

3rd Quarter Report 2008

Simtronics ASA

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Report for the third quarter 2008

- Continued high growth and strong performance
- Further improved market penetration in key areas
- Increased involvement in upgrade & maintenance projects
- Several significant contracts; strong order backlog maintained

Simtronics continued its profitable growth also in the third quarter. Sales were 135 per cent higher than the same quarter last year, mainly due to the acquisitions of Fire Eater, ETech Process and Technor's fire fighting activities but also substantial organic growth contributed to Simtronics' performance in the third quarter. Profit margins were largely maintained at the same levels as in the previous quarters.

Operating income for the quarter was NOK 92.4 million, up from NOK 39.3 million in last year's third quarter. EBITDA for the quarter came in at NOK 8.4 million, up from NOK 4.5 million last year. The EBITDA margin for the quarter was 9.1 per cent, compared to 11.4 per cent in last year's third quarter. EBIT was NOK 6.0 million, up from NOK 3.5 million.

For the first 9 months of 2008 Simtronics had an operating income of NOK 262.2 million, up from last year's NOK 94.4 million. This corresponds to a 178 per cent increase. EBITDA came in at NOK 27.5 million, up from NOK 7.4 million. Simtronics' EBITDA grew by 270 per cent compared to the first 9 months of last year and the EBITDA margin increased from 7.9 per cent to 10.5 per cent. EBIT for the first 9 months of 2008 was NOK 20.8 million, up from NOK 4.8 million.

Simtronics enjoys a strong cash position and experienced a positive cash flow from operations also in the third quarter, despite being in a period of strong growth. The strong cash position provides flexibility and a strong basis for our business.

The Company's order intake in the quarter was NOK 85.4 million. The order backlog stood at NOK 158 million by the end of the quarter, compared to NOK 165 million at end of Q2.

Simtronics strengthened its position in several new areas and segments in the third quarter, including a number of deliveries to newbuildings in China. Simtronics also received its first order for a turn key fire and gas safety solution in the Middle East.

Major contracts disclosed in the third quarter were:

	<i>Business area</i>	<i>Time of delivery</i>	<i>Contract value (MNOK)</i>
PIDEC	Detection, extinguishing	Q408	11.7
Gabot Yam/Chemship	Process	2009	7.9
BP/Skarv Idun FPSO	Extinguishing	Q109	7.0
Groveley Detection Ltd. (UK)	Detection	2H08 / 1H09	4.8
Goltens Shanghai	Process	Q408	3.8
Undisclosed offshore installations, Angola and Brazil	Extinguishing	Q408	3.0

Simtronics continues to enhance distribution and penetrate new markets and segments. The integration of the newly acquired companies is completed and is providing results.

During the third quarter Simtronics strengthened its presence in key markets. The new Singapore branch became operational in the quarter and Fire Eater branch in Stavanger, Norway is now fully operational in order to serve the offshore and marine segments even better. Also the Dubai branch was strengthened in the quarter.

Simtronics' sales growth is significant across all key markets. Asia is however the fastest growing region for Simtronics. While Asia represented just over 2 per cent of the Company's sales a year ago, the region represented more than 18 per cent of Simtronics' sales in the third quarter of 2008.

The Simtronics group employed a total of 170 people at the end of the third quarter, compared to 70 at the same time last year.

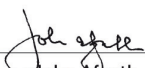
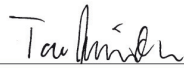
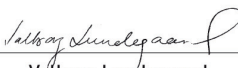
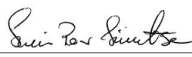
Through the recent acquisitions Simtronics' business model has become more robust than previously. The product portfolio is broader, the Company serves a number of new customer segments and the geographical reach has been expanded. At the same time, the Company enjoys a broad and strong technology base and has succeeded in consolidating its distribution. Being involved in newbuildings as well as upgrade and maintenance projects, Simtronics has become less vulnerable to shifting business cycles.

The projects in which Simtronics are involved often have a rather long time horizon, which means that a number of projects already planned, financed and started will continue to provide business for Simtronics in the short as well as medium term.

Simtronics expects a continued strong order intake in the months ahead. However a significant negative shift in global economy and especially the oil and gas market may have impact also on our business.

The effects of the post acquisition integration are also expected to contribute positively going forward. All indicators point at a further organic sales growth and Simtronics expects its profit margins to be maintained at current levels.

Oslo, 27 October 2008

				
John Afseth Chairman of the Board	Tore Amundsen Member of the Board	Valborg Lundegaard Member of the Board	Svein Roar Sivertsen Member of the Board	Rune Martini President and CEO

P&L AND BALANCE SHEET

SIMTRONICS GROUP	Quarterly		Quarterly		Accumulated	Accumulated	Half year		Full year
Income Statement (NOK 1.000)	Q3-08	Q3-07	Q2-08	Q2-07	30/09/2008	30/09/2007	1st half 2008	1st half 2007	2007
Operating income	92,441	39,331	100,115	35,162	262,215	94,442	169,774	55,111	142,477
Operating expenses	-84,073	-34,828	-88,619 5)	-32,400	-234,687	-87,010	-150,613 5)	-52,182	-131,337
EBITDA	8,368	4,503	11,496	2,763	27,529	7,432	19,161	2,929	11,140
Depreciations excess values	-1,324	-607	-1,658	-618	-4,055 1)	-1,505	-2,731	-898 1)	-2,110
Depreciations ordinary items	-1,016	-435	-986	-369	-2,687	-1,149	-1,671	-714	-1,019
EBIT	6,028	3,461	8,852	1,777	20,787	4,778	14,759	1,317	8,011
Net financial items	-3,576 4)	-1,293	-1,972	107	-6,348	-1,871	-2,772	-579	-2,905
EBT	2,452	2,168	6,880	1,884	14,440	2,907	11,987	739	5,106
Income tax	-458	-658	-2,357	-665	-3,638	-1,060	-3,180	-402	404
Net profit (loss)	1,994	1,510	4,523	1,219	10,801	1,847	8,808	337	5,510
Minority interest	1,314	0	959	0	2,404		1,089	0	0
Balance Sheet (NOK 1.000)									
					30/09/2008	30/09/2007	30/06/2008	30/06/2007	31/12/2007
Intangible fixed assets					168,440 1), 5	38,800	163,481 1), 5	37,931	42,569
Tangible fixed assets					4,274	1,856	5,065	1,933	1,962
Financial fixed assets					34,314 2)	193	33,836 2)	199	20,901
Total non current assets					207,028	40,849	202,382	40,063	65,432
Inventories					51,940	16,489	50,720	20,319	18,468
Accounts receivable					63,270	18,489	70,712	29,631	28,758
Accrued revenue - net					41,185	0	38,427	0	16,853
Other receivables					10,019	17,712	11,986	5,098	5,910
Cash and cash equivalents					13,353 2)	63,389	16,250 2)	30,902	49,298
Total current assets					179,768	116,079	188,095	85,950	119,287
Total assets					386,796	156,928	390,477	126,013	184,719
Paid in capital					91,728	76,923	71,583	46,380	71,581
Retained earnings					19,490	-5,528	14,497	-6,568	6,228
Minority interests					27,341 1)	0	24,681 1)	0	-
Total equity					138,560	71,395	110,761	39,812	77,809
Third party debt					74,870	33,050	76,535	33,525	28,425
Other long term liabilities					38,645 3)	14,748	58,776	14,655	13,562
Total non current liabilities					113,515	47,798	135,311	48,180	41,987
Bank overdraft					45,664	10,987	49,867	11,909	20,655
Accounts payables					35,254	20,558	43,755	18,959	25,608
Other short term liabilities					53,804	6,190	50,783	7,154	18,660
Total current liabilities					134,721	37,735	144,405	38,022	64,923
Total equity and liabilities					386,796	156,928	390,477	126,013	184,719
Cash Flow Statement (NOK 1.000)									
	Q3-08	Q3-07	Q2-08	Q2-07	Accumulated 30/09/2008	Accumulated 30/09/2007	Half year		Full year 2007
Cash flow from operating activities	5,895	4,806	1,612	-744	-13,587	6,171	1st half 2008	1st half 2007	7,547
Cash flow from investing activities	-3,030	-1,438	-4,837	-17,908	-77,568	-20,589	-19,482	1,365	-42,177
Cash flow from financing activities	-5,761	29,117	-2,996	20,189	55,212	76,442	-74,538	-19,152	82,564
Net change in cash and cash equivalents	-2,897	32,486	-6,221	1,537	-35,943	62,024	60,973	47,323	47,934
Cash and cash equivalents at the beginning of period	16,250	30,902	22,472	29,364	49,298	1,365	-33,046	29,536	1,365
Cash and cash equivalents at the end of period	13,353	63,389	16,250	30,902	13,353	63,389	16,250	30,902	49,298
Equity Reconciliation (NOK 1.000)									
					30/09/2008	30/09/2007	30/06/2008	30/06/2007	31/12/2007
Equity at the beginning of period (majority)					77,808	13,099	77,808	13,101	13,101
Share option expense					652	210	314	52	422
Paid in share capital and/or dividends paid ²					0	57,995	0	27,134	59,158
Debt conversion					20,146	0	0	0	0
Net income for the period, majority share					8,397	1,847	7,719	337	5,510
Effect of change in exchange rates					4,215	-1,756	239	-810	-377
Equity at the end of period (majority)					111,219	71,395	86,080	39,812	77,809
Minority interests at the beginning of period					0	0	0	0	0
Minority interests share from acquisitions					23,379	0	23,379	0	0
Minority share of net income for the period					2,404	0	1,089	0	0
Minority interests, effect of change in exchange rates					1,559	0	213	0	0
Minority interest at the end of period					27,341	0	24,681	0	0
Equity at the end of period (total)					138,560	71,395	110,761	39,812	77,809
Key Figures									
	Q3-08	Q3-07	Q2-08	Q2-07	30/09/2008	30/09/2007	Half year		31/12/2007
Earnings per share (NOK)							1st half 2008	1st half 2007	
EPS basic	0.011	n/a	0.059	n/a	0.138		0.127		0.100
EPS diluted	0.012	n/a	0.057	n/a	0.136		0.124		0.098

Notes to the interim report

The 2008 and 2007 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 2007. 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 2007. The quarterly figures have not been audited.

The quarterly reporting require management to make judgements, 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 judgements made by management in preparing these condensed 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 2007.

The annual Financial Statements for 2007 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 2007. A number of new standards, amendments to standards and interpretations are not effective for the period ending 30 September 2008, and have not been applied in the preparation of this quarterly report.

- * IFRS 8 Operating Segments
- * IFRIC 12 Service Concession Arrangements
- * IFRIC 13 Customer loyalty Programmes
- * IFRIC 14 IAS 19 The limit on a defined benefit asset, Minimum funding requirements and their Interaction
- * Amendments to IAS 1 Presentation of financial statements - a revised presentation
- * Amendments to IAS 23 Borrowing costs
- * Amendments to IFRS 2 Share-based payments - Vesting conditions and cancellations
- * Amendments to IAS 32 Financial instruments - presentation and IAS
- * Revised IFRS 3 Business combinations and amended IAS 27 Consolidated and separate financial statements
- * IFRIC 15 Agreements for the construction of real estate
- * IFRIC 16 Hedges of a net investment in a foreign operation
- * Amendments to IAS 39 Financial instruments: Recognition and measurement - Eligible hedged items

It is not expected that any of these new standards, amendments or interpretations will have any significant effect on the financial statements.

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1) Acquisition of Fire Eater A/S and ETech Process AS

Simtronics ASA acquired Fire Eater A/S (51 per cent) and ETech Process AS (100 per cent) during the first half of 2008 with acquisition dates

1 February and 29 February respectively. The two companies have been consolidated and included in the financial reporting from that date. If consolidated from the beginning of 2008 the total income in the first three quarters of 2008 would have increased with NOK 15.1M to NOK 277.3M. The 2007 financial information has not been restated.

A provisional purchase price allocation has been performed for the two acquisitions, resulting in the following main categories of excess values:

	ETech Process	Fire Eater
Acquisition cost	11,822	61,800
Book value of equity (100 per cent)	-21,892	22,280
Excess values	33,714	39,520
Goodwill (majority share only)	27,244	37,467
Developed technology	6,621	26,406
Customer relationships	632	8,647
Other items	1,732	268
Deferred tax on excess values	-2,516	-9,890
Minority share	0	-23,379
Total excess values	33,714	39,520

The acquisition of Fire Eater A/S included a deferred payment of DKK 18.7M to be settled in Simtronics shares. This settlement was completed on 17 September 2008. The number of shares issued, was dependant on the listed share price of Simtronics ASA post the presentation of the 2008 first half year. The share price was calculated to NOK 4,6759, which resulted in the issuance of 4.308.370 shares in Simtronics ASA.

The acquisition of ETech Process AS has a contingent transaction price of up to NOK 20M. The contingent payment can be settled in Simtronics shares at Simtronics request. No provision for the contingent settlement has been made as per 30 September 2008 as it is not likely that the earn-out criterias are met. For further information see the Financial Statements for 2007, note 25.

For information purposes, depreciations have been split in ordinary depreciations and depreciation of excess values (from acquisitions made this year and in prior years).

2) Restricted cash

Non-current financial assets includes NOK 30M in restricted cash (31.12.2007 NOK 20M, 30.09.2007 NOK 0 M). Classified as long term financial assets due to loan covenants.

3) Long term liabilities

Long term liabilities includes a contingent payment of NOK 10M related to an earn-out clause from the acquisition of Water Mist Engineering in 2007. Reference is made to the Financial Statements for 2007, note 24.

4) Net financial items

Net financial items include a fair value adjustment of NOK -1.9M in the quarter, related to outstanding foreign exchange forward contracts. The corresponding effect in Q307 and 2007 was NOK 0M.

5) Adjustments to acquisition costs

Acquisition costs from the acquisitions of Fire Eater A/S and ETech Process AS, ref. item 1) above, has been adjusted with NOK -1.1M. The costs are related to costs for the preparation of PPA (purchase price allocations) and are consequently excluded from acquisition costs. The net effect of NOK -0.8M after tax has been included in the Q208 and half year figures, as the costs relates to the second quarter. Consequently, revised quarterly and half year figures have been presented.

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