

4th Quarter Report 2009

Simtronics ASA

Simtronics ASA

Report for the fourth quarter 2009

- Challenging quarter for Simtronics
- Results affected by non-recurring costs in Kristiansand and Korea
- A number of projects postponed into 2010
- Positive development in the Middle East; first fire fighting system delivered

Simtronics is heavily export oriented and experienced reduced sales in the fourth quarter of 2009. The main reason is significant delays in a number of projects. The Company's results for the fourth quarter are also affected by non-recurring costs caused by the merger, relocation and integration of the Kristiansand based operations and the shut down of the Korea branch.

Sales in the fourth quarter were NOK 63.5 million, which is a 33 percent decline from the same quarter in 2008. Operating costs were reduced by 19 per cent in the fourth quarter compared to last year. EBITDA before non-recurring expenses were NOK -6.5 in the quarter. The non-recurring costs described above amounted to NOK 8.4 million, bringing the EBITDA for the fourth quarter to NOK -14.9 million. In the fourth quarter of 2008 the EBITDA was NOK 8.2 million.

For the entire year of 2009, Simtronics' revenues were NOK 288.5 million, which represents a 20 percent decline over the previous year. Non-recurring expenses for the year amounted to NOK 15.6 million, which in addition to the items mentioned also includes costs related to the unsuccessful acquisition attempt of acquiring Technor earlier in the year. Including these costs, EBITDA for the year came in at NOK -19.7 million, down from NOK 34.6 million in 2008. Earnings before taxes ended at NOK -43.4 for 2009, down from NOK 16.7 million the previous year.

A number of projects with Simtronics participation have been postponed or delayed, in particular oil and gas related projects in Northern Europe. However, the single most important reason for the reduced sales is found in the Company's nitrogen generator business, now part of the Extinguishing business area. The main customer group for nitrogen generators is the

Asian shipbuilding industry, which currently is experiencing an almost standstill. This is also why Simtronics decided to discontinue its Korea branch in the fourth quarter.

In order to further secure its financial platform, Simtronics in November obtained a NOK 71.6 million convertible loan from its largest shareholder, Autronica Fire & Safety AS (see note 6 to the accounts). The financing offset the negative cash flow effects from operations in the fourth quarter. At year-end Simtronics had cash and cash equivalents of NOK 43.7 million, compared to NOK 38.2 million 12 months earlier. The cash amounts include restricted cash of NOK 30 million (see note 3 to the accounts).

Simtronics is in breach with one of the bank loan covenants at the end of the fourth quarter, and our bank has issued a covenant waiver for the third and fourth quarter of 2009.

Simtronics enjoyed a significant order backlog at the end of fourth quarter. The order back-log per Q3 2009 included a component for the maintenance and service contract Water Mist Engineering had with Hydro Oil & Gas. Statoil issued a new tender including both old Statoil and Hydro offshore rigs at the end of 2009 and WME has reduced the order back-log accordingly with NOK 30 million. After the reduction the order back-log stood at 181 million. Order intake in the fourth quarter was NOK 64 million, which is lower than the previous quarter but at par with the Company's sales in the period. The satisfactory order backlog establishes some confidence in the months ahead. The pipeline for potential detection and/or extinguishing orders in 2010 remains promising.

Major contracts in the fourth quarter were:

	<i>Business area</i>	<i>Time of delivery</i>	<i>Contract value (MNOK)</i>
Bjørge Safety Systems	Detection systems	2010/2011	4.8
Undisclosed Middle East customer	Extinguishing solutions	2010	>4.0
Undisclosed Middle East customer	Detection systems	Q4 2009	4
Undisclosed turbine/building project	Extinguishing solutions	Q3 2010	3.8
Undisclosed Middle East offshore project	Detection systems	Q2 2010	3.5

The Detection business area suffered from delays and postponements in the North Sea based oil and gas industry in the fourth quarter. Other segments, such as nuclear and military, performed well in the fourth quarter. The Middle East contributed positively to the Detection business in the quarter and the outlook in this region remains very positive.

The Extinguishing business area now includes the previous Fire Prevention business area, i.e. nitrogen generators. As discussed above, the main market for these products more or less imploded in 2009. Asian shipbuilding is at a standstill, however Simtronics is well positioned for growing its nitrogen generator business when shipbuilding picks up again. In the meanwhile, the Korea branch serving the shipbuilding industry in the area has been shut down.

Also the Extinguishing business area suffered from delays in the fourth quarter. Our customers now seem to be in a mode where they operate and invest with a limited time horizon. Nevertheless, the Extinguishing business area succeeded in delivering its first complete extinguishing system in the Middle East in the quarter and is actively pursuing other opportunities in the region.


The consolidation of the Extinguishing business area, including the merger of Water Mist Engineering AS and ETech Process AS, relocation in Kristiansand and integration of the two organisations were completed in the quarter, resulting in the non-recurring costs mentioned above. The new business area entered 2010 with a significantly leaner organisation and reduced cost base.

The Simtronics group employed a total of 168 people at the end of the fourth quarter, compared to 170 at the same time last year.

Simtronics faces no particular risk beyond what is considered normal in the industry. The Company is exposed to currency fluctuations, particularly the ratio between USD/NOK and EUR/NOK. The currency risk relates to future sales, the valuation of its assets and liabilities and to potential investments made abroad.

Going forward, Simtronics will continue to pursue opportunities to regain top line growth, including the penetration of new markets and segments. In addition to the restructuring of the Extinguishing business area, a cost reduction programme has been initiated. The target for this programme is a 15 percent reduction in operating costs in 2010. Simtronics board and management will also continue its strong focus on keeping the working capital as low as possible.

Oslo, 25 February 2010



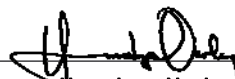
John Afseth
Chairman of the Board



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)	Quarterly		Accumulated	Accumulated	Notes
	Q4-09	Q4-08	31 Dec 2009	31 Dec 2008	
Operating income	63,492	94,942	288,476	359,712	
Operating expenses	-69,973	-86,695	-292,613	-325,122	
EBITDA before restructuring charges	-6,481	8,247	-4,138	34,590	
Non-recurring expenses and restructuring charges	-8,380	0	-15,580	0	1)
EBITDA after restructuring charges	-14,861	8,247	-19,718	34,590	
Depreciations excess values	-1,309	-1,371	-5,389	-5,426	2)
Depreciations ordinary items	-1,205	-2,148	-5,263	-3,649	
EBIT	-17,375	4,728	-30,369	25,515	
Net financial items	-4,630	-2,481	-12,989	-8,829	
EBT	-22,005	2,247	-43,358	16,686	
Income tax	-3,774	-243	1,488	-4,508	
Net profit (loss)	-25,779	2,004	-41,868	12,177	
<i>Other comprehensive income</i>					
Foreign exchange translation differences	-2,445	18,814	-19,746	25,467	
Total comprehensive income	-28,223	20,818	-61,616	37,644	
<i>Profit(loss) attributable to</i>					
Minority interest	1,074	842	2,685	3,204	
Shareholders of the parent company	-26,853	1,162	-44,553	8,973	
	-25,779	2,004	-41,868	12,177	
<i>Total comprehensive income attributable to</i>					
Minority interest	-315	5,629	-3,525	10,199	
Shareholders of the parent company	-27,909	15,189	-58,090	27,445	
	-28,223	20,818	-61,616	37,644	

Condensed Consolidated Statement of Financial Position

SIMTRONICS GROUP (NOK 1.000)	31 Dec. 2009	31 Dec. 2008	Notes
Intangible fixed assets	166,132	194,349	1), 4)
Tangible fixed assets	11,478	8,392	
Financial fixed assets (including NOK 30M in restricted cash)	33,829	32,557	3)
Total non current assets	211,439	235,298	
Inventories	61,229	62,986	
Accounts receivable	59,949	84,163	
Accrued revenue - net	20,179	34,333	
Other receivables	7,335	5,299	
Cash and cash equivalents	13,672	8,224	3)
Total current assets	162,365	195,005	
Total assets	373,804	430,302	
Paid in capital	102,595	89,244	
Retained earnings	-15,725	37,583	
Minority interests	25,338	33,573	
Total equity	112,209	160,400	
Convertible loan	64,235	0	6)
Bank loans and other loans	4,265	69,243	5)
Other long term liabilities	13,854	47,915	4), 7)
Total non current liabilities	18,119	117,159	
Bank loans and other loans	36,127	8,619	5)
Bank overdraft	56,198	54,615	
Accounts payables	41,672	45,040	
Other short term liabilities	45,244	44,470	
Total current liabilities	179,241	152,743	
Total equity and liabilities	373,804	430,302	

Condensed Consolidated Statement of Cash Flows

SIMTRONICS GROUP (NOK 1.000)	Quarterly		Accumulated	Accumulated
	Q4-09	Q4-08	31 Dec 2009	31 Dec 2008
Cash flow from operating activities	-5,560	-4,703	-5,006	-18,290
Cash flow from investing activities	-600	-3,814	-16,233	-71,382
Cash flow from financing activities	15,549	3,389	26,689	58,599
Net change in cash and cash equivalents	9,389	-5,128	5,450	-31,073
Cash and cash equivalents at the beginning of period *)	34,285	43,352	38,224	69,298
Cash and cash equivalents at the end of period *)	43,674	38,224	43,674	38,224

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

Consolidated Statement of Changes in Equity

SIMTRONICS GROUP (NOK 1.000)	Quarterly		Accumulated	Accumulated
	Q4-09	Q4-08	31 Dec 2009	31 Dec 2008
Equity at the beginning of period (majority)	110,728	86,080	126,827	77,809
Share option expense	1,553	338	2,285	1,433
Paid in share capital and/or dividends paid	0	0	13,350	0
Debt conversion / convertible loan	2,500	20,146	2,500	20,146
Net income for the period, majority share	-26,853	678	-44,555	8,973
Other comprehensive income, majority share	-1,056	3,976	-13,536	18,472
Equity at the end of period (majority)	86,871	111,218	86,871	126,827
Minority interests at the beginning of period	25,653	24,681	33,573	0
Minority interests share from acquisitions and dividends	0	0	-4,709	23,379
Minority share of net income for the period	1,074	1,315	2,685	3,204
Other comprehensive income, minority share	-1,389	1,346	-6,211	6,995
Minority interest at the end of period	25,338	27,342	25,338	33,573
Equity at the end of period (total)	112,209	138,560	112,209	160,400

Key Figures	Quarterly		Accumulated	Accumulated
	Q4-09	Q4-08	31 Dec 2009	31 Dec 2008
Earnings per share (NOK)				
EPS basic	-0.39	0.01	-0.65	0.14
EPS diluted	-0.39	0.01	-0.65	0.13

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 2009, 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 31 December 2009, and have not been applied in the preparation of this quarterly report.

- * IAS 32 (R2009) Classification of Rights Issues
- * IAS 39 (Amended 2009) Eligible Hedged Items
- * IFRS 1 (R2008) First-time adoption of International Financial Standards
- * IFRS 1 (R2009) Additional Exemptions for First-time Adopters
- * IFRS 2 (R2009) Group Cash-settled Share-based Payment Transactions
- * IFRS 3 (R2008) Business combinations
- * IAS 27 (amended 2008) Consolidated and Separate Financial Statements
- * IFRIC 15 Agreements for the construction of Real Estate
- * IFRIC 17 Distribution of Non-Cash Assets to owners
- * IFRS 9 Financial Instruments
- * IFRIC 14 (amended 2009) Prepayments of a Minimum Funding Requirement
- * IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- * IAS 24 (R2009) Related Party Disclosure
- * IFRS 1 (R2010) Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- * Improvements of IFRSs 2008 - IFRS 5: Plan to sell the controlling interest in a Subsidiary
- * Improvements of IFRSs 2009

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 and restructuring charges

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.

During the fourth quarter of 2009 the Group has 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 for the full year. Restructuring expenses is shown on a separate line in the fourth quarter report, and for the purpose of presenting the results of the ordinary operations in the Group, the abovementioned NOK 7.2M and NOK 8.4M, totalling NOK 15.6M for the full year, has been presented separately.

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 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 long term bank loans stem from the financing of the acquisitions in 2008 and 2007, and has a balance of NOK 35.6M as per 31 December 2009. The overdraft facilities, with a total limit in NOK and DKK of approximately NOK 60M, has a balance of NOK 50.7M as per 31 December 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 31 December 2009, Simtronics group was in breach with one of the covenants. The Simtronics group could not, as per 31 December 2009, document full compliance with the loan covenants for the next 12 month period. Consequently, in the condensed Statement of Financial Position, the long term loans of NOK 35.6M were reclassified from non-current liabilities to current liabilities.

The covenants are as follows:

- * Book value of equity of NOK 80M or more, measured as per 31 March 2010
- * Equity-ratio of 25% or more, measured as per 31 March 2010
- * 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 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 convertible loan of NOK 71.6M.

The company can not exclude the risk of breaching covenants at end Q1 2010.

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 December 2009 of NOK 4.2M is related to loans from Innovasjon Norge. Other non-current liabilities mainly relate to deferred tax liabilities of NOK 11.5M and pension obligations of NOK 1.6M.

CEO Rune Martini
P: +47 48 07 80 80
M: rune.martini@simtronics.no

CFO Frode Arnesen
P: +47 92 01 53 21
M: frode.arnesen@simtronics.no

Simtronics ASA
P: +47 22 64 50 55
F: +47 22 64 50 18
M: mail@simtronics.no
www.simtronics.eu