

SIMRAD OPTRONICS ASA

Q2 2006

- Further deliveries made to the Swedish and Norwegian armed forces under the FOI contract
- Deliveries of the IS2000 system to the Netherlands commenced in June
- Revenue increase quarter on quarter in the Fire & Gas business
- Deliveries under the gas detector contract with NPCC/Middle East well under way

Simrad Optronics operating revenues during the second quarter of 2006 were NOK 63.6 million (51.5). 2005 figures in brackets. Defence & Security (D&S) contributed with revenues of NOK 43.3 million (40.0) in the quarter. As in the first quarter of the year, more than 60% of the revenue is recognised on the FOI2000 forward observer system contract with the Norwegian and the Swedish armed forces. Fire & Gas (F&G) delivered revenues of NOK 20.3 million (11.5), i.e. up close to 30 % from the previous quarter to quarter four level again. SO Icare, as part of F&G, delivered revenues of NOK 10.2 million (3.7) and operating profit of NOK -0.4 million (-0.8) in the quarter, the company being included in the group as of June 2005.

In D&S, gross margins are down due to delays in the FOI contract. Gross margins on other business in the division have increased, however this is more than countered by a decrease in volume. In F&G, profits were influenced by slower order intake than expected. There has been an increase in the overall cost level of the group due to SO Icare being acquired and due to an investment in support of further developing the business, as well as a need for activities to meet new accounting standards and to cover increased future pension costs.

Operating profit was NOK -3.9 million (4.0) in the second quarter. Profit from D&S was NOK -2.4 million (4.9) and NOK -1.5 million (-0.9) stems from F&G. EBITDA was NOK -1.5 million (5.7) in the period.

Net profit after financial items was NOK -5.7 million (5.6) and profit after taxes was NOK -4.2 million (3.8).

Market trends and future prospects

Simrad Optronics has experienced an increased interest in the products and services in both divisions, although this has yet to contribute to the company's order intake.

The Board of Directors maintain the guiding for the year 2006.

Defence & Security:

In the FOI contract all reported deviations to specifications were solved in the quarter and 50 systems have been delivered this year. A further 115 systems will be delivered in the 3rd and 4th quarter and the remaining 46 of the total 234 systems will be delivered in 2007. The Norwegian and the Swedish army has contracted Simrad Optronics to start development of a laser target designator module for the FOI system. The development work has started in co-operation with Thales Optronics in the UK. It is expected that a final contract for the development and deliveries of modules will be in place this year.

Simrad Optronics expects that the new module will increase the general interest in the FOI system. Deliveries of the IS2000 system to the Netherlands commenced in June and the first deliveries were made to Venezuela, financing in place and payment received.

Fire & Gas:

Deliveries under the NPCC contract in Abu Dhabi are according to plan and were fully delivered in July/Q3. The Middle East market will be one of our key growth markets and with this strong reference contract we are currently in process of being pre qualified with several new customers. The development and delivery contract with Schauenburg Group in Germany develops according to plan and we expect to deliver the first gas detection systems specially designed for the mining industry during this years third quarter.

Other

On 30 June the Board of Directors decided to propose to the General Meeting to demerge the company's Fire & Gas division. A demerger plan will be prepared and presented to the Board of Directors and the General Meeting as soon as possible. The intention of the demerger is to create two listed companies each unit with a clear strategic and strong focus.

On 30 May Simrad Optronics completed a private placement of a total of 3,722,250 new shares at a subscription price of NOK 4.30 per share. Gross proceeds from the private placement amounted to NOK 16,005,675. Payment date was 9 July. The purpose of this capital increase is to strengthen the equity base and to prepare the company for further growth. The private placement attracted strong interest and was more than three times over-subscribed.

On 26 April the Annual General Meeting passed a resolution to pay a dividend of NOK 0.25 per share. Ex-dividend date was 27 April.

Accounting policies

The financial statements are prepared and presented based upon the International Financial Reporting Standards (IFRS). The financial statements of the second quarter of 2006 have been prepared in accordance with IAS 34 "Interim Financial Reporting", and follow the same accounting policies and methods of computation as in the 2005 annual accounts.

Oslo, 10 August 2006

The Board of Simrad Optronics ASA

Riulf Rustad
Chairman of the Board

Ingvild Myhre
Member of the Board

Lisa Cooper
Member of the Board

Terje Eidsmo
Member of the Board

Tove Steen
Member of the Board,
Deputy Employee Representative

Tore Amundsen
President and CEO

Anne-Karin Bjerkestrand
Member of the Board, Employee Representative

P&L AND BALANCE SHEET

SIMRAD OPTRONICS GROUP

Profit and Loss Account (NOK 1,000)	Q206	Q205	30.06.06	30.06.05	31.12.05
Operating income	63 621	51 502	115 741	88 567	237 346
Operating expenses	65 140	45 841	119 858	84 588	223 719
Depreciation	2 363	1 646	4 669	3 094	5 477
Operating profit	-3 882	4 015	-8 786	885	8 150
Net financial items	-1 793	1 554	-2 720	1 360	-2 599
Profit before tax	-5 675	5 569	-11 506	2 245	5 551
Tax on ordinary profit	1 451	-1 805	2 614	-845	-2 074
Profit after taxes	-4 224	3 764	-8 892	1 400	3 477
Earnings per share	-0,10	1,52	-0,23	0,57	0,09
Balance Sheet (NOK 1,000)			30.06.06	30.06.05	31.12.05
Intangible fixed assets			47 400	29 912	48 166
Tangible fixed assets			10 249	8 227	10 493
Financial fixed assets			198		189
Total fixed assets			57 847	38 139	58 848
Inventories			33 148	31 168	29 707
Accounts receivable			59 945	42 238	55 337
Accrued, not invoiced revenue - net			108 312	72 237	106 928
Other receivables			5 592	9 572	11 946
Cash and cash equivalents			2 471	1 537	2 042
Total current assets			209 468	156 752	205 960
Total assets			267 315	194 891	264 808
Shareholders'equity			77 602	78 968	80 477
Long term bank borrowing ¹⁾			39 306		
Other long term liabilities			13 914	9 002	15 519
Total long term liabilities			53 220	9 002	15 519
Bank overdraft			29 959	1 248	34 662
Accounts payables			89 204	64 349	95 369
Other short-term liabilities			17 330	41 324	38 781
Total short-term liabilities			136 493	106 921	168 812
Total liabilities and shareholders'equity			267 315	194 891	264 808
Cash Flow Statement			30.06.06	30.06.05	31.12.05
Cash flow from operating activities			-25 501	-22 552	-49 288
Cash flow from investing activities			-3 173	-11 248	-29 357
Cash flow from financing activities			29 102	-21 660	23 691
Net change in cash and cash equivalents			428	-55 460	-54 954
Cash and cash equivalents at the beginning of period			2 043	56 997	56 997
Cash and cash equivalents at the end of period ²⁾			2 471	1 537	2 043
Equity reconciliation			30.06.06	30.06.05	31.12.05
Equity at the beginning of period			80 477	77 081	77 081
IFRS adjustment 01.01.05				424	
Paid in share capital and/or dividends paid			5 900		
Net income for the period			-8 892	1 400	3 477
Effect of change in exchange rates			117	63	-81
Equity at the end of period			77 602	78 968	80 477

1) Long-term bank loan of NOK 11.4 million redefined as other short-term liabilities per 31.12.2005 due to breach of covenants.

2) Unused credit facilities of NOK 20 million as per 30 June 2006.



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2ND QUARTER 2006