

SIMRAD OPTRONICS ASA

Q3 2006

- **Negotiations commenced with Norwegian and Swedish armed forces for development and supply of laser target designator systems.**
- **Fire & Gas business makes profit in Q3.**
- **General Assembly has approved plan to demerge Fire & Gas business.**
- **Deliveries on FOI2000 and IS2000 contracts continued.**

Simrad Optronics operating revenues during the third quarter of 2006 were NOK 52,7 million (69,2). 2005 figures in brackets. Defence & Security (D&S) contributed with revenues of NOK 32,1 million (55,5). As in the first half of the year more than 60 % of the revenues come from the FOI2000 contract with the Norwegian and Swedish armed forces. The reduction in revenues compared to last year is due partly to delayed deliveries and partly to lower intake of new orders. Fire & Gas (F&G) delivered revenues of NOK 20,6 million (13,7), i.e. up close to 50 % compared to the third quarter last year. The increase is due to improved sales, particularly in the Middle East. SO Icare, as part of F&G, delivered revenues of NOK 7,4 million (6,7), the company being included in the group as of June 2005.

In D&S operating profits are down due to delays in both the FOI2000 contract as well as the IS2000 contract to the Netherlands. In addition a contract to Australia is delayed due to long delivery times on export restricted components from the US. Reduced order intake during the year also contributes to lower profits in the third quarter. F&G shows increased profits due to increased revenue volume. Particularly due to the NPCC contract won by SO Icare in the Emirates. Profits in the quarter are also significantly influenced by non-recurring costs related to the use of external help with the demerger of F&G, strategy development, adjustment to new accounting standards and increased pension costs.

Operating profit was NOK -0,6 million (5,5) in the third quarter. Profit from D&S was NOK -2,0 million and from F&G NOK 1,4 million. EBITDA was NOK 1,5 million (7,4) in the period.

Net profit after financial items was NOK -2,7 million (4,6) and profit after taxes was NOK -2,1 (3,1).

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 backlog. Due to delayed deliveries, slower order intake and non-recurring costs the Board of Directors revise the guiding for the year to EBITDA up to NOK 10 million.

Defence & Security:

The FOI2000 and IS2000 systems have been used extensively the last half year by Norwegian forces in international operations with excellent results. The remarkable performance of the systems has been noticed with great interest by allied forces. All reported deviations to the specifications of the FOI2000 system were solved in the third quarter and production output is now increasing week by week.

A further 95 systems will be delivered in the fourth quarter and the remaining 46 systems in 2007. The Norwegian and Swedish armed forces contracted Simrad Optronics to start development of a laser target designator module for the FOI2000 system. A negotiation for a contract to complete the development and delivery of an undisclosed number of the system with expected value of NOK 70 million is expected to be completed in the beginning of November. D&S is competing to deliver the FOI2000 system to UAE and is at present on a shortlist with two other companies. The expected contract value is NOK 100 million.

Fire & Gas:

Deliveries under the NPCC contract in Abu Dhabi were completed in the third quarter. The division has been qualified as a vendor to Qatar Petroleum and is expecting similar qualifications from Saudi Aramco. The Middle East market is now becoming one of the division's most important markets. The development and delivery contract with Schauenburg Group in Germany has been delayed because qualification of the product for use in the mining industry has taken longer in the US than expected. Deliveries to Schauenburg will commence in the fourth quarter.

Other:

On 9 October the General Assembly approved the plan to demerge F&G into an independent listed company. The new company will be named Simtronics ASA and operating as from 1 January 2007. The listing is expected to become effective early in January 2007. Riulf Rustad resigned his position as Chairman of the Board of Directors as from 9 October. The Board of Directors has called for an extraordinary general assembly on 25 October to elect a new chairman. Ove Gusevik has been proposed to become the new Chairman.

Accounting Policies

The financial statements are prepared and presented based upon the International Financial Reporting Standards (IFRS). The financial statement for the third quarter of 2006 has been prepared in accordance with IAS 34 "Interim Financial Reporting" and follows the same accounting policies and methods of computation as in the 2005 annual accounts. As a consequence of the decision to demerge the F&G business, the income statement for the F&G business has been reported as discontinued operations. Likewise, the assets and liabilities related to the F&G business have been reported on separate lines in the balance sheet.

Oslo, 24 October 2006

The Board of Directors of Simrad Optronics ASA



Terje Eidsmo
Vice Chairman of the Board



Ingvild Myhre
Member of the Board



Lisa Cooper
Member of the Board



Stig Landro
Member of the Board, 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 1,000,000)	Q306			Q305			30.09.06			30.09.05			31.12.05		
	D&S	F&G 1)	Group	D&S	F&G 1)	Group	D&S	F&G 1)	Group	D&S	F&G 1)	Group	D&S	F&G 1)	Group
Operating income	32,1	20,6	52,7	55,5	13,7	69,2	111,8	56,7	168,4	126,9	30,8	157,8	185,7	51,6	237,3
Operating expenses	32,2	19,0	51,2	48,8	13,0	61,8	112,8	58,3	171,1	113,5	32,9	146,4	170,4	53,3	223,7
Depreciation	1,9	0,2	2,1	1,3	0,7	1,9	5,2	1,6	6,8	3,8	1,2	5,0	3,8	1,7	5,5
Operating profit	-2,0	1,4	-0,6	5,4	0,1	5,5	-6,2	-3,2	-9,4	9,6	-3,3	6,4	11,5	-3,4	8,2
Net financial items	-1,7	-0,4	-2,1	-0,2	-0,7	-0,9	-3,8	-1,0	-4,8	0,6	-0,1	0,5	-2,0	-0,6	-2,6
Profit before tax	-3,8	1,0	-2,7	5,3	-0,6	4,6	-10,0	-4,2	-14,2	10,2	-3,4	6,9	9,5	-3,9	5,6
Tax on ordinary profit			0,7			-1,5			3,3			-2,4			2,1
Profit after taxes			-2,1			3,1			-11,0			4,5			3,5
Earnings per share			0,00			0,0			0,0			0,0			0,0
Balance Sheet (NOK 1,000)									30.09.06			30.09.05			31.12.05
Intangible fixed assets									40,2			36,6			48,2
Tangible fixed assets									7,9			8,5			10,5
Financial fixed assets												0,2			0,2
Total fixed assets									48,1			45,3			58,8
Inventories									12,3			22,4			29,7
Accounts receivable									33,8			33,7			55,3
Accrued, not invoiced revenue - net									118,8			111,9			106,9
Other receivables									2,5			8,9			11,9
Cash and cash equivalents									0,6			3,5			2,0
Total current assets									168,0			180,4			206,0
Assets related to demerger of F&G 1)									57,9						
Total assets									274,0			225,7			264,8
Shareholders' equity									75,3			82,0			80,5
Long term bank borrowing									17,8			12,0			
Other long term liabilities									8,3			10,2			15,5
Total long term liabilities									26,1			22,2			15,5
Bank overdraft									37,0			28,5			34,7
Accounts payables									76,9			75,2			95,4
Other short-term liabilities									13,0			17,6			38,8
Total short-term liabilities									126,8			121,4			168,8
Liabilities related to demerger of F&G 1)									45,8						
Total liabilities and shareholders' equity									274,0			225,7			264,8
Cash Flow Statement									30.09.06			30.09.05			31.12.05
Cash flow from operating activities									-30,5			-51,0			-49,3
Cash flow from investing activities									-10,3			-20,1			-29,4
Cash flow from financing activities									41,3			17,6			23,7
Net change in cash and cash equivalents									0,5			-53,5			-55,0
Cash and cash equivalents at the beginning of period									2,0			57,0			57,0
Cash and cash equivalents at the end of period									2,5			3,5			2,0
Equity reconciliation									30.09.06			30.09.05			31.12.05
Equity at the beginning of period									80,5			77,1			77,1
IFRS adjustment 01.01.05												0,4			
Paid in share capital and dividends paid									5,9						
Net income for the period									-11,0			4,5			3,5
Effect of change in exchange rates									-0,1			0,0			-0,1
Equity at the end of period									75,3			82,0			80,5

1) F&G is discontinued operation



3RD QUARTER 2006

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