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3rd Quarter Report 2009

Simtronics ASA

SIMTRONICS
Fire & Gas

Simtronics ASA

Report for the third quarter 2009

- Performance recovering from global slowdown
- All time high order backlog

Simtronics' performance did pick up again in the third quarter compared to the two previous quarters. In the third quarter, Fire Prevention was the only business segment still feeling the full effects of the economic slowdown. Simtronics experienced reduced sales and earnings in the third quarter, compared to the same quarter last year. The main reason is the effects of the international economic slowdown, leading customers to postpone investments.

Sales in the third quarter were NOK 77.8 million, a 16 per cent decrease from the third quarter of 2008 and an 11 per cent increase from the previous quarter. EBITDA came in at NOK 2.8 million, down from NOK 8.4 million last year, but an improvement over the previous quarter's NOK -0.9 million EBITDA. Simtronics' earnings before taxes for the third quarter ended at NOK -2.3 million.

For the first nine months of 2009 Simtronics sales were NOK 225.0 million, compared to NOK 262.2 million in the same period last year. EBITDA for the first nine months were NOK -4.9 million, compared to NOK 27.5 million last year. Earnings before taxes came in at NOK -21.4 million, while the corresponding figure last year was NOK 14.4 million.

The third quarter developments also lead to a weakening of the Group's financial position. Available cash at the end of the third quarter was lower than the previous quarter; cash and cash equivalents stood at NOK 34.3 million, of which NOK 30 million were restricted cash. The weak results caused a breach with the loan covenants also at the end of the third quarter. As communicated in the notice of Extraordinary General Meeting dated 27 October 2009, Simtronics ASA and UTC have agreed to a "term sheet" which provides the framework for a loan agreement, subject to negotiation and execution of a definitive loan agreement. This term sheet has been approved by the Company's main bank, DnB NOR Bank ASA. The Company has been given a waiver for Q3 and Q4 2009 by DnB NOR Bank ASA (see note 5 to the accounts).

Despite the economic slowdown, Simtronics experienced a positive order intake also in the third quarter. The order backlog at the end of the quarter reached an all time high for the second consecutive quarter, creating a strong basis for Simtronics' performance in the months ahead.

Order intake in the third quarter was NOK 80 million (85.4), which is above Simtronics' sales in the quarter. The order backlog at the end of the quarter was NOK 211 million (165). The pipeline of potential new orders in the near future is developing positively for all business segments.

Major contracts in the third quarter were:

	Business area	*Time of delivery*	*Contract value (MNOK)*
NF3 Revamp, Middle East	Detection systems and Extinguishing solutions	1H 10	7.0
Nondisclosed, China	Fire Prevention systems	Q4 09	4.2
Nondisclosed, Norway and Singapore	Extinguishing solutions	Q4 09	4.1
Hydrasund	Extinguishing solutions	Q3 09	3.0
Space Market Segment VULCAN II	Detection systems	Q1 10	2.5

The underlying performance and the order intake in the third quarter suggest that Simtronics is recovering from the demanding market situation caused by the international economic slowdown. At the beginning of the year, customers postponed investments as long as possible. In the third quarter it has become evident that an increasing number of customers are moving forward with their projects. The immediate result for Simtronics is that the Detection and Extinguishing business segments have picked up again.

The Fire Prevention business area, which relies heavily on the shipbuilding industry in Asia, still suffers from postponements. However, market factors as well as regulatory factors suggest that there is a considerable accumulated demand for Simtronics' Fire Prevention products in the maritime sector. Specific actions have been implemented in order to reduce operational cost. The Board of Directors has in particular assessed the value of the goodwill related to the Fire Prevention systems. Based on the current prospects, no impairment has been identified.

The European and Middle East markets saw in general positive developments in the third quarter. In Asia, the newly established Singapore branch performed extremely well also in the third quarter, while sales to the shipbuilding industry has not yet regained its momentum.

Through a number of acquisitions in 2008 Simtronics' business model became even more robust. The product portfolio is more diverse, the Group serves a number of new customer segments and the geographical reach has been expanded. At the same time, the Group enjoys a broad and strong technology base and has succeeded in consolidating its distribution. The overall trend for Simtronics is a move towards systems deliveries rather than single components. A more attractive balance between geographical regions has also been established and through the involvement in new-buildings as well as upgrade and maintenance projects, Simtronics has become less vulnerable to shifting business cycles. The positive effects of this strategy are being demonstrated as Simtronics is now recovering from the global slowdown.

The Simtronics group employed a total of 169 people at the end of the third quarter, compared to 170 at the same time last year. At the end of Q3 16 employees are on temporary leave in the Fire Prevention business area.

The strong order backlog and promising pipeline, together with the underlying positive developments in the third quarter, suggest that the reduced sales in the first nine months of 2009 represent a temporary setback. Simtronics is experiencing increasing market shares in Asia and the Middle East and a stronger position in the retrofit and maintenance markets. Also, the general improvement in the international economic climate and the accumulated demand in the maritime sector make the Group cautiously optimistic for the fourth quarter of 2009 and 2010.

The Group will continue to improve its operational efficiency and cost base. The two Norway based companies Water Mist Engineering and ETech Process are now located together and the companies will be merged in the near future. The Group also maintains a strong focus on its working capital going forward.

Oslo, 28 October 2009

John Afseth	**Tore Amundsen**	**Valborg Lundegaard**	**Hans Inge Nerby**	**Rune Martini**
Chairman of the Board	**Member of the Board**	**Member of the Board**	**Member of the Board**	**President and CEO**

Condensed Consolidated Statement of Comprehensive Income

SIMTRONICS GROUP	Quarterly		Accumulated		Accumulated	
(NOK 1.000)	**Q3-09**	**Q3-08**	**Q3-09**	**Q3-08**	**31 Dec 2008**	**Notes**
Operating income	77,761	92,441	224,984	262,215	359,712	
Operating expenses	-74,928	-84,073	-229,841	-234,687	-325,122	1)
EBITDA	2,833	8,368	-4,857	27,529	34,590	
Depreciations excess values	-1,348	-1,324	-4,080	-4,055	-5,426	2)
Depreciations ordinary items	-1,227	-1,016	-4,058	-2,687	-3,649	
EBIT	257	6,028	-12,994	20,787	25,515	
Net financial items	-2,598	-3,576	-8,359	-6,348	-8,829	
EBT	-2,340	2,452	-21,353	14,440	16,686	
Income tax	227	-458	5,262	-3,638	-4,508	
Net profit (loss)	**-2,113**	**1,994**	**-16,090**	**10,801**	**12,177**	
Other comprehensive income						
Foreign exchange translation differences	-7,416	5,322	-17,301	5,774	25,467	
Total comprehensive income	**-9,529**	**7,316**	**-33,392**	**16,575**	**37,644**	
Profit(loss) attributable to						
Minority interest	970	1,315	1,611	2,404	3,204	
Shareholders of the parent company	-3,083	679	-17,701	8,397	8,973	
	-2,113	1,994	-16,090	10,801	12,177	
Total comprehensive income attributable to						
Minority interest	-943	2,661	-3,211	3,963	10,199	
Shareholders of the parent company	-8,586	4,655	-30,182	12,612	27,445	
	-9,529	7,316	-33,392	16,575	37,644	

Condensed Consolidated Statement of Financial Position

SIMTRONICS GROUP				
(NOK 1.000)	**30 Sept. 2009**	**30 Sept. 2008**	**31 Dec. 2008**	**Notes**
Intangible fixed assets	174,476	168,440	194,349	1), 4)
Tangible fixed assets	12,112	4,274	8,392	
Financial fixed assets (including NOK 30M in cash)	36,510	34,314	32,557	3)
Total non current assets	223,098	207,028	235,298	
Inventories	51,861	51,940	62,986	
Accounts receivable	61,101	63,270	84,163	
Accrued revenue - net	33,126	41,185	34,333	
Other receivables	10,135	10,019	5,299	
Cash and cash equivalents	4,284	13,353	8,224	3)
Total current assets	160,506	179,768	195,005	
Total assets	383,604	386,796	430,302	
Paid in capital	102,595	91,728	89,244	
Retained earnings	8,132	19,490	37,583	
Minority interests	25,653	27,341	33,573	
Total equity	136,380	138,560	160,400	
Bank loans and other loans	4,400	74,320	69,243	5)
Other long term liabilities	17,335	38,645	47,915	3), 4)
Total non current liabilities	21,735	112,965	117,159	
Bank loans and other loans	67,260	550	8,619	5)
Bank overdraft	76,704	45,664	54,615	
Accounts payables	43,561	35,254	45,040	
Other short term liabilities	37,965	53,804	44,470	
Total current liabilities	225,489	135,272	152,743	
Total equity and liabilities	383,604	386,796	430,302	

Condensed Consolidated Statement of Cash Flows

SIMTRONICS GROUP	Quarterly		Accumulated		Accumulated
(NOK 1.000)	Q3-09	Q3-08	Q3-09	Q3-08	31 Dec. 2008
Cash flow from operating activities	-1,230	5,895	-6,646	-13,587	-18,290
Cash flow from investing activities	-3,266	-3,030	-8,433	-77,568	-71,382
Cash flow from financing activities	736	-5,761	11,140	55,210	58,599
Net change in cash and cash equivalents	-3,760	-2,897	-3,939	-35,945	-31,073
Cash and cash equivalents at the beginning of period *)	38,045	46,250	38,224	79,298	69,298
Cash and cash equivalents at the end of period *)	34,285	43,353	34,285	43,353	38,224

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

Consolidated Statement of Changes in Equity

SIMTRONICS GROUP	Quarterly		Accumulated		
(NOK 1.000)	Q3-09	Q3-08	Q3-09	Q3-08	31 Dec. 2008
Equity at the beginning of period (majority)	118,911	86,080	126,827	77,808	77,809
Share option expense	403	338	732	652	1,433
Paid in share capital and/or dividends paid	0	0	13,350	0	0
Debt conversion	0	20,146	0	20,146	20,146
Net income for the period, majority share	-3,083	678	-17,702	8,397	8,973
Other comprehensive income, majority share	-5,504	3,976	-12,480	4,215	18,472
Equity at the end of period (majority)	110,728	111,218	110,728	111,218	126,827
Minority interests at the beginning of period	26,596	24,681	33,573	0	0
Minority interests share from acquisitions and dividends	0	0	-4,709	23,379	23,379
Minority share of net income for the period	970	1,315	1,611	2,404	3,204
Other comprehensive income, minority share	-1,913	1,346	-4,822	1,559	6,995
Minority interest at the end of period	25,653	27,342	25,653	27,342	33,573
Equity at the end of period (total)	136,380	138,560	136,380	138,560	160,400

	Quarterly		Accumulated		
Key Figures	Q3-09	Q3-08	Q3-09	Q3-08	31 Dec. 2008
Earnings per share (NOK)					
EPS basic	-0.044	0.011	-0.257	0.138	0.140
EPS diluted	-0.044	0.012	-0.255	0.136	0.128

Notes to the interim report

Basis of preparation
The 2009 and 2008 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 2008, 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 2008. The quarterly figures have not been audited.

The Annual Financial Statements for 2008 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 2008.

The new standards and interpretations or amendments to published standards that have affected the financial figures for the first three quarters, and that were effective from 1 January are;

Revised IAS 1 Presentation of Financial Statements. IAS 1 replaces IAS 1 Presentation of financial statements (revised in 2003) as amended in 2005. IAS 1 sets overall requirements for presentation of financial statements, guidelines for their structure and minimum requirements for their content. Prior to implementation of the revised IAS 1 Simtronics group presented the details in the new Statement of Comprehensive Income in the Statement of Changes in Equity. The Statement of Financial Position was formerly named Balance Sheet.

A number of new standards, amendments to standards and interpretations are not effective for the period ending 30 September 2009, and have not been applied in the preparation of this quarterly report.

* Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements
* Revised version of IFRS 1
* Improvements to IFRS's
* IFRIC 17 Distributions of Non-Cash assets to Owners
* IFRIC 18 Transfer of assets from Customers
* Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
* Amendments to IFRS 7 Improving Disclosures about Financial Instruments
* Amendments to IAS 32 Classification of Rights Issues
* Amendments to IFRIC 9 and IAS 39 Embedded Derivatives
* Amendments to IFRS 2 Group cash-settled share-based Payment Transactions

The quarterly reporting require management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in preparing these condensed consolidated financial statements, in applying the Group's accounting policies and the key sources of estimation uncertainties, were the same as those applied in the preparation of the Annual Financial Statements for 2008.

1) Non-recurring expenses related to the "Technor-transaction"
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 three quarters in 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 30M in restricted cash. 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 AS 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 AS 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 3,350K was settled through a cash payment in July 2009. In total these transactions have increased paid-in capital with net NOK 13,350K in the first three quarters of 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 long term bank loans stem from the financing of the acquisitions in 2008 and 2007, and has a balance of NOK 66.7M as per 30 September 2009. The overdraft facilities, with a total limit in NOK and DKK of approximately NOK 80M, has a balance of NOK 76.7M as per 30 September 2009.

The loans and overdraft facilities have loan covenants which should be complied with at the end of each quarter. As per the reporting date 30 September 2009, Simtronics group was in breach with one of the covenants. The Simtronics group could not, as per 30 September 2009, document full compliance with the loan covenants for the next 12 month period. Therefore, in the condensed Statement of Financial Position, the long term loans of NOK 66.7M were reclassified from non-current liabilities to current liabilities. Non-current loans as per 30 September 2009 is related to loans from Innovasjon Norge.

The covenants are as follows:
* Book value of equity of NOK 80M or more, measured as per 31 December 2009
* Equity-ratio of 25% or more, measured as per 31 December 2009
* NIBD/EBITDA-ratio (Net Interest Bearing Debt/Earnings Before Interest Tax Depreciation and Amortization) of 3.5, or less, measured on a quarterly basis based on the last four quarters.

As per 30 September 2009 the NIBD/EBITDA-ratio is 53.85.

As per 28 October 2009 Simtronics group has received a waiver from DnB NOR for the loan covenants. The waiver is valid for the third and fourth quarter 2009, and the next test of compliance with covenant ratios will be Q1 2010. Reference is made to further information in the Directors report above, regarding the proposed convertible loan of NOK 71.6M to be approved by an Extraordinary General Assembly on 18 November 2009.

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