Teie
N-3106 Nøtterøy, Norway
Telephone: +47 3338 2350

www.simrad-optronics.no

Board of Directors' report

- **Q1-2010 revenues came to MNOK 211.7, up from MNOK 155.2 in Q1-2009.**
- **Q1-2010 EBITDA of MNOK 40.3, up from MNOK 13.3 in Q1-2009. EBITDA margin of 19.0 % in Q1-2010, up from 8.6 % in Q1-2009.**
- **Q1-10 EBT of MNOK 26.8, up from MNOK 6.4 in Q1-09.**
- **Maintained order backlog of MNOK 675, down from MNOK 700 at year end 2009.**

Operational progress

The Group maintained the improved operational performance that was achieved during the fourth quarter of 2009. Compared with Q1-2009 the Group increased revenues with 36.4 % without a corresponding increase in operating expenses, demonstrating the financial potential lying in high volumes.

On segment level gross revenues are above Q1-2009 levels in all segments; however Operations Norway does have an increased share of intercompany deliveries resulting in net (external) revenues in Operations Norway significantly below the corresponding quarter last year.

Product group development in Q1-2010:

- **RWS**
 - RWS volumes in Q1-2010 above average
 - Increased supplier chain control
- **Electro Optics**
 - Laser target designator for the FOI (the "LTDI") status per end of Q1-2010 behind schedule
 - Vingmate deliveries from Vingtech AUS Pty Ltd according to what was announced
 - Low order intake
- **Weapon Improvement Systems**
 - Small, but stable order intake and deliveries.
 - Ongoing development programs on track
- **Vehicle Systems**
 - Small development contract signed for Vingpos with the Norwegian Army
 - Still positive market outlook for Vingtaqs, but delays in order intake

Financial position

The Group's revenues in the first quarter came to MNOK 211.7, making Q1-2010 the best first quarter of the year ever, 36.4 % above Q1-2009, and only 2.3 % below the record high fourth quarter of 2008 (Q4-2008: MNOK 216.6). The Group reports an EBITDA of MNOK 40.3 for the first quarter, MNOK 26.9 above Q1-2009 (Q1-2009: MNOK 13.3). Profit before taxes in Q1-2010 came to MNOK 26.8, an increase of MNOK 20.3 compared to the previous year's first quarter (Q1-2009: MNOK 6.4).

Simrad Optronics experienced a stable order intake in the first quarter, which resulted in a backlog of MNOK 675.0, down 3.6 % from year end 2009 (Q4-2009: MNOK 700.0).

At the end of Q1-2010 the Group had undrawn credit facilities of MNOK 70.0. Available cash (including undrawn credit facilities) came to MNOK 123.4, up 33.7 % from year end 2009 (Q4-2009: MNOK 92.3).

Long term loan is reduced with MNOK 10.0 in Q1-2010, and the total loan balance per end of Q1-2010 is MNOK 83.0, of which MNOK 40.0 becomes due during the next 12 months, and is reported as a short-term liability. Net interest bearing debt per end of Q1-2010 is MNOK 29.6, down 58.1 % from year end 2009 (Q4-2009: MNOK 70.7).

SIMRAD OPTRONICS GROUP

1st QUARTER 2010

During Q1-2010 the consolidated profit and loss account includes profit from Vingtech AUS Pty Ltd (joint venture where Simrad Optronics ASA owns 55 % of the shares). The profit is insignificant, however the minority share of the consolidated profit and loss is reported under "Other Comprehensive Income", and a corresponding amount is included in the reported "Total equity".

Outlook / Going forward

The Q1-2010 results supports the 2010 outlook disclosed in previously quarterly reports in terms of expected increase in revenues and maintained margin levels.

With respect to all the additional priorities for 2010, which are to improve the Group's distribution power, to maintain a strong focus on product development, and to increase its focus on human capital, the Group is in process of dealing with all these issues.

On May 6th 2010 Rheinmetall AG announced a recommended voluntary cash offer to acquire 100 % of the shares in Simrad Optronics ASA. The Board of Directors, together with the management of Simrad Optronics ASA, have evaluated strategic alternatives available for Simrad Optronics, and as part of that process conducted discussions with Rheinmetall AG and other interested parties, culminating in Rheinmetall's offer which was considered to be in the best interest of Simrad Optronics and its shareholders. The Board of Directors considers Rheinmetall being a preferred partner in pursuing the strategic development of today's Simrad Optronics Group. The Board of Directors has therefore unanimously decided to recommend to its shareholders to accept the offer. The outcome of this process will have significant impact on both operating and financial issues going forward.

Nøtterøy, May 10th, 2010

The Board of Simrad Optronics ASA

Terje Eidsmo
Chairman of the Board

Ingvild Myhre
Member of the Board

Lisa Cooper
Member of the Board

Geir Vinghøg
Member of the Board

Helle Rønningen
Member of the Board, Employee
representative

Jarle Graff
Member of the Board, Employee
representative

Jon Asbjørn Bø
President and CEO

SIMRAD OPTRONICS GROUP
1st QUARTER 2010

Profit and Loss Account

<i>NOK 1 000</i>	Period		Full Year
	Q1-10	Q1-09	2009
Operating income	211 668	155 218	623 868
Operating expenses	171 416	141 910	537 221
EBITDA	40 252	13 308	86 647
Depreciation	3 461	3 194	13 583
Amortization of Excess Values	6 451	6 551	26 203
EBIT	30 340	3 563	46 861
Net financial items	-3 572	2 884	1 858
EBT	26 768	6 447	48 719
Tax on ordinary profit	8 576	-46	9 687
Profit after taxes	18 192	6 493	39 032
Earnings per share (<i>NOK 1</i>)	0,25	0,09	0,55
Earnings per share, diluted (<i>NOK 1</i>)	0,25	0,09	0,55

Other Comprehensive Income

<i>NOK 1 000</i>	Period		Full Year
	Q1-10	Q1-09	2009
Profit (loss) after tax	18 192	6 493	39 032
Foreign exchange translation differences	239	85	1 828
Net profit (loss) recognized directly in equity	239	85	1 828
Total recognized income and expense for the period	18 431	6 578	40 860
Attributable to:			
Majority owners	18 383	0	0
Minority owners	48	0	0

SIMRAD OPTRONICS GROUP
1st QUARTER 2010

Balance Sheet

<i>NOK 1 000</i>	31.03.10	31.03.09	31.12.09
Intangible fixed assets	256 468	283 825	264 448
Tangible fixed assets	35 515	42 734	35 704
Financial fixed assets	3 122	5 464	3 272
Total fixed assets	295 105	332 024	303 423
Inventories	117 060	134 718	118 229
Accounts receivable	85 013	109 120	79 957
Other receivables	25 434	9 285	20 796
Cash and cash equivalents	53 402	2 969	24 366
Total current assets	280 909	256 092	243 348
Total assets	576 014	588 116	546 771
Total equity	303 589	250 876	285 158
Long term bank borrowing	43 000	79 000	53 000
Other long term liabilities	29 803	60 122	27 715
Total long term liabilities	72 803	139 122	80 715
Bank overdraft	0	48 944	2 034
Accounts payables	85 445	52 927	62 369
Other short-term liabilities	114 177	96 246	116 495
Total short-term liabilities	199 622	198 117	180 898
Total equity and liabilities	576 014	588 116	546 771

Cash Flow Statement

<i>NOK 1 000</i>	Period		Full Year
	31.03.10	31.03.09	2009
Cash flow from operating activities	42 813	-2 466	110 335
Cash flow from investing activities	-1 743	-180	-8 366
Cash flow from financing activities	-12 034	3 707	-79 511
Net change in cash and cash equivalents	29 036	1 061	22 458
Cash and cash equivalents at the beginning of period	24 366	1 908	1 908
Cash and cash equivalents at the end of period	53 402	2 969	24 366

Statement of changes in Equity

<i>NOK 1 000</i>	Period		Full Year
	31.03.10	31.03.09	2009
Equity at the beginning of period	285 158	244 298	244 298
Total recognized income and expense for the period	18 431	6 578	40 860
Equity at the end of period	303 589	250 876	285 158

Notes

1. General and accounting principles

The consolidated financial statements have been prepared in accordance with IAS 34 (interim financial reporting). The 1st Quarter interim financial information for 2010 and 2009 are unaudited.

The accounting policies used in the preparation of the financial statements are consistent with those disclosed in the annual financial statements for the year ended 31 December 2009.

The consolidated financial statements should be read in conjunction with the 2009 annual financial statements which include a full description of the Group's accounting policies.

The consolidated financial statements of the Group for the year ended 31 December 2009 is available upon request from the company's registered office at Lindholmveien 14, 3106 Nøtterøy, Norway, or at www.simrad-optronics.com.

2. Segment information

Disclosure of segment information is prepared under the approach required by IFRS 8 and based on the internal reports regularly reviewed by the Group's Chief Operating Decision Makers in order to assess each segment's performance and to allocate resources to them. Simrad Optronics has divided its primary reporting format into three segments; 'Operations Norway', 'Operations US' and 'Operations other'. The split is based upon the risk- and return profile of the Group's operations, also taking into consideration the Group's internal reporting structure.

- 'Operations Norway' consists of operating activities in Vinghøg AS which is development, manufacturing and sales of equipment for remotely controlled weapon stations (RWS), electro-optical equipment, weapon improvement products and vehicle systems for military use.
- 'Operations US' consists of operating activities in Vingtech Corp, which is manufacturing and sales of military equipment to the North American market.
- 'Operations other' consists of sales agencies (Nordic Defence Supply AS and Servo Kontroll AS), and other emerging activities (Vingtech Saab AS, Vingtech AUS Pty Ltd).

Internal revenue between segments is presented explicit. A major part of corporate overhead costs are divided and included in each segment's operating expenses.

During the 1st Quarter there are no major changes in related parties compared to what is described in the Annual report 2009 note 11. There have been no significant transactions with related parties during the period other than regular transactions such as sales/purchase of goods and royalty, as described in the Annual report 2009 note 11.

SIMRAD OPTRONICS GROUP
1st QUARTER 2010

Revenue per segment

<i>NOK 1 000</i>	Period		Full Year
	Q1-10	Q1-09	2009
Operations Norway, total revenue	149 284	125 450	530 399
Internal revenue	-108 490	-22 260	-170 566
Operations Norway, external revenue	40 793	103 190	359 833
Operations US	163 792	48 684	246 233
Operations other	7 083	3 344	19 242
Other / eliminations	0	0	-1 440
Total revenue	211 668	155 218	623 868

EBITDA per segment

<i>NOK 1 000</i>	Period		Full Year
	Q1-10	Q1-09	2009
Operations Norway	18 104	6 258	52 752
Operations US	19 973	8 422	28 198
Operations other	2 175	1 150	7 206
Other / eliminations	0	-2 522	-1 509
Total EBITDA	40 252	13 308	86 647

Total assets per segment

<i>NOK 1 000</i>	31.03.10	31.03.09	31.12.09
Operations Norway	226 460	400 602	234 564
Operations US	130 574	94 873	127 544
Operations other	4 875	17 463	14 023
Other / eliminations	214 106	75 178	170 640
Total assets	576 014	588 116	546 771

3. Operating Expenses

<i>NOK 1 000</i>	Period		Full Year
	Q1-10	Q1-09	2009
Cost of materials	116 986	89 894	327 889
Payroll and related cost	34 197	33 790	129 918
Other operating expenses	20 233	18 226	79 414
Total operating expenses	171 416	141 910	537 221