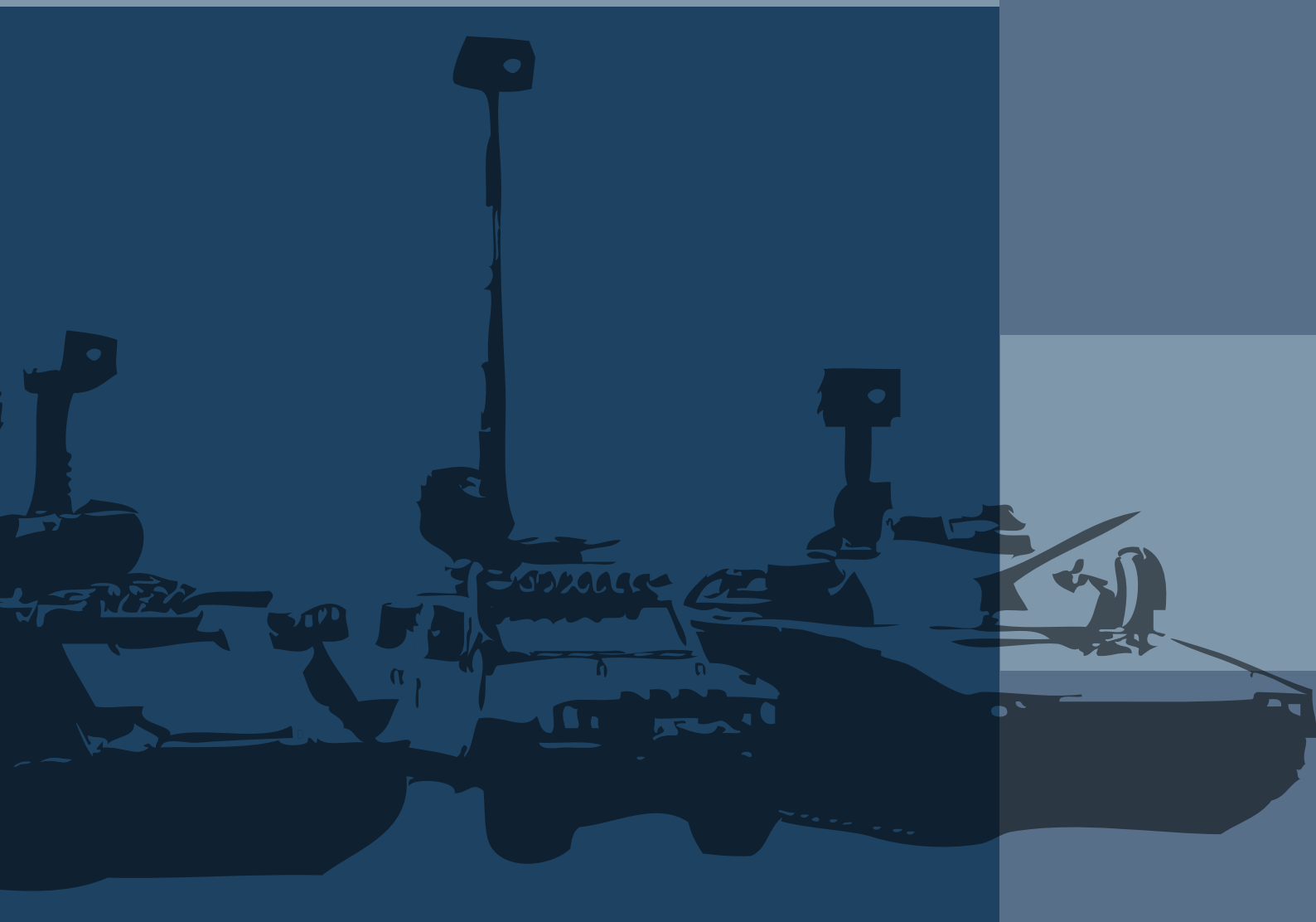


**ANNUAL REPORT 2009**



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# The Simrad Optronics Group's mission is to help our customers with:

- Situational awareness
- Aim and hit
- Protect own troops
- Reduce collateral damage

## FINANCIAL HIGHLIGHTS

### Simrad Optronics Group

<i>Figures in NOK 1 000</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Operating income	623 868	602 406	458 386
Operating profit	46 861	37 121	21 841
Operating margin (%)	7,5	6,2	4,8
Basic earnings per share (NOK)	0,55	0,15	0,21
Diluted earnings per share (NOK)	0,55	0,15	0,21
Equity (%)	52,2	39,6	42,3

# FOUR DIRECTIONAL BUSINESS MODELS



Direct sales  
to end users



Supplier of  
products and  
modules to  
**defence**  
product  
integrators



Development  
contract with  
end users



Teaming up  
with major  
defence  
contractors



**To the shareholders**

The Group achieved a total revenue of NOK 623.9 million, making year 2009 the fifth consecutive year of growth in revenues. At year end 2009, the financial situation is characterized by strong margins, improved working capital and a significantly improved cash flow.

The Simrad Optronics Group had ambitious targets and focus for 2009:

- Further growth in revenues – maintain margins.
- Strong focus on working capital items – improve financial position through cash from operating activities.
- Further development of our subsidiaries abroad.
- Strong focus on product development.

As predicted, 2009 was a challenging year and due to quarterly fluctuations in order intake, the production volume was at times significantly below expectations. This led to temporary lay-offs for some of our Norwegian employees and a demanding financial situation with a tight cash position and need for focus on cost control, logistics and manufacturing performance.

With both dedicated employees ready to meet these challenges and a growing market position, the Group experienced a considerable revenue lift during the second half of the year, and achieved all its ambitions for 2009.

Vingtech Corp, our subsidiary in the US, has continued its positive progress. Within a two year period the company has grown to nearly 50 employees and MNOK 246.2 in revenues. The company has also become responsible for coordinating the entire Group's manufacturing and logistics activities of products within Remotely Controlled Weapon Systems (RWS).

The Group has maintained a high level of design and engineering activities through the year, and the R&D departments in our subsidiary Vinghøg AS lead product development programs related to all our four product areas. Vinghøg AS has also established the "Vinghøg Academy" engaged in education and training of employees in the field of electro optics. We believe in "performance through innovation", and we consider product development as well as highly skilled personnel being crucial for our success and further growth.

Several legal entities of the Group are now contributing to the Group's consolidated revenues and financial results. While Vinghøg AS was the dominating entity in the past, Vingtech Corp is becoming an increasingly substantial contributor to the Group. Our latest addition, Vingtech Australia Pty Ltd, our joint venture company in Australia, got its very first order in 2009 with delivery date in January 2010.

We are pleased to note that we have been able to deliver a financial result that has enabled the Board of Directors to propose a dividend to the shareholders.

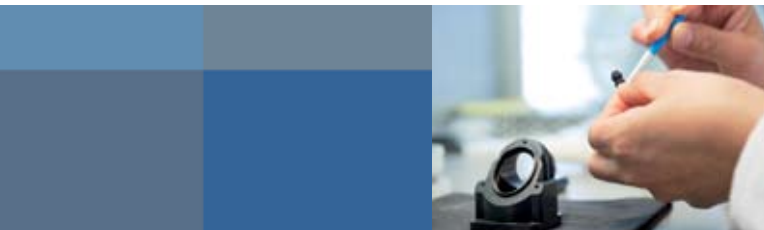
Going forward we expect growth in revenues and maintained margins. We will continue to focus on increasing shareholders' value by focusing on cost reductions and other conditions for maintained profitability. We will improve our distribution power world-wide and maintain our high level of product development activities. Our focus on our human capital and maintaining dedicated employees, as well as optimal organizational structure will be a key going forward.



Jon Asbjørn Bø  
President & CEO

## About the Group

Simrad Optronics ASA is the holding company of a Group of companies that together constitute a global niche supplier of defence products in the areas of electro optics, weapon improvement products, vehicle systems and remotely controlled weapon systems. Simrad Optronics ASA is based in the Norwegian municipality of Nøtterøy.



Vinghøg AS in Norway and Vingtech Corp in the US, both of which manufacture and sell products within all of the Group's product groups, are wholly owned subsidiaries of Simrad Optronics ASA. Vinghøg AS also has an design and engineering department which develops products and production technology for the whole Group, as well as carrying out a range of design and engineering projects in collaboration with customers and other partners, both in Norway and internationally.

The Group's products have maintained their strong, market-leading position. Success with products for remotely controlled weapon systems (RWS) has played an important role in shifting a significant proportion of the Group's external turnover to the US. There is particularly close cooperation between Vinghøg AS and Vingtech Corp on logistics, production technology and quality assurance within the RWS sector.

In 2009 Vingtech Australia Pty Ltd, which was established in 2008 and in which Simrad Optronics ASA has a 55% ownership interest, helped to increase the Group's presence and marketing activities in Australia and the surrounding region. The company received its first orders in 2009, and will have turnover from 2010 onwards.

Nordic Defence Supply AS is a wholly owned subsidiary of Simrad Optronics ASA. Together with its wholly owned subsidiary Servo Kontroll AS, the company continued its agency business in 2009. The company now represents tens of internationally recognised suppliers of defence equipment, and its operations and turnover remained stable in relation to previous years.

Simrad Optronics ASA owns a 51% interest in Vingtech Saab AS. The company, which is a joint venture with the Swedish company Saab Aeronautics, was established in 2008. The company did not carry on business in 2009. The company is a strategic investment which has the potential to strengthen the Group's position in the Nordic market in the years to come.

## Design and Engineering

Design and engineering at the Simrad Optronics Group ranges from innovation and product development to further developing production technology and existing products. Important design and engineering activities in 2009 included the laser target designator for the FOI system, the fire control systems "Vingmate" and "Vingpos", further development of the target acquisition and observation system "Vingtaqs", as well as activities relating to remote weapon systems. The Group's design and engineering department also plays an important role in marketing and selling selected products and systems.

## Employees

The Simrad Optronics Group had 209 employees (44 women, 165 men) at 31 December 2009, compared with 200 employees at the start of the year. Simrad Optronics ASA had four employees at 31 December 2009.

## Results and financial situation

The Board considers that the annual financial statements provide a true picture of the company's financial situation at the end of the year.

In 2009 Simrad Optronics ASA had a turnover of NOK 12.3 million, whilst the figure for the Simrad Optronics Group was NOK 623.9 million. The comparative figures for 2008 were NOK 9.3 million for Simrad Optronics ASA and NOK 602.4 million for the Simrad Optronics Group. The Group's turnover therefore rose by 3.6% from 2008 to 2009.

Simrad Optronics ASA's operating profit before depreciation (EBITDA) was NOK 0.0 million, whilst the figure for the Simrad Optronics Group was NOK 86.6 million. The comparative figures for 2008 were NOK -1.2 million for Simrad Optronics ASA and NOK 76.0 million for the Simrad Optronics Group.

Turnover growth was due to increasing demand for the Group's products and expertise. In 2009 the Group continued its strong focus on cost-cutting measures. Turnover growth, the impact of a restructuring of the business initiated in 2008 and cost-cutting measures together helped to increase operating profit by NOK 10.6 million.

In 2009 Simrad Optronics ASA made a profit before taxation of NOK 35.6 million, whilst the figure for the Simrad Optronics Group was NOK 48.7 million. The comparative figures for 2008 were NOK 30.2 million for Simrad Optronics ASA and NOK 18.4 million for the Simrad Optronics Group.

In 2009 the Group made a net financial gain of NOK 1.9 million, compared with a loss of NOK 18.7 million in 2008, due to significant foreign exchange gains over the course of 2009.

In 2009 the Group received new orders worth NOK 723.9 million. The order backlog at the end of the year was NOK 700 million, compared with NOK 600 million in 2008.

### **Tax expense**

Simrad Optronics ASA's tax expense was NOK 34.0 million (2008: NOK 40.5 million). The effective tax rate was as high as 95.3% due to the delay between the recognition of Group contributions for tax and accounting purposes.

The Simrad Optronics Group's tax expense was NOK 9.7 million (2008: NOK 7.6 million). The effective tax rate was only 19.9% due to the deferred tax assets in the US not being included in the opening balance for 2009. The loss carry-forwards at the Group's US company Vingtech Corp have been fully utilised, and the Group now has a tax expense both in Norway and the US.

Tax payable by Simrad Optronics ASA totalled NOK 39.4 million (2008: NOK 9.0 million). In 2009 the Group recognised revenue from completed long-term contracts for tax purposes, reducing deferred tax and increasing tax payable by an equivalent amount.

### **Cash flow**

The Group has focused hard on improving cash flow, and has succeeded in reducing its working capital requirements. In spite of higher turnover, it cut working capital by 25.4% from NOK 182.4 million to NOK 136.0 million.

The Group's operating profit before depreciation (EBITDA) for 2009 was NOK 86.6 million. Combined with the reduction in working capital, this gave the Simrad Optronics Group NOK 110.6 million of net cash flow from operating activities.

### **Going concern assumption**

The Board confirms that the going concern assumption is appropriate, and that the financial statements have been prepared on that basis.

### **Areas of risk and risk management**

The Group is exposed to various types of risk, and the Board constantly monitors developments within the various areas of risk. The Board has established an audit committee to help the Board deal with accounting judgements and estimates, and to monitor the Group's internal controls and risk management.

### **Financial risk**

The Group is exposed to credit risk, liquidity risk and market risk arising from its ordinary activities. Detailed information about financial risk can be found in note 17. The Board considers that these risks are handled in a satisfactory manner, through forward currency contracts and sales contracts containing currency clauses, as well as through the use of contracts where the company's suppliers undertake to cover all or part of the financial risk.

### **Operational risk**

The Group's competitive advantage is based on high-tech products and systems. Access to qualified, experienced and motivated employees are critical success factors, and the Group believes that it minimises the risk of not being sufficiently attractive as a workplace by offering extensive training and good working conditions.

### **Business risk**

The credit crisis that arose in 2008 and the subsequent global downturn appear to have had only a limited impact on the market for defence equipment. Nevertheless, the Group is exposed to changes in political regimes, as well as political decisions that may have an impact on the demand for defence equipment.

Simrad Optronics and Vinghøg are highly respected brand names. The Board considers it a priority to maintain the Group's reputation as a global defence supplier with high ethical standards. The Group has implemented internal Ethical Guidelines, and the Board believes that this minimises reputation risk.



### **Working environment, equal opportunity and discrimination**

The working environment is considered satisfactory. Companies in the Group use laser equipment to test products, and use machinery for manufacturing. In order to avoid accidents, staff are trained in the use of safety equipment. Detailed safety procedures have been drawn up, and there are regular working environment committee meetings.

In 2009 the company introduced an internal course on electro optics. The course leads to a journeyman's certificate as an optronic technician. This gives employees the opportunity to formally document their knowledge, as well as ensuring that the Group has continued access to qualified workers in the future.

Sickness absence at the Simrad Optronics Group was 2.4% in 2009, compared with 1.9% the previous year. The Group uses the government-backed active sick leave scheme to help employees return to work. In 2009 there were four personal injuries, the same number as in 2008. No damage to the company's assets was reported in 2009.



The Simrad Optronics Group strives to offer equal opportunities to women and men, which includes equal pay for equal work and equal treatment in hiring decisions. In 2009 5 women and 16 men were hired (0 women and 1 man at Simrad Optronics ASA). The Group's executive management team consists of four men. The Board consists of three women and two men. The Group would like to have more women occupying technical positions. The Group wants to promote the recruitment of women to technical positions. The company actively works to enable employees to remain in their jobs until reaching retirement age.

The purpose of the Anti-Discrimination Act is to promote gender equality, ensure equal opportunities and rights and to prevent discrimination based on ethnicity, national origin, descent, skin colour, language, religion or belief system. The Group works proactively, purposefully and systematically to promote the fulfilment of the aims of the law at its companies. This covers recruitment, pay and terms of employment, promotion, personal development opportunities and protection against bullying.

The Group aims to be a workplace where there is no discrimination due to any kind of physical disability. The Group works proactively and systematically to design and adapt the physical environment such that its various functions can be used by as many people as possible. Workplaces and tasks are individually tailored to meet the needs of employees or applicants with disabilities.



## External environment

The Group does not use inputs or supply products that cause significant harm to the environment. The Group's activities require only relatively small amounts of energy, and do not generate hazardous waste. Operations only consume small volumes of hazardous materials and gases, and all waste arising from their use is treated separately as hazardous waste.

## Corporate Governance

The Board believes that good Corporate Governance promotes growth and generates value to the benefit of shareholders, employees and other stakeholders. The Board is consciously working to build trust in the company amongst all stakeholders, based on the principles laid down in the Norwegian recommendation for Corporate Governance, as can be seen from the relevant chapter of the annual report. The priorities of the Board include equal treatment of all shareholders, having the necessary expertise in the company's governing bodies, having independent auditors and ensuring that the information issued by the company at all times gives an accurate picture of its position.

The Group's Ethical Guidelines are constantly updated to ensure high ethical standards. The Ethical Guidelines have been raised and discussed at management meetings, sales meetings and meetings with the Group's international sales representatives. The Board ensures that the company at all times has sufficient equity in view of its strategy, aims and risks.

## Shares and shareholders

At 31 December 2009, Simrad Optronics ASA had 2 132 shareholders, an increase of 84 over the previous year. The 20 largest shareholders controlled 62.0% of the company's shares.

At 31 December 2009 there were 71 587 195 shares in the company, 7 140 989 of which were restricted shares issued in conjunction with the acquisition of Vinghøg AS in 2007. The restrictions ended in January 2010.

The share price was NOK 5.34 at the close of 2009. This gave the company a market value of NOK 375.1 million, which was NOK 153.2 million higher than the previous year.

## Outlook / going forward

### Financial situation

A focus on (1) productivity and efficiency, (2) logistics and capacity utilisation and (3) finances (costs and liquidity) helped the Simrad Optronics Group to achieve its financial goals for 2009. This focus will continue in 2010, which will provide a strong financial platform for the further growth and development of the business. The Simrad Optronics Group expects that turnover will continue to increase, which will make 2010 the sixth consecutive year with turnover growth. The growth rate in 2010 is expected to be higher than in 2009.

### Organisational structure

The Group wants to focus on the potential of its employees, looking at how to develop this potential in ways that are of benefit to both employees and employer. Having a cost-efficient organisation will remain a priority, in parallel with improving employee satisfaction.

### Design and engineering

Approximately 30% of the Simrad Optronics Group's employees are involved in product design and engineering. The design and engineering department reports to Vinghøg AS. It will be important to retain a strong focus on product and system development, with a particular focus on products and systems that will provide future sales and profitability.

### Sales and marketing

In 2009 the Group defined new sales and marketing strategies, and it is now managing to exploit its sales and marketing resources more efficiently. The priority going forward will be to strengthen our distribution power. We will continue to reach the market through existing channels, but also through new alliances and partnerships. The Norwegian defence market continues to offer exciting opportunities. The US will continue to be the world's largest market for defence products, and the Group's presence in the market will remain strategically important.



### Profit allocation

The Board proposes a dividend of NOK 0.20 per share to be distributed for 2009, at a total cost of NOK 14.3 million.

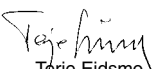
The Board therefore proposes that the profit for 2009 to be allocated as follows:

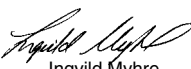
Transferred from other reserves	NOK	-12 632 151
Dividends	NOK	14 317 439
Total appropriations	NOK	1 685 288

At 31 December 2009, the company had NOK 141.6 of distributable reserves. For 2009, the company will receive net group contributions totalling NOK 132.8 million from its subsidiaries Vinghøg AS, Nordic Defence Supply AS and Servo Kontroll AS. Under IFRS, the Group contribution will not be recognised for accounting purposes until 2010 (when it is received), but it will be taxable for 2009.

Nøtterøy, 26 March 2010

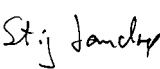
The Board of Directors of Simrad Optronics ASA


  
Terje Eidsmo  
Chairman of the Board (acting)

  
Ingvild Myhre  
Member of the Board

  
Lisa Cooper  
Member of the Board

  
Helle Rønningen  
Member of the Board, Employee representative

  
Stig Landrø  
Member of the Board, Employee representative

  
Jon Asbjørn Bø  
President and Chief Executive Officer



# STATEMENT ON CORPORATE GOVERNANCE

Simrad Optronics ASA has implemented the Norwegian Code of Practice for Corporate Governance dated October 21st 2009. The following is a discussion of each section of the Code and a description of the Company's compliance.

For full annotated Code of Practice, see the Oslo Stock Exchange's website at [www.oslobors.no/ob/cg](http://www.oslobors.no/ob/cg) or Norwegian Corporate Governance Committee (NUES) at [www.nues.no](http://www.nues.no).

## 1. Implementation and reporting

The Board has decided that 'The Norwegian Code of Practice for Corporate Governance' is to be observed. The Group has drawn up its own Ethical Guidelines, most recently revised in November 2008. For more details, visit the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no).

## 2. Business description

The object of Simrad Optronics ASA is to 'engage in industrial activities, trade and other related activities such as participation in other companies of similar category as well as to own and manage real estate, securities and other capital assets'. This sentence appears in § 3 in the company's Articles of Association that can be found at the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no). The Company focuses on delivering products and services to defence organizations globally. For a brief presentation of goals and main strategies, see the annual report or visit [www.simrad-optronics.no](http://www.simrad-optronics.no).

## 3. Equity and dividends

The Board continuously monitors the equity of the Company, and ensures that it is adequate for goals, strategies and risk profile.

The Board's dividend policy is to propose dividend payment or purchase of its own shares to the Annual General Meeting (AGM) to the extent that the result, the cash flow, the equity and possible covenants allow this. Prevailing loan covenants are discussed in the annual report 2009 note 14.

Mandates granted to the Board of Directors to increase the company's share capital shall be restricted to defined purposes. If the general meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate shall be considered separately by the meeting. Mandates granted to the Board should be limited in time to no later than the date of the next annual general meeting. This shall also apply to mandates granted to the Board for the company to purchase its own shares.

## 4. Equal treatment of shareholders and transactions with related parties

All shares in Simrad Optronics ASA are Class A shares. The Articles of Association place no restrictions on voting rights. All shares are equal.

The authorisation to undertake share issues, see clause 3 above, includes an exception from preemptive rights of shareholders to subscribe for shares. The reason for the exception is the desire to get large long term investors as shareholders, or to use part payment in shares with a possible acquisition.

In the Board's opinion, in 2009, there have been no transactions between the company and a shareholder, director, executive personnel or a party closely related to such individuals that can be described as significant and not complying with arms length principle. Related parties are discussed in the annual report 2009 note 11.

The Group's Ethical Guidelines includes articles instructing members of the Board and the executive personnel to notify the Board if they have any material direct or indirect interest in any transaction entered into by any company in the Group. For more details, visit the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no).

## 5. Freely negotiable shares

The shares are freely negotiable.

One exception has been prevailing until January 11th 2010: The exception is shares issued in connection with the acquisition of Vinghøg AS where the previous shareholders in Vinghøg AS – among other elements – were compensated with 21,422,965 shares in Simrad Optronics ASA subject to lock-up restrictions. The final 1/3 was released at January 11th 2010.

## 6. General meetings

The Board of Directors takes steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the Board. In 2009, 49.1 % of the aggregate share capital was represented in the AGM.

The Board ensures

- making the notice calling the meeting and the support information on the resolutions to be considered at the general meeting, to the extent possible including the recommendations of the nomination committee, posted by mail and available on the company's website no later than 21 days prior to the date of the general meeting.
- that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.
- setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible.
- that the Board of Directors and the person chairing the meeting will make appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

- that the members of the Board of Directors and the nomination committee and the auditor are present at the general meeting.
- making arrangements to ensure an independent chairman for the general meeting.

Shareholders who cannot attend the meeting in person shall be given the opportunity to vote. The company shall provide information on the procedure for representation at the meeting through a proxy. It shall be nominated a person who will be available to vote on behalf of shareholders as their proxy. To the extent possible it will be prepared a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

## 7. Nomination committee

The Company has a nomination committee whose members are shareholders or representatives for the shareholders. The members of the nomination committee, including its chairman, are appointed by the Annual General Meeting (AGM) for a period of two years if not otherwise decided by the AGM.

The duty of the nomination committee is to present its recommendations to the AGM in respect of:

- Election of shareholder elected members and deputy members to the Board of Directors including Chairman of the Board.
- Remuneration to be paid to the members of the Board of Directors.
- Election of members to the nomination committee including chairman of the nomination committee.
- Remuneration to be paid to the members of the nomination committee.

Information about the nomination committee is available at the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no).

## 8. Corporate assembly and Board of Directors: Composition and independence

The Board of Directors attends to the common interests of all shareholders and meets the Company's need for expertise, capacity and diversity.

The Articles of Association states that the Board of Directors is to consist of three to seven members, as resolved by the Annual General Meeting. The Directors of Simrad Optronics are elected for service periods of two years. Directors may be re-elected and there is no limit on the number of terms that any one Director may serve.

The Board operates independently of any special interests. It does not include representatives of the Company's executive personnel. The annual report is providing information to illustrate the expertise and capacity of the members of the Board of Directors and identifying which members are

considered to be independent. Information about the Board of Directors is available at the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no).

## 9. The work of the Board of Directors

The Board bears the ultimate responsibility for managing the Group and supervising day-to-day management and corporate operations.

The Board's main tasks are to contribute to corporate competitiveness, and to ensure that the Group develops and adds value.

A deputy chairman has been elected to chair the Board in the event that the chairman cannot or should not lead the work of the Board. In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, the Board's consideration of such matters should be chaired by some other member of the Board.

The Board of Directors has issued the instructions for its own work and for the executive personnel. The Board has decided Guidelines for reporting of financial and other information. The guidelines are available at the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no).

An audit committee has been appointed by the Board of Directors. For more information, see Board of Directors' report or visit the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no).

The Board is evaluating its performance and expertise annually.

## 10. Risk management and internal control

Management in operating segments is on regular basis drawing up performance reports that are sent to and reviewed by the executive personnel, and where selected highlights are conveyed to the Board through CEO's operating reports in the Board meetings.

Vinghøg AS and Vingtech Corp are both ISO-certified entities with appurtenant procedures and control systems in place.

The Board is provided with financial statements, on a quarterly basis as minimum, and with other relevant reports upon request, i.e. health/security/environment reports.

The Company has a system that allows employees to report any unethical behavior. For more information about this 'whistle blowing' procedure, see Ethical Guidelines at the investor-pages at [www.simrad-optronics.no](http://www.simrad-optronics.no).

In the Annual report, the Board is carrying out a review of the Company's most important areas of exposure to risk. For more information, see the Board of Directors' report and the annual report 2009 note 17.

## 11. Remuneration of the Board of Directors

The remuneration of the Board is reflecting the Board's responsibility, expertise, time commitment and the complexity of the Company's activities, and is not linked to the Company's performance.

The Company does not grant share options to members of its Board.

None of the Board's shareholderelected Directors works for the Company in any capacity other than as a director.

The Annual report provides information on all remuneration paid to each member of the Board of Directors; see the annual report 2009 note 11.

## 12. Remuneration of the executive personnel

The Board has established guidelines for the remuneration of the members of the executive personnel. These guidelines sets out the main principles applied in determining the salary and other remuneration of the executive personnel. They also help to ensure convergence of the financial interests of the executive personnel and the shareholders.

The Company does not grant any performance related remuneration of the executive personnel in Simrad Optronics ASA in the form of share options, bonus programmes or the like.

## 13. Information and communications

The Board has established guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The Company publishes an overview each year of the dates for all its major events.

All information distributed to the Company's shareholders is published at [www.simrad-optronics.no](http://www.simrad-optronics.no) at the same time as it is sent to shareholders.

The presentations of the annual and quarterly reports are accessible either by personal attendance or by following the live presentation on the internet (webcast). The presentations are posted at [www.simrad-optronics.no](http://www.simrad-optronics.no) at the same time as they are presented.

The Company has not drawn up any specific guidelines for the Group's contact with shareholders outside the Annual General Meeting, as Stock Exchange Releases are covering all issues the Company is in position to communicate.

## 14. Takeovers

In the event of a take-over bid for the Company's shares, the Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over

bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for a Company's shares, the Board of Directors will issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board will be unable to give recommendation to shareholders on whether or not to accept the offer, an explanation will be made. The Board's statement on a bid will make it clear whether the views expressed are unanimous, and if this is not the case it will explain the basis on which specific members of the Board have excluded themselves from the Board's statement.

The Board will consider arranging a valuation from an independent expert if any member of the Board or executive personnel, or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in the bid. This shall also apply if the bidder is a major shareholder.

Any transaction that is in effect a disposal of the Company's activities will be decided by a Annual General Meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

## 15. Auditor

The Auditor submits the main features of the plan for the audit of the audit committee annually.

The Auditor presents once a year to the audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

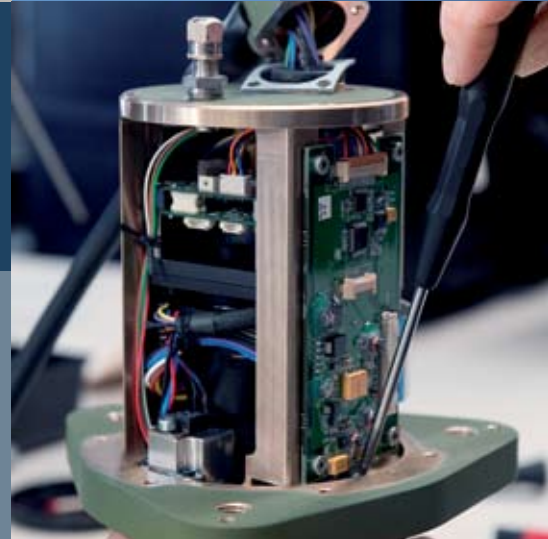
The Auditor is participating in the Board meeting that deals with the annual accounts. At this meeting the Auditor is reviewing any material changes in the Company's accounting principles, comment on any material estimated accounting figures and is reporting all material matters on which there has been disagreement between the Auditor and the executive personnel of the Company.

The Board holds a meeting with the auditor at least once a year at which neither the chief executive officer nor any other member of the executive personnel is present.

The Board has established guidelines in respect of the use of the Auditor by the Company's executive personnel for services other than the audit.

The Board of Directors reports the remuneration paid to the Auditor at the Annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

**The Board of Directors and the President & CEO, from left:**  
Stig Landrø, Ingvild Myhre, Jon Asbjørn Bø, Terje Eidsmo and  
Helle Rønningen. Not present: Lisa Cooper.



# PROFIT AND LOSS ACCOUNT

## Simrad Optronics ASA

## Simrad Optronics Group

2009	2008	Figures in NOK 1 000	Notes	2009	2008
	0	Sales revenue	2, 7	623 868	602 406
12 333	9 275	Other operating revenue		0	0
<b>12 333</b>	<b>9 275</b>	<b>Total operating revenue</b>		<b>623 868</b>	<b>602 406</b>
0	0	Cost of materials	5	327 889	326 708
8 348	5 268	Payroll and related cost	10, 18	129 918	117 422
4 055	5 222	Other operating expenses		79 414	82 247
12 403	10 490	Total operating expenses excluding depreciation	23	537 221	526 377
<b>-69</b>	<b>-1 215</b>	<b>Operating profit/ loss before depreciation (EBITDA)</b>		<b>86 647</b>	<b>76 029</b>
0	0	Depreciation	8, 9	13 583	12 247
0	0	Amortisation of excess values	8	26 203	26 662
<b>-69</b>	<b>-1 215</b>	<b>Operating profit/loss</b>		<b>46 861</b>	<b>37 121</b>
111	55	Interest income		4 698	11 658
46 058	50 481	Other financial income		62 253	49 520
8 242	12 238	Interest expense		14 738	26 119
2 217	6 896	Other financial expenses		50 356	53 786
<b>35 712</b>	<b>31 402</b>	<b>Net financial items</b>	<b>6, 17</b>	<b>1 858</b>	<b>-18 726</b>
<b>35 642</b>	<b>30 187</b>	<b>Profit/ loss before tax</b>		<b>48 719</b>	<b>18 394</b>
33 957	40 473	Income tax expense (benefit)	19	9 687	7 629
<b>1 685</b>	<b>-10 286</b>	<b>Profit after taxation</b>		<b>39 030</b>	<b>10 765</b>
<b>1 685</b>	<b>-10 286</b>	<b>Profit/ loss after tax</b>		<b>39 030</b>	<b>10 765</b>
<b>Allocation of the profit for the year</b>					
0	0	Transferred from other paid in capital			
0	-10 286	Transferred from share premium			
1 685	0	Transferred to/from other equity			
<b>1 685</b>	<b>-10 286</b>	<b>Total distributed</b>	<b>16</b>		
		Basic earnings per share (total)	16	0,55	0,15
		Diluted earnings per share (total)	16	0,55	0,15
		Basic earnings per share (continued operations)	16	0,55	0,15
		Diluted earnings per share (continued operations)	16	0,55	0,15

## Statement of comprehensive income

### Simrad Optronics ASA

### Simrad Optronics Group

2009	2008	Figures in NOK 1 000	Notes	2009	2008
1 685	-10 286	Profit/ loss after tax		39 030	10 765
0	0	Translation adjustments		1 828	-3 843
0	-367	Reversed costs of share option programme		0	-367
<b>1 685</b>	<b>-10 653</b>	<b>Comprehensive profit/loss for the period</b>		<b>40 858</b>	<b>6 555</b>
<b>Attributable to:</b>					
		Majority owners		40 858	6 555
		Minority interest		0	0

# BALANCE AT 31 DECEMBER

## Simrad Optronics ASA

## Simrad Optronics Group

2009	2008	Figures in NOK 1 000	Notes	2009	2008
<b>ASSETS</b>					
<b>Intangible assets</b>					
0	0	Deferred tax asset	20	0	0
0	0	Goodwill	8	120 400	120 400
0	0	Development costs	8	81 118	90 107
0	0	Client relations	8	60 084	75 492
0	0	Agencies	8	2 847	4 642
0	0	Other intangible assets	8	0	751
<b>0</b>	<b>0</b>	<b>Total intangible non-current assets</b>		<b>264 448</b>	<b>291 393</b>
0	0	Property, plant and equipment	9	35 704	44 943
0	0	Total tangible non-current assets		35 704	44 943
3 215	3 149	Non-current receivables	4	3 208	3 580
339 420	339 420	Investments in subsidiaries	4	0	0
0	1 971	Investments in other shares	4	63	2 034
<b>342 635</b>	<b>344 539</b>	<b>Total financial non-current assets</b>		<b>3 272</b>	<b>5 614</b>
<b>342 635</b>	<b>344 539</b>	<b>Total non-current assets</b>		<b>303 423</b>	<b>341 949</b>
0	0	Inventory	5	118 229	133 702
0	0	Accounts receivable	3, 11	79 957	124 914
0	0	Unbilled revenue from construction work in progress	3, 7	163	5 860
4 198	49 570	Other receivables	3	20 633	8 468
<b>4 198</b>	<b>49 570</b>	<b>Total receivables</b>		<b>100 753</b>	<b>139 241</b>
4	4	Bank deposits and cash on hand		24 366	1 908
<b>4 202</b>	<b>49 573</b>	<b>Total current assets</b>		<b>243 348</b>	<b>274 851</b>
<b>346 837</b>	<b>394 113</b>	<b>TOTAL ASSETS</b>		<b>546 771</b>	<b>616 801</b>

# BALANCE AT 31 DECEMBER

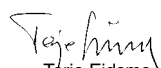
## Simrad Optronics ASA

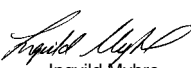
## Simrad Optronics Group

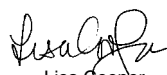
2009	2008	Figures in NOK 1 000	Notes	2009	2008
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
37 096	37 096	Share capital	16	37 096	37 096
0	139 901	Share premium	16	0	139 901
<b>37 096</b>	<b>176 997</b>	<b>Total paid-in capital</b>		<b>37 096</b>	<b>176 997</b>
141 586	0	Retained earnings	16	248 062	67 300
<b>178 682</b>	<b>176 997</b>	<b>Total equity</b>	<b>16</b>	<b>285 158</b>	<b>244 298</b>
<b>Non-current liabilities</b>					
53 000	89 000	Liabilities to financial institutions	14	53 000	89 000
0	0	Defined benefit plans	18	3 460	1 924
17 472	21 432	Deferred tax liability	20	23 417	57 277
0	0	Other provisions for liabilities	21	838	967
<b>70 472</b>	<b>110 432</b>	<b>Total non-current liabilities</b>		<b>80 715</b>	<b>149 168</b>
<b>Current liabilities</b>					
4 715	6 896	Financial instruments	6, 17	4 715	11 023
42 034	79 237	Liabilities to financial institutions	11, 14, 15	42 034	79 237
451	204	Accounts payable and other payables		62 369	79 599
379	317	Public duties payable		8 054	7 607
39 449	9 044	Tax payable	20	39 449	9 044
0	0	Advances from contract customers	7	0	2 492
10 655	10 986	Other current liabilities	3, 21	24 277	34 332
<b>97 683</b>	<b>106 684</b>	<b>Total current liabilities</b>		<b>180 898</b>	<b>223 335</b>
<b>168 155</b>	<b>217 116</b>	<b>Total liabilities</b>		<b>261 613</b>	<b>372 503</b>
<b>346 837</b>	<b>394 113</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>546 771</b>	<b>616 801</b>

Nøtterøy, 26 March 2010

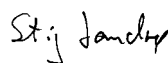
The Board of Directors of Simrad Optronics ASA

  
Terje Eidsmo  
Chairman of the Board (acting)

  
Ingvild Myhre  
Member of the Board

  
Lisa Cooper  
Member of the Board

  
Helle Rønningen  
Member of the Board, Employee representative

  
Stig Landrø  
Member of the Board, Employee representative

  
Jon Asbjørn Bø  
President and Chief Executive Officer

# STATEMENT OF CASH FLOW

## Simrad Optronics ASA

## Simrad Optronics Group

2009	2008	Figures in NOK 1 000	Notes	2009	2008
<b>Operating activities</b>					
35 642	30 187	Profit/ loss before tax		48 720	18 394
0	0	Depreciation		39 786	38 909
1 971	0	Share of profit/loss from associates		1 971	0
0	0	Profit on sale of fixed assets		0	-985
0	0	Difference between pension expense and pension contributions		1 536	-785
0	0	Changes in inventory		15 473	-45 894
0	0	Changes in accounts receivable		44 957	-36 666
247	204	Changes in accounts payable		-17 230	15 500
0	0	Changes in accrued, not invoiced revenue		5 208	8 750
52 895	20 932	Changes in other balance sheet items		-11 949	26 591
-7 512	0	Paid taxes in period		-7 842	-172
-12 183	-11 968	Interest income/expenses		-10 040	-12 835
71 060	39 355	Net cash flow from operating activities		110 590	10 807
<b>Investing activities</b>					
0	0	Cash proceeds from sale of fixed assets		0	1 909
0	0	Acquisition of property, plant and equipment		-3 366	-16 347
0	0	Capitalised development costs		-5 000	-3 064
0	-8 128	Acquisition of subsidiaries and other investments		0	-2 805
0	-8 128	Net cash flow from investment activities		-8 366	-20 307
<b>Financing activities</b>					
0	-44 470	Changes in short-term loans to subsidiaries		0	0
-36 000	-22 000	Increase/decrease in long-term borrowings		-36 000	-22 000
-35 060	35 237	Net change in overdraft facility and other short-term financing		-43 511	31 201
-71 060	-31 233	Net cash flow from financing activities		-79 511	9 201
0	-4	Net change in cash and cash equivalents		22 713	-299
4	8	Cash and cash equivalents 1 January		1 908	2 035
0	0	Effect of exchange rate fluctuations on cash held		-255	172
4	4	Cash and cash equivalents 31 December <sup>1</sup>		24 366	1 908

1) Includes restricted bank deposits totalling NOK 0 (2008: NOK 0) for Simrad Optronics ASA and NOK 0 (2008: NOK 0) for the Simrad Optronics Group.

# STATEMENT OF CHANGES IN EQUITY

## Simrad Optronics ASA

<i>Figures in NOK 1 000</i>	Share capital	Share premium account	Other equity	Total equity
<b>Equity at 1 Jan. 2008</b>	37 096	150 554	0	187 650
Comprehensive profit/loss	0	-10 653	0	-10 653
<b>Equity at 31 Dec. 2008</b>	37 096	139 901	0	176 997
<b>Equity at 1 Jan. 2009</b>	37 096	139 901	0	176 997
Comprehensive profit/loss	0	0	1 685	1 685
Transfer from share premium account	0	-139 901	139 901	0
<b>Equity at 31 Dec. 2009</b>	37 096	0	141 586	178 682

## Simrad Optronics Group

<i>Figures in NOK 1 000</i>	Share capital	Share premium account	Translation adjustments	Other equity	Total majority	Minority interests	Total equity
<b>Equity at 1 Jan. 2008</b>	37 096	150 554	396	49 386	237 432	0	237 432
Comprehensive profit/loss	0	-10 653	-3 843	21 051	6 555	0	6 555
Merger difference from merger of subsidiary	0	0	0	311	311	0	311
<b>Equity at 31 Dec. 2008</b>	37 096	139 901	-3 447	70 747	244 298	0	244 298
<b>Equity at 1 Jan. 2009</b>	37 096	139 901	-3 447	70 747	244 298	0	244 298
Comprehensive profit/loss	0	0	1 828	39 032	40 860	0	40 860
Transfer from share premium account	0	-139 901	0	139 901	0	0	0
<b>Equity at 31 Dec. 2009</b>	37 096	0	-1 619	249 680	285 158	0	285 158

## Note 1 Consolidation and accounting principles

### Reporting entity

Simrad Optronics ASA is a public limited company registered in Norway, with its head office at Lindholmveien 14, 3133 Duken, Nøtterøy. The company is listed on the Oslo Stock Exchange. The Simrad Optronics ASA Group primarily develops and manufactures equipment for remote weapon systems, optoelectrical equipment, weapon improvement products and vehicle systems for military use. Simrad Optronics' customers are mainly located in Norway, Europe and North America, but also in rest of the world such as the Middle East and Oceania. Simrad Optronics ASA has the following subsidiaries which are included in the consolidated accounts:

- Vinghøg AS, Norway (100%)
- Vingtech Corp, US (100%)
- Vingtech Australia Pty Ltd, Australia (55%)
- Vingtech SAAB AS, Norway (51%)
- Nordic Defence Supply AS, Norway (100%)
- Servo Kontroll AS (wholly owned by Nordic Defence Supply AS)

### Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with EU-adopted International Financial Reporting Standards (IFRS) and accompanying interpretations, and the additional Norwegian disclosure requirements as required by the Norwegian Accounting Act and by Stock Exchange rules and regulations in effect at 31 December 2009.

#### (b) Approval of the financial statements

The financial statements were adopted by the company's Board on 26 March 2010.

#### (c) Basis of preparation

The financial statements are based on the historical cost principle, with the exception of:

- Financial assets and derivatives at fair value through profit or loss
- Net pension obligations measured at fair value
- Items measured at fair value as being the lower cost and fair value

The accounting policies set out below have been applied consistently to all periods presented in the annual financial statements. The accounting policies have been applied consistently by all companies in the Group.

#### (d) Functional currency and presentation currency

These consolidated financial statements are presented in NOK, which is the parent company's functional currency, and the Group's presentation currency. All financial information presented in NOK is rounded to the nearest thousand.

#### (e) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and associated assumptions are based on past experience and other factors, including expectations about future events that are considered reasonable under the current circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the changes affect future periods, the effect of the changes is spread across the current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that may have a significant effect on the amount recognised in the financial statements, are described in the following notes:

- Note 8 – Estimated goodwill impairment
- Note 7 – Long term production contracts

The Group tests goodwill for impairment annually, cf. Note 8. The recoverable amount for cash-generating units is determined by calculating their value in use. These calculations are based on estimates.

There are a number of challenges associated with measuring the percentage completion of long term production contracts for accounting purposes at the close of each accounting period. The estimates used in the accounts are based on consistent principles and are subject to audit procedures to ensure reliable measurement of project profits/losses. Nevertheless, the complexity and size of the Group's projects means that there is an inherent risk that estimates may be inaccurate in spite of the Group's best efforts.

### Key accounting principles

#### (a) Consolidation principles

##### Consolidated companies

The consolidated accounts include the parent company Simrad Optronics ASA and companies in which the parent company has a controlling influence. Subsidiaries acquired or sold during the course of the year are included in the profit and loss statement as of the date of purchase, or up to and including the date of sale.

##### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group directly or indirectly has the power to

govern the financial and operating policies of an entity so as to obtain benefits from its activities, normally through owning more than half of the voting capital. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Shares in subsidiaries are eliminated in consolidation. The difference between the book value of shares in subsidiaries and book value of the subsidiaries' equity at the time such shares were acquired is analysed and posted to the balance sheet items to which the excess amounts relate. Goodwill represents the excess of the purchase price paid for acquisitions above the fair value of net assets acquired, and is tested for impairment at least on an annual basis.

#### Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### Associates

Associates are entities over which the Group has significant influence, but where it does not exercise control. Significant influence is generally deemed to exist for investments where the Group owns between 20% and 50% of the voting capital. Investments in associates are initially recorded at the acquisition date cost and subsequently using the equity method. Investments in associates include goodwill identified on the acquisition date less any subsequent amortisation.

The Group's share of profits or losses at associates are recognised and added to the carrying amount of the investments along with its share of comprehensive profit/loss at associates and the impact of any corrections of errors and changes to accounting principles. The Group does not recognise its share of losses if this would result in the carrying amount of the investment becoming negative (including unsecured receivables from the entity), unless the Group has made payments or provided guarantees on behalf of the associate.

The Group's share of unrealised profits on transactions between the Group and its associates are eliminated. So are unrealised losses, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary the financial statements of associates have been adjusted to bring them into line with the Group's accounting principles.

#### **(b) Foreign currency**

##### Foreign currency transactions

Foreign currency transactions are translated to the functional currency at the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to NOK by using the exchange rate at the reporting date. Foreign exchange rate differences

which occur at translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at the exchange rate at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to NOK at the exchange rate at the date that the fair value was determined.

#### Foreign operations

The profit and loss account and balance sheet of companies in the Group with different functional currencies from the presentation currency are translated as follows:

- the balance sheet is translated at the balance sheet date exchange rate
- the profit and loss account is translated at the average exchange rate (if the average does not give a reasonable estimate of the exchange rate for transactions, the transaction date exchange rate is used)
- translation adjustments are recognised on the statement of comprehensive income and are specified as a separate item under equity

In the event of the sale of all or part of an overseas business, the associated translation adjustment is moved from the statement of comprehensive income to the profit and loss account as part of the gain or loss on the sale.

Goodwill and excess values arising from the acquisition of overseas entities are treated as assets and liabilities at the acquired entity and are translated at the balance sheet date exchange rate.

#### **(c) Financial instruments**

##### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments which are not measured at fair value through profit and loss, are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are, unless otherwise stated, measured using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are included in the cash flow statement as cash flow from financing activities.

Accounting policies for financial income and expenses are discussed under item (p) below.

##### Derivative financial instruments

The Group holds derivative financial instruments to hedge its currency risk to protect future cash flows. Embedded deriva-

tives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss.

Derivatives are recognised initially at cost. In subsequent periods derivatives are measured at fair value. Gains and losses arising from remeasurement at fair value are recognised in the profit and loss account. The company does not have derivative financial instruments that meet the criteria for hedge accounting. However, the company has derivative financial instruments that financially hedge assets, liabilities and cash flows in foreign currency. Gains or losses arising from remeasurement at fair value are recognised immediately in profit or loss under foreign exchange gains (losses).

#### Impairment of financial assets

An impairment charge is recognised against financial assets measured at amortised cost if there is objective evidence that their cash flows have been negatively affected by one or more events that have occurred between initial recognition of the instrument and the balance sheet date. The impairment charge is recognised in the profit and loss account. If the reason for the impairment charge ceases to apply, and the change can be objectively attributed to an event that took place after the impairment charge was recognised, the charge is reversed. The reversal shall not result in the carrying amount of the financial asset exceeding what its amortised cost at the time of the reversal would have been if no impairment charge had been recognised.

#### Share capital

Costs directly attributable to the issuance of ordinary shares and share options, are recognised as a reduction of equity.

#### **(d) Property, plant and equipment**

##### Recognition and measurement

Property, plant and equipment are entered in the accounts at original cost, with deductions for accumulated depreciation and impairment losses. Original cost includes costs directly attributable to the purchase of the asset. Fixed assets that are depreciated are tested for impairment if there is evidence that future economic benefits do not justify the asset's carrying amount. The difference between the carrying amount and recoverable amount is expensed in the profit and loss account. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Based on the acquisition cost, straight-line depreciation is applied over the economic life of the non-current assets.

Where components of an item of property, plant and equipment have different useful lives, they are depreciated and accounted for separately.

#### Subsequent costs

The carrying amount of property, plant and equipment includes the cost of replacing parts of such an item when it is probable that their replacement will provide future economic benefits and the cost of the replaced parts can be measured reliably. All other costs are recognised in profit or loss as incurred.

#### Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of the assets. Estimated useful life for the different items of property plant and equipment is detailed in note 9.

#### **(e) Intangible assets**

##### Goodwill

Business combinations are accounted for using the purchase method. Goodwill is the difference between the cost of the acquisition and the acquisition date fair value of the Group's share of net identifiable assets acquired. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. Goodwill is tested annually for impairment and is carried at cost less any impairments. Goodwill impairments are not reversed. For subsequent impairment testing, goodwill is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition in which the goodwill arose.

In 2009 the Group changed the date on which it tests goodwill for impairment from 31 December to 31 October.

##### Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in the profit and loss account as an expense as incurred.

Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The capitalised cost includes the cost of materials, direct labour and a proportional share of overhead costs. Other development expenditures are recognised in the profit and loss account as an expense as incurred. Capitalised development expenditures are carried at cost less accumulated depreciation and impairment losses.

##### Other intangible assets

Other intangible assets that are acquired by the Group are carried at cost less accumulated depreciation and impairment losses

Expenditures on internally generated goodwill and brands are recognised in the profit and loss account as an expense as incurred.

#### Subsequent expenditures

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the profit and loss account as an expense as incurred.

#### Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of the assets. Goodwill and intangible assets with an indefinite useful life are not depreciated, but are tested for impairment at 31 October. Other intangible assets are amortised from the date they are available for use. The estimated useful life for the different classes of intangible assets is detailed in note 8.

#### **(f) Leased assets**

Lease contracts where a significant portion of the risks and returns associated with ownership remain with the lessor are classified as operating leases. Rent for operating leases is expensed in a straight line over the duration of the lease.

Lease contracts that transfer the majority of risk and return associated with ownership to the Group are classified as financial leases. In 2009 the Group had no such leases.

#### **(g) Inventory**

Inventories of raw materials are valued at the lower of the cost of acquisition and the net realisable value. Work in progress and finished products are valued at the lower of the cost of manufacture and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. For finished products and work in progress the cost includes expenses relating to product design, materials, direct wage costs, other direct costs and indirect production costs (based on normal capacity).

#### **(h) Construction work in progress**

Construction work in progress represents unbilled revenue expected to be received from customers for work completed up to the reporting date. Measurement is at cost plus profit accrued at the reporting date less progress billings, with a reduction for foreseeable losses. Cost includes all direct and indirectly related contract expenditures.

Construction work in progress is presented under current receivables in the balance sheet. If the Group receives advance payments which exceed the recognised income, the difference is presented as deferred income in the balance sheet.

#### **(i) Impairment of non-financial assets**

##### Impairment testing

Intangible assets with an indefinite useful life and goodwill are not depreciated, but are instead tested annually for impairment. Fixed assets and intangible assets that are depreciated are tested for impairment if there is evidence that future economic benefits do not justify the asset's carrying amount.

The difference between the carrying amount and recoverable amount is expensed in the profit and loss account.

Impairment losses recognised in respect of cash-generating units are allocated such that the carrying amount of any goodwill for the cash-generating unit is reduced first. Subsequently, impairment losses are allocated to the carrying amount of the other assets in the unit on a pro rata basis.

##### Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### Reversals of impairment

Impairment losses in respect of goodwill are not reversed. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(j) Employee benefits**

##### Defined benefit plans

Pension obligations related to defined benefit plans are calculated separately for each benefit plan by making an estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. These future benefits are discounted in order to determine their present value, and the fair value of plan assets is deducted in order to determine pension obligations.

When the pension calculations result in a net asset for the Group, the recognition of the asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

All of the Group's pension plans are, with the exception of the AFP scheme, defined contribution plans. See note 18 for further information.

#### Defined contribution pension plans

The Group pays fixed contributions to an insurance company, and has no legal or other obligation to make further contributions. The pension contributions are expensed on an arising basis.

#### Share-based payment transactions

The fair value of options is recognised as a salary expense, with a corresponding increase in equity. Fair value is measured at the moment the options are granted and distributed over the period until the employees become unconditionally entitled to the options. The fair value of options granted is measured using the Black & Scholes model. The recognised expense is adjusted to reflect the actual number of share options that vest, except from those instances where the options lapse as a result of the failure of the share price to reach the strike price. A provision for social security tax is recognised if the share-options are in the money.

#### Short-term benefit obligations

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount and the obligation can be estimated reliably.

#### **(k) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the term to maturity of the borrowings on an effective interest basis.

Next year's instalments on non-current liabilities are classified as current liabilities.

#### **(l) Accounts payable**

Accounts payable are measured at fair value upon initial recognition. Subsequently accounts payable are measured at amortised cost using the effective interest rate.

#### **(m) Provisions**

##### In general

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

##### Warranty allocations

A provision for future warranty costs is recognised in the balance sheet when the related products or services are sold. The provision is based on historical information on warranty costs and by a weighting of all possible outcomes with their associated probabilities.

##### Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

##### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is estimated as the lower of the net present value of the costs of exiting from the contract and the net present value of the costs of fulfilling the contract. Before a separate provision for an onerous contract is established, any impairment loss that has occurred on assets dedicated to that contract is first recognised.

#### **(n) Revenue recognition**

##### Goods sold and services rendered

Revenue from the sale of goods is recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer. Normally this will be at the date of delivery. Revenue from services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to work performed.

##### Long-term contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit and loss account in proportion to the stage of completion of the contract. The stage of completion is calculated based on incurred costs as a proportion of total estimated costs. This calculation is assessed together with other relevant information and figures that indicate the progress in the construction work.

If a loss on a contract is expected, a provision is made for the expected loss, irrespective of the stage of completion of the contract.

#### Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net commission received by the Group.

#### Government grants

A government grant is recognised in the balance sheet as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that are intended to cover specific costs are systematically recognised as income over the period in which the costs accrue. Investment grants are capitalised and recognised systematically over the useful life of the asset. Investment grants are either recognised as deferred income or as a deduction from the asset's carrying value.

#### **(o) Lease payments**

Lease payments under operational leases

Payments made under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

#### Lease payments under financial leases

Minimum lease payments made under finance leases are apportioned between financial expenses in the profit and loss account and a reduction of the outstanding liability on the balance sheet. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **(p) Financial income and financial expenses**

Net financial expenses comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains and losses, dividends received and gains and losses on financial instruments that are recognised through profit or loss.

Interest income is recognised through the profit and loss account using the effective interest rate method as it accrues. Interest expenses associated with payments under financial leases are recognised in the profit and loss account using the effective interest rate method.

#### **(q) Taxes**

The tax charge in the profit and loss account includes both taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable resulting from the year's activities. The tax effect on items that are recognised directly in equity, is recognised directly in equity.

Deferred taxes are determined based on accumulated profit/loss, which falls due for payment in future periods. Deferred taxes are calculated on net positive temporary differences between accounting and tax balance sheet values, after losses carried forward under the liability method. Also see notes 19 and 20. The provision for deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **(r) Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also meet these criteria.

When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation had been discontinued from the start of the comparative period.

#### **(s) Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shares, by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shares and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares (for example outstanding share options/rights).

#### **(t) Segment reporting**

Operating segments are reported in the same way as in internal reports to the company's chief operating decision maker. The company's chief operating decision maker, who is responsible for allocating resources to operating segments, and for assessing their profitability, is defined as being the Chief Executive Officer.

#### **(u) Cash flow statement**

The cash flow statement is compiled using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term and liquid positions which may be readily convertible with an insignificant risk of exchange rate fluctua-

tion to a known amount of cash, and which have an original maturity of three months or less from the date of acquisition.

#### **(v) Changes to accounting principles and information provided**

##### New and revised standards adopted by the Group

In 2009 the Group adopted the following new standards and revisions:

- IAS 1 *Presentation of Financial Statements (revised)*. The revised standard requires income and expenses that were previously recognised directly in equity to be presented in a statement of comprehensive income. The statement of changes in equity shows transactions with shareholders separately from income and expenses, both subclassified by category of equity as before. Comparative figures have been adjusted to accord with the revised standard. The revision only affects the presentation of the financial statements and not earnings per share.
- IFRS 7 *Financial Instruments: Disclosures (revised)*. The revision requires additional information about how fair value and liquidity risk are calculated, including information about what valuation methods have been used to calculate fair value. The revision only affects the presentation of the financial statements and not earnings per share.
- IFRS 8 *Operating Segments* introduces the “management approach” to segment reporting. IFRS 8, which became mandatory for the Group’s 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 2).
- Revised IAS 23 *Borrowing costs*. As of 1 January 2009, borrowing costs on qualifying assets are capitalised as part of the relevant asset’s acquisition cost. This is a result of the revision to IAS 23 *Borrowing Costs*. Previously all borrowing costs were expensed. Comparative figures have not been restated, in accordance with the transition rules. At 31 December 2009 the Group had no capitalised borrowing costs, and the revision of the standard has therefore not affected earnings per share.

A number of new standards, amendments to standards and interpretations were not yet effective at 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- IFRS 3 *Business Combinations (revised)*. There have been significant changes to the acquisition method used for business combinations. For example, the consideration for the acquisition of an entity shall be measured at

its acquisition-date fair value. Contingent consideration is generally classified as a liability, and subsequent changes in value are recognised in profit or loss. The Group can decide on a case-by-case basis whether non-controlling interests in the acquired entity shall be measured at fair value or at their proportionate share of net assets excluding goodwill. All transaction costs shall be expensed. The standard will be applied for acquisitions completed after 1 January 2010.

- IAS 27 *Consolidated and Separate Financial Statements (revised)*. Under the revised standard, the effects of all transactions with non-controlling interests shall be accounted for within equity if there is no change in control. Such transactions will no longer result in goodwill or gains or losses. When control is lost, any remaining interests in the former subsidiary shall be measured at fair value, with the gain or loss being recognised in profit or loss.

#### **Determination of fair values**

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes.

##### Property, plant and equipment

The fair value of plant and equipment is based on observable market prices, or fair value assessment based on the present value of expected future cash flows.

##### Intangible assets

The fair value of intangible assets is based on the present value of expected future cash flows.

##### Accounts receivable and other receivables

The fair value of trade and other receivables, other than accrued income from construction contracts, is assessed based on the present value of expected future cash flows.

##### Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

##### Share-based payment

The fair value of employee share-options is measured using a binomial model - Black & Scholes. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, expected life of the instruments, expected dividends and the risk free interest rate.

## Note 2 Segment information

### Description of segment information

Segment information has been prepared in accordance with IFRS 8, and is based on the reports used by Group management (as the chief operating decision maker) when evaluating performance, profitability and the allocation of resources.

Simrad Optronics ASA's organisation and decision-making structure is largely based on the geographic location of its businesses. The company therefore uses the following reportable segments: "Operations Norway", "Operations US" and "Operations other".

- "Operations Norway" consists of Vinghøg AS's business activities, which comprise the development, manufacture and sale of equipment for remote weapon systems, optoelectric equipment, weapon improvement products and vehicle systems for military use.
- "Operations US" consists of Vingtech Corp's business activities, which comprise the manufacture and sale of military equipment for the North-American market.
- "Operations other" consists of agencies (Nordic Defence Supply AS and Servo Kontroll AS), and other activities (Vingtech Saab AS, Vingtech AUS Pty Ltd).

Group management regularly monitors the turnover and EBITDA of operating segments, and uses this information to analyse the performance of the various operating segments, as well as to make decisions about the allocation of resources.

Information about the Group's reportable operating segments is shown below. The figures reported for the previous year have been restated in line with the requirements stipulated by IFRS 8.

### Segment results

<i>Figures in NOK 1 000</i>	Operations Norway		Operations US		Operations other		Entity-wide items		Total reported	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Total segment revenue	530 399	566 846	246 233	87 360	19 242	20 402	-1 440	-1 235	794 434	673 373
Intrasegment revenue*	-170 566	-70 966	0	0	0	0	0	0	-170 566	-70 966
<b>Revenue from external customers</b>	<b>359 833</b>	<b>495 880</b>	<b>246 233</b>	<b>87 360</b>	<b>19 242</b>	<b>20 402</b>	<b>-1 440</b>	<b>-1 235</b>	<b>623 868</b>	<b>602 406</b>
EBITDA	52 752	66 679	28 198	3 395	7 206	7 171	-1 509	-1 216	86 647	76 029
Depreciation	10 976	10 093	2 406	1 928	202	226	0	0	13 583	12 247
Amortisation of excess values	0	0	0	0	0	0	26 203	26 662	26 203	26 662
<b>Operating profit/ loss</b>	<b>41 776</b>	<b>56 586</b>	<b>25 793</b>	<b>1 467</b>	<b>7 004</b>	<b>6 945</b>	<b>-27 712</b>	<b>-27 878</b>	<b>46 861</b>	<b>37 120</b>
Net financial items	9 523	10 809	-618	-4 391	4	195	-7 050	-25 339	1 858	-18 726
<b>Profit/ loss before tax</b>	<b>51 299</b>	<b>67 395</b>	<b>25 174</b>	<b>-2 924</b>	<b>7 008</b>	<b>7 140</b>	<b>-34 762</b>	<b>-53 217</b>	<b>48 719</b>	<b>18 394</b>

\*) Related mainly to sales by Vinghøg AS (Norway) to Vingtech Corp (US)

### Segment assets

<i>Figures in NOK 1 000</i>	Operations Norway		Operations US		Operations other		Entity-wide items		Total reported	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Total assets	234 564	320 165	127 544	49 838	14 023	5 302	170 641	241 496	546 771	616 801

There is no difference between the way in which values are measured at segment level and in the consolidated financial statements. Transactions between the various segments are eliminated in the consolidated financial statements. Transactions between segments are based on market prices. EBITDA figures for the various operating segments includes revenue and expenses arising from transactions with other operating segments in the Group. Segment assets do not include receivables from other companies in the Group. Nor do segment assets include deferred tax assets and goodwill, as those assets are calculated at the Group level. These are instead included in the column "Entity-wide items".

### Turnover from key customers and products

Simrad Optronics ASA's Corporate Governance principles state that it shall report all individual orders with a value of over NOK 15 000. Orders from the Kongsberg Group reported during 2009 totalled NOK 418 000. Orders received from the Kongsberg Group reported in 2008 and 2009, with an estimated delivery date in 2009 totalled NOK 295 500. The Kongsberg Group is the only customer that generates more than 10% of the Group's total turnover. This turnover is split between the segments "Operations Norway" and "Operations US".

Turnover from the Kongsberg Group mainly relates to products in the product group "remote weapon systems". The product groups "remote weapon systems" and "electro optics" each constitute more than 10% of the Group's total turnover.

### Turnover by geography (customer country)

<i>Figures in NOK 1 000</i>	Operations Norway		Operations US		Operations other		Entity-wide items		Total reported	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Norway	195 565	286 542	0	85 488	12 472	13 703	-1 440	-1 235	206 597	384 498
Europe	128 710	188 867	0	0	6 770	6 699	0	0	135 480	195 566
North America	34 151	11 512	246 233	1 872	104	0	0	0	280 488	13 384
Rest of the world	1 407	8 959	0	0	0	0	0	0	1 407	8 959
<b>Total</b>	<b>359 833</b>	<b>495 880</b>	<b>246 233</b>	<b>87 360</b>	<b>19 242</b>	<b>20 402</b>	<b>-1 440</b>	<b>-1 235</b>	<b>623 868</b>	<b>602 406</b>

## Note 3 Current receivables and liabilities

### Current receivables:

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	<i>Figures in NOK 1 000</i>	2009	2008
0	0	Accounts receivable, gross	79 957	124 914
4 135	49 481	Intra-group current receivables <sup>1</sup>	0	0
0	0	Provision for bad debt	0	0
0	0	Unbilled revenue from long-term contracts	163	5 860
63	89	Other current receivables	20 633	8 468
<b>4 198</b>	<b>49 570</b>	<b>Total current receivables</b>	<b>100 753</b>	<b>139 241</b>

### Other current liabilities:

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	<i>Figures in NOK 1 000</i>	2009	2008
8 458	8 065	Intra-group current liabilities <sup>1</sup>	0	0
2 196	2 921	Other current liabilities	24 277	34 332
<b>10 655</b>	<b>10 986</b>	<b>Total other current liabilities</b>	<b>24 277</b>	<b>34 332</b>

1) Refer to note 11 for more details.

## Note 4 Financial non-current assets

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	<i>Figures in NOK 1 000</i>	2009	2008
3 215	3 149	Other non-current receivables, external <sup>1</sup>	3 208	3 580
0	1 971	Investment in the associate Nostroma Defensa SA <sup>2</sup>	0	1 971
331 544	331 544	Investment in Vinghøg AS	0	0
614	614	Investment in Ving Tech Corp	0	0
7 200	7 200	Investment in Nordic Defense Supply AS	0	0
61	61	Investment in Vingtech SAAB61	61	
0	0	Investments in other companies	2	2
<b>342 635</b>	<b>344 539</b>	<b>Total financial non-current assets</b>	<b>3 272</b>	<b>5 614</b>

1) Primarily relates to commission advance for future sales. The amount is adjusted down based on sales for the period.

2) The company's ownership interest in Nostroma Defensa SA is 30%, and is recognised using the equity method. Share of profit/loss for 2009 was NOK -1 971 based on the most recently reported figures and a best estimate of final figures. The share of loss for the year is recognised under "Other financial expenses".

## Note 5 Inventories and cost of materials

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	<i>Figures in NOK 1 000</i>	2009	2008
		<b>Cost of materials</b>		
0	0	Cost of materials, gross	270 370	370 066
0	0	Change in inventory	57 518	-43 358
<b>0</b>	<b>0</b>	<b>Cost of materials, net</b>	<b>327 889</b>	<b>326 708</b>
		<b>Inventory</b>		
0	0	Raw materials and consumables	108 283	112 301
0	0	Work in progress	9 629	14 114
0	0	Finished goods	317	7 287
<b>0</b>	<b>0</b>	<b>Inventory</b>	<b>118 229</b>	<b>133 702</b>
0	0	Of which valued at initial cost	118 229	133 702
0	0	Of which valued at fair value	0	0

Cost of materials includes a write down of inventory of NOK 14 144 (2008: NOK 1 810) for the Group.

## Note 6 Financial Items

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	<i>Figures in NOK 1 000</i>	2009	2008
-1 971	0	<b>Profit/loss from affiliated companies</b>	-1 971	0
0	0	<b>Dividend from subsidiaries</b>	0	0
43 827	50 094	<b>Group contributions from subsidiaries</b>	0	0
111	55	Interest income	4 698	11 658
2 180	0	Change in fair value of financial instruments	9 373	0
51	387	Exchange rate gains	52 670	49 520
<b>44 199</b>	<b>50 536</b>	<b>Total financial income</b>	<b>64 771</b>	<b>61 178</b>
8 242	12 023	Interest expenses on bank loans and overdraft	12 859	24 493
0	215	Other interest expenses and warranty allocation	1 881	2 150
0	6 896	Change in fair value of financial instruments	0	12 506
246	0	Exchange rate losses	48 173	40 755
<b>8 488</b>	<b>19 134</b>	<b>Total financial expenses</b>	<b>62 913</b>	<b>79 905</b>
<b>35 712</b>	<b>31 402</b>	<b>Net financial items</b>	<b>1 857</b>	<b>-18 726</b>

Borrowing costs are recognised as an expense in the period in which they are incurred.

## Note 7 Construction work in progress

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	<i>Figures in NOK 1 000</i>	2009	2008
<b>Construction work in progress at 31 December</b>				
<b>This period:</b>				
0	0	<b>Total revenues recognised in the period</b>	<b>20 598</b>	<b>30 192</b>
0	0	Unbilled revenue	163	5 860
0	0	Advance payments netted against unbilled revenue	0	0
<b>0</b>	<b>0</b>	<b>Net unbilled revenue</b>	<b>163</b>	<b>5 860</b>
0	0	Advance payments for construction work in progress	0	0
0	0	Advance payments netted against unbilled revenue	0	0
<b>0</b>	<b>0</b>	<b>Cash collected in excess of revenues recognised from contracts</b>	<b>0</b>	<b>0</b>
<b>Accumulated</b>				
0	0	Total revenue recognised at 31 December	45 219	74 724
0	0	Total costs of recognised revenue at 31 December	-39 674	-37 642
<b>0</b>	<b>0</b>	<b>Total net recognised profit</b>	<b>5 545</b>	<b>37 081</b>

### Revenue recognition

Refer to note 1. The above figures provide an overview of existing construction work in progress at 31 December.

Income from construction contracts is recognised based on the stage of completion. The stage of completion is calculated based on incurred costs as a proportion of total estimated costs. The calculation is assessed with consideration to other available information and figures providing indications on the progress of the projects. If the circumstances require, potential losses and liabilities arising from delays or other factors are recognised in the profit and loss account based on best estimates.

## Note 8 Intangible assets

Figures in NOK 1 000	Simrad Optronics ASA			Simrad Optronics Group				
	Development costs and patents	Other	Total	Development costs and patents	Goodwill	Agencies and client relations	Other	Total
Balance at 1 January 2008	44 130	6 390	50 520	115 375	120 400	115 400	6 078	357 254
Acquisitions through business combinations <sup>5</sup>	0	0	0	0	0	2 496	0	2 496
Other acquisitions – internally developed	0	0	0	3 064	0	0	3 064	
Disposals related to discontinued operations <sup>6</sup>	-44 130	-6 390	-50 520	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2008<sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>118 439</b>	<b>120 400</b>	<b>117 896</b>	<b>6 078</b>	<b>362 814</b>
Balance at 1 January 2009	0	0	0	118 439	120 400	117 896	6 078	362 814
Acquisitions through business combinations	0	0	0	0	0	0	0	0
Other acquisitions - internally developed	0	0	0	5 000	0	0	0	5 000
Disposals related to discontinued operations	0	0	0	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2009<sup>2</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>123 439</b>	<b>120 400</b>	<b>117 896</b>	<b>6 078</b>	<b>367 814</b>
<b>Depreciation and impairment losses</b>								
Balance at 1 January 2008	5 506	3 986	9 492	14 977	0	20 100	4 090	39 166
Depreciation for the year	0	0	0	13 356	0	17 662	1 238	32 255
Depreciation – discontinued operations <sup>6</sup>	-5 506	-3 986	-9 492	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2008<sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28 333</b>	<b>0</b>	<b>37 762</b>	<b>5 328</b>	<b>71 422</b>
Balance at 1 January 2009	0	0	0	28 333	0	37 762	5 328	71 422
Depreciation for the year	0	0	0	13 989	0	17 203	751	31 943
Depreciation – discontinued operations	0	0	0	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2009<sup>2</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42 322</b>	<b>0</b>	<b>54 965</b>	<b>6 079</b>	<b>103 365</b>
Depreciation rate <sup>3</sup>	10 %	20 %		2 %-14 %	N/A	2 %-14,5 %	20 %	
Useful lives <sup>3</sup>	10 years	5 years		10 years		5 years/10 years	5 years	
<b>Book value</b>								
At 01.01.2008	38 624	2 404	41 028	100 399	120 400	95 300	1 989	318 088
At 01.01.2009	0	0	0	90 107	120 400	80 134	751	291 393
<b>At 31.12.2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>81 118</b>	<b>120 400</b>	<b>62 931</b>	<b>0</b>	<b>264 448</b>

1) Exchange rates at 31 December 2008 have been used to calculate tangible assets of foreign subsidiaries.

2) Exchange rates at 31 December 2009 have been used to calculate tangible assets of foreign subsidiaries.

3) All depreciation plans are linear with the exception of client relations and commercialized technology integrated with the acquisition of Vinghøg, which are depreciated linearly the first five years, and digressively the over the last five years. Assumed useful life of agencies is five years.

4) Capitalised development cost also includes commercialised and non-commercialised technology acquired through the purchase of Vinghøg AS in January 2007.

5) Relates to acquisition of Nordic Defence Supply AS, see note 24.

6) Relates to transfer of activities to the wholly owned subsidiary Vinghøg AS as of 1 January 2008.

### Capitalised development costs

Product development, where the criteria set out in IAS 38.57 are met, has been capitalised. Refer to the accounting policies as described in note 1. Products where development has been completed, and also products currently under development, are based on existing technology and known markets. Development is carried out in cooperation with either prospective customers and/or other companies. At the close of 2009, capitalised development costs consisted of development costs relating to six of the Group's products.

### Other

The other intangible assets of the Simrad Optronics Group mainly comprise capitalised costs related to the ERP system implemented in 2004, and costs related to IT tools in the development department.

### Expensed research and development expenditure

Research and development expenditures that do not satisfy the definition of assets amounting to NOK 37 353 (2008: NOK 29 458).

### Impairment testing of goodwill

Simrad Optronics ASA tests goodwill for impairment annually, or more frequently if there is evidence that a loss event has occurred. Previously the impairment test was carried out at year-end, but for 2009 and onwards the management has decided that it shall be performed on 31 October each year.

The Group's capitalised goodwill totalled NOK 120.4 at 31 December 2009. This mainly relates to the acquisition of Vinghøg AS, which was completed in January 2007. At the time of the acquisition, Vinghøg AS was considered a separate cash-generating unit within the Group. In January 2008 the activities of Simrad Optronics were transferred to the cash-generating unit Vinghøg AS (joint control transaction). At 31 December the two businesses had been fully integrated in terms of expenses and virtually fully integrated in terms of income. As a result of the restructuring, the cash-generating unit that was subject to impairment testing in 2008 was the original business of Vinghøg AS and the transferred business from Simrad Optronics, i.e. the cash-generating unit Vinghøg AS. As a result of Simrad Optronics' growth and the increasing importance of the US business, in 2009 the company's management defined the US business as a separate operating segment under IFRS 8. As of 2009 the former cash-generating unit Vinghøg AS has thus been split into two cash-generating units: Operations US and Operations Norway.

<b>Carrying amount of goodwill:</b>	<b>2009</b>	<b>2008</b>
Operations Norway	72	120
Operations US	48	-
<b>Total</b>	<b>120</b>	<b>120</b>

The recoverable amount has been determined based on an assessment of the value in use of the business. The value in use is derived by discounting expected future pre-tax cash flows at a rate that reflects the economic predictions and strategic plans approved by Group management and based on their best estimates. Extrapolated cash flows based on the management's economic predictions and strategic plans cover a five-year period. For the terminal value, a return on capital employed equal to the required rate of return has been assumed. Growth in line with expected inflation (2.5%) has been assumed for calculating the terminal value (zero real terms growth). Cash flows have been discounted using an appropriate discount rate before tax taking into account the duration and risk.

Key assumptions used in the calculation of value in use include growth rates, EBITDA margins, net working capital, operating investments and discount rates. For 2009 and 2008, the following assumptions have been used to calculate the recoverable amount:

	Discount rate before tax		Growth rate of terminal value	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Operations Norway	14,7 %	14,2 %	2,5 %	2,0 %
Operations US	14,8 %	-	2,5 %	-

EBITDA margin: For the Norwegian business, moderate revenue growth has been assumed until 2012, followed by lower growth in 2013 and 2014. For the US business, stable revenues have been assumed in 2010 and 2011, followed by moderate growth from 2012 to 2014. For both segments, EBITDA margins are expected to remain relatively constant.

Over the past three years, the Group has undergone considerable change, from both an organisational and financial point of view. The company's plans, including cash flow estimates, are based on historic performance, but most strongly reflect our experience in the past few years.

**Operating investments:** The Group has no reason to assume significant growth in the overall market in which we operate. However, there is strong reason to believe that our market share will grow through our expansion in the US. Furthermore, there appears to be increasing demand for the Group's products in the market. The management has only included expenses relating to maintenance in its estimates of future investments. These estimates are based on estimated depreciation, and are felt to represent the best estimate of investments (CAPEX).

**Discount rates:** The post-tax weighted average cost of capital/WACC used for discounting cash flows is 10.7% (NOK) and 10.0% (USD) (2008: 10.9%). The assumptions used to calculate the required rate of return are based on observations of similar companies listed on Oslo Børs and other stock exchanges around the world. The pre-tax discount rate can be determined through an iterative calculation that produces a value in use calculated from the pre-tax cash flow and pre-tax discount rate equal to the value in use calculated from the post-tax cash flow and post-tax discount rate (see above).

#### **Sensitivity analysis of key assumptions**

Vinghøg AS was acquired in January 2007, and the Group's management is of the opinion that this was a reasonably good acquisition. However, its value is based on certain key assumptions. If these areas develop significantly differently from the assumptions, this may make it necessary to impair the goodwill associated with the acquisition. Even if growth falls by 3% after the five-year period, or the discount rate increases by 3%, the goodwill related to the company will still not need to be impaired if the other assumptions remain constant.

## Note 9 Property, plant and equipment

Figures in NOK 1 000

Cost	Simrad Optronics ASA				Simrad Optronics Group			
	Leased premises	Machinery	Equipment	Total	Leased premises	Machinery	Equipment	Total
Balance at 1 January 2008	2 380	4 609	20 999	27 988	22 192	11 494	31 812	65 497
Acquisitions through business combinations	0	0	0	0	0	5	0	5
Other acquisitions <sup>6</sup>	0	0	0	0	4 253	3 184	2 397	9 834
Disposals related to discontinued operations <sup>5</sup>	-2 380	-4 609	-20 999	-27 988	0	0	0	0
Other disposals	0	0	0	0	-963	-5	-479	-1 446
Effect of movements in exchange rates	0	0	0	0	5 177	972	364	6 513
<b>Balance at 31 December 2008<sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30 660</b>	<b>15 650</b>	<b>34 094</b>	<b>80 404</b>
Balance at 1 January 2009	0	0	0	0	30 660	15 650	34 094	80 404
Acquisitions through business combinations	0	0	0	0	0	0	0	0
Other acquisitions	0	0	0	0	1 039	373	1 954	3 366
Other disposals	0	0	0	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	-4 431	-238	-93	-4 762
<b>Balance at 31 December 2009<sup>2</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27 268</b>	<b>15 785</b>	<b>35 955</b>	<b>79 008</b>
<b>Depreciation and impairment losses</b>								
Balance at 1 January 2008	658	2 532	16 246	19 436	1 031	5 919	22 627	29 577
Depreciation for the year – continued operations <sup>5</sup>	0	0	0	0	1 270	2 943	2 440	6 653
Disposals related to discontinued operations <sup>6</sup>	-658	-2 532	-16 246	-19 436	0	0	0	0
Other disposals	0	0	0	0	-360	-34	-375	-769
Effect of movements in exchange rates	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2008<sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 941</b>	<b>8 828</b>	<b>24 692</b>	<b>35 461</b>
Balance at 1 January 2009	0	0	0	0	1 941	8 828	24 692	35 461
Depreciation for the year – continued operations	0	0	0	0	1 770	2 472	3 602	7 843
Other disposals	0	0	0	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2009<sup>2</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3 711</b>	<b>11 300</b>	<b>28 294</b>	<b>43 304</b>
Depreciation rate <sup>3</sup>	4)	10-20%	10-33%		4)	10-20%	10-33%	
Useful lives	4)	10 years	10 years		4)	10 years	10 years	
<b>Net carrying amounts</b>								
At 01.01.2008	1 722	2 076	4 753	8 550	21 161	5 575	9 185	35 920
At 01.01.2009	0	0	0	0	28 719	6 822	9 402	44 943
<b>At 31.12.2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23 557</b>	<b>4 485</b>	<b>7 661</b>	<b>35 704</b>

1) Exchange rates at 31 December 2008 have been used to calculate tangible assets of foreign subsidiaries.

2) Exchange rates at 31 December 2009 have been used to calculate tangible assets of foreign subsidiaries.

3) All assets are depreciated in straight line

4) Expenditure on leased premises is written off using the straight-line depreciation method over the lease term specified in the tenancy agreement.

5) The disposal of property, plant and equipment relates to the transfer of the property of Simrad Optronics ASA to the wholly owned subsidiary Vinghøg AS at 1 January 2008. The transfer was implemented with continuity for accounting purposes.

6) Last year's acquisitions related to leased premises are primarily related to investments made in the US subsidiary Vingtech Corp.

### Impairment losses

No impairment losses were recognised in 2009 (2008: NOK 0).

### Guarantees

Simrad Optronics ASA has put up security in property, plant and equipment for the use of overdraft facilities. See note 15 for further information.

### Operational leases of offices

The Simrad Optronics Group rents its premises under an operating lease arrangement. The value of the premises themselves is therefore not included on the balance sheet. Simrad Optronics ASA does not lease premises independently.

In 2009, total expensed operational leases for the Group totalled NOK 8 567 (2008: NOK 8 077).

Minimum lease payments under operational lease of offices (Group)

<i>Figures in NOK 1 000 000</i>	<b>2009</b>	<b>2008</b>
Less than one year	5,2	9,7
Between one and five years	20,0	37,1
More than five years	5,6	10,6

## Note 10 Employee benefits

<b>Simrad Optronics ASA</b>			<b>Simrad Optronics Group</b>	
<b>2009</b>	<b>2008</b>	<i>Figures in NOK 1 000</i>	<b>2009</b>	<b>2008</b>
7 127	5 027	Wages and salaries <sup>1</sup>	112 941	99 679
0	-367	Equity-settled share-based payment transactions	0	-367
1 043	551	Social security tax	13 584	13 778
178	57	Pension cost	4 365	3 499
0	0	Other benefits	4 028	3 897
0	0	Capitalised as development costs	-5 000	-3 064
<b>8 348</b>	<b>5 268</b>	<b>Payroll and related costs</b>	<b>129 918</b>	<b>117 422</b>
4	4	Number of employed full-time equivalents	199	187

1) Wages and salaries for Simrad Optronics ASA in 2009 includes NOK 2 350 as compensation to a former member of the Group management.

At 31 December 2009 the Simrad Optronics Group had 209 employees. Four of them were employed at Simrad Optronics ASA. In 2008 75 employees were transferred to Simrad Optronics ASA's subsidiary Vinghøg AS.

## Note 11 Related parties

### Identification of related parties

There are transactions between companies in the Group. All those transactions are based on the arms length principle.

Shares and options in real numbers, other figures in NOK 1 000

### Information about compensation in 2009

<b>Current Board members:</b>	<b>Share- holding<sup>1</sup></b>	<b>Share- options granted<sup>4</sup></b>	<b>Share- options vested<sup>4</sup></b>	<b>Gain on share- options exercised<sup>4</sup></b>	<b>Board fees<sup>3</sup></b>	<b>Salary<sup>5</sup></b>	<b>Bonus</b>	<b>Pension compen- sation<sup>6</sup></b>	<b>Other compen- sation<sup>7</sup></b>
Terje Eidsmo <i>Chairman of the Board (acting)</i>	3 281 000	0	0	0	180	0	0	0	0
Ingvild Myhre <i>Member of the Board</i>	0	0	0	0	160	0	0	0	0
Lisa Cooper <i>Member of the Board</i>	0	0	0	0	170	0	0	0	0
Stig Landrø <i>Member of the Board, Employee Representative</i>	14 585	0	0	0	80	819	0	33	3
Helle Rønningen <i>Member of the Board, Employee Representative</i>	0	0	0	0	80	462	0	18	4
<b>Total</b>	<b>3 295 585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>670</b>	<b>1 281</b>	<b>0</b>	<b>51</b>	<b>7</b>
<b>Directors who left the Board during 2009:</b>									
Ove Gusevik <i>Chairman of the Board</i>	1 793 000	0	0	0	320	0	0	0	0
<b>Total</b>	<b>1 793 000</b>				<b>320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total for Board members in 2009</b>									
	<b>5 088 585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>990</b>	<b>1 281</b>	<b>0</b>	<b>51</b>	<b>7</b>
<b>Members of executive group management:</b>									
Jon Asbjørn Bø <i>President and CEO</i>	3 429 194	0	0	0	0	1 303	0	52	6
Tor Ivar Kolpus <i>CFO</i>	0	0	0	0	0	859	0	34	7
Harald Lunde <i>EVP business development</i>	3 109 194	0	0	0	0	886	0	35	4
Lars H. Henriksen <i>EVP research and development</i>	3 229 194	0	0	0	0	842	0	34	5
Per Kristian Aas <i>President and CEO Vingtech Corp.<sup>8</sup></i>	100 000	0	0	0	0	1 851	0	26	1 850
Trygve Egenes <i>CEO Vinghøg AS</i>	3 009 194	0	0	0	0	893	0	36	4
<b>Total for group management 2009</b>	<b>12 833 021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6 634</b>	<b>0</b>	<b>217</b>	<b>1 876</b>

1) *Shareholding*

The column shows number of shares owned by board members, members of group management and those closely related to them. Ove Gusevik (former Chairman of the Board) has been recorded with 1 793 000 shares through the related party Nordisk Industriutvikling AS, while Terje Eidsmo (Chairman of the Board) has been recorded with 3 281 000 shares through the related party Runestad Investering AS. The number of shares recorded for Jon Asbjørn Bø (CEO) includes 3 414 609 shares controlled by his wholly owned company Saturn AS. The number of shares recorded for Harald Lunde (Business Development Director) includes 3 094 609 shares controlled by his wholly owned company Hugin Management AS. The number of shares recorded for Lars Harald Henriksen (Research and Development Director) includes 3 214 609 shares controlled by his wholly owned company Cubic Invest AS. Furthermore, the number of shares recorded for Trygve Egenes (CEO Vinghøg AS) includes 2 994 609 shares controlled by his wholly owned company Ulve Invest AS. See note 16.

2) *Remuneration of the President and CEO*

President and CEO Jon Asbjørn Bø has a fixed salary of NOK 1 350. He is entitled to severance pay equal to 12 months' salary if his contract is terminated. He has a defined contribution pension plan. For 2009 Mr. Bø brought into temporarily effect a voluntary 5% decrease of his own fixed salary.

3) *Board fees*

Board fees relate to fees for 2008, which were paid in 2009.

4) *Options*

No options were exercised in 2009. For more information, see note 12.

5) *Salary*

The column shows ordinary salaries paid in 2009.

6) *Pension contributions*

The Company has established a defined contribution pension scheme. The column shows pension contributions in 2009; see note 18 for further information regarding pensions.

7) *Other compensation*

The column comprises other benefits received by employees during the year, including car allowance, free accommodation (US), insurance etc.

8) *Benefits paid to group management and key personnel stationed overseas*

There are special compensation arrangements for group management and key personnel stationed overseas.

**Compensation of former members of the Group management**

Tore Amundsen, President and CEO of Simrad Optronics ASA until March 2007, received NOK 2 350 in 2009.

## Information about compensation in 2008

<b>Current Board members:</b>	<b>Share- holding<sup>1</sup></b>	<b>Share- options granted<sup>4</sup></b>	<b>Share- options vested<sup>4</sup></b>	<b>Gain on share- options exercised<sup>4</sup></b>	<b>Board fees<sup>3</sup></b>	<b>Salary<sup>5</sup></b>	<b>Bonus</b>	<b>Pension compen- sation<sup>6</sup></b>	<b>Other compen- sation<sup>7</sup></b>
Ove Gusevik <i>Chairman of the Board</i>	1 605 000	0	0	0	350	0	0	0	0
Terje Eidsmo <i>Member of the Board</i>	3 281 000	0	0	0	185	0	0	0	0
Ingvild Myhre <i>Member of the Board</i>	0	0	0	0	175	0	0	0	0
Lisa Cooper <i>Member of the Board</i>	0	0	0	0	175	0	0	0	0
Stig Landrø <i>Member of the Board, Employee Representative</i>	14 585	0	0	0	88	804	0	183	3
Helle Rønningen <i>Member of the Board, Employee Representative</i>	0	0	0	0	0	477	0	16	5
<b>Total</b>	<b>4 900 585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>973</b>	<b>1 281</b>	<b>0</b>	<b>199</b>	<b>8</b>

### Directors who left the Board during 2008:

Tove Iren Steen <i>Member of the Board, Employee Representative</i>	0	0	0	0	88	332	0	19	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>88</b>	<b>332</b>	<b>0</b>	<b>19</b>	<b>1</b>

### Total for Board members in 2008

<b>4 900 585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 060</b>	<b>1 614</b>	<b>0</b>	<b>218</b>	<b>10</b>
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### Members of the executive group management:

Jon Asbjørn Bø <i>President and CEO</i>	3 429 194	0	0	0	0	1 339	0	49	8
Tor Ivar Kolpus <i>CFO</i>	0	0	0	0	0	817	0	31	4
Harald Lunde <i>EVP business development</i>	3 109 194	0	0	0	0	903	0	32	7
Per Kristian Aas <i>President and CEO Vingtech Corp.<sup>8</sup></i>	100 000	0	0	0	0	1 735	0	23	460
Trygve Egenes <i>CEO Vinghøg AS</i>	3 009 194	0	0	0	0	904	0	32	6
<b>Total</b>	<b>9 647 582</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5 699</b>	<b>0</b>	<b>166</b>	<b>485</b>

### Members of the executive group management who left in 2008:

Kristian Haneberg <i>CFO</i>	14 585	0	0	0	0	716	0	74	4
<b>Total</b>	<b>14 585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>716</b>	<b>0</b>	<b>74</b>	<b>4</b>

### Total for group management 2008

<b>9 647 582</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6 415</b>	<b>0</b>	<b>240</b>	<b>489</b>
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#### 1) Shareholding

The column shows number of shares owned by board members, members of group management and those closely related to them. Ove Gusevik has been recorded with 1 605 000 shares through the related party Nordisk Industriutvikling AS, while Terje Eidsmo has been recorded with 3 281 000 shares through the related party Runestad Investering AS. The number of shares recorded for the CEO Jon Asbjørn Bø includes 3 414 609 shares controlled by his wholly owned company Saturn AS. The number of shares recorded for Trygve Egenes also includes 2 994 609 shares controlled by his wholly owned company Ulve Invest AS. The number of shares recorded for Harald Lunde includes 3 094 609 shares controlled by his wholly owned company Hugin Management AS. See note 16.

#### 2) Remuneration of the President and CEO

President and CEO Jon Asbjørn Bø has a fixed salary of NOK 1 350. He is entitled to severance pay equal to 12 months' salary if his contract is terminated. He has a defined contribution pension plan.

#### 3) Board fees

Board fees relate to fees for 2007, which were paid in 2008.

#### 4) Options

No options were exercised in 2008. For more information, see note 12.

#### 5) Salary

The column shows ordinary salaries paid in 2008. It also includes, for Jon Asbjørn Bø, Tor Ivar Kolpus, Harald Lunde, Trygve Egenes and Per Kristian Aas, bonuses earned in 2007 and paid in 2008 of NOK 14, NOK 19, NOK 37, NOK 37 and NOK 17 respectively.

#### 6) Pension contributions

The Company has established a defined contribution pension scheme. The column shows pension contributions in 2008; see note 18 for further information regarding pensions.

#### 7) Other compensation

The column comprises other benefits received by employees during the year, including car allowance, free accommodation (US), insurance etc.

#### 8) Benefits paid to group management and key personnel stationed overseas

There are special compensation arrangements for group management and key personnel stationed overseas.

### Total compensation to group management (exclusive of CEO and members of the Board)

	2009	2008
Short term employee benefits	5 331	5 076
Post employee benefits	165	192
Total	5 495	5 268

In 2009 there were 11 (2008:13) people defined as members of Group management (including the Board).

Loans to employees at 31 December 2009 amounted to NOK 0 for Simrad Optronics ASA (2008: NOK 0) and NOK 0 for Simrad Optronics Group (2008: NOK 0).

The above information gives a complete overview of compensation to the group management and the Board in 2009.

### Remuneration guidelines for Group management

The Board has drawn up a declaration pursuant to Section 6-16a of the Norwegian Public Limited Company Act setting out guidelines for the remuneration of the CEO and other senior managers. The fundamental principle set out in the guidelines is that members of the Group management shall receive

a competitive remuneration package that allows Simrad Optronics to retain and attract competent managers.

Members of Group managers shall receive a fixed salary, and may be offered benefits in kind such as a free telephone, membership of associations and paid study leave. Managers at Simrad Optronics ASA are not currently covered by any bonus scheme or other form of variable compensation. Senior managers at subsidiaries are part of the subsidiaries' variable compensation scheme for all employees.

The company does not offer incentives to managers in the form of shares, subscription rights or options.

Managers at Simrad Optronics ASA are covered by the same defined benefit pension plan as other employees at the company and at the Group's Norwegian subsidiaries. The company's contributions comprise 4% of salary up to 12 times the National Insurance Scheme basic amount (G).

The Chairman of the Board shall set the remuneration of the CEO. The CEO shall set the remuneration of other members of Group management in consultation with the Board.

Senior managers shall have a maximum notice period of six months. The CEO is also entitled to a maximum of 12 months' severance pay.

There are special compensation arrangements for group management and key personnel stationed overseas.

### Transactions with subsidiaries

From the outstanding balance for Simrad Optronics ASA at 31 December:

	Receivables		Payables	
	2009	2008	2009	2008
with Vinghøg AS	1 170	866	0	0
with Servo Kontroll AS	164	0	0	0
with Vingtech Corp	1 724	2 052	0	0
with Nordic Defence Supply AS	228	230	71	0
less provision for bad debt	0	0	0	0
	3 286	3 149	71	0

Simrad Optronics ASA charges a management fee to the subsidiaries in the Group. For 2009 this totalled NOK 12,333.

Intragroup revenue:	2009	2008
Vinghøg AS	169 836	70 966
Vingtech Corp	97 134	83 949
Nordic Defense Supply AS	465	0
Servo Kontroll AS	233	9
Total internal revenue	267 668	154 924

The subsidiary Vinghøg AS received NOK 21 797 in royalties from other companies in the Group in 2009 (2008: NOK 7 860).

The principles used to value the transactions are specified in contracts, and satisfy the requirements in the US and Norway for internal pricing.

### Group cash pooling

The Norwegian companies Simrad Optronics ASA, Vinghøg AS, Servo Kontroll AS and Nordic Defence Supply AS have a cash pooling system. Net drawn credit in the cash pooling system at 31 December 2009 is presented as Liabilities to financial institutions. Deposits from subsidiaries in the cash pool (NOK 8 458) are presented as Other current liabilities in Simrad Optronics ASA's balance sheet. Net cash withdrawals by subsidiaries from the cash pool (NOK 4 135) are presented as Other receivables in Simrad Optronics ASA's balance sheet.

### Auditors' fees

The table below specifies fees to auditors. The fees relate to both to the Group auditor Grant Thornton AS and companies that Grant Thornton AS collaborates with. All figures are stated in NOK 1 000 excl. VAT.

	Auditing*	Audit-related services	Tax-related services	Other services	Total
Parent company	178	109	12	266	564
Other Group companies	869	233	21	35	1 158
<b>Total fees for 2009</b>	<b>1 046</b>	<b>342</b>	<b>34</b>	<b>301</b>	<b>1 722</b>

*Total fees for 2008* 533 181 45 502 1 261

\*) Comprises expensed audit fees for the 2008 financial year, as well as interim audits for the 2009 financial year performed in 2009.

## Note 12 Share-based payments

In 2006 Simrad Optronics ASA granted a total of 200 000 share options to the Chairman of the Board at the time. The strike price was kr 5,18. All options were vested at the grant date. The options lapsed during 2008. At 31 December 2009 there were no option plans at Simrad Optronics ASA.

The fair value of options is calculated at the allocation date and is expensed over the vesting period in accordance with IFRS 2. The fair value of options is calculated using the Black-Scholes option pricing model. Expected volatility is based on historic volatility, adjusted for expected changes in future volatility based on publicly available information. The risk free interest rate is calculated based on average interest rate for the option life.

Expected volatility is based on historic volatility, adjusted for expected changes in future volatility based on publicly available information. The risk free interest rate is calculated based on average interest rate for the option life.

	2009		2008	
	Quantity	Weighted average exercise price	Quantity	Weighted average exercise price
Options outstanding at 1 January	0	0,00	200 000	5,18
Options exercised	0	0,00	0	0,00
Options cancelled/forfeited	0	0,00	-200 000	0,00
Options granted	0	0,00	0	0,00
<b>Outstanding and exercisable share options at 31 December</b>	<b>0</b>	<b>0,00</b>	<b>0</b>	<b>5,18</b>

## Note 13 Investments in Subsidiaries

Simrad Optronics ASA has the following investments in subsidiaries:

<i>Figures in NOK 1 000</i>		2009		2008	
		Voting rights and shareholding	Book value	Voting rights and shareholding	Book value
Group company	Location				
Vingtech Corp	Maine, USA	100 %	614	100 %	614
Vinghøg AS	Nøtterøy, Norway	100 %	331 544	100 %	331 544
Nordic Defense Supply AS	Oslo, Norway	100 %	7 200	100 %	7 200
Vingtech Australia Pty Ltd	Alphington, Australia	55 %	0	55 %	0
Vingtech SAAB AS	Nøtterøy, Norway	51 %	61	51 %	61
<b>Total investments in subsidiaries</b>			<b>339 420</b>		<b>339 420</b>

The companies Vingtech Australia Pty Ltd and Vingtech SAAB AS were founded late in 2008. These companies carried on no activity in 2008 and 2009.

## Note 14 Liabilities to financial institutions

*Figures in NOK 1 000*

Refer to note 17 for information about interest rate, currency and liquidity risks.

### Overdraft

Simrad Optronics ASA has a bank overdraft facility with a limit of NOK 70 000 (2008: NOK 50 000). At 31 December 2009 the company had drawn NOK 1 990 from the overdraft facility (2008: NOK 35 237). The company's overdraft is included under the item Liabilities to financial institutions in the balance sheet.

### Mortgaged loan

At 31 December 2009 Simrad Optronics ASA had the following mortgage loan:

	Currency	Nominal interest rate	Maturing	2009		2008	
				Face value	Book value	Face value	Book value
The mortgage loan, with an original value of NOK 155,000, is linked to the acquisition of Vinghøg AS in 2007	NOK	7 day NIBOR + 175 basis points <sup>1</sup>	1st quarter 2012	93 000	93 000 <sup>2</sup>	133 000	133 000 <sup>2</sup>

1) On the balance sheet date there was a NOK 100 000 interest rate swap. The agreed fixed interest rate on the swap was 5.13%. See note 17 for further information.

2) A 31 December 2009 NOK 40 000 (2008: 44 000) is classified as a current liability to financial institutions, as it is due in 2010.

### Covenants

The main covenants related to Simrad Optronics ASA's loans and credit facility are as follows:

- Minimum EBITDA/ Net Financial Expenses Payable ratio of 5 in all quarters.
- The (Total liabilities/ EBITDA) ratio shall be no higher than 2.5 in all quarters.
- No distribution of dividends until NOK 50,000 of the non-current liability has been repaid to the bank.
- Yearly capital expenditure in excess of NOK 20,000 shall be approved by the bank.
- The company can not borrow additional funds without the consent of the bank
- Potential new acquisitions shall be approved by the bank.

At 31 December 2009 there were no breaches of the covenants. The company expects to comply with all of its covenants throughout 2010.

## Note 15 Guarantees, collaterals and covenants

Figures in NOK 1 000

### Bank guarantees

The Group has obtained guarantees in conjunction with various contracts. In total these guarantees had a value of NOK 19 028 at 31 December 2009 (2008: NOK 24 263).

### Assets pledged as security

As security for the company's overdraft facility and bank loans, the lender has a lien on the company's shares in its subsidiary Vinghøg AS. At 31 December 2009, the book value of the company's shares in Vinghøg AS totalled NOK 331 544.

The Group has pledged operating equipment, inventory and accounts receivable as security for its overdraft facility and bank loans. The book value of the pledged assets is NOK 14 039, NOK 86,258 and NOK 124 895 respectively.

The company has provided a bank guarantee for NOK 4 800 as security for PAYE deductions due. PAYE deductions due at 31 December 2009 totalled NOK 4 037.

## Note 16 Equity and shareholders

<b>Simrad Optronics ASA</b>	<b>Share capital</b>	<b>Share premium reserve</b>	<b>Other paid-in capital</b>	<b>Total paid-in capital</b>	<b>Number of shares</b>
<i>Figures in NOK 1 000</i>					
Balance at 1 January 2008	37 096	150 554	0	187 650	71 587 195
Reversed costs of share option programme	0	-367	0	-367	0
Transfer from share premium account to cover loss	0	-10 286	0	-10 286	0
<b>Balance at 31 December 2008</b>	<b>37 096</b>	<b>139 901</b>	<b>0</b>	<b>176 997</b>	<b>71 587 195</b>
Transfer from share premium account	0	-139 901	0	-139 901	0
<b>Balance at 31 December 2009</b>	<b>37 096</b>	<b>0</b>	<b>0</b>	<b>37 096</b>	<b>71 587 195</b>

### Par value of shares

The par value of the company's shares is kr 0.518197814.

### Distributable equity

Distributable equity pursuant to the Norwegian act relating to public limited liability companies, at 31 December 2009 NOK 141 586 (2008: NOK 0).

### Dividends

Dividend payment proposed to the Annual General Meeting is NOK 14 317 (2008: 0), equivalent to kr 0.20 per share (not disclosed as a liability per 31 December 2009).

### Simrad Optronics Group

Figures in NOK 1 000

	<b>Total paid in capital</b>
Balance at 1 January 2008	187 650
Reversed costs of share option programme	-367
Profit for the year	-10 286
<b>Balance at 31 December 2008</b>	<b>176 997</b>
Transfer from share premium account	-139 901
<b>Balance at 31 December 2009</b>	<b>37 096</b>

## Earnings per share

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the net profit to ordinary shareholders of NOK 39 032 (2008: NOK 10 765), and a weighted average number of ordinary shares outstanding during 2009 of 71 587 195 (2008: 71 587 195) calculated as follows:

<b>Earnings per share</b>	<b>2009</b>	<b>2008</b>
Net profit (total NOK 1 000)	39 032	10 764
Net profit (continued operations - NOK 1 000)	39 032	10 764
Net profit (discontinued operations - NOK 1 000)	0	0
Weighted average number of ordinary shares outstanding	71 587 195	71 587 195
Number of share options outstanding	0	
0 Weighted average number of ordinary shares outstanding including dilution	71 587 195	71 587 195
Basic earnings per share, total (NOK 1)	0,55	0,15
Diluted earnings per share, total (NOK 1)	0,55	0,15
Basic earnings per share, continued operations (NOK 1)	0,55	0,15
Diluted earnings per share, continued operations (NOK 1)	0,55	0,15
<b>Number of ordinary shares</b>	<b>2009</b>	<b>2008</b>
Number of ordinary shares outstanding 1 January	71 587 195	71 587 195
Effect of capital increase etc.	0	0
<b>Weighted average number of ordinary shares at 31 December</b>	<b>71 587 195</b>	<b>71 587 195</b>

## Shareholders

<b>The Group's largest shareholders registered at 31 December 2009</b>		<b>Number of shares</b>	<b>Share-holding</b>
1	DnB NOR SMB verdipapirfond	4 650 000	6,50 %
2	Lindholmveien 14 AS	3 455 311	4,83 %
3	Saturn AS	3 414 609	4,77 %
4	Runestad Investering AS	3 281 000	4,58 %
5	Cubic Invest AS	3 214 609	4,49 %
6	Hugin Management AS	3 094 609	4,32 %
7	GKI AS	3 064 609	4,28 %
8	Ulve Invest AS	2 994 609	4,18 %
9	MP Pensjon	2 598 556	3,63 %
10	Steinar Olav Hem	2 382 609	3,33 %
11	Skagen Vekst verdipapirfond	2 162 000	3,02 %
12	Nordisk Industriutvikling AS	1 793 000	2,50 %
13	Bank of New York Mel s/a Mellon nominee 1	1 531 100	2,14 %
14	Hesnes Investment AS	1 289 000	1,80 %
15	Hui AS	1 218 000	1,70 %
16	Trygves Holding AS	1 000 000	1,40 %
17	KAFA AS	895 500	1,25 %
18	Ingefo 1 AS	870 000	1,22 %
19	Origon AS	771 000	1,08 %
20	JP Morgan Chase Bank Nordea Treaty Account	717 363	1,00 %
Total for the 20 largest shareholders		44 397 484	62,02 %
Other shareholders		27 189 711	37,98 %
<b>Total</b>		<b>71 587 195</b>	<b>100,00 %</b>
Shares owned by Norwegian shareholders		68 168 200	95,22 %
Shares owned by foreign shareholders		3 418 995	4,78 %
<b>Total</b>		<b>71 587 195</b>	<b>100,00 %</b>

Also see Note 11 on related party shareholders.

## Share price and number of shareholders

On the final trading day of 2009, the Simrad Optronics ASA share was traded on Oslo Børs at kr 5.24 per share (2008: kr 3.14 per share). There were 2 132 shareholders registered in the company's shareholder register at 31 December 2009 (2008: 2 048).

## Capital management

It is the goal of the Board to maintain a strong equity base to keep the confidence of investors, creditors and the capital markets, and to further develop the operational business. The return on equity is monitored by the Board. The return on equity is defined as the operating profit (loss) divided by total equity.

No changes have been made to the company's capital management policy during the year.

No companies within the Group are subject to external covenants, other than the covenants related to liabilities to financial institutions (see note 14).

## Note 17 Financial instruments

*Figures in NOK 1 000*

The Group is exposed to the following financial risks and uncertainties:

- Credit risk
- Liquidity risk
- Market risk

The Board has the overall responsibility for the establishment and the monitoring of the Group's risk management system.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### Credit risk

Credit risk is the risk of financial losses caused by a customer or counterparty to a financial instrument being unable to fulfil his contractual obligations. Credit risk usually arises from the Group's accounts receivable and investments in securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less impact on credit risk. The Group only operates in the defence industry. The Group sells either directly to end users, with or without agents, or to other defence contractors. The end customers, for both direct and indirect sales, are mainly military purchasing organisations reporting to each country's Ministry of Defence. Their credit ratings are therefore very high. The Group's dependency on individual customers is also constantly monitored, as is the associated credit risk.

Products are sold with a vendor's lien. If the customer does not pay, the Group's claim is secured. Letters of credit and export financing are also used to reduce credit risk.

The Group makes an impairment allowance that represents its estimate of incurred losses in respect of trade and other receivables and investments. Two types of allowances are made. One relates to individual, significant issues, for which a specific allowance is made. The other relates to groups of assets with similar risk characteristics, where losses have occurred, but have not been identified. The collective loss allowance is determined based on historical data of payment statistics for similar assets.

Historically the Group's losses on trade receivables have been modest. The management has determined guidelines for granting credit, and exposure to credit risk is monitored continuously. A credit check is carried out for all customers who request credit over a certain threshold.

At the reporting date the Group had no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Simrad Optronics ASA had no accounts receivable at 31 December 2009 (2008: NOK 0).

Of the Group's overdue accounts receivable at 31 December 2009 of NOK 18 000 (2008: NOK 30 644) 70% were due between 0–30 days (2008: 70%), 26% were due between 31-120 days (2008: 10%) and 3% were due over 120 days (2008: 20%). In 2010 the Group has received payments for NOK 16 583 of the receivables that were overdue by 31 December 2009. No loss on receivables was recorded in 2009 (2008: NOK 0).

The change in the allowance for losses on accounts receivable during the financial year was as follows:

	Simrad Optronics ASA		Simrad Optronics Group	
	2009	2008	2009	2008
Balance at 1 January	0	0	0	0
Recognised loss on impairment	0	0	0	0
<b>Balance at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Group only invests in securities with counterparties that have credit rating of at least the equivalent of A1 from Standard & Poor's and A from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. On the reporting date there were no investments in securities with external counterparties.

Financial guarantees are only granted to wholly-owned subsidiaries. On the reporting date there were no guarantees to external parties.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's liquidity is satisfactory. Liquidity is predictable and carefully controlled, and was significantly improved during 2009. In order to calculate the cost of products and services, activity-based calculations are used. This helps with monitoring cash flow requirements and optimising returns on investments. The company makes sure that it has sufficient liquidity to cover expected operating costs, and to cover financial obligations for the next 60 days. The Group is not involved in any debt recovery cases or any form of legal steps from creditors.

Simrad Optronics ASA's and the Group's financial obligations, except non-current liabilities to financial institutions, are due within one year. The company will continually assess its need for credit related to expected growth in 2010, and the correlated variations in working capital. At the start of 2009 the company's overdraft limit was NOK 50 000. The limit on the reporting date was NOK 70 000.

The Group's financial liabilities are:

	Book value	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
<b>At 31 December 2009</b>						
Non-current liabilities to financial institutions	93 000	20 000	20 000	40 000	13 000	0
Accounts payable and other payables	138 863	99 415	39 449	0	0	0
Overdraft	2 034	0	0	0	0	2 034
<b>Total</b>	<b>233 898</b>	<b>119 415</b>	<b>59 449</b>	<b>40 000</b>	<b>13 000</b>	<b>2 034</b>
<b>At 31 December 2008</b>						
Non-current liabilities to financial institutions	133 000	22 000	22 000	40 000	49 000	0
Accounts payable and other payables	133 075	124 031	9 044	0	0	0
Overdraft	35 237	0	0	0	0	35 237
<b>Total</b>	<b>301 312</b>	<b>146 031</b>	<b>31 044</b>	<b>40 000</b>	<b>49 000</b>	<b>35 237</b>

The Group's borrowings all come from the same bank. See note 14 for further information about this. On the reporting date, all of the covenants were satisfied. The Group focuses heavily on always meeting the relevant covenants, thereby eliminating the liquidity risk that would arise from the withdrawal of this facility.

## Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

### Currency

The Group is exposed to currency risk on sales, purchases and loans in other currencies than the functional currencies of the Group's units. The Group has transactions in EUR, USD, GBP, CHF, SEK and DKK.

Share of revenues by currency:

#### Simrad Optronics Group

<b>Share of revenues by currency:</b>	<b>2009</b>	<b>2008</b>
NOK	69 %	73 %
GBP	2 %	6 %
EUR	8 %	16 %
USD	21 %	3 %
CHF	0 %	1 %
	100 %	100 %

In order to secure future cash flows, the Group aims to enter into forward contracts to cover 50-60% of its currency exposure over the following 12 months. Each contract is assessed separately with regard to whether a hedge should be established, and the assessment is based on expected delivery and payment dates. On the reporting date there were no forward contracts maturing in more than 12 months. When the need arises forward contracts will be rolled over when they are due. IAS 39 has been applied since 1 January 2005.

#### Simrad Optronics ASA:

At 31 December 2009 and 31 December 2008 the company had no active forward contracts.

#### Simrad Optronics Group:

At 31 December 2009 the Group had the following forward contracts outstanding (totals):

<b>Contract</b>	<b>Maturity date</b>	<b>Contract value</b>
SEK/NOK	Jan-Dec 2010	24 000 SEK
NOK/USD	Jan-Dec 2010	25 500 USD
DKK/NOK	Jan-Dec 2010	15 000 DKK

Effect of fair value recognised in profit and loss account was NOK 3 066.

At 31 December 2008 the Group had the following forward contracts outstanding (totals):

<b>Contract</b>	<b>Maturity date</b>	<b>Contract value</b>
NOK/USD	Jan-Dec 2009	15 000 USD

Effect of fair value recognised in profit and loss account was NOK -4 127.

Changes in the fair value of the forward contracts, changes in the fair value of embedded derivatives and foreign exchange gains and losses are recognised under "other financial income/expenses". Also see note 6.

Exchange rate fluctuations will also affect the present value of assets and liabilities at the foreign subsidiary Vingtech Corp. However, these fluctuations will not affect profit or loss as translation differences are recognised in other equity.

### **Share prices**

The company only rarely invests in shares other than shares in subsidiaries, and it only does so for strategic purposes, rather than short-term financial ones.

The Group's exposure to changes in share prices is insignificant. See Note 4 for further information about investments in shares.

### **Interest rates**

The Group's interest rate risk arises from its net interest-bearing liabilities, which consists of its overdraft and non-current liabilities to financial institutions less cash and cash equivalents. The Group aims to achieve the optimum combination of (1) the best possible interest rate terms, (2) adequate access to liquidity/credit, (3) repayment schedules for non-current liabilities that match the Group's expected cash flow and (4) predictability and protection against extreme changes in interest rates. Interest rate hedging 50-60% of its net interest-bearing liabilities plays an important role in achieving this.

The Group has a bank overdraft facility with a limit of NOK 70 000 (2008: NOK 50 000). At 31 December 2009 the Group had drawn NOK 1 990 from the overdraft facility (2008: NOK 35 237). The Group also had a bank loan of NOK 93 000 at 31 December 2009 (2008: NOK 133 000). See note 14 for further information.

On the balance sheet date there was a NOK 100 000 interest rate swap. The agreed fixed interest rate on the swap was 5.13%. Effect of fair value recognised in profit and loss account was NOK -4 715.

The Group is exposed to changes in interest rates. A +/-100 basis point change in the interest rate on the share of the net interest-bearing liabilities with a variable rate will reduce/increase the Group's interest expenses by NOK 463. This analysis assumes that other parameters remain constant.

### **Fair values**

#### **Simrad Optronics ASA:**

Financial assets and liabilities mainly comprise, with the exception of the overdraft facility, bank loan, pension obligations and loan to subsidiaries, current items that are not interest bearing. Based on this, it is the management's view that Simrad Optronics ASA does not have financial assets or liabilities with potentially significant differences between net book value and fair value.

#### **Simrad Optronics Group:**

Financial assets and liabilities mainly comprise, with the exception of the overdraft facility, bank loan, pension obligations and loan to subsidiaries, current items that are not interest bearing. Based on this, it is the management's view that Simrad Optronics Group does not have financial assets or liabilities with potentially significant differences between net book value and fair value.

## Note 18 Pensions

Figures in NOK 1 000

All Norwegian companies in the Group are obliged to have a mandatory occupational pension plan in accordance with the Mandatory Occupational Pension Act. All of these companies have a pension plan that satisfies the requirements of that act.

In 2009 the pension cost for defined benefit pension plans totalled NOK 3 468 (2008: NOK 1 738).

The Group has uninsured pension commitments related to the AFP scheme which covers 120 employees and 2 AFP retirees. The AFP obligation has been calculated assuming an expected retirement rate of 30 % at the age of 62. There are no funds in the scheme. Net liability at 31 December 2009 was NOK 3 460.

Actuarial gains and losses must be recognised in profit or loss if the cumulative unrecognised gains or losses at the beginning of the period exceed a "corridor". The corridor is 10 per cent of the greater of the present value of the obligation and the fair value of the assets. The corridor is calculated separately for each plan.

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	Figures in NOK 1 000	2009	2008
		<i>Pension cost</i>		
0	0	Present value of pension benefits earned	109	181
0	0	Interest expense on pension benefits earned	47	69
0	0	Return on plan assets	0	0
0	0	Amortisation of changes to pensions plans and actuarial gains and losses	0	0
0	0	Social security tax	22	26
<b>0</b>	<b>0</b>	<b>Net pension cost</b>	<b>178</b>	<b>276</b>
		<i>Financial status at 31 December</i>		
0	0	Present value of funded pension obligations	0	0
0	0	Present value of unfunded pension obligations	2 740	1 266
0	0	Market value of plan assets	0	0
0	0	Deferred pension obligation	333	178
0	0	Social security tax paid in advance	386	480
<b>0</b>	<b>0</b>	<b>Net pension obligation/(assets)</b>	<b>3 460</b>	<b>1 924</b>
		<i>Basis for calculation</i>		
		Discount rate	4,50 %	3,80 %
		Expected wage increase	4,50 %	4,00 %
		Expected increase in Nat. Ins. Sch. basic amount	4,25 %	3,75 %
		Expected return on plan assets 31 December	0,00 %	5,80 %
		<i>Changes in the net liability for defined benefit obligations as recognised in the balance sheet</i>		
0	0	Net liability at 1 January	1 924	2 709
0	0	Reversal of previously capitalised obligation	0	-1 061
0	0	Contributions received*	0	0
0	0	Expense recognised in the Profit and loss account *	1 535	276
<b>0</b>	<b>0</b>	<b>Net pension obligation/(assets)</b>	<b>3 460</b>	<b>1 924</b>
		<i>(*) The expense is recognised in the following line of the profit and loss account</i>		
0	0	Payroll and related costs	178	276
		<i>Additional information</i>		
0	0	Actual return on plan assets	0	0

## Note 19 Income tax expense

Recognised in the profit and loss account

Simrad Optronics ASA			Simrad Optronics Group	
2009	2008	Figures in NOK 1 000	2009	2008
<i>Current tax expense</i>				
39 448	9 044	Current year	44 572	9 044
-1 532	0	Under/(over) provided in previous years	-1 202	0
37 916	9 044	Total	43 370	9 044
<i>Deferred tax expense</i>				
-3 960	31 429	Changes in temporary differences	-33 682	-1 415
0	0	Tax effect of items booked directly against equity	0	0
0	0	Tax effect of received group contribution	0	0
0	0	Recognition of previously unrecognised deferred tax asset	0	0
0	0	Recognition of deferred tax asset related to this year's tax losses	0	0
-3 960	31 429	This year's total tax expense	-33 682	-1 415
<b>Total income tax expense (benefit) in income statement</b>			<b>9 687</b>	<b>7 629</b>
<i>Reconciliation of effective tax rate</i>				
35 642	30 187	Profit/ loss before tax	48 720	18 394
9 980	8 452	Income tax using the Norwegian corp. tax rate (28%)	13 641	5 150
0	0	Effect of tax rates in foreign jurisdictions <sup>1</sup>	1 570	0
581	8	Non-deductible expenses	615	93
0	33 851	Effect of sale of operations by parent to subsidiary	0	-641
-12 279	-14 109	Tax exempt revenues	-10	524
37 207	12 272	Effect of received group contribution	0	0
-1 532	0	Under/(over) provision in previous years	-1 202	0
0	0	Effect of items booked directly against equity	0	0
0	0	Effect of previously unrecognised deferred tax asset	0	0
0	0	Effect of unrecognised loss carryforwards	-4 927	2 504
<b>33 957</b>	<b>40 473</b>	<b>Total income tax expense</b>	<b>9 687</b>	<b>7 630</b>
<b>95,27 %</b>	<b>134,08 %</b>	<b>Actual tax rate</b>	<b>19,88 %</b>	<b>41,48 %</b>

The difference between the Simrad Optronics ASA's actual tax rate and the nominal tax rate in Norway is mainly due to the different times at which group contributions are recognised for tax and accounting purposes.

The difference between the Simrad Optronics Group's actual tax rate and the nominal tax rate for both 2008 and 2009 is to a major extent affected by the effect of unrecognised tax assets from loss carry forwards in the United States in 2008 which are fully utilized in 2009. Nominal tax rate in the United States is 39.89%.

1) This amount includes the impact of the tax incentive programme for new companies in the state of Maine (US). The scheme provides complete exemption from state income taxes for the first five years of operation, followed by a reduced rate for the subsequent five years. In 2009 the scheme reduced the company's tax expense by NOK 1 065. The contra entry is shown as financial income.

## Note 20 Deferred tax assets and liabilities

### Deferred tax assets and liabilities recognised in the balance sheet

#### Simrad Optronics ASA

Figures in NOK 1 000

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	0	0	141	188	141	188
Inventory	0	0	0	0	0	0
Construction work in progress	0	0	0	0	0	0
Accounts receivable and other receivables	0	0	0	0	0	0
Provisions	0	-140	0	0	0	-140
Defined benefit plans	0	0	0	0	0	0
Other items	-1 320	-1 931	18 652	23 315	17 332	21 384
Tax value of loss carryforwards	0	0		0	-0	0
<b>Tax (assets)/liabilities</b>	<b>-1 320</b>	<b>-2 071</b>	<b>18 792</b>	<b>23 503</b>	<b>17 472</b>	<b>21 431</b>
Set off tax	1 320	2 071	-1 320	-2 071	0	0
<b>Net tax (assets)/liabilities</b>	<b>0</b>	<b>0</b>	<b>17 472</b>	<b>21 432</b>	<b>17 472</b>	<b>21 431</b>

#### Unrecognised deferred tax assets:

	2009	2008
Tax asset/(liability) related to deductible temporary differences	0	0
Tax asset related to loss carryforwards	0	0

#### Simrad Optronics Group

Figures in NOK 1 000

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	0	0	8 176	9 969	8 176	9 969
Intangible assets	0	0	0	0	0	0
Inventory	-3 961	-853	0	0	-3 961	-853
Construction work in progress	0	0	1 598	24 296	1 598	24 296
Accounts receivable and other receivables	0	0	29	7	29	7
Provisions	0	0	0	0	0	0
Defined benefit plans	-969	-539	0	0	-969	-539
Other items	-1 484	-3 226	20 027	27 624	18 543	24 398
Tax value of loss carryforwards	0	0	0		-0	0
<b>Tax (assets)/liabilities</b>	<b>-6 414</b>	<b>-4 618</b>	<b>29 831</b>	<b>61 895</b>	<b>23 417</b>	<b>57 277</b>
Set off tax	6 414	4 618	-6 414	-4 618	0	0
<b>Net tax (assets)/liabilities</b>	<b>0</b>	<b>0</b>	<b>23 417</b>	<b>57 277</b>	<b>23 417</b>	<b>57 277</b>

#### Unrecognised deferred tax assets:

	2009	2008
Tax asset/(liability) related to deductible temporary differences	0	0
Tax asset related to loss carryforwards	0	-4 927

## Note 21 Provisions and contingent liabilities

### Simrad Optronics ASA

Figures in NOK 1 000

	2009	2008
Balance at 1 January	0	0
Provisions made during the year	0	0
Provisions used during the year	0	0
Provisions reversed during the year	0	0
<b>Balance at 31 December</b>	<b>0</b>	<b>0</b>

### Simrad Optronics Group

Figures in NOK 1 000

	2009	2008
Balance at 1 January	-967	0
Provisions made during the year	0	-967
Provisions used during the year	-129	0
Provisions reversed during the year	0	0
<b>Balance at 31 December</b>	<b>-838</b>	<b>-967</b>

The provisions arise from a five month rent holiday (agreed in conjunction with the signing of the lease) spread across the whole lease period.

## Note 22 Government grants

Figures in NOK 1 000

### Simrad Optronics ASA

In 2009 the Company received NOK 0 (2008:0) in government grants through "Skattefunn".

### Simrad Optronics Group

The Group received NOK 647 (2008: 551) in government grants through "Skattefunn". The grant was recognised as a reduction of the associated cost lines.

Vingtech Corp has received NOK 862 in support through Pine Tree Incentives from the state of Maine, US. The scheme aims to stimulate business investment and employment, and means that Vingtech Corp will receive support until 2016 based on the income tax paid by employees to the state of Maine. The grant has been recognised as a reduction of the associated cost lines. It also provides exemption from state income tax until 2011, and partial exemption until 2016. Also see the discussion of the US tax incentive scheme in Note 19.

## Note 23 Exchange rates

	NOK:USD
Exchange rate 1 January 2009	6,9991
Average exchange rate in 2009	6,2500
Exchange rate 31 December 2009	5,7660

## Note 24 Acquisitions

Figures in NOK 1 000

### Information about 2008

#### Acquisition of Nordic Defence Supply AS

With effect 5 March 2008, Simrad Optronics ASA acquired 100 % of the shares in Nauteknik Defence & Security AS, at the same time renamed to Nordic Defence Supply AS. The company is an agency that operates in the defence products market. The shareholding is equal to the share of voting rights.

The price of 100 % of the shares was NOK 6 700, plus transaction costs of NOK 500, and was settled in cash.

During 2008 allocation of fair value has been done provisionally. At 31 December 2008, in accordance with IFRS 3.62, a thorough final appraisal has been made of the fair value of the transaction. All excess values have been allocated to agencies. Also see note 8.

#### Net assets acquired

The table below shows the value at the date of acquisition split between the carrying amount before the acquisition and fair value adjustments.

	Carrying amount before acquisition	Fair value adjustments	Fair values
Agencies	0	2 496	2 496
Deferred tax asset	40	0	40
Tangible and financial fixed assets	256	0	256
Current assets other than cash at hand and at bank	1 571	0	1 571
Bank and cash balances	4 457	0	4 457
Current liabilities	-1 620	0	-1 620
<b>Purchase price</b>	<b>4 704</b>	<b>2 496</b>	<b>7 200</b>
Settled in cash including transaction costs			-7 200
Cash and cash equivalents received			4 457
Net cash flow effect			-2 743

#### Contribution from acquisitions in 2008:

Turnover	12 400
Profit (loss) before tax	313

Nordic Defence Supply AS has been included in the consolidated accounts as of 1 January 2008.

# RESPONSIBILITY STATEMENT


The Board of Directors and CEO have today reviewed and approved the annual report and consolidated and parent company financial statements of Simrad Optronics ASA as of 31 December 2009.


The consolidated accounts and parent company accounts have been presented in accordance with the EU approved IFRS regulations and associated interpretations, as well as the additional Norwegian disclosure requirements stipulated in the Norwegian Accounting Act, as applicable at 31 December 2009. The annual report for the Group and parent company satisfies the requirements of the Norwegian Accounting Act and Norwegian generally accepted accounting principles no. 16 at 31 December 2009.

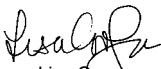
To the best of our belief

- the parent company and consolidated financial statements for 2009 have been presented in accordance with the relevant accounting standards.
- the information in the financial statements gives an accurate picture of the Group's assets, liabilities and financial position and results in general at 31 December 2009.
- the annual report for the Group and parent company gives an accurate impression of the development, financial results and position of the Group and parent company, as well as setting out the most important risks and uncertainties faced by the Group and company.

Nøtterøy, 26 March 2010  
The Board of Directors of Simrad Optronics ASA

  
Terje Eidsmo  
Chairman of the Board (acting)

  
Ingvild Myhre  
Member of the Board

  
Lisa Cooper  
Member of the Board

  
Helle Rønningen  
Member of the Board, Employee representative

  
Stig Landrø  
Member of the Board, Employee representative

  
Jon Asbjørn Bø  
President and Chief Executive Officer



To the Annual Shareholders' Meeting of  
Simrad Optronics ASA

Grant Thornton AS  
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## AUDITOR'S REPORT FOR 2009

We have audited the annual financial statements of Simrad Optronics ASA as of 31 December 2009, showing a profit of NOK 1 685 000 for the parent company and a profit of NOK 39 030 000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the financial statements. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Tønsberg, 26 March 2010  
Grant Thornton AS

Torger Gjerde  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only

Medlemmer av Den Norske Revisorforening  
Medlem av Grant Thornton - Ltd





## The four product areas of Simrad Optronics ASA

Simrad Optronics is market leader in high end products and solutions for the land based defence industry with delivering ISTAR solutions for dismounted soldier, weapon and vehicle programs.

Our core expertise is in electro optics engineering and integration – proprietary electronics and software, and customers include a variety of governments and their prime contractors in North America, Europe and Australasia

### Remote Weapon Systems (RWS)

#### RWS components (supplier to KDA)

- The Kongsberg Protector, RWS was initially developed by Vinghøg in cooperation with Kongsberg Defense & Aerospace (“KDA”).
- The Simrad Optronics subsidiaries, Vinghøg (Norway) and Vingtech (US) are one of the main suppliers for the RWS Protector family.
- Vinghøg entered an exclusive cooperating agreement with KDA until 2012 both further development of the RWS and delivery of parts to the RWS Protector family.
- KDA won the CROWS program in the US. The largest RWS program so far.
- Huge programs for armored vehicle in many countries that need RWS in the next ten years.

#### Vinghøg/Vingtech supplies:

- > Softmount
- > Cocking actuator
- > VIM (Camera)
- > Different weapon adaptors
- > Solenoids for different weapons
- > Encoders
- > Laser Range Finder

### Electro Optics

The electro optics area consists of a wide product range, going from Night Vision Equipment to highly advanced Fire Control Systems. The products are all very competitive in their segment both at the technology and the performance level.

#### FOI2000 Forward Observer System

The FOI 2000 is a compact and lightweight laser target designator with north seeking capabilities and Laser Spot Imaging Sensor. It is developed in close cooperation with the Norwegian and Swedish armies. It is extremely precise and tailored to meet the modern use of artillery, surgical warfare in urban areas and the ability to engage with the enemy at long distance; always bearing in mind the aim of avoiding collateral damage.

Vinghøg AS has developed and is manufacturing the LP10. It is known for its accuracy using, amongst others, the celestial bodies to find true North.

- A forward observer instrument for fast, precise and reliable target detection, identification, location and fire correction.
- Module based system customized to the requirements of each mission.
- Designed to interface with external units like field terminals, radios, GPS or monitors.
- Key componet is the LP10TL.

#### TYR – Man portable laser target designator

In cooperation with Thales, Vinghøg AS has developed a standalone compact laser target designator included see spot camera. TYR is a natural contribution to the FOI2000 target acquisition system and provides the system with FAC (forward air control) capabilities, but is also prepared as stand alone product and for vehicle integrations.



With its integrated See spot camera, you will be able to see were you laze and by that Tyr will be an important contribution to the armed forces to avoiding collateral damage. Tyr gives precision!

- Laser Target designator module to be incorporated on the FOI2000 forward observer system.
- Development and delivery contracts with the Norwegian and Swedish armies.
- Planned first serial delivery autumn 2010.

The designator will have the capabilities to guide Naval missiles, and both air to ground and ground to ground missiles.

#### Night Vision Equipment

The ability to see and identify during night times is more and more important due to 24/7 operations. In the past, a defined unit had a couple of Night Vision Goggles; nowadays every soldier needs one.

The Sniper Night Sight and the Goggle from Vinghøg are based on early developments of this kind of equipment from 20 years back. Due to its special construcion, it shows extreme good performances in range and practical use. Today, it is highly demanded from customers around the world.

#### KN200 Night Vision Sight

- Light weight, effective and affordable.
- Can be added on to existing day scopes or sighting systems without modification.

### GN Series Night Vision goggles

- Smallest and lightest night sight goggles on the market.
- High performance night vision capability.

### **Fire Control Systems**

Customers are always asking for improving performance and effectiveness of different weapons. First hit probability and range are key factors on the battlefield. To meet the customers' needs, Vinghøg has developed two different Fire Control Systems for 40mm AGL and shoulder launched anti tank recoilless guns. In a combination of hardware and computers, the Vingmate FCS and the IS2000 manage to achieve impressive accuracy and range.



### Vingmate

- Direct and indirect fire and target acquisition system for crew served weapons (e.g. 40mm, 50 cal machine gun and anti-tank weapons )
- Airburst programming
- Day and night capacity

### IS2000 Laser Gun Sight

- Provides instant target range and aiming information.
- Can be interfaced with a range of weapons.
- Gyro for firing at moving targets.

### **Weapon Improvement Products**

Based on principles of light weight and high performance, Vinghøg has a portfolio consisting of four different tripods and different soft- and buffermounts for light and heavy machine guns. The company also supplies vehicle manufacturers and end users with different solutions and configurations for vehicles. During the past few years, we have developed a navy pedestal.

### **Softmounts/Buffermounts**

- Used to integrate weapons in vehicles.
- Human interface. Reduces recoil and improves accuracy.
- Improved ergonomics.

### **Tripods**

- Light weight aluminum based.
- Product range suitable for all types of weapons.

### **Ringmounts**

- Fast integration of light machine guns on to military vehicles and trucks.

### **Navy Pedestal**

The Vinghøg Gunwale Mount is a light weight, strong NAVY weapon rack for light machine guns, which is developed for extreme demands on small petrol boats and Ribs.

### **Vehicle Systems**

#### **Vingtaqs – Target acquisition, observation and surveillance system**

As part of an aim to protect own troops and increase the ability to maneuver fast and accurate on the battlefield, armies around the world are more and more dependent on vehicles. Therefore, there is a need for specialized purpose vehicles. To meet these requirements, Vinghøg has developed a sensor system with a modularity to fit a variety of different purposes and also easy to maintain out on the field.

The two different main configurations are called Vingtaqs I and Vingtaqs II.

- Module based system developed in cooperation with the Norwegian Armed Forces.
- Used to accurately determine target co-ordinates at long range distance from the vehicle forward observer position.
- Can be integrated in a wide range of vehicles. Already integrated on two different vehicles.
- Vingtaqs II has also integrated personnell radar and stabilization.
- Can also be installed for border surveillance.

### **Vingpos**

The Vingpos is a low cost upgrade package for artillery. The aim is to reduce time to engage, increase the accuracy and make the gun more autonomous. In the light of modern combat, artillery plays a major role on the battlefield. The demands of accuracy are high and also the need of mobility and manoeuvrability is essential.

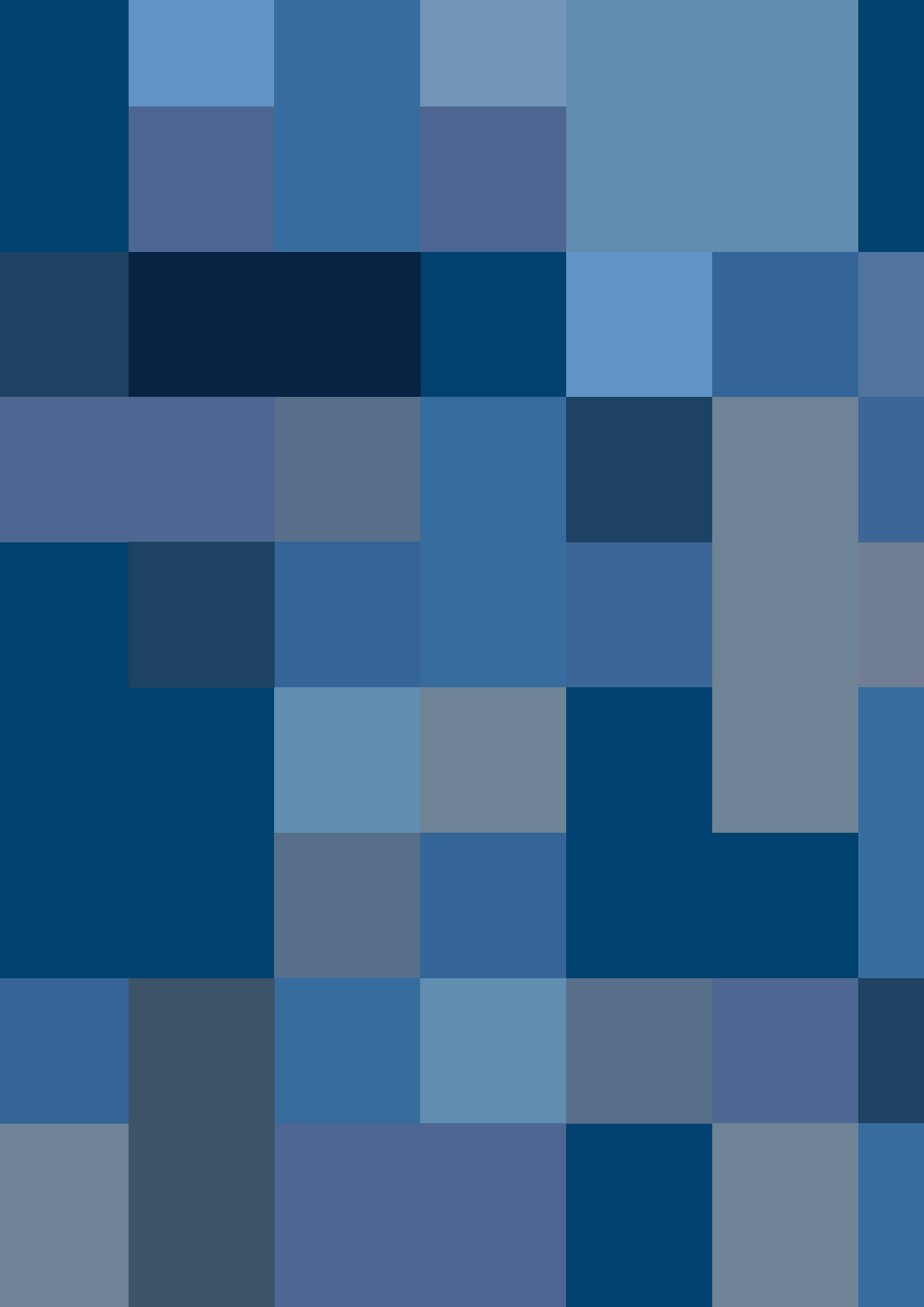
The Vingpos modernizes the old artillery and makes it ready to meet modern demands.

- It ensures fast and accurate gunnery.
- The VingPos will navigate the Gun into a new position and then direct the barrel into the right position.
- The VingPos reduces the need for training.

### Vingpos MORTAR

The Vingpos Mortar is an positioning and aiming device developed to meet the need of fast and accurate mortar fire, when different threats occur on short notice. Based on technology and knowledge from the Vingpos, Vinghøg has in cooperation with the Swedish and Norwegian Army developed a system adapted for the smaller and lighter mortar.

It assures fast and accurate fire, and is a large contribution to the necessary security for troops on mission.



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