

2nd Quarter Report 2010

Simtronics ASA

Simtronics ASA

Report for the second quarter and first half 2010

- Challenging market conditions and project delays in Water Mist Engineering
- Difficult liquidity situation
- Refinancing need temporarily solved by main shareholder's bridge loan
- Encouraging order intake

Simtronics experienced a nine per cent reduction in sales in the second quarter of 2010 compared to the same period last year. This came as a result of a challenging market situation, and delays in a large Middle East customer project. The situation has led to a squeeze on working capital in the second quarter, forcing the Company to seek additional financing. The order flow remained however satisfactory in the quarter, providing a good basis for operations going forward.

Sales in the second quarter were NOK 63.6 million (70.3). Operating costs were reduced by seven per cent in the second quarter compared to last year. EBITDA was NOK -2.2 million in the quarter, compared to NOK -0.9 million in last year's second quarter. Net result was NOK -5.8 million, against NOK -5.1 million last year.

Simtronics has restated its first quarter results. Operating costs of NOK 3.7 million which should have been booked in the first quarter were due to accounting errors not included in the quarterly results (see income statement and note 9 to the accounts).

For the first half of 2010 Simtronics' revenues were NOK 133.9 million, down from NOK 147.2 million in the first half of 2009. EBITDA for the first half was NOK -6.2 million, compared to last year's NOK -7.7 million. The Group's net profit for the first six months of 2010 was NOK -15.6 million, compared to NOK -14.0 million in 2009.

Simtronics' financial expenses were considerable higher than previously both in the first and second quarter of 2010. The main reasons for this were interest payments on the NOK 71.6 million convertible loan provided by the Group's largest shareholder in November 2009 and negative agio effects.

The challenging market conditions continued also in the second quarter. The European and Asian markets for extinguishing products remained soft. However, the main reason for Simtronics' reduced sales in the quarter was delays in a major project in the Middle East. The remaining sales related to this particular project are expected later in 2010, with the project now being on track.

The Detection business area and the Fire Eater Extinguishing business remained on track according to expectations also in the second quarter, with satisfactory sales, profitability and order flow.

In order to offset the current market situation and operational difficulties, a number of initiatives are taken. Simtronics cost cutting programme, which was initiated at the beginning of the year and targets a 10 per cent reduction in operating costs on a full year basis, moved forward as planned also in the second quarter. A new Managing Director for Water Mist Engineering AS, Kjetil Kleven, assumed his position in mid May. He has a strong background from the offshore technology industry and from operating in the Middle East. His main focus is on improving project management and cost control.

Under the current market conditions, delays in planned and ongoing projects are frequent. Nevertheless, Simtronics enjoyed a satisfactory order intake also in the second quarter. Order intake in the second quarter was NOK 94 million, which is well above both the order intake in the previous quarter and Simtronics' sales in the period. It is particularly encouraging that the order intake in the Extinguishing business area (Fire Eater Inergen Business) shows signs of picking up again.

The strong order backlog establishes some confidence in the months ahead. The prospect pipeline for both detection and extinguishing orders in the second half of 2010 and onwards remains promising.

Major contracts in the second quarter were:

<i>Project/customer</i>	<i>Business Area</i>	<i>Delivery</i>	<i>Contract value (MNOK)</i>
Electricité de France	Detection	2010-2014	14.5
Tyco, China	Extinguishing	2010-2011	12.0
Tine, Norway	Extinguishing	2011	8.6
Undisclosed customer, Singapore	Extinguishing	Q2/Q3 2010	3.0
Undisclosed customer, Turkey	Extinguishing	Q2/Q3 2010	3.0
Gorgon project, Australia	Extinguishing	Q4 2010	3.0
ADT Italy/UAE	Extinguishing	Q2/Q3 2010	2.6
Order expansion, undisclosed Middle East customer	Extinguishing	Q2/Q3 2010	2.1

The development described above put considerable pressure on Simtronics' liquidity throughout the second quarter. The Group announced on 2 July a need for approximately NOK 20 million in additional working capital. On this basis, the Board of Directors considered several alternatives for refinancing the Company, including a share offering.

On 12 July Autronica Fire and Security AS, Simtronics' largest shareholder, announced its intention to make a voluntary offer for all outstanding shares in the Company. Simtronics Board of Directors communicated that they are prepared to recommend the offer and to put a potential share offering on hold (see stock exchange release for further information).

Autronica is currently conducting a full due diligence expected to be completed within a few weeks. Autronica on 3 August also provided a bridge financing of up to NOK 18 million as an interim solution to Simtronics capital needs.

As a result of the weak performance in the first half of 2010, Simtronics is in breach with one of the bank loan covenants also at the end of the second quarter. The bank has issued a covenant waiver for the second quarter of 2010, subject to certain conditions, including confirmation of the NOK 18 million bridge financing now in place.


At the end of the second quarter Simtronics had cash and cash equivalents of NOK 23.7 million, including restricted cash of NOK 20 million (see note 3 to the accounts). Effect of the bridge financing will appear in the third quarter account.

Simtronics faces no particular risk beyond what is considered normal in the industry. The Company is affected by currency fluctuations, particularly the ratio between USD/NOK and EUR/NOK. An increase in the value of NOK will have a negative impact on the result. The currency risk relates to future sales, the valuation of our assets and liabilities.

Simtronics is currently awaiting the completion of the due diligence conducted by Autronica and the announced offer for all outstanding Simtronics shares. The bridge financing provided by Autronica enables Simtronics to move forward with its projects and initiatives.

The strong order intake in the second quarter and the accumulated order backlog suggests renewed sales growth and improved earnings in the months ahead. The detection products market remains promising and there are signs of recovery in the Asian shipbuilding industry as well as the European market for extinguishing solutions. The initiatives aimed at improving control and operational performance in the Extinguishing business area are also expected to provide results. Hence, Simtronics expects improved profitability and positive earning in the remaining months of 2010.

Oslo, 20 August 2010



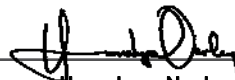
John Afseth
Chairman of the Board



Tore Amundsen
Member of the Board



Valborg Lundegaard
Member of the Board



Hans Inge Nerby
Member of the Board



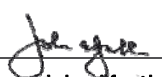
Rune Martini
President and CEO

Declaration from the Board and CEO

The Board and CEO have today prepared and established a half-year report and summarized consolidated half-year accounts for Simtronics ASA per the 30th June 2010 and for the first half-year of 2010, including summarized consolidated comparison figures per the 30th June 2009 and for the first half-year of 2009. The half-year report has been prepared in accordance with the requirements in IAS 34 Reporting for Interim Periods, which were determined by the EU and by a Norwegian supplementary requirement in the Securities Trading Act.

To the best of the Board's and CEO's knowledge, the half-year accounts for 2010 have been prepared in accordance with applicable accounting standards, and the information in the accounts gives a correct image of the Group's assets, debts and financial position and profit/loss in general per the 30th June 2010 and the 30th June 2009. To the best of the Board's and CEO's knowledge, the half-year report gives a correct summary of important events in the accounting period and their influence on the half-year accounts. To the best of the Board's and CEO's knowledge, the description of the most central risk and uncertainty factors which the business faces in the next accounting period, and the description of closely related parties' significant transactions, is also a correct summary.

Oslo, 20 August 2010



John Afseth
Chairman of the Board



Tore Amundsen
Member of the Board



Valborg Lundegaard
Member of the Board



Hans Inge Nerby
Member of the Board



Rune Martini
President and CEO

Condensed Consolidated Statement of Comprehensive Income

SIMTRONICS GROUP (NOK 1.000)	Restated	Quarterly		1st half year		Accumulated	Notes
	Q1-10	Q2-10	Q2-09	2010	2009	31 Dec 2009	
Operating income	70,265	63,605	70,169	133,870	147,224	288,475	
Operating expenses	-74,300	-65,758	-71,070	-140,061	-147,713	-292,609	9)
EBITDA before restructuring charges	-4,036	-2,153	-901	-6,191	-489	-4,134	
Non-recurring expenses and restructuring charges	0	0	0	0	-7,200	-12,566	1)
EBITDA after restructuring charges	-4,036	-2,153	-901	-6,191	-7,689	-16,700	
Depreciations excess values	-1,275	-1,252	-1,360	-2,527	-2,732	-5,389	
Depreciations ordinary items	-1,443	-1,387	-1,468	-2,830	-2,830	-8,277	
EBIT	-6,754	-4,792	-3,728	-11,548	-13,252	-30,366	2)
Net financial items	-6,049	-5,226	-2,155	-11,276	-5,761	-12,991	
EBT	-12,803	-10,019	-5,884	-22,824	-19,013	-43,357	
Income tax	2,986	4,209	801	7,195	5,035	1,488	
Net profit (loss)	-9,818	-5,809	-5,083	-15,629	-13,977	-41,869	
<i>Other comprehensive income</i>							
Foreign exchange translation differences	-3,302	-506	2,294	-3,884	-9,885	-19,747	
Total comprehensive income	-13,120	-6,315	-2,789	-19,512	-23,863	-61,616	
<i>Profit(loss) attributable to</i>							
Minority interest	153	200	367	365	641	2,685	
Shareholders of the parent company	-9,971	-6,009	-5,450	-15,993	-14,619	-44,555	
	-9,818	-5,809	-5,083	-15,629	-13,977	-41,869	
<i>Total comprehensive income attributable to</i>							
Minority interest	-714	-214	774	-1,093	-2,268	-3,526	
Shareholders of the parent company	-12,406	-6,101	-3,563	-18,420	-21,595	-58,091	
	-13,120	-6,315	-2,789	-19,512	-23,863	-61,616	

Condensed Consolidated Statement of Financial Position

SIMTRONICS GROUP (NOK 1.000)	30 June 2010	30 June 2009	31 Dec. 2009
Intangible assets	164,471	178,793	166,132
Property, plant and equipment	10,559	11,619	11,762
Financial assets (including NOK 20M in restricted cash)	23,414	38,778	33,829
Total non current assets	198,444	229,190	211,723
Inventories	49,613	57,768	60,946
Accounts receivables	51,905	80,324	59,949
Accrued revenue - net	28,700	18,585	17,175
Other receivables	13,039	10,890	10,339
Cash and cash equivalents	3,710	8,045	10,498
Total current assets	146,968	175,611	158,907
Total assets	345,412	404,801	370,630
Paid in capital	81,922	102,595	81,922
Retained earnings	-13,091	16,315	4,949
Minority interests	22,050	26,596	25,338
Total equity	90,880	145,507	112,209
Convertible loan	64,235	0	64,235
Bank loans and other loans	4,540	4,540	4,265
Other long term liabilities	12,601	21,916	13,107
Total non current liabilities	17,141	26,456	17,372
Bank loans and other loans	34,342	68,925	41,627
Bank overdraft	55,791	74,163	47,523
Accounts payables	44,962	52,138	41,672
Other short term liabilities	38,060	37,613	45,991
Total current liabilities	173,155	232,838	176,813
Total equity and liabilities	345,412	404,801	370,630

Condensed Consolidated Statement of Cash Flows

SIMTRONICS GROUP (NOK 1.000)	Quarterly		1st half year		Accumulated
	Q2-10	Q2-09	2010	2009	31 Dec 2009
Cash flow from operating activities	1,872	13,582	-8,197	-5,416	6,056
Cash flow from investing activities	-1,422	-4,926	-4,407	-5,167	-26,374
Cash flow from financing activities	-3,563	-8,437	-4,183	10,404	22,591
Net change in cash and cash equivalents	-3,113	219	-19,963	-179	2,273
Cash and cash equivalents at the beginning of period *)	26,823	37,826	40,498	38,224	38,224 3)
Cash and cash equivalents at the end of period *)	23,710	38,045	23,710	38,045	40,498

*) Cash and cash equivalents includes restricted cash, ref. note 3

Consolidated Statement of Changes in Equity

SIMTRONICS GROUP (NOK 1.000)	30 June 2010		30 June 2009	31 Dec 2009
	Accumulated			
Equity at the beginning of period (majority)	86,871	126,827	126,827	
Share option expense	745	329	2,285	
Paid in share capital and/or dividends paid	0	13,350	13,350	4)
Debt conversion / convertible loan	0	0	2,500	
Net income for the period, majority share	-15,993	-14,619	-44,555	
Other comprehensive income, majority share	-2,791	-6,976	-13,536	
Equity at the end of period (majority)	68,831	118,911	86,871	
Minority interests at the beginning of period	25,338	33,573	33,573	
Minority interests share from acquisitions and dividends	-2,560	-4,709	-4,709	
Minority share of net income for the period	365	641	2,685	
Other comprehensive income, minority share	-1,093	-2,909	-6,211	
Minority interest at the end of period	22,050	26,596	25,338	
Equity at the end of period (total)	90,881	145,507	112,209	

Key Figures	Restated	Quarterly		1st half year		Accumulated
	Q1-10	Q2-10	Q2-09	2010	2009	31 Dec 2009
Earnings per share (NOK)						
EPS basic	-0.145	-0.088	-0.078	-0.233	-0.213	-0.650
EPS diluted	-0.146	-0.088	-0.079	-0.234	-0.210	-0.649

Notes to the interim report**Basis of preparation**

The financial figures have been prepared and presented based on IFRS (International Financial Reporting Standards). This quarterly report has been prepared on the basis of IAS 34 and the accounting principles described in the Annual Financial Statements for 2009, except as mentioned below. However, the quarterly report does not contain the information required for a full year financial statement for the Group, and should be read in conjunction with the Annual Financial Statements for 2009. The quarterly figures have not been audited.

The Annual Financial Statements for 2009 was prepared on the basis of the EU-adopted IFRS's and the 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.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009, except as for the changes in IFRS 3 and IAS 27 with effect for the Group from 1 January 2010.

* IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

* IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The preparation of interim financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values can not 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 allocated between the current and future periods. Significant areas of estimation uncertainty and critical judgements in applying accounting policies that may have material effect on the amount recognised in the financial statements are the same as those described in the Annual Report for 2009.

1) Non-recurring expenses and restructuring charges 2009

The Board of Directors proposed for the Extraordinary General Assembly held on 4 May 2009 that Simtronics Group should acquire the Electrotech division in Technor. The transaction value was estimated to NOK 186.8M. However, the transaction was not approved by the Extraordinary General Assembly. Transaction costs related to the rejected transaction were expensed in the first quarter 2009. Consequently, these non-recurring expenses had a negative impact of NOK 7.2M on EBITDA for the first quarter in 2009.

During the fourth quarter of 2009 the Group had other non-recurring costs related to the restructuring of the Group. Hereunder costs related to the merger, integration and relocation of the subsidiaries Water Mist Engineering AS and ETech Process AS. The Group also decided to discontinue the start-up of a subsidiary in Korea. Total restructuring expenses were NOK 8.4M (including non-recurring depreciation) for the full year. Restructuring expenses is shown on a separate line in the report for the purpose of presenting the results of the ordinary operations in the group, totalling NOK 12.6M (15.6M if non-recurring depreciation is included) for the full year 2009.

2) Depreciation of excess values

For information purposes, depreciations have been split in ordinary depreciations and depreciation of excess values (from acquisitions made in 2007 and 2008).

3) Restricted cash

Non-current financial assets includes NOK 20M in restricted cash, restricted cash at year-end was NOK 30M. Classified as long term financial assets due to loan covenants.

4) Settlement of contingent and deferred acquisition costs from acquisitions in 2008 and 2007

Other long term liabilities as per 31 December 2008 included contingent and deferred payments of NOK 6M and NOK 4M respectively, related to the acquisition of Water Mist Engineering AS. Further, the other long term liabilities included NOK 20M in contingent payment/"earn-out" related to the acquisition of ETech Process AS. These items were included in acquisition cost as per 31 December 2008.

These remaining acquisition-related compensations were settled in the first quarter of 2009. For the settlement of the Water Mist Engineering transaction, NOK 10M were settled through the issuance of 3,731,343 shares in Simtronics ASA. The share issue was completed on 18 March 2009. For the settlement of the ETech Process transaction, the conditional payment was fixed to NOK 6.7M, of which NOK 3.350K was settled through an issuance of 674,044 shares in Simtronics ASA completed on 18 March 2009. The remaining NOK 3.35M was settled through a cash payment in July 2009. In total these transactions have increased paid-in capital with net NOK 13,350K in 2009.

Goodwill has been adjusted accordingly as a consequence of these changes in acquisition costs in the period.

5) Loan covenants

Simtronics group has loan agreements with DnB NOR for both long term bank loans and overdraft facilities. The loans and overdraft facilities have loan covenants which should be complied with at the end of each quarter. Simtronics ASA has received a waiver from DnB NOR for 2009 and 2010. A condition for the waiver is that Simtronics group's EBITDA, develop according to the internal quarterly estimates that the company has for 2010, taken into consideration 20% headroom, compared to the company's own estimates for the EBITDA development. As a result of the weak performance in the first half of 2010, Simtronics is in breach with one of the bank loan covenants also at the end of the second quarter. The bank has issued a covenant waiver for the second quarter of 2010, subject to certain conditions, including confirmation of the NOK 18 million bridge financing now in place. The first measurement under the covenants for the original loan agreement will take place after first quarter 2011. Consequently, in the condensed Statement of Financial Position, the long term loans of NOK 34.4M have been reclassified from non-current liabilities to current liabilities in second quarter 2010.

6) Convertible loan

On 18 November 2009 an Extraordinary General Assembly approved a convertible loan of NOK 71.6M from Autronica Fire & Safety AS. The loan period is 3 years with a 7% fixed annual interest to be paid on a half year basis. The loan is unsecured and rank junior to loans from DnB NOR. The loan can be converted into shares in Simtronics on the request from the lender based on a share price of 2.36. The loan is recorded at a discounted fair value of NOK 64.2M. The conversion right has been valued to NOK 2.5M and is recorded as an equity component in accordance with IAS 32. The convertible loan has loan covenants that are linked with the loan covenants for the bank loans, ref. note 5.

7) Non-current liabilities

Non-current loans as per 31 March of NOK 4.5M is related to loans from Innovasjon Norge. Other non-current liabilities mainly relate to deferred tax liabilities of NOK 10.5M and pension obligations of NOK 1.5M.

8) Post balance sheet events

Simtronics ASA announced 12 July 2010 that Autronica Fire and Security AS has notified Simtronics ASA of its non-binding intention to make a voluntary cash offer for all issued shares of Simtronics ASA not already held by Autronica Fire and Security AS.

The Offer, if made, will be at an offer price of NOK 2.05 per share to be settled in cash. Any formal Offer is conditional and is not expected until mid August to accommodate the completion of legal conditions, approval from Oslo Børs and the holiday season in Norway.

Autronica Fire and Security AS is Simtronics' largest shareholder, holding 18,878,305 shares, comprising approximately 27.2% of issued shares. Simtronics ASA announced 3 August 2010 that it has signed an agreement for bridge funding of NOK 18 million with Autronica Fire and Security AS.

The agreement is conditional on a covenant breach waiver from Simtronics' major bank DnB NOR for Simtronics' anticipated breach of covenants for the Q2 preliminary results. This waiver has been given by DnB NOR subject to certain conditions including with respect to the bridge financing.

9) Restatement Q1 2010

During preparations of the financial statement for the second quarter 2010, significant errors in the first quarter statement were discovered. The accounting errors all relate to operating costs which should have been booked in the first quarter, totalling NOK 3.7 million. The Company is therefore restating its income statement for the first quarter and balance sheet as of 31. March 2010. The accounting errors have no impact on Simtronics cash flow in the first quarter 2010.

Restated Condensed Consolidated Statement of Comprehensive Income Q1**SIMTRONICS GROUP***(NOK 1.000)*

	Restated		
	Q1-10	Q1-09	2009
Operating income	70,265	77,054	288,475
Operating expenses	-74,300	-76,643	-292,609
EBITDA before restructuring charges	-4,036	411	-4,134
Non-recurring expenses and restructuring charges	0	-7,200	-12,566
EBITDA after restructuring charges	-4,036	-6,789	-16,700
Depreciations excess values	-1,275	-1,372	-5,389
Depreciations ordinary items	-1,443	-1,362	-8,277
EBIT	-6,754	-9,532	-30,366
Net financial items	-6,049	-3,606	-12,991
EBT	-12,803	-13,129	-43,357
Income tax	2,986	4,234	1,488
Net profit (loss)	-9,818	-8,894	-41,869
<i>Other comprehensive income</i>			
Foreign exchange translation differences	-3,302	-12,180	-19,746
Total comprehensive income	-13,120	-21,074	-61,616
<i>Profit(loss) attributable to</i>			
Minority interest	153	274	2,685
Shareholders of the parent company	-9,971	-9,169	-44,553
	-9,818	-8,894	-41,868
<i>Total comprehensive income attributable to</i>			
Minority interest	-714	-3,042	-3,525
Shareholders of the parent company	-12,406	-18,032	-58,090
	-13,120	-21,074	-61,616
Key Figures			
Earnings per share (NOK)			
EPS basic	-0.145	0.010	-0.650
EPS diluted	-0.146	0.010	-0.650

Restated Condensed Consolidated Statement of Financial Position 31 March 2010**SIMTRONICS GROUP***(NOK 1.000)*

	Restated		
	31 March 2010	31 March 2009	31 Dec. 2009
Intangible assets	163,331	173,601	166,132
Property, plant and equipment	10,982	9,995	11,762
Financial assets (including NOK 20M in restricted cash)	24,351	33,633	33,829
Total non current assets	198,664	217,229	211,723
Inventories	50,396	63,542	60,946
Accounts receivables	59,605	81,940	59,949
Accrued revenue - net	23,049	26,861	17,175
Other receivables	12,486	8,131	10,339
Cash and cash equivalents	6,823	7,826	10,498
Total current assets	152,359	188,300	158,907
Total assets	351,023	405,529	370,630
Paid in capital	81,922	102,572	81,922
Retained earnings	-7,111	19,734	4,949
Minority interests	24,624	30,531	25,338
Total equity	99,435	152,837	112,209
Convertible loan	64,235	0	64,235
Bank loans and other loans	39,771	4,675	4,265
Other long term liabilities	13,406	16,048	13,107
Total non current liabilities	53,177	20,723	17,372
Bank loans and other loans	0	71,340	41,627
Bank overdraft	55,676	70,367	47,523
Accounts payables	34,445	42,585	41,672
Other short term liabilities	44,056	47,678	45,991
Total current liabilities	134,177	231,969	176,813
Total equity and liabilities	351,023	405,529	370,630

SIMTRONICS group

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