

ANNUAL REPORT 2007

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

- Provide situation awareness
- Protect own troops
- Aim and hit target
- Reduce collateral damage

FINANCIAL HIGHLIGHTS

Simrad Optronics Group

<i>Figures in NOK 1,000</i>	2007	2006	2005
Operating income	458,386	129,131	174,635
Operating profit (loss)	21,841	(37,771)	6,050
Operating margin (%)	4.8	(29.3)	3.5
Basic earnings per share (NOK)	0.21	(1.31)	0.02
Diluted earnings per share (NOK)	0.21	(1.31)	0.02
Equity (%)	42.3	7.3	39.9

FOUR PRODUCT AREAS

Simrad Optronics ASA has divided its product into four areas to simplify sales.



Remote Weapon Systems (RWS)

CCD cameras, weapon integration, firing solenoids and lasers for Remote Weapon Stations. In cooperation with KDA.

Weapon Improvement Products

Integrations of a wide range of small - and medium caliber guns to vehicle and ground mounted system.



Electro Optics

Advanced observation, laser and sight systems for various applications.



Vehicle Systems

High-end observation and target acquisition systems for light and heavy military vehicles.



DIRECTOR'S REPORT 2007

The Company

Product areas

Simrad Optronics Group is today a global niche supplier of military equipment. The company's products are divided in to four product areas:

- **Remote weapon stations (RWS)** CCD cameras, weapon integration, firing solenoids and lasers for Remote Weapon Stations. This area is as a supplier to Kongsberg Defence and Aerospace (KDA)
- **Electro optics** Advanced observation and surveillance systems. Laser range finders and sight systems for various applications
- **Weapon improvement systems** Integration of a wide range of small - and medium caliber guns to vehicle and ground mounted system.
- **Vehicle systems** High-end observation and target acquisition systems for light and heavy military vehicles, including system integration

Organization

The Company has gone through major changes during 2007. The Company's Fire and Gas division was de-merged with accounting effect from the 1st of January 2007, under the name of Simtronics ASA and was listed on the Oslo Stock Exchange on 5th of January 2007 under the ticker SIMTRO.

The company acquired, with accounting effect from the 1st of January 2007, Vinghøg AS, which is a global niche supplier of electro-optical equipment and weapon improvement systems to the defense industry and the armed forces, located at Nøtterøy, Norway.

Vinghøg Obsima daughter company of Vinghøg was sold in May 2007.

The sales organization for the group was reorganized in May, resulting in a closure of Simrad Optronics Ltd, the Company's sales subsidiary in the UK. The sales organizations of Simrad Optronics ASA and Vinghøg AS were merged into one department. This restructuring has created a more powerful and dynamic sales organization.

The establishment of Vingtech Corporation, the US subsidiary of Simrad Optronics ASA in Biddeford, Maine, has been one of the most important accomplishments during 2007. Upon completing the refurbishment of the production facility during the summer, the operational systems were in place and work force recruited during the autumn. Vingtech Corporation is now approved as a supplier by our main costumers in the US and has the capacity to handle some of the large contracts the group has in this market. The total time from green field to operational production facility, has been less than ten months.

In August 2007 Simrad Optronics ASA purchased 30% of an Argentinean company, Nostromo Defensa SA, which design and produce tactical unmanned aerial vehicles (UAVs).

The operational activities in Norway that were organized in both Simrad Optronics ASA and Vinghøg AS have been merged in a joint company under the name Vinghøg AS, with head office at Nøtterøy and a division in Oslo. The structural changes in the operations in Norway including the restructuring of the sales organization is estimated to give a cost reduction of more than NOK 10 million per year on group level, with full effect from 2009.

To further develop, and restructure the Company's sales agent business Nauteknik Defence & Security AS (NDS), was acquired in January 2008. One of Vinghøg's two daughter companies, Vingtech AS, will be merged into NDS, while the other, Servo Kontroll AS, will become a subsidiary of NDS. Nauteknik Defence & Security's name has now been changed to Nordic Defence Supply AS.

With these structural changes Simrad Optronics ASA will now be a holding company with two operational daughter companies, Vinghøg AS in Norway and Vingtech Corp. in the US, in addition to holding 100% of the agent company NDS and 30% in Nostromo Defensa.

The Simrad Optronics Group had as per 31 December 2007 192 employees, compared to 129 employees at the start of 2007, after the de-merger of Simtronics and the acquisition of Vinghøg AS. Simrad Optronics ASA had as per 31 December 75 employees.

Results for the year 2007

In the opinion of the Board, the annual accounts provide a true and fair view of the Company's position at the end of the year. The following summary represents the view of the Board of the financial statements.

Comparison with pro forma 2006 figures for Simrad Optronics Group

Pro forma figures for 2006 with the present group structure can be seen in note 22. In these figures Vinghøg Group is included, while the former Fire & Gas division is excluded. For 2007 the net revenue increased 20.1%, from NOK 381.6 million to NOK 458.4 million compared to 2006 pro forma. EBITDA for 2007 increased from NOK 38.8 million to 62.3 million, while profit before taxes went up from NOK -21.2 million for pro forma 2006 to NOK 7.4 million for 2007.

Comparison with actual 2006 figures for Simrad Optronics ASA and Group

Revenue for the year 2007 was NOK 159.4 million for Simrad Optronics ASA and NOK 458.4 million for the Group. The equivalent figures for 2006 were NOK 127.8 million for Simrad Optronics ASA and NOK 129.1 million for the Group.

The pre-tax profit for Simrad Optronics ASA does not give an accurate picture of development in the operational activities of Simrad Optronics ASA, as this company bears the cost of financing for the Group, and other Group expenses, as Simrad Optronics ASA in 2007 has been both the holding company for the Group as well as an operational entity. The pre-tax profit for the year for Simrad Optronics ASA was NOK -42.5 million compared to NOK -43.6 million for 2006.

For the Group the pre-tax profit increased from NOK -45.2 million in 2006 to NOK 7.4 million in 2007.

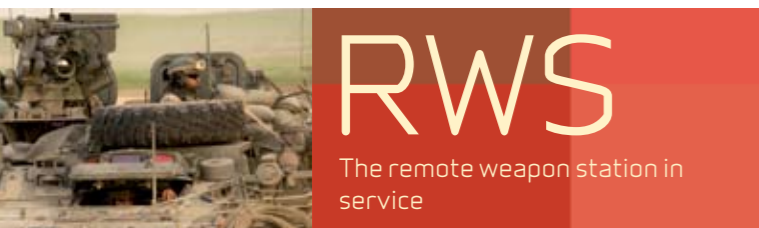
The Group's volume of incoming orders in 2007 was NOK 784 million. Orders in hand at year end amounted to NOK 670 million, compared to NOK 345 million in 2006.

The Group's total revenue and gross margin consisted of both invoiced revenues, and accrued not invoiced revenues from construction contracts. The construction contracts are accounted for in accordance with stage of completion. Stage of completion is calculated based on incurred costs as a proportion of estimated total costs. All construction contracts have been carefully assessed prior to the preparation of the financial statement.

Product areas

Remote weapon stations (RWS)

During 2007 the co-operation contract for supplying parts to Kongsberg Defence and Aerospace (KDA) was extended until 2012. KDA has received a large numbers of contracts for the RWS and was awarded the CROWS II contract in August 2007. The volume delivered in this product area has increased considerably during last year. The Company has managed to increase the delivery and meet delivery times, and is now fully able to produce parts for the RWS both at Vinghøg in Norway and at Vingtech in the US.



Electro optics

During 2007 the Company finalized deliveries of the FOI contract with the Norwegian- and Swedish army. At the end of the year the Company received a new contract with the Norwegian- and Swedish army for development and delivery of Laser Target Designators for the FOI system. During 2007 there has been a steady order income and deliveries of night vision goggles and night vision systems for sniper sights. The Company's KN sniper sight was also chosen as the night vision sight for the UK Army, the Royal Marines and the Royal Air Force.

Weapon improvement systems

2007 has been a record year for deliveries of weapon improvement products such as tripods and crew served softmounts. The order income has been steady in this product area as well during 2007. The Company also received a new development contract in the US for a training simulator for 40mm guns. This contract will be delivered during 2008.

Vehicle systems

The Vingtaqs I (Forward observer and target acquisition system) serial deliveries were delivered to the Norwegian army during the first half year of 2007. A demonstrator for Vingtaqs II including personnel radar was delivered in October. A stabilized version of Vingtaqs II is under development and will be delivered during the first half of 2008. Vinghøg AS was awarded a NOK 25 million contract by the Norwegian Defense Procurement Division for the integration and delivery of position and navigation systems for the artillery gun M109A3GN. This contract will be finalized in the first quarter of 2008.

Financial risk

The Company is exposed to credit, interest rate and currency risks in the course of its ordinary business. The board considers that these risks are being handled in a satisfactory manner, by means of futures contracts to cover currency risks, customer contracts which include currency clauses and back-to-back contracts with its suppliers. The company's bank borrowing is at variable interest rates.

Going concern assumption

The Board confirms that the going-concern assumption is met and that the accounts are presented according to this. With the acquisition of Vinghøg AS the Company has considerably strengthened its long term position in addition to increasing the equity by NOK 159 million.

Working environment and equality of opportunity

The Company strives for equal opportunity, by giving equal pay for equal work and equal opportunity in recruitment. During 2007, 3 women and 30 men were recruited. After the acquisition of Vinghøg the management group consists of 6 men. The Board consists of 3 women and 3 men. Simrad Optronics Group will promote the recruitment of women to technical positions. The Company actively influences the working environment so as to encourage employees to stay until retirement age.

The working environment in the Company is regarded as satisfactory. The Company uses laser equipment for product testing and machinery for manufacture. To prevent accidents, employees receive training and safety equipment. Detailed safety procedures are also in place. 8 meetings have been held by Simrad Optronics ASA's working environment committee. Absence due to illness in SOASA in 2007 was 2.1% of working time, compared to 3.23% for SOASA in 2006.

The Company encourages partial sickness benefits combined with reduced workload to support employees returning from sick leave. In 2007, 2 personal injuries (whereof none was accompanied with sickleaves), were reported compared to 4 personal injuries in 2006. No damage to the Company's property or equipment occurred in 2007.

External environment

The Company does not make use of factor inputs nor supply products which cause significant damage to the environment. The business consumes little energy and does not generate environmentally damaging waste. The operations use only minimal amounts of dangerous substances and gases and all resulting waste is handled as hazardous waste.

Corporate Governance

It is the Board's opinion that good ownership and management encourage growth and lasting material gains, to the benefit of owners, employees and other interested parties. The Board is actively oriented towards building confidence in the Company among all interested groups, based on the Norwegian Code of Practice for Corporate Governance, as illustrated in a separate chapter in the annual report. The work of the Board places strong focus on the importance of equal treatment of all owners, competence in the Company's management, independent auditing and that the company's information should provide a true description of the business at all times. The Board has put a proposal before the general meeting for the establishment of a nominating committee.

The Board ensures that the Company has sufficient equity at all times, with consideration for the Company's strategy, goals and related risks. To ensure high standards of integrity and general business practice, the Company has used the guidance from NHO "OVER STREKEN" both in the management group and sales organization.

Shares and shareholders

In January 2007 when Simtronics was demerged from Simrad Optronics ASA, every Simrad Optronics shareholder received one Simtronics share per Simrad Optronics share. At the same time Vinghøg AS was acquired. A private placement was made towards the former Vinghøg owners, who were attributed 21,422,965 shares. These shares have been locked

for trading during 2007. During the following three years 1/3 of the shares are made available for trading each year. On 3 April the Company carried through a share purchase program for its employees, through a private placement of 629,013 shares, increasing the equity by NOK 4.3 million, making one third of the employees shareholders in the Company.



A private placement of NOK 55.8 million, representing an additional 8,590,463 shares, was completed on 4 May 2007 towards Capital Group International, Inc in the USA, to strengthen the equity base and to prepare the company for further growth.

As per 31 December 2007 Simrad Optronics ASA had 2,227 shareholders, of whom the 20 largest shareholders owned 58.79% of the Company.

There are as of 31 December 2007, 71,587,195 shares in the Company, and the market capitalization is today NOK 483 million.

Coverage of 2007 loss in parent company

The Board proposes that the 2007 loss of NOK -33,092,000 is covered by a reduction in share premium of NOK 32,465,000 and a reduction of other paid in capital of NOK 627,000. The Board also proposes that the uncovered loss as per 31 December 2006 is transferred to share premium. The total reduction of share premium will then become NOK 51,200,000. The company did not have distributable reserves as at 31 December 2007.

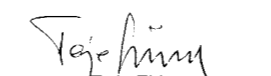
Simrad Optronics ASA will for the year 2007 receive a group contribution of NOK 50.1 million from the subsidiaries Vinghøg AS and Servo Kontroll AS. The group contribution will impact taxes in 2007, but is in accordance with IFRS not recognized as income in 2007. The group contribution will be booked as income in 2008, when it is received.

Oslo, 28 March 2008
The Board of Directors of Simrad Optronics ASA


Ove Gusevik
Chairman of the Board

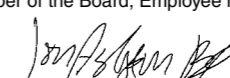

Ingvild Myhré
Member of the Board


Lisa Cooper
Member of the Board


Terje Eidsmo
Deputy Chairman of the Board


Tove Steen
Member of the Board, Employee representative


Stig Landrø
Member of the Board, Employee representative


Jon Asbjørn Bø
President and CEO

FOUR DIRECTIONAL BUSINESS MODEL



Direct sales to end users



Norwegian Armed Forces, US Armed Forces, UK Armed Forces & Swedish Armed Forces, etc.

Teaming up with major defense contractors



General Dynamics Armament and Technical Products, Heckler & Koch, etc.

Supplier of products and modules to defence product integrators



Kongsberg Defence & Aerospace, General Dynamics Land Systems, etc.

Norwegian Armed Forces, US Armed Forces & Swedish Armed Forces, etc.



Development contract with end users

INCOME STATEMENT

Simrad Optronics ASA

Simrad Optronics Group

2007	2006	2005	Figures in NOK 1,000	Notes	2007	2006	2005
159,366	127,819	171,453	Sales revenues	2, 7	458,386	129,131	172,800
-	-	1,835	Other operating income		-	-	1,835
159,366	127,819	173,288	Total operating income		458,386	129,131	174,635
96,575	105,734	123,421	Cost of materials	5	226,436	100,414	117,241
47,794	37,681	28,021	Payroll and related cost	10, 18	105,115	40,921	31,659
32,750	18,591	10,980	Other operating expenses		64,770	21,734	15,967
177,120	162,006	162,422	Total operating expenses excluding depreciation	23	396,320	163,069	164,867
(17,754)	(34,187)	10,866	Profit (loss) from operations before depreciation (EBITDA)		62,066	(33,938)	9,768
6,769	3,646	3,469	Depreciation	8, 9	11,125	3,833	3,718
-	-	-	Amortization of excess values	8	29,100	-	-
(24,522)	(37,833)	7,397	Profit (loss) from operations (EBIT)		21,841	(37,771)	6,050
788	538	405	Interest income		5,150	215	128
15,157	2,805	8,640	Other financial income		23,074	2,578	8,917
19,431	2,593	2,622	Interest expense		20,115	2,623	2,663
14,456	6,556	8,096	Other financial expense		22,554	6,527	8,068
(17,941)	(5,806)	(1,673)	Net financial costs	6, 17	(14,445)	(6,357)	(1,686)
(42,464)	(43,639)	5,724	Profit (loss) before tax		7,395	(44,128)	4,364
(9,372)	-	-	Income tax expense (benefit)	19	(7,057)	1,054	(614)
(33,092)	(43,639)	5,724	Profit (loss) after tax continued operations		14,452	(45,182)	4,978
-	(3,185)	(2,083)	Profit (loss) after tax for discontinued operations	24	-	(6,206)	(4,300)
(33,092)	(46,824)	3,641	Profit (loss) after tax		14,452	(51,388)	678
			<u>Distribution of this year's result</u>				
(627)	-	-	Transferred from other paid in capital				
(32,465)	-	-	Transferred from share premium				
-	(46,825)	3,641	Transferred to/from other equity				
(33,092)	(46,825)	3,641	Total distributed	16			
			Basic earnings per share	16	0.21	(1.31)	0.02
			Diluted earnings per share	16	0.21	(1.31)	0.02
			Continued operations				
			Basic earnings per share	16	0.21	(1.15)	0.13
			Diluted earnings per share	16	0.21	(1.15)	0.13
			Discontinued operations				
			Basic earnings per share	16	-	(0.16)	(0.12)
			Diluted earnings per share	16	-	(0.16)	(0.12)
-	-	9,306	Proposed dividend	16	-	-	-

BALANCE SHEET AS AT 31 DECEMBER

Simrad Optronics ASA

Simrad Optronics Group

2007	2006	Figures in NOK 1,000	Notes	2007	2006
ASSETS					
Intangible assets					
9,997	-	Deferred tax asset	20	-	-
-	-	Goodwill	8	120,400	-
38,623	45,558	Development costs	8, 23	100,399	55,268
-	-	Client relations	8	90,900	-
-	-	Agencies	8	4,400	-
2,404	3,277	Other intangible assets	8	1,989	3,495
51,024	48,835	Total intangible non-current assets		318,088	58,763
8,550	8,321	Property, plant and equipment	9	35,920	9,890
8,550	8,321	Total tangible non-current assets		35,920	9,890
-	22,497	Long term receivables	4	-	4,333
323,513	1,507	Investments in subsidiaries	4, 13	-	-
1,971	-	Investments in other shares	4	1,973	-
325,484	24,004	Total financial non-current assets		1,973	4,333
385,058	81,160	Total non-current assets		355,981	72,986
-	1,994	Financial instruments	6, 17	-	1,994
42,458	55,330	Inventories	5	87,808	60,996
49,048	67,764	Accounts receivables	3, 11	86,995	74,593
4,679	28,615	Unbilled revenue from long-term contracts	3, 7	14,610	28,615
9,689	1,631	Other receivables	3	14,442	3,771
63,417	98,010	Total receivables		116,047	106,979
8	189	Bank deposits and cash on hand		2,035	3,446
105,883	155,523	Total current assets		205,890	173,415
490,941	236,682	TOTAL ASSETS		561,871	246,401


BALANCE SHEET AS AT 31 DECEMBER

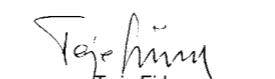
Simrad Optronics ASA

Simrad Optronics Group

2007	2006	Figures in NOK 1,000	Notes	2007	2006
EQUITY AND LIABILITIES					
Equity					
37,096	27,202	Share capital	16	37,096	27,202
150,554	12,732	Share premium reserve	16	150,554	12,732
-	367	Other paid-in capital	16	-	367
187,650	40,301	Total paid-in capital		187,650	40,301
-	(18,730)	Retained earnings	16	49,782	(22,252)
187,650	21,571	Total equity	16	237,432	18,049
Non-current liabilities					
133,000	37,340	Liabilities to financial institutions	14	133,000	37,340
2,709	3,988	Pension liabilities	18	2,709	4,780
-	-	Deferred tax liabilities	20	58,692	2,882
135,709	41,328	Total non-current liabilities		194,402	45,002
Current liabilities					
834	2 230	Financial instruments	6, 17	2,317	2,230
26,627	38,485	Liabilities to financial institutions	11, 14, 15	26,036	38,485
29,559	96,884	Accounts payables and other payables		63,529	102,409
4,047	7,327	Public duties payable		15,864	9,958
1,954	14,274	Advances from contract customers	7	1,954	14,274
37	-	Provisions	21	-	330
104,524	14,583	Other short-term liabilities	3	20,337	15,663
167,581	173,783	Total current liabilities		130,037	183,349
303,290	215,111	Total liabilities		324,439	228,351
490,941	236,682	TOTAL EQUITY AND LIABILITIES		561,871	246,401

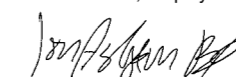
Oslo, 28 March 2008
The Board of Directors of Simrad Optronics ASA


Ove Gusevik
Chairman of the Board


Terje Eidsmo
Deputy Chairman of the Board


Ingvild Myhre
Member of the Board


Tove Steen
Member of the Board, Employee representative


Jon Asbjørn Bø
President and CEO


Lisa Cooper
Member of the Board


Stig Landrø
Member of the Board, Employee representative

STATEMENT OF CASH FLOW

Simrad Optronics ASA

2007	2006	Figures in NOK 1,000	2007	2006
		Operating activities		
(42,464)	(43,639)	Profit before tax	7,395	(44,128)
6,769	3,646	Depreciation	40,225	3,828
(90)	-	Profit on sale of fixed assets	(511)	-
(349)	(1,566)	Difference between pension costs and pensions paid	(351)	(1,333)
3,054	(4,248)	Changes in inventory	(22,233)	(4,210)
6,249	(23,398)	Changes in accounts receivables	5,184	(15,212)
(62,833)	5,874	Changes in accounts payable	(50,635)	5,562
23,936	37,438	Changes in accrued, not invoiced revenue	36,005	37,725
2,256	27,549	Changes in other balance sheet items	(14,891)	19,870
-	-	Paid taxes in period	(9,635)	-
(18,643)	(2,055)	Interest income/expenses	(14,966)	(2,408)
-	(21,267)	Net cash flow from operating activities discontinued operations	-	(17,128)
(82,115)	(21,666)	Net cash flow from operating activities	(24,413)	(17,434)
		Investing activities		
90	-	Cash proceeds from sale of fixed assets	591	-
(3,124)	(2,690)	Acquisition of property, plant and equipment	(29,201)	(2,570)
(539)	(11,383)	Capitalized development costs	(3,915)	(11,383)
(164,374)	(1,000)	Acquisition of subsidiaries, and other investments	(104,238)	-
-	(1,706)	Net cash flow from investing activities discontinued operations	-	(2,873)
(167,947)	(16,779)	Net cash flow from investment activities	(136,763)	(16,826)
		Financing activities		
57,919	15,206	Net proceeds from the issue of share capital	57,919	15,206
-	(9,306)	Dividends paid	-	(9,306)
88,160	-	Changes in short-term loan to subsidiaries	-	-
137,660	17,340	Increased long-term borrowings	137,660	17,340
(33,858)	(7,577)	Net change in overdraft facility and other short-term financing	(35,814)	(7,577)
-	22,973	Net cash flow from financing activities discontinued operations	-	20,000
249,881	38,636	Net cash flow from financing activities	159,765	35,663
(181)	189	Net change in cash and cash equivalents	(1,411)	1,404
189	-	Cash and cash equivalents 1 January	3,446	2,042
8	189	Cash and cash equivalents 31 December 1)	2,035	3,446

1) Includes restricted bank deposits totaling NOK 0 (2006: NOK 0) for Simrad Optronics ASA and NOK 2,094 (2006: NOK 0) for the Simrad Optronics Group.

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

Simrad Optronics ASA

2007	2006	2005	Figures in NOK 1,000	2007	2006	2005
-	-	-	Foreign exchange translation differences	454	146	(81)
-	-	-	Net income (expense) recognized directly in equity	454	146	(81)
(33,092)	(46,824)	3,641	Profit (loss) for the period	14,452	(51,388)	678
(33,092)	(46,824)	3,641	Total recognized income and expense for the period	14,906	(51,242)	597
			Attributable to:			
(32,465)	-	-	Share premium	(51,827)	-	-
(627)	-	-	Other paid in capital	-	-	-
-	(46,824)	3,641	Other equity	66,733	(51,242)	597
(33,092)	(46,824)	3,641	Total recognized income and expense for the period	14,906	(51,242)	597

Simrad Optronics Group

Simrad Optronics ASA has implemented the Norwegian Code of Practice for Corporate Governance dated 4 December 2007

Below is a compliance summary – the numbers listed corresponds to the different chapters in the Code, which can be found at the following web address <http://www.nues.no/english/>

1. Corporate governance reporting

The Board will develop new ethical guidelines based on the new structure in the Group before the Annual General Assembly (AGM) 30 April 2008.

2. Business description

The by-laws stipulate that the Company shall 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.

The Company focuses on delivering products and services to defense and security organizations globally, which is described in more detail in other published information. Goals and main strategies appear in the annual report.

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 buy back of own shares to the AGM to the extent that the result, the cash flow, the equity and possible covenants allow this.

4. Equal treatment of shareholders and transactions with related parties

The Board has an authorization to increase share capital which expires 30 June 2008, with an exception from pre-emptive rights of shareholders to subscribe for shares. The reason for the exception was the desire to get large long term foreign investors as shareholders, or to use part payment in shares with a possible acquisition. A part from this exception the Company is in compliance with the guidelines related to equal treatment of shareholders and transaction with related parties.

5. Freely traded shares

The company follows the guidelines on freely traded shares. In connection with the acquisition of Vinghøg AS the previous shareholders in Vinghøg AS were compensated by a cash contribution of NOK 160 million, and with a private placement of NOK 160 million. The shares issued via the private placement had certain limitations on free trading to ensure long term commitment in favor of Simrad Optronics by the former Vinghøg owners.

6. General meetings

All material recommendations are fulfilled. The Board has been represented by the Chairman alone.

7. Nomination committee

All material recommendations are fulfilled. The Company has a separate election committee, and the Board will suggest to the AMG 30 April 2008 amending the company's by-laws to include the committee.

8. Corporate assembly and board of directors

All material recommendations are fulfilled.

9. The board of directors' activities

All material recommendations are fulfilled.

10. Risk management and internal control

All material recommendations are fulfilled.

11. Remuneration of the board of directors

All material recommendations are fulfilled, except for an issue of 200,000 options to the Chairman in 2006. The options have since been transferred to Nordisk Industriutvikling, a company the Chairman manages and owns a large minority stake in.

12. Remuneration of executive managers

All material recommendations are fulfilled.

13. Information and communication

All material recommendations are fulfilled.

14. Takeovers

All material recommendations are fulfilled.

15. Auditor

All material recommendations are fulfilled.

Note 1 Consolidation and accounting principles

Reporting entity

Simrad Optronics ASA is a company domiciled in Norway. Simrad Optronics is engaged in the development, production and marketing of defense products within four product areas: Weapon Weapon Stations, Electro-Optical Instruments, Weapon Improvement Products, and Vehicle Systems. Simrad Optronics' customers are mainly located in Norway, Europe and North America, but also in rest of the world such as Middle East, Oceania, and Africa.

The Group comprises of the following subsidiaries in Norway, USA and UK:

- Vinghøg AS
- Servo Kontroll AS
- Vingtech AS
- Vingtech Corp (USA)
- Simrad Optronics Ltd (UK) *

* The subsidiary is included in the Income statement for 2007, but is de-consolidated in the Balance Sheet as per 31 December 2007, as the company is being closed down (see note 13).

De-merger of the Fire & Gas division (Simtronics ASA)

The Fire & Gas division is demerged from Simrad Optronics ASA to Simtronics ASA with effect from 1 January 2007, and has been treated as a discontinued operation with effect from the first quarter of 2007. The Fire & Gas division comprised parts of the business in Simrad Optronics ASA, and the entire business of Simrad Optronics Icare SAS. Further information about the de-merger and its effect on the accounts of Simrad Optronics ASA is included in Note 24 Discontinued operations.

As a consequence of the de-merger the comparable figures for the parent company and the Group have been amended as follows:

- Profit and Loss Account: The result figures for the Fire & Gas division for 2006 and 2005 have been extracted from the comparable figures and are being presented net on the line under this year's profit/loss for the respective year.
- Cash Flow Statement: The cash flow figures from the Fire & Gas division for 2006 and 2005 have been extracted from the comparable figures and are being presented net on a separate line under Operating-, Investing-, and Financing activities in the Cash Flow Statement.
- Notes: The comparable figures related to the profit and loss statement are expressed without the Fire & Gas division. Where it is deemed useful the figures for the Fire & Gas division for 2006 and 2005 are presented separately.

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 2007.

The financial statements for Simrad Optronics ASA were completed as of 31 December 2007, and comprise the parent company and its subsidiaries (together referred to as the "Group"). The financial statements consist of the income statement, statement of recognized income and expense, balance sheet, cash flow statement and notes to the accounts. The accounts for the parent company Simrad Optronics ASA are prepared in the same way

(b) Approval of the financial statements

The proposed financial statements for 2007 were approved by the Board and the CEO at the date mentioned under the signed balance sheet. The financial statements will be proposed for approval by the annual general assembly (AGM) 30 April 2008. The Board has the authority to change the financial statements until they are approved by the AGM

(c) Basis of preparation

The financial statements are prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations and consistency. Exempt from the historic cost basis is the accounting for derivative financial instruments, which are measured at fair value in the income statement. The preparation is based on the going concern assumption and is applied consistently for all accounting periods presented in the consolidated financial statements..

Transactions are recorded at their value at the time of transaction. Income is recognized at the time of delivery of goods or services sold. Costs are expensed in the same period as the income to which they relate is recognized.

(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 underlying assumptions are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the as-

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 recognized 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.

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

- * Note 12 - measurement of share-based payments
- * Note 18 - measurement of defined benefit obligations
- * Note 22 - purchase price allocation on acquisitions

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

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 has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 analyzed 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 net assets acquired, and is tested for impairment at least on an annual basis.

Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses

arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currency are translated at exchange rates at the date of the transactions. 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 recognized in the income statement. 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 assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated to NOK at exchange rates at the reporting date. The income and expenses of foreign operations are translated to NOK at exchange rates at the dates of the transactions. Foreign exchange rate differences which arise as a result of translations are recognized directly in equity, as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant foreign exchange rate difference in equity is recognized in the income statement.

(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 recognized at fair value in the income statement, are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are, if not stated otherwise, measured by use of the effective interest method, less any impairment losses.

Long term investments in shares are classified as financial non-current assets in the balance sheet. These investments are measured at initial cost, less any non-temporary impairment losses.

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

Accounting for finance income and expense is discussed under item (p) below.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. Embedded derivatives 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, 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 in the income statement.

Derivatives are recognized initially at cost. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. The Group does not have derivative financial instruments that meet the criterias for hedge accounting. However, the Group has derivative financial instruments that economically hedge assets, liabilities and cash flows in foreign currency. The gain or loss on remeasurement to fair value is recognized immediately in the income statement as part of foreign exchange gain (loss).

Share capital

Costs directly attributable to the issuance of ordinary shares and share options, are recognized 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. If the recoverable amount of property, plant and equipment is lower than book value, and the decline in value is not temporary, the asset is written down to fair value. Based on the acquisition cost, straight-line depreciation is applied over the economic life of the non-current assets. When relevant, the acquisition cost includes future dismantling costs.

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 part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement based on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Estimated useful life for the different items of property plant and equipment is detailed in note 8.

(e) Intangible assets

Goodwill

All business combinations are accounted for using the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries in excess of the fair value of net assets acquired, and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in the income statement 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 capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The capitalized cost includes the cost of materials, direct labor and a proportional share of overhead costs. Other development expenditures are recognized in the income statement as an expense as incurred. Capitalized development expenditures are stated at cost less accumulated depreciation and impairment losses.

Other intangible assets

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

Expenditures on internally generated goodwill and brands are recognized in the income statement as an expense as incurred.

Subsequent expenditures

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortized from the date they are available for use. Estimated useful life for the different classes of intangible assets is detailed in note 8.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets are measured at an amount equal to the lower of its fair value and the present value of the future lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy that the Group employs for such assets.

Other leases are operating leases

(g) Inventory

Inventories of raw materials are valued at the lower of the cost of acquisition and the net realizable value. Work in progress and finished products are valued at the lower of the cost to manufacture or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Spare parts and parts held by service agents are valued at cost. A deduction is made for obsolescence when necessary.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating 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 recognised to reporting date less progress billings, with a reduction for foreseeable losses. Cost includes all direct and indirectly related contract expenditure.

Construction work in progress is presented as part short-term receivables in the balance sheet. If the Group receives advance payments which exceed the recognized income, the difference is presented as deferred income in the balance sheet.

(i) Impairment

Impairment test

The carrying amounts of the Group's assets, other than inventory and deferred tax assets (see separate accounting policies), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amounts is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable assets group that generates cash flows that largely are independent from other assets and groups. Impairment losses are

recognized in the income statement.

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

Calculation of recoverable amount

The recoverable amount for goodwill, assets with an indefinite useful life, and intangible assets not yet available for use, is calculated annually at the reporting date.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is 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 depreciation, if no impairment loss had been recognized.

(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 the present value, and the fair value of plan assets is deducted in order to determine pension obligations. See note 19 for further information regarding the assumptions made in estimating the value of pension obligations and assets. The calculations are prepared by an actuary, and are based on a linear model.

All actuarial gains and losses as per 1 January 2004, at the time of the Group's transition to IFRS, were recognized directly in equity. Actuarial gains and losses that arise on the calculation of the Group's pension liabilities for defined benefit plan adopted subsequent to 1 January 2004, are recognized in the income statement over the estimated remaining service period to the extent that the accumulated actuarial gains and losses exceed 10% of the highest of net present value of pension liabilities and the fair value of pension assets. Otherwise no actuarial gains and losses are recognized.

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 unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Share-based payment transactions

The fair value of options is recognized 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, are measured based on the Black & Scholes model. The recognized 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 development in the share price. A provision for social security tax is recognized 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 recognized for the amount expected to be paid under short-term cash bonus 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 recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Next year's installments on long term debt are classified as short term debt

(l) Trade and other payables

Trade and other payables are stated at cost.

(m) Provisions

In general

A provision is recognized 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 recognized 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 recognized 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 based on 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, an entity recognises any impairment loss that has occurred on assets dedicated to that contract.

(n) Revenue recognition

Goods sold and services rendered

Revenue from the sale of goods is recognized in the income statement 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 recognized in the income statement 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.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, if it is probable that goods will be returned or in such cases where the group retains right of use over the delivered goods.

Long-term contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the relation between contract costs incurred and expected total contract 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 activity.

Commissions

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

Government grants

A government grant is recognized 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 compensate the Group for expenses incurred are recognized as revenue in the income statement on a systematic basis in the same periods in which the expenses

are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income, or recognized through deduction from the asset's carrying value.

(o) Lease payments

Lease payments under operational lease

Payments made under operating leases are recognized in the income statement on a straight line basis over the term of the lease.

Lease payments under financial lease

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. 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 expense

Net financing costs 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 recognized in the income statement.

Interest income is recognized in the income statement as it accrues, using the effective interest method.

(q) Taxes

The tax charge in the income statement 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 the accumulated result, 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. See Note 19 and 20. The amount of deferred tax provided is based on the expected manner of realization 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(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 income statement 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

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group has identified only one business segment in 2007 (Defense).

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

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements.

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes 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). Under the management approach required by IFRS 8, the Group will probably have further identification of segments. However, this effect has not yet been determined.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements. Based on managements assessment, the change is not expected to have significant impact on the financial statements. In accordance with the transitional provisions, the Group will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date.

Revised IAS 1 Presentation of Financial Statements will impact on the presentation of changes in equity as a result of transactions with the shareholders, and the statement of recognized income and expense. When there are changes in accounting principles implemented with retrospective effect, reclassifications of balance sheet items, and corrections of errors in previous periods, an opening balance at the start of the first period in the balance sheet will be presented. The new standard will be used from 2009.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. The Group has not yet determined the potential effect of the interpretation.

Determination of fair values

A number of the Group's accounting policies and disclosures requires 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.

(i) 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. Reference is made to Note 22 regarding acquisitions.

(ii) Intangible assets

The fair value of intangible assets is based on the present value of expected future cash flows. Reference is made to Note 22 regarding acquisitions.

(iii) Trade 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.

(iv) 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.

(v) Share based payments

The fair value of employee share-options is measured using a binominal 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 reporting

General

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting format of business segments, is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditures are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

As at 31 December 2007 the Group had the following business segments:

Defense. Simrad Optronics is a supplier of defense products within the four product areas Remote Weapon Stations, Electro-Optical Equipment, Weapon Improvement Products and Vehicle System. The Company cooperates closely with research communities within the Norwegian Armed Forces, and other users of military equipment. A number of the products are world leaders in their fields. Part of the Company's sales organization was until 30 June 2007 located in Great Britain through the subsidiary Simrad Optronics Ltd. The operations in Simrad Optronics Ltd were closed down after this date.

Geographical segments

Simrad Optronics products are exported to approximately 40 countries world wide through a network of agents and distributors. The segments are managed from Norway, but have activities and markets worldwide. Manufacturing facilities are operated in Norway and USA.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The company has not identified impairment losses.

Figures in NOK 1,000

	2007	Defense 2006	2005
Revenue from external customers			
Norway	247,157	58,846	46,721
Europe	170,022	17,521	89,786
Americas	17,079	34,542	10,575
Other	24,038	18,223	25,718
Other revenue, unallocated	90	-	1,835
Total external revenue	458,386	129,131	174,635
Cost of materials	226,436	100,414	117,241
Depreciation	11,125	3,872	3,718
Other operating expenses	198,984	62,616	47,626
Operating profit	21,841	(37,771)	6,050
Net financing costs	(14,445)	(6,357)	(1,686)
Income tax expense	(7,057)	1,054	(614)
Profit/loss after tax discontinued operation (*)	-	(6,206)	(4,300)
Profit	14,452	(51,388)	678

*) Discontinued operations refers to the Fire & Gas division which was de merged to Simtronics ASA in January 2007. See note 24.

Figures in NOK 1,000,000

	Defense		Discontinued Operations		Consolidated	
	2007	2006	2007	2006	2007	2006
Asset segments						
Norway	539.4	189.2	-	26.1	539.4	215.3
USA	22.5	-	-	-	22.5	-
United Kingdom	-	2.8	-	-	-	2.8
France	-	-	-	28.3	-	28.3
Consolidated total assets	561.9	192.0	-	54.4	561.9	246.4
Segment liabilities	324.4	187.0	-	41.3	324.4	228.3
Consolidated total liabilities	324.4	187.0	-	41.3	324.4	228.3
Capital expenditures						
Norway	116.0	14.1	-	1.7	116.0	15.8
USA	20.8	-	-	-	20.8	-
United Kingdom	-	0.2	-	-	-	0.2
France	-	-	-	1.0	-	1.0
Consolidated capital expenditures	136.8	14.2	-	2.7	136.8	16.9

There are no significant segment revenues from transactions with other segments. All segments are continuing operations. Refer to note 24 related to the de-merger of the Fire & Gas division from 1 January 2007.

Note 3 Short term receivables and liabilities

Short term receivables:

Simrad Optronics ASA			Simrad Optronics Group	
2007	2006	Figures in NOK 1,000	2007	2006
48,683	65,918	Accounts receivables, gross	86,995	75,105
2,373	2,313	Intra group short-term receivables	-	-
(2,007)	(467)	Provision for bad debt 1)	-	(512)
4,679	28,615	Unbilled revenue from long-term contracts	14,610	28,697
9,689	1,631	Other short term receivables	14,442	3,689
63,417	98,010	Total short-term receivables	116,047	106,979

1) Simrad Optronics ASA's provision for bad debt as per 31 December 2007 is related to receivables towards the subsidiary Simrad Optronics Ltd which will be closed down in 2008.

Other short term liabilities:

Simrad Optronics ASA			Simrad Optronics Group	
2007	2006	Figures in NOK 1,000	2007	2006
89,036	876	Intra group short-term liabilities 1)	-	-
15,488	13,707	Other short term liabilities	20,337	15,663
104,524	14,583	Total other short term liabilities	20,337	15,663

1) Refer to note 11 for more details.

Note 4 Financial non-current assets

Simrad Optronics ASA			Simrad Optronics Group	
2007	2006	Figures in NOK 1,000	2007	2006
-	18,371	Loan to Simrad Optronics Icare SAS	-	-
-	4,126	Deferred expenses relating to investment in Vinghøg AS	-	4,126
-	-	Other long term receivables, external	-	207
1,971	-	Investment in Nostroma Defensa SA	1,971	-
322,899	-	Investment in Vinghøg AS	-	-
614	-	Investment in Ving Tech Corp	-	-
-	397	Investment in Simrad Optronics Icare SAS	-	-
-	110	Investment in Simrad Optronics Ltd	-	-
-	1,000	Investment in Simtronics ASA	-	-
-	-	Investment in other companies	2	-
325,484	24,004	Total non-current assets	1,973	4,333

Loan to Simrad Optronics Icare SAS as per 31 December 2006 was transferred to Simtronics ASA in conjunction with the de-merger (see note 24).

For additional information related to acquisitions and divestitures in 2007 see note 22, as well as note 24 for discontinued operations.

Note 5 Inventories and cost of materials

Simrad Optronics ASA			Simrad Optronics Group			
2007	2006	2005	<i>Figures in NOK 1,000</i>			
2007	2006	2005	2007	2006	2005	
Cost of materials						
93,521	109,982	125,530	Purchases	248,807	108,397	125,134
3,054	(4,248)	(2,109)	Change in inventory	(22,371)	(6,046)	4,074
96,575	105,734	123,421	Cost of materials, net	226,436	100,414	117,241
-	21,032	15,378	Net cost of materials, discontinued operations	-	38,284	25,910
Inventories						
6,780	50,959	45,396	Raw materials and consumables	48,417	55,076	49,988
7,056	1,235	610	Work in progress	7,256	2,785	4,158
28,622	3,136	2,185	Finished goods	32,135	3,136	2,227
42,458	55,330	48,693	Total inventories	87,808	60,996	56,373
42,458	55,330	48,693	Of which valued at initial cost	87,808	60,996	56,373
-	-	-	Of which valued at net realisable value	-	-	-

Cost of materials includes a write down of inventory of NOK 157 (2006: NOK 913, 2005: NOK 370) for both Simrad Optronics ASA and Simrad Optronics Group.

Note 6 Financial Items

Simrad Optronics ASA			Simrad Optronics Group			
2007	2006	2005	<i>Figures in NOK 1,000</i>			
2007	2006	2005	2007	2006	2005	
-	-	-	Profit from affiliated companies	-	-	-
-	-	-	Dividend from subsidiaries	-	-	-
-	-	-	Group contributions from subsidiaries	-	-	-
788	538	405	Interest income	4,742	215	128
2,230	1,994	-	Changes in fair value of financial derivatives	3,701	1,994	-
12,927	811	8,640	Foreign exchange gain	19,782	584	8,917
15,946	3,343	9,045	Total financial income	28,225	2,793	9,045
16,049	1,681	558	Interest expenses on bank loan and overdraft facilities	16,049	1,663	554
3,382	912	2,064	Other interest expenses and guarantee commissions	4,087	960	2,109
2,937	2,230	-	Changes in fair value of financial derivatives	2,937	2,230	-
11,519	4,326	5,038	Foreign exchange loss	19,596	4,297	5,010
-	-	3,058	Stock-exchange introduction costs	-	-	3,058
33,887	9,149	10,718	Total financial expenses	42,669	9,150	10,731
(17,941)	(5,806)	(1,673)	Net financial income and expenses	(14,445)	(6,357)	(1,686)
-	(1,629)	(478)	Net financial items discontinued operations	-	(1,745)	(913)

Interest income and expenses for Simrad Optronics ASA includes interest income and expenses from subsidiaries of NOK 0 (2006: NOK 554, 2005: NOK 362).

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

Note 7 Long-term contracts

Simrad Optronics ASA			Simrad Optronics Group			
2007	2006	2005	<i>Figures in NOK 1,000</i>			
2007	2006	2005	2007	2006	2005	
Long-term contracts in progress per 31 December						
<i>This period:</i>						
4,679	48,526	69,773	Total amount of revenue recognized in the period	59,109	48,526	69,773
-	-	-	Total revenue for the period related to discontinued operations	-	-	1,420
4,679	37,557	134,373	Unbilled revenue	14,610	37,557	135,773
-	8,942	68,320	Advance payments netted against unbilled revenue	-	8,942	69,433
4,679	28,615	66,053	Net unbilled revenue	14,610	28,615	66,340
-	8,942	77,233	Advance payments from customers	-	8,942	78,551
-	8,942	68,320	Advance payments netted against unbilled revenue	-	8,942	69,433
-	-	8,913	Cash collected in excess of revenues recognized from customers, included in other payables	-	-	9,118
Accumulated 1)						
4,679	255,107	199,965	Total revenue recognized as per 31 December	59,109	255,107	199,965
(3,818)	(209,298)	(162,028)	Total costs of recognized revenue per 31 December	(20,058)	(209,298)	(162,028)
861	45,809	37,937	Total net recognized profit	39,052	45,809	37,937

Revenue recognition

Reference is made to note 1. The above figures provide an overview of existing construction in progress per 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 circumstances require, potential losses and liabilities arising from delays or other factors are recognised in the income statement based on best estimates.

- 1) In the accumulated figures for the Group for 2007 the figures from subsidiaries are only included for the period they have been part of the Group.

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 4)	Goodwill	Agencies and client relations	Other	Total
Cost								
Balance at 1 January 2006	34,778	5,115	39,893	45,190	-	-	5,406	50,596
Other acquisitions - internally developed	12,984	1,018	14,002	13,885	-	-	1,039	14,924
Effect of movements in exchange rates	-	-	-	381	-	-	10	391
Balance at 31 December 2006 1)	47,762	6,133	53,895	59,456	-	-	6,455	65,911
Balance at 1 January 2007	47,762	6,133	53,895	59,456	-	-	6,455	65,911
Acquisitions through business combinations 5)	-	-	-	67,755	120,400	115,400	(500)	303,055
Other acquisitions - internally developed	539	257	796	3,915	-	-	257	4,172
Disposals related to discontinued operations	(4,171)	-	(4,171)	(15,751)	-	-	(134)	(15,885)
Effect of movements in exchange rates	-	-	-	-	-	-	-	-
Balance at 31 December 2007 2)	44,130	6,390	50,520	115,376	120,400	115,400	6,078	357,254
Depreciation and impairment losses								
Depreciation in 2005 - continued operations	303	965	1,268	303	-	-	988	1,291
Depreciation in 2005 - discontinued operations	-	-	-	664	-	-	-	664
Balance at 1 January 2006	1,242	1,792	3,034	1,989	-	-	1,839	3,828
Depreciation in 2006 - continued operations	548	1,064	1,612	548	-	-	1,118	1,666
Depreciation in 2006 - discontinued operations	314	-	314	1,482	-	-	-	1,482
Effect of movements in exchange rates	-	-	-	69	-	-	3	72
Balance at 31 December 2006 1)	2,104	2,856	4,960	4,088	-	-	2,960	7,048
Balance at 1 January 2007	2,104	2,856	4,960	4,088	-	-	2,960	7,048
Depreciation in 2007 - continued operations	3,716	1,130	4,846	12,987	-	20,100	1,130	34,216
Depreciation in 2007 - discontinued operations	(314)	-	(314)	(2,098)	-	-	-	(2,098)
Effect of movements in exchange rates	-	-	-	-	-	-	-	-
Balance at 31 December 2007 2)	5,506	3,986	9,492	14,977	-	20,100	4,090	39,166
Depreciation rate 3)	10 %	20 %		2 % - 14 %	N/A	2 % - 14.5 %	20 %	
Useful lives 3)	10 years	5 years		10 years		5 years/ 10 years	5 years	
Net carrying amounts								
At 1 January 2006	33,536	3,323	36,859	43,201	-	-	3,567	46,768
At 1 January 2007	45,658	3,277	48,935	55,368	-	-	3,494	58,863
At 31 December 2007	38,623	2,404	41,028	100,399	120,400	95,300	1,989	318,088

- 1) Exchange rates as of 31 December 2006 are used in calculating tangible assets of foreign subsidiaries.
- 2) Exchange rates as of 31 December 2007 are used in calculating 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) Capitalized development cost also includes commercialized and non commercialized technology integrated with the acquisition of Vinghøg AS in January 2007.
- 5) Refers to acquisition of Vinghøg AS. See note 22 for additional information.

Capitalized development costs

Product development, where the criteria set out in IAS 38.57 are met, have been capitalized. Reference is made to accounting principles 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 either in cooperation with prospective customers and/or other companies. By the end of 2007 capitalized development costs relates to four products in Simrad Optronics ASA and a total of six products for the Group.

Other

Other intangible assets for Simrad Optronics ASA and Simrad Optronics Group mainly relates to capitalised costs related to the ERP-system implemented in 2004, and costs related to IT-tools in the development department.

Impairment losses

An impairment test has been performed. No impairment losses has been recognized in 2007 (2006: NOK 0, 2005: NOK 0).

Expensed Research and development expenditure

Research and development expenditures that do not satisfy the definition of assets amounting to NOK 30,401 (2006: NOK 17,200, 2005: NOK 3,787) has been recognised as an expense.

Note 9 Property, plant and equipment

Figures in NOK 1,000	Simrad Optronics ASA				Simrad Optronics Group			
	Leasehold improvements	Machinery	Equipment	Total	Leasehold improvements	Machinery	Equipment	Total
Cost								
Balance at 1 January 2006	1,535	4,898	18,509	24,942	1,560	6,056	24,836	32,452
Other acquisitions	262	196	1,319	1,777	262	196	1,443	1,901
Disposals	-	-	(210)	(210)	-	-	(210)	(210)
Effect of movements in exchange	-	-	-	-	55	59	483	598
Balance at 31 December 2006 1)	1,797	5,094	19,618	26,509	1,877	6,311	26,552	34,740
Balance at 1 January 2007	1,797	5,094	19,618	26,509	1,877	6,311	26,552	34,740
Acquisitions through business combinations	-	-	-	-	1,069	5,171	1,209	7,449
Other acquisitions 7)	583	324	1,960	2,867	19,406	2,501	5,278	27,184
Disposals related to discontinued operations 6)	-	(413)	(579)	(992)	(160)	(1,711)	(1,227)	(3,098)
Other disposals	-	(397)	-	(397)	-	(778)	-	(778)
Effect of movements in exchange	-	-	-	-	-	-	-	-
Balance at 31 December 2007 2)	2,380	4,609	20,999	27,988	22,192	11,494	31,812	65,497
Depreciation and impairment losses								
Depreciations in 2005 - continued operations	931	396	1,681	3,008	916	423	1,195	2,534
Depreciations in 2005 - discontinued operations 6)	-	20	36	56	16	254	717	987
Balance at 1 January 2006	47	2,200	14,023	16,270	37	2,696	19,227	21,960
Depreciations for the year - continued operations 5)	359	362	1,324	2,045	334	435	1,457	2,226
Depreciations for the year - discontinued operations 6)	-	41	42	83	25	120	262	407
Disposals	-	-	(210)	(210)	-	-	(210)	(210)
Effect of movements in exchange	-	-	-	-	-	134	333	467
Balance at 31 December 2006 1)	406	2,603	15,179	18,188	396	3,385	21,069	24,850
Balance at 1 January 2007	406	2,603	15,179	18,188	396	3,385	21,069	24,850
Depreciations for the year - continued operations 5)	252	341	1,415	2,008	781	3,479	2,172	6,431
Disposals related to discontinued operations 6)	-	(95)	(348)	(443)	(128)	(500)	(607)	(1,235)
Other disposals	-	(317)	-	(317)	-	(441)	-	(441)
Effect of movements in exchange	-	-	-	-	(17)	(3)	(7)	(27)
Balance at 31 December 2007 2)	658	2,533	16,246	19,437	1,031	5,919	22,627	29,577
Depreciation rate 3)	4)	10-20%	10-33%		4)	10-20%	10-33%	
Useful lives	4)	10 years	10 years		4)	10 years	10 years	
Net carrying amounts								
At 1 January 2006	1,488	2,698	4,486	8,672	1,522	3,360	5,609	10,493
At 1 January 2007	1,391	2,491	4,439	8,321	1,481	2,926	5,483	9,890
At 31 December 2007	1,722	2,076	4,753	8,550	21,161	5,575	9,185	35,920

- Exchange rates as of 31 December 2006 are used in calculating tangible assets of foreign subsidiaries.
- Exchange rates as of 31 December 2007 are used in calculating tangible assets of foreign subsidiaries.
- All depreciation plans are linear.
- Expenditure on rented premises is written off using the straight-line depreciation method over the lease term period of tenancy in the tenancy agreement.
- Depreciation presented above differs from the income statement due to the fact that part of depreciation of machinery has been included in manufacturing cost of inventory. Related to the Fire & Gas division which was de-merged to Simtronics ASA as per 1 January 2007. This years acquisitions related to leasehold improvements are primarily related to investments made in the US subsidiary Vingtech Corp.

Impairment losses

No impairment losses have been recognised in 2007 (2006: NOK 0, 2005: NOK 0)

Guarantee obligations

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

Simrad Optronics Group rents its premises under an operating lease arrangement. This is not entered in the balance sheet, as, in accordance with IFRS, the tenancy agreement is not considered as a financial lease.

Simrad Optronics ASA has a rental agreement for the premises in Oslo. The lease expires 30 June 2016, and the annual rent is NOK 4,668 and is adjusted annually with a percentage equal to change in the retail price index. At the end of the rental period Simrad Optronics ASA has a renewal option of 10 years (5 + 5).

Total expensed operational leases for the Group is NOK 6,903 (2006: NOK 4,880, 2005: NOK 6,389).

Minimum lease payments under operational lease of offices

Figures in NOK 1,000,000	2007	2006	2005
Less than one year	6.9	4.9	4.9
Between one and five years	27.6	19.6	19.9
More than five years	34.2	21.9	21.6

Note 10 Employee benefits

Simrad Optronics ASA				Simrad Optronics Group		
2007	2006	2005	Figures in NOK 1,000	2007	2006	2005
37,625	30,524	28,712	Wages and salaries	83,380	32,710	31,638
-	367	-	Equity-settled share-based payment transactions	-	367	-
6,154	5,199	4,378	Social security tax	9,301	5,778	4,744
3,932	3,907	2,687	Pension cost	5,339	4,279	2,883
3,372	2,135	1,515	Other benefits	10,385	2,239	1,666
(330)	(3,582)	(8,505)	Capitalized as development costs	(330)	(3,582)	(8,505)
(2,960)	(869)	(766)	Capitalized as manufacturing cost of inventory	(2,960)	(869)	(766)
47,794	37,681	28,021	Total personnel costs	105,115	40,921	31,659
-	14,007	11,346	Net salary expenses discontinued operations	-	26,279	18,215
72	68	66	Number of full time equivalents 1)	153	73	71

1) Figures for 2005 represent the average number of employees, while 2006 figures represent full time equivalents. See below for number of employees transferred to Simtronics ASA at de-merger in January.

As of 31 December 2007 Simrad Optronics Group has 192 employees, of which 76 are employed in Simrad Optronics ASA. From 1 January 2008 75 of these employees are transferred to the subsidiary Vinghøg AS.

A total of 21 employees were transferred from Simrad Optronics ASA to Simtronics ASA with the de-merger 1 January 2007 (see note 24). For the Group the equivalent figure was 56 employees.

Note 11 Related parties

Identification of related parties

Simrad Optronics Group has related party transactions with its subsidiaries (see note 13), and with members of the Board and group management. Transactions with related parties are based on the arms length principle.

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

Information regarding 2007:	Share- holding 1)	Share- options granted4)	Share- options vested4)	Board fees 3)	Salary 5)	Pension- premium 6)	Other compensation7)
Present board members							
Ove Gusevik (Chairman of the Board)	1,010,000	200,000	200,000	129	-	-	-
Terje Eidsmo (deputy chairman of the Board)	3,281,000	-	-	185	-	-	-
Ingvild Myhre (Board Member)	-	-	-	175	-	-	-
Lisa Cooper (Board Member)	-	-	-	175	-	-	-
Stig Landrø (Board Member - Employee Representative)	14,585	-	-	69	850	100	8
Tove Iren Steen (Board Member - Employee Representative)	-	-	-	5	319	16	1
	4,305,585	200,000	200,000	738	1,169	116	9

Members of the board retired as per 31 December 2006

Anne Karin Bjerkestrand (Board Member - Employee Representative)	-	-	-	88	-	-	-
	-	-	-	88	-	-	-

Total for members of the Board in 2007 4,305,585 200,000 200,000 826 1,169 116 9

Members of group management

Jon Asbjørn Bø (CEO)	3,209,194	-	-	-	1,190	48	6
Kristian Haneberg (CFO)	14,585	-	-	-	925	104	13
Erik Ellingsæter (Executive Vice President R&D)	14,585	-	-	-	893	145	13
Harald Lunde (COO) 8)	3,009,194	-	-	-	775	31	8
Roar Langen (Executive Vice President Sales&Marketing)	364,585	-	-	-	776	104	13
Trygve Egenes (Executive Vice President QA/HSE) 8)	3,009,194	-	-	-	783	31	8
	9,621,337	-	-	-	5,342	463	61

Others who held group management positions during 2007

Tore Amundsen (CEO) retired 2)	44,585	-	-	-	2,144	271	10
	44,585	-	-	-	2,144	271	10

Total group management 2007 9,665,922 - - - 7,486 734 71

1) Shareholding

The column shows the number of shares owned by the Board members, senior management, and companies controlled by them and their related parties. Ove Gusevik has been recorded with 1,010,000 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 3,194,609 shares controlled by his 100% owned company Saturn AS. Trygve Egenes and Harald Lunde both control 2,994,609 shares each through their respective 100% owned companies Ulve Invest AS and Hugin Management AS. See note 16.

See below under Remuneration guidelines for senior management. In February 2007 an employee share purchase program was introduced.

2) Remuneration of the CEO

Tore Amundsen has been the company's CEO in 2006, and 2007 until Jon Asbjørn Bø was appointed CEO on 13 March 2007. During his employment as CEO Tore Amundsen's terms have included the right to variable compensation depending on the financial performance of the Group. Terms also include 12 months post employment salary. Subsequently to the appointment of Jon Asbjørn Bø as new CEO on 13 March 2007 Tore Amundsen has taken up a new position in the Group.

Appointed CEO Jon Asbjørn Bø has a fixed salary of NOK 1,250. He is entitled to severance pay equal to 12 months salary if his contract is terminated. He has a defined contribution plan pension.

3) Board fees

Board fees relate to 2006, and have been paid in 2007.

4) Options

No options have been exercised in 2007. The column shows the total number of options held, including options granted in prior years that have not been exercised. The column vested options shows exercisable options as per 31 December 2007. See note 12 for further details.

Ove Gusevik is registered with 200,000 options. This concerns tradable options granted in 2006, which in 2007 have been sold to Nordisk Industriutvikling AS in which Gusevik holds a stake. In 2007 a compensation of NOK 210 was paid for these options to counter the imputed reduced value of the options as a result of the de-merger of the Fire & Gas division to Simtronics ASA.

5) Salaries

The column consists of ordinary salary paid in 2007. It also includes bonus payments paid in 2007 of NOK 14 for the CEO Jon Asbjørn Bø, and NOK 37 each for Harald Lunde and Trygve Egenes.

6) Pension premium

The Company has established a collective pension scheme. The column comprises premium contribution in 2007, see note 18 for further information regarding pensions.

7) Other compensation

The column comprises other benefits received during the year, including car allowance, health insurance etc.

8) Employed in subsidiary Vinghøg AS.

Information regarding 2006:

Members of the board as of 31 December 2006	Share-holding 1)	Share-options granted4)	Share-options vested4)	Board fees 3)	Salary 5)	Pension-premium 6)	Other compensation 7)
Ove Gusevik (Chairman of the Board)	500,000	200,000	200,000	-	-	-	-
Ingvild Myhre (Board Member)	-	-	-	100	-	-	-
Lisa Cooper (Board Member)	-	-	-	88	-	-	-
Terje Eidsmo (Board Member)	3,281,000	-	-	25	-	-	-
Anne Karin Bjerkestrand (Board Member - Employee Representative)	-	-	-	125	-	-	-
Stig Landrø (Board Member - Employee Representative)	-	-	-	75	-	-	-
	3,781,000	200,000	200,000	413	-	-	-

Members of the board retired during 2006

Riulf Rustad (former Chairman of the Board)	-	-	-	200	-	-	-
Hanne Bettum (former Board Member - Employee Representative)	-	-	-	50	450	219	-
	-	-	-	250	450	219	-

Total members of the Board in 2006	3,781,000	200,000	200,000	663	450	219	-
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Members of group management

Tore Amundsen (CEO)2)	30,000	-	-	-	1,018	477	108
Kristian Haneberg (CFO)	-	-	-	-	134	116	1
Erik Ellingsæter (Executive vice president D&S)	-	-	-	-	841	168	7
Rune Martini (Executive vice president F&G)	-	-	-	-	559	178	3
Pål Selboe Valsset (CFO F&G)	2,000	-	-	-	133	72	1
Mette Gregoriussen (QA and HSE manager)	-	-	-	-	649	152	7
Peter Gick (Managing director Simrad Optronics Ltd)	-	-	-	-	832	50	142
Salvator La Piana (Office manager S. Optronics Icare SAS)	-	-	-	-	415	194	-
	32,000	-	-	-	4,581	1,407	269

Members of group management retired during 2006

Eli Longva (CFO), retired	-	-	-	-	538	97	3
Tom Arne Solhaug (Executive vice president F&G), retired	-	-	-	-	416	-	3
	-	-	-	-	954	97	6

Total group management 2006	32,000	-	-	-	5,535	1,504	275
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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 is listed with 300 000 shares through his related party relation with Global Network Systems AS, whereas Terje Eidsmo is listed with 3 281 000 shares through his related party relation Runestad Investering AS (see note 16).

2) Former chairman Riulf Rustad has in 2007 been paid NOK 203 in board fees for 2006, and former board member Hanne Bettum has in 2007 been paid NOK 14 in board fees for 2006.

3) Board fees

Board fees relate to 2005, and have been paid in 2006.

4) Options

No options have been exercised in 2006. The column show the total number of options held, including options granted in 2006. The column vested options shows exercisable options as per 31 December 2006. See note 12 for further details.

5) Salary

The column comprises ordinary salary received in 2006. There were no bonus payments in 2006.

6) Pension premium

The Company has established a collective pension scheme. The column comprises premium contribution in 2006, see note 18 for further information regarding pensions.

7) Other compensation

The column comprises other benefits received during the year, including car allowance, health insurance etc.

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

	2007	2006	2005
Short term employee benefits	6,361	4,685	3,663
Post employee benefits	686	1,027	838
Total	7,047	5,712	4,501

Total number of persons defined as management is 16 and includes board members and members of the board retired during 2007 (2006: 23, 2005: 19). The reduction from 2006 to 2007 is primarily due to the de-merger of the Fire & Gas division to Simtronics ASA (see note 24)

Loans to employees as of 31 December 2007 amounted to NOK 0 for Simrad Optronics ASA (2006: NOK 0) and NOK 0 for Simrad Optronics Group (2006: 0).

The description above gives a complete overview of compensation to the group management and the Board.

Remuneration guidelines for senior management

The information above contains the outlines of the management compensation for 2007. In accordance with The Joint Stock Public Companies Act §6-16a, the Board has prepared a statement outlining the principles for CEO- and other management compensation for 2008. The basic principle for management compensation is that the compensation is to be competitive in order for the Group to attract and retain competent management personnel.

Senior managers are paid a fixed salary and may be offered fringe benefits in the form of free mobile phone, paid memberships in associations, and finance of further education. As of today senior managers in Simrad Optronics ASA do not have any variable compensation, but the Board is considering introducing a bonus scheme similar to the one in use in Vinghøg AS. Senior managers in subsidiaries will be part of the subsidiaries' variable compensation scheme for all employees.

The Company does not offer remuneration to senior managers in the form of shares, subscription rights or options. Senior managers will be offered the same share purchase programs as other employees when and if these are programs are offered. The Board of Simrad Optronics ASA decided in February 2007 to introduce an employee share purchase program for all employees. This program entitled the employees to purchase shares in Simrad Optronics ASA for a maximum of NOK 100 at a 20 % discount (calculated on the market share price at Oslo Stock Exchange as per 16 February 2007). The subscription period ran from 19 February until 9 March 2007, and a total of 629,013 shares were subscribed for. The purchase price was NOK 6.856 per share. Employees of Vinghøg AS were given the same offer.

Senior managers who are employed in the Company will be offered the same contribution based pension plan of 4% as all other employees are offered. Senior managers employed before 1 March 2007 will keep their original pension plans except the additional pension covering salaries higher than 12 times the base amount.

The Board shall set the remuneration of the CEO. The CEO shall set the remuneration of other senior managers in consultation with the Board. Senior managers shall have a maximum of six months resignation period. The CEO has the possibility of maximum 12 months salary after termination.

Compliance with remuneration guidelines for senior management for 2007

The Company's policy for remuneration of senior managers for the accounting year 2007 has been in line with the main principles mentioned above, and has only deviated from the guidelines by the offer to the CEO who was employed in 2007 of the possibility of 12 months salary after termination.

Transactions with subsidiaries

Simrad Optronics ASA's outstanding balances 31 December:

	Receivables		Payables	
	2007	2006	2007	2006
with Simrad Optronics Icare SAS	-	20,684	-	-
with Simrad Optronics Ltd	2,007	-	-	876
with Vinghøg AS	366	-	80,098	-
with Servo Kontroll AS	-	-	7,489	-
with Vingtech AS	-	-	1,449	-
with other related parties	-	-	-	-
less provision for bad debt	(2,007)	-	-	-
	366	20,684	89,036	876

Group cash pooling

In 2007 a cash pooling system was established for the Norwegian group companies Simrad Optronics ASA, Vinghøg AS, Servo Kontroll AS and Vingtech AS. Net drawn credit in the cash pooling system as per 31 December 2007 is presented as debt to financial institutions. Net cash deposits from subsidiaries in the cash pool (NOK 89,036) are presented as other short term liabilities in Simrad Optronics ASA's balance sheet.

Auditors' fees for 2007

The table below specifies fees to auditors. The fees cover expenses for Group auditor KPMG, as well as companies KPMG cooperated with, and other auditing companies of subsidiaries.

	Audit	Audit related services	Tax related services	Other Services	Total
Simrad Optronics ASA	715	384	87	1,172	2,358
Other Group companies	603	-	26	30	659
Total for Group	1,318	384	113	1,202	3,017

Note 12 Share-based payments

Simrad Optronics ASA granted in 2006 a total of 200 000 share-options. The strike price was NOK 5,18. All options were vested at grant date. As per 31 December 2007 this is the only option plan in Simrad Optronics ASA.

Fair value of options are calculated at grant date and expensed as personnel expenses over the vesting period according to IFRS 2. In 2006 the expense relating to share based payment was NOK 367 (2007: NOK 0, 2005: NOK 0). Fair value of options granted in 2006 was NOK 367 (2007: NOK 0, 2005: NOK 0). Fair value assessment was performed using a Black & Scholes' option pricing model, applying assumptions as described below.

Figures in NOK	Number of options	Strike	Vesting date	Expiry
Share-option plan for the Chairman of the Board 2006 *)	200,000	5.18	25-10-06	25-10-08
Fair value of granted options			2007 **)	2006
Fair value at grant date			-	366,700
Share price at grant date			-	6.68
Strike price			-	5.18
Expected volatility in %			-	50 %
Average option life			-	2 years
Expected dividends in NOK			-	-
Risk free interest rate			-	4.30 %

*) The Chairman of the Board was granted transferrable options in 2006. In 2007 these options were purchased by his partly owned investment company.

***) The column 2007 shows 0 as there has been no granting of options during 2007.

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

	2007		2006	
	Number of share-options	Weighted average strike	Number of share-options	Weighted average strike
Options outstanding as per 1 January	200,000	5.18	-	-
Options exercised	-	-	-	-
Options cancelled/forfeited	-	-	-	-
Options granted	-	-	200,000	5.18
Outstanding and exercisable share-options as per 31 December	200,000	5.18	200,000	5.18

Note 13 Investments in Subsidiaries

Simrad Optronics ASA has the following investments in subsidiaries:

Group company	Country	2007		2006	
		Vote- and owner share	Book value	Vote- and owner share	Book value
Vingtech Corp	Maine, USA	100 %	614	-	-
Vinghøg AS	Nøtterøy, Norway	100 %	322,899	-	-
Simrad Optronics Ltd	West Sussex, UK	100 %	-	100 %	110
Simrad Optronics Icare SAS	Aubagne, France	-	-	100 %	397
Simtronics ASA	Oslo, Norway	-	-	100 %	1,000
Total investment in subsidiaries			323,513		1,507

Subsequent to the balance sheet date Simrad Optronics ASA has acquired 100 % of the shares in Nauteknik Defence & Security AS (see note 22), for additional information regarding the acquisition of Vinghøg AS see note 22.

The subsidiary Simrad Optronics Ltd is being closed down, and all operational activities transferred to Simrad Optronics ASA. The company will formally be closed down during 2008.

Assets related to Simrad Optronics Icare SAS were de-merged to Simtronics ASA as of 1 January 2008.

Simrad Optronics ASA has no investments in associates or joint ventures.

Note 14 Liabilities to financial institutions

Figures in NOK 1,000

Reference is made to note 17 for information about interest-, currency-, liquidity risks.

Overdraft

Simrad Optronics ASA makes use of a bank overdraft of a total of NOK 40,000 (2006: NOK 50,000). As per 31 December 2007 the company had drawn NOK 5,242 from the overdraft facility (2006: NOK 38,485). Amount drawn on overdraft facility is included in the line Liabilities to financial institutions in the balance sheet.

Mortgaged loan

As of 31 December 2007 Simrad Optronics ASA had the following mortgaged loan;

	Currency	Nominal interest	Running until	2007		2006	
				Nominal value	Book value	Nominal value	Book value
Mortgaged loan	NOK	NIBOR + 1.5%	2012	155,000	155,000	37,340	37,340

as of 31 December 2007 NOK 22,000 is classified as non current liabilities to financial institutions, as this is due in 2008.

Refinancing

As part of the acquisition of Vinghøg AS in 2007 Simrad Optronics ASA has restructured its external financing. Through this restructuring Simrad Optronics ASA has secured an overdraft facility of NOK 50,000, later reduced to NOK 40,000, replacing the existing facility of NOK 35 000. In addition, the company secured a loan to finance the acquisition of Vinghøg. The financing of the Vinghøg acquisition consisted of two loans, one long term of NOK 105,000 (over five years), and one short term loan of NOK 100,000 due for repayment at 30 September 2007. During 2007 NOK 50,000 of the short term loan has been repaid, while the remaining balance of NOK 50,000 has been converted to a long term loan on the same terms as the other long term loan.

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. Breach of covenant until end of Q3 2007 has been waived.
- Maximum Total Debt / EBITDA ratio of 3.0 per 4th quarter 2007 and 2.5 from 1st quarter 2008.
- No distribution of dividends before NOK 50,000 of the long term loan has been repaid to Nordea.
- Yearly capital expenditure in excess of NOK 20,000 shall be approved by Nordea
- The Company can not borrow additional funds without the consent of the bank.
- Possible new acquisitions shall be approved by Nordea.

There are no breaches of covenants as of 31 December 2007. The Company expects that quarterly covenants measurements in 2008 will be within the limits set by the main bank.

Note 15 Guarantees, collaterals and covenants

Figures in NOK 1,000

Bank guarantees

Simrad Optronics ASA has obtained performance and payment guarantees in connection with various contracts. As at 31 December 2007 these guarantees amounted to NOK 17,577 (2006: NOK 49,700).

Assets pledged as security

Simrad Optronics ASA has put up security in the form of shares in Vinghøg AS, inventory, outstanding accounts receivables, and property, plant and equipment, for the use of the overdraft facilities and the loan. The net book value as at 31 December 2007 of these assets were NOK 322,899, NOK 42,458, NOK 49,048 and NOK 8,550 respectively.

Note 16 Equity and shareholders

Simrad Optronics ASA

Figures in NOK 1,000

	Share capital	Share premium reserve	Other paid-in capital	Total paid-in capital	Retained earnings	Total equity	Number of shares
Balance per 1 January 2006	24,729	-	-	24,729	37,396	62 125	37 222 504
Equity issue 12 June 2006	2,473	13,533	-	16,006	-	16,006	3,722,250
Equity issue expenses, net of tax	-	(800)	-	(800)	-	(800)	-
Share-based payment expense	-	-	367	367	-	367	-
Dividend	-	-	-	-	(9,306)	(9,306)	-
Profit (loss) after tax	-	-	-	-	(46,825)	(46,825)	-
Balance per 31 December 2006	27,202	12,732	367	40,301	(18,735)	21,571	40,944,754
De-merger of Simtronics	(5,985)	(12,419)	-	(18,404)	-	(18,404)	-
Equity issue expenses, net of tax	-	(1,606)	-	(1,606)	-	(1,606)	-
Equity expenses related to acquisition of Vinghøg AS	11,101	147,672	-	158,773	-	158,773	21,422,965
Imputed salary in connections with employee share purchase program with rebate	-	-	260	260	-	260	-
Equity issue related to share purchase program for employees 3 April 2007	326	3,987	-	4,313	-	4,313	629,013
Equity issue 8 May 2007	4,452	51,386	-	55,838	-	55,838	8,590,463
Allocation of the profit(loss) for the period	-	(51,200)	(627)	(51,827)	18,735	(33,092)	-
Balance per 31 December 2007	37,096	150,554	-	187,650	-	187,650	71,587,195

Par value of shares

Par value per share as per 31 December 2006 was 0.664356171. In conjunction with the de-merger of Simtronics ASA effective on 4 January 2007 the share capital was reduced to NOK 21,217, through a reduction of par value per share to NOK 0.518197814

De-merger of Simtronics ASA

Reference is made to note 24. Total effect on equity of the de-merger effective 1 January 2007, was NOK -18,404.

Distributable equity

Distributable equity according to the Norwegian Act relating to public limited liability companies, as at 31 December 2007 NOK 0 (2006: NOK 0)

Dividend

Dividend paid in 2006 of NOK 9,306 relates to dividend of NOK 0.25 per share for 2005, paid during 2006. The dividend paid in 2006 had no tax consequences. No dividend has been proposed for 2007.

Simrad Optronics Group

Figures in NOK 1,000

	Total paid-in capital	Translation reserve	Retained earnings	Total equity
Balance per 1. januar 2006	24,729	(204)	38,501	63,026
Equity issue 12 June 2006	16,006	-	-	16,006
Equity issue expenses, net of tax	(800)	-	-	(800)
Share-based payment expense	367	-	-	367
Dividend	-	-	(9,306)	(9,306)
Profit (loss) after tax	-	-	(51,388)	(51,388)
Effects of movements in exchange rates	-	146	-	146
Balance per 31 December 2006	40,301	(58)	(22,193)	18,049
De-merger of Simtronics	(18,401)	-	5,300	(13,101)
Equity issue expenses, net of tax	(1,606)	-	-	(1,606)
Equity expenses related to acquisition of Vinghøg AS	158,773	-	-	158,773
Equity issue 8 May 2007	55,838	-	-	55,838
Imputed salary in connections with employee share purchase program with rebate	260	-	-	260
Equity issue related to share purchase program for employees 3 April 2007	4,313	-	-	4,313
Profit (loss) after tax	(51,827)	-	66,279	14,452
Effects of movements in exchange rates	-	454	-	454
Balance per 31 December 2007	187,650	396	49,386	237,432

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company.

De-merger of Simtronics ASA

Reference is made to note 24. Total effect on equity of the de-merger effective 1 January 2007, was NOK -13,101.

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 14,452 (2006: NOK -51,388, 2005: NOK 678), and a weighted average number of ordinary shares outstanding during the year of 68,633,121 (2006: 39,300,760, 2005: 37,222,504) calculated as follows:

	2007	2006	2005
Net profit (total)	14,452	(51,388)	678
Net profit (continued operations)	14,452	(45,182)	4,978
Net profit (discontinued operations)	-	(6,206)	(4,300)
Weighted average number of ordinary shares outstanding	68,633,121	39,300,760	37,222,504
Number of share options outstanding	200,000	200,000	-
Weighted average number of ordinary shares outstanding including dilution *)	68,694,821	39,300,760	37,222,504
Basic earnings per share (total)	0.21	(1.31)	0.02
Diluted earnings per share (total)	0.21	(1.31)	0.02
Basic earnings per share (continued operations)	0.21	(1.15)	0.13
Diluted earnings per share (continued operations)	0.21	(1.15)	0.13
Basic earnings per share (discontinued operations)	-	(0.16)	(0.12)
Diluted earnings per share (discontinued operations)	-	(0.16)	(0.12)

	2007	2006	2005
Number of ordinary shares outstanding 1 January	40,944,754	37,222,504	2,472,900
Effect of share split 2005	-	-	34,749,604
Effect of capital increase in 2006	-	2,078,256	-
Effect of capital increase in 2007	27,688,367	-	-
Weighted average number of ordinary shares as per 31 December	68,633,121	39,300,760	37,222,504

*) Reference is made to Note 12. Share-options do not have a dilutive effect in 2006 due to the reported net loss. The options were granted on 25 October 2006.

The Company's largest shareholders registered at 31 December 2007

	Number of shares	Ownership
1 JPMorgan Chase Bank	6,176,463	8.63 %
2 Lindholmveien 14 AS	3,455,311	4.83 %
3 Runestad Investering AS 1)	3,281,000	4.58 %
4 Saturn AS 1)	3,194,609	4.46 %
5 Hugin Management AS 1)	2,994,609	4.18 %
6 Cubic Invest A/S	2,994,609	4.18 %
7 GKI AS	2,994,609	4.18 %
8 Ulve Invest AS 1)	2,994,609	4.18 %
9 Hem	2,994,609	4.18 %
10 MP Pensjon	2,598,556	3.63 %
11 Hui AS	1,218,000	1.70 %
12 Mellon Bank AS Agent for clients	1,197,000	1.67 %
13 DNB Nor SMB	1,092,638	1.53 %
14 Nordisk Industriutvikling AS 1)	1,010,000	1.41 %
15 Ingefo 1 AS	952,000	1.33 %
16 Kafa AS	835,000	1.17 %
17 Skagen Vekst	618,000	0.86 %
18 Mykland Invest AS	500,000	0.70 %
19 State Street Bank and Trust Co.	499,600	0.70 %
20 Orion Absolutt AS	485,000	0.68 %
Total shares owned by the 20 largest shareholders	42,086,222	58.79 %
Other shareholders	29,500,973	41.21 %
Total	71,587,195	100.00 %
Shares owned by Norwegian shareholders	62,073,742	86.71 %
Shares owned by foreign shareholders	9,513,453	13.29 %
Total	71,587,195	100.00 %

1) Se note 11

Capital management

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

No changes have been made to the companies capital management policy during the year.

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

Note 17 Financial instruments

Figures in NOK 1,000

The Group is exposed to the following risks from the use of financial instruments

- 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 analyze 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 loss to the Group if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and trade receivables

IFRS 7.34(c) 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 influence on credit risk. The Group is, after the de-merger of the Fire & Gas division and the acquisition of Vinghøg AS in January 2007 a pure defense contractor. The Group sells, either directly to end users, with or without agents, or to other defense contractors. The end customers, through direct and indirect sales, are mainly military purchasing organizations organized under each country's Ministry of Defense. Their credit ratings are therefore very high. Losses have been minimal.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secure claim. The Group does not require collateral in respect to trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. Two types of allowances are made. The first allowance is a specific loss component that relates to individually significant exposures, the second is a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet 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 through for all customers which request credit over a certain threshold. In some cases Letters of Credit (L/C) are used to reduce credit risk related to individual contracts where this is deemed necessary.

At the balance sheet date the Group has 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.

Of Simrad Optronics ASA's overdue trade receivables as per 31 December 2007 of NOK 16,189 (2006: NOK 43,572) 24% was due between 0 – 30 days (2006: 63%), 23% was due between 31 – 120 days (2006: 9%) and 53% was due over 120 days (2006: 28%). In 2008 the Company has received payments for NOK 11,698 of the receivables that were overdue by 31 December 2007. No loss on receivables has been recorded in 2007 (2006: NOK 0, 2005: NOK 323).

Of the Group's overdue trade receivables as per 31 December 2007 of NOK 23,523 (2006: NOK 50,472) 31% was due between 0 – 30 days (2006: 60%), 33% was due between 31 – 120 days (2006: 18%) and 36% was due over 120 days (2006: 22%). In 2008 the Group has received payments for NOK 16,843 of the receivables that were overdue by 31 December 2007. No loss on receivables has been recorded in 2007 (2006: NOK 0, 2005: NOK 323).

Change in allowance for loss on trade receivables during the accounting year was as follows:

	Simrad Optronics ASA		Simrad Optronics Group	
	2007	2006	2007	2006
Balance per 1 January	467	631	467	676
Recognized loss on impairment	(467)	(164)	(467)	(164)
Balance per 31 December	-	467	-	512

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have credit rating of at least 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.

Guarantees

Financial guarantees are only granted to 100% owned subsidiaries. At year end there were no guarantees outstanding.

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 uses activity based costing to cost its products and services, which assist it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Simrad Optronics ASA's and the Group's financial obligations, beyond long term debt to financial institutions, are due within one year. The Company will continually assess its needed overdraft facility related to expected growth in 2008, and the correlated variations in working capital. For the long term debt to financial institutions see overview below (identical for Simrad Optronics ASA and Group). Reference is also made to note 14:

	Amount in balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
31 December 2007						
Long term debt to financial institutions	155,000	155,000	0	22,000	40,500	92,500

As per 31 December 2007 NOK 22,000 is classified as short term debt to financial institutions as this repayment of principal is due in 2008.

	Amount in balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
31 December 2006						
Long term debt to financial institutions	37,340	37,340	1,965	1,965	3,930	29,480

Interest rate risk

Simrad Optronics ASA:

Simrad Optronics ASA has interest-bearing debt with adjustable interest rates and hence is exposed to changes in short term interest rates. Simrad Optronics ASA/Group had an overdraft facility limited to NOK 40,000 (2006: NOK 50,000).

As per 31 December 2007 the Company/Group had drawn NOK 5,242 from this overdraft facility (2006: NOK 38,485). Further, Simrad Optronics ASA/Group had a bank loan of NOK 155,000 as per 31 December 2007 (2006: NOK 37,340). Reference is made to note 14 for additional information.

A change in the interest rate of +/- 100 basis points at the balance sheet date would have increased/decreased the interest cost for 2008 with NOK 1,550, ceteris paribus.

Market risk

Market risk is the risk that changes in the 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 optimizing the return on risk.

The Group buys and sells derivate instruments, and incurs financial obligations to control market risk.

To hedge the volatility in the result hedge accounting is used when it is possible.

Currency risk

The Group is exposed to currency risk on sales, purchases, and loans in other currencies than the functional currencies for the Group's units. This is primarily Euro, but also USD and GBP. The currencies in which the transactions primarily take place are EUR, USD, GBP, CHF, SEK and DKK. Approximately 45% (23%) of the Company income is in foreign currency and an increase in the value of the Norwegian Krone (NOK) towards other currencies will have a negative impact on the result.

Split of revenues in different currencies:	Simrad Optronics ASA		Simrad Optronics Group	
	2007	2006	2007	2006
NOK	55 %	53 %	77 %	52 %
GBP	9 %	12 %	4 %	13 %
EUR	34 %	24 %	16 %	23 %
USD	1 %	12 %	3 %	12 %
CAD				
SEK				
	100 %	100 %	100 %	100 %

An weakening/strengthening of the Norwegian Krone with 10% will normally result in an increase/decrease of 2 -3 % (4 -5 %) in the Company's operating profit.

Currency fluctuations will also impact the value of assets and liabilities in the foreign subsidiary Vingtech Corp. Such changes in value will not however have a profit and loss effect, as these effects are recorded as translation difference against equity.

Simrad Optronics ASA and Group enter into forward contracts to hedge future cash flow in foreign currency. Each contract is assessed separately with regards to whether a hedge should be established, and the criterias are based on expected delivery- and payment dates. Most forward contracts will be due within less than one year from the balance sheet date. When the need arises forward contracts will be rolled forward when they are due. IAS 39 has been applied since 1 January 2005. Reference is made to the overview below for information on current forwards contracts.

For some sales-contracts Simrad Optronics ASA has identified embedded derivatives. The principles in IAS 39, hereunder the exemptions given in AG 33 d. have been considered. Fair value of embedded derivatives as per 31 December 2007 is estimated to NOK -834 (2006 NOK: 1,994).

Simrad Optronics ASA:

As per 31 December 2007 the Company had no forward contracts.

As per 31 December 2006 the Company had the following outstanding forward contracts.

Contract	Expiry	Contract amount
EUR/NOK	15-01-07	678 EUR
EUR/NOK	16-03-07	1,018 EUR
EUR/NOK	15-06-07	1,470 EUR
EUR/NOK	19-01-07	678 EUR
USD/NOK	17-01-07	2,570 USD
GBP/NOK	20-03-07	1,050 GBP
GBP/NOK	21-05-07	1,030 GBP
Total EUR/NOK		3,844
Total USD/NOK		2,570
Total GBP/NOK		2,080

The aggregate fair value of the forward exchange contracts as per 31 December 2006 was NOK -2,230.

Simrad Optronics Group:

As per 31 December 2007 the Group had the following forward contracts outstanding:

Contract	Expiry	Contract amount
DKK/NOK	15-01-08	4,600 DKK
DKK/NOK	15-02-08	4,600 DKK
DKK/NOK	17-03-08	4,600 DKK
DKK/NOK	15-04-08	4,600 DKK
DKK/NOK	15-05-08	4,600 DKK
DKK/NOK	16-06-08	4,600 DKK
DKK/NOK	15-07-08	3,100 DKK
DKK/NOK	15-08-08	3,100 DKK
DKK/NOK	15-09-08	3,100 DKK
DKK/NOK	15-10-08	3,100 DKK
DKK/NOK	17-11-08	3,100 DKK
DKK/NOK	15-12-08	3,100 DKK
SEK/NOK	15-01-08	2,500 SEK
SEK/NOK	15-02-08	2,500 SEK
SEK/NOK	17-03-08	2,500 SEK
SEK/NOK	15-04-08	2,500 SEK
SEK/NOK	15-05-08	2,500 SEK
SEK/NOK	16-06-08	2,500 SEK
SEK/NOK	15-07-08	1,600 SEK
SEK/NOK	15-08-08	1,600 SEK
SEK/NOK	15-09-08	1,600 SEK
SEK/NOK	15-10-08	1,600 SEK
SEK/NOK	17-11-08	1,600 SEK
SEK/NOK	15-12-08	1,600 SEK
Total DKK/NOK		46,200
Total SEK/NOK		24,600

The aggregate fair value of the forward exchange contracts was as per 31 December 2007 NOK -1,483.

As per 31 December 2006 the Group had the following forward contracts outstanding:

Contract	Expiry	Contract amount
EUR/NOK	15-01-07	678 EUR
EUR/NOK	16-03-07	1,018 EUR
EUR/NOK	15-06-07	1,470 EUR
EUR/NOK	19-01-07	678 EUR
USD/NOK	17-01-07	2,570 USD
GBP/NOK	20-03-07	1,050 GBP
GBP/NOK	21-05-07	1,030 GBP
Total EUR/NOK		3,844
Total USD/NOK		2,570
Total GBP/NOK		2,080

The aggregate fair value of the forward exchange contracts was as per 31 December 2006 NOK -2,230.

Both the changes in fair value of the forward contracts, changes in fair value of embedded derivatives, and the foreign exchange gains and losses relating to the cash flows are recognized as part of "other financial income/expense". Reference is made to note 6.

Fair values**Simrad Optronics ASA:**

Financial assets and liabilities are mainly comprised of, with the exception of bank overdraft, bank loan, pension obligations, and loan to subsidiaries, short term items that are not interest bearing. Based on this it is the management's assessment 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 are mainly comprised of, with the exception of bank overdraft, bank loan, pension obligations, and loan to subsidiaries, short term items that are not interest bearing. Based on this it is the management's assessment 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

Simrad Optronics ASA and the other Norwegian entities in the Group, are required to have pension plans for all employees which satisfy the requirements in the new law related to mandatory pension plans in Norway. The pension plans in the Group are in compliance with these official requirements.

The subsidiary Vinghøg AS has a defined contribution plan. The expenses related to this scheme for 2007 were NOK 1,296. The subsidiary Vingtech Corp has a 401K scheme in which two of the employees participated as per 31 December 2007. Net liability related to this scheme per 31 December 2007 was NOK 0 and amount taken as costs in 2007 amounted to approximately NOK 2.

With effect from 1 March 2007 Simrad Optronics ASA established a defined contribution plan. Pension cost related to this scheme for 2007 was NOK 155.6 and concerns 9 employees. For the employees who were employed as per 31 December 2006, the Company chose to keep the collective pension scheme which entitles its members to a defined future benefit.

The collective pension scheme provides right to defined future benefits. The plan is accounted for in accordance with IAS 19 and covers 67 active employees and 52 retirees. This benefit is mainly dependent upon years within the plan, salary at date of retirement and compensation from the State. The obligations are covered through Storebrand insurance company. For demographic and resignation factors, the assumptions given in the recommendations for use of pension assumptions under IAS 19 issued by the Norwegian Accounting Standards Board in January 2008 has been applied. These assumptions have been used as there are, in the Group's opinion, no indications of circumstances within the Group that justify deviation from these assumptions. The expected return on investment that has been used is slightly higher than in the recommendation. For demographic and resignation factors, normal insurance assumptions have been used, hereunder the mortality table K2005.

Simrad Optronics ASA has uninsured pension commitments related to the AFP scheme which covers 67 employees and 2 retirees. The AFP-obligation is calculated based on an expected retirement rate of 30% at 62 years. There are no funds in the scheme. Net liability as per 31 December 2007 was NOK 1,705.

Actuarial gains and losses are required to be recognized when the cumulative unrecognized amount thereof at the beginning of the period exceeds 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		
2007	2006	2005	Figures in NOK 1,000		
			2007	2006	2005
Expense recognized in the income statement					
3,503	2,916	2,466	3,503	2,916	2,466
2,033	1,791	1,682	2,033	1,791	1,682
(2,098)	(1,824)	(1,742)	(2,098)	(1,824)	(1,742)
54	311	-	54	311	-
494	413	281	494	413	281
3,986	3,606	2,687	3,986	3,606	2,687
-	1,341	1,087	-	1,341	1,087
Financial status as of 31 December					
51,856	55,263	53,062	51,856	55,263	53,062
1,384	2,144	1,521	1,384	2,144	1,521
(45,000)	(47,350)	(39,435)	(45,000)	(47,350)	(39,435)
(6,692)	(7,512)	(11,924)	(6,692)	(7,512)	(11,924)
1,162	1,443	2,153	1,162	1,443	2,153
2,709	3,988	5,376	2,709	3,988	5,376
Basis for calculation					
4.50 %	4.35 %	4.40 %	4.50 %	4.35 %	4.40 %
4.50 %	4.25 %	3.30 %	4.50 %	4.25 %	3.30 %
4.25 %	4.25 %	3.30 %	4.25 %	4.25 %	3.30 %
5.50 %	5.40 %	6.00 %	5.50 %	5.40 %	6.00 %
Changes in the net liability for defined benefit obligations as recognized in the balance sheet					
3,988	5,377	4,422	3,988	5,377	4,422
(930)	-	-	(930)	-	-
(4,335)	(6,336)	(2,820)	(4,335)	(6,336)	(2,820)
3,986	3,606	2,687	3,986	3,606	2,687
-	1,341	1,087	-	1,341	1,087
2,709	3,988	5,376	2,709	3,988	5,376

Simrad Optronics ASA			Simrad Optronics Group		
2007	2006	2005	Figures in NOK 1,000		
			2007	2006	2005
(**) The expense is recognized in the following line item in the income statement					
3,986	3,606	3,774	3,986	3,606	3,774
Additional information					
3,431	3,386	(1,896)	3,431	3,386	(1,896)

*) As per 31 December 2007 the pension funds are invested as follows (Simrad Optronics ASA and Group):

- 28 % Shares
- 22 % Short bonds
- 27 % Long bonds
- 15 % Real estate
- 1 % Loans
- 7 % Other

***) Estimated installment in 2008 is NOK 3,920.

Sensitivity analysis:

A sensitivity analysis has been performed to show the effects of changes in some of the assumptions on the present value of service cost (SC), accumulated benefit obligation (ABO), present benefit obligation (PBO) and total benefit obligation (TBO)

Assumptions	#1	#2	#3	#4	#5	#6	#7	#8	#9
Avrg. Service time	13.84	13.84	13.84	13.84	13.84	13.84	13.84	13.84	13.84
Discount rate	4.50 %	4.00 %	5.00 %	4.50 %	4.50 %	4.50 %	4.50 %	4.50 %	4.50 %
Wage index	4.50 %	4.50 %	4.50 %	5.00 %	4.00 %	4.50 %	4.50 %	4.50 %	4.50 %
Base amount index	4.25 %	4.25 %	4.25 %	4.25 %	4.25 %	3.75 %	4.75 %	4.25 %	4.25 %
Pension regulation	1.75 %	1.75 %	1.75 %	1.75 %	1.75 %	1.75 %	1.75 %	2.25 %	1.25 %
Interest	2.70 %	2.21 %	3.19 %	2.70 %	2.70 %	2.70 %	2.70 %	2.20 %	3.21 %
Return	5.50 %	5.50 %	5.50 %	5.50 %	5.50 %	5.50 %	5.50 %	5.50 %	5.50 %
Result	#1	#2	#3	#4	#5	#6	#7	#8	#9
SC	3,457	3,932	3,051	3,781	3,127	3,537	3,333	3,686	3,249
ABO	21,647	23,879	19,684	21,647	21,647	21,647	21,647	23,038	20,372
ABO_running	19,486	20,306	18,723	19,486	19,486	19,486	19,486	20,324	18,699
PBO	32,370	36,079	29,137	34,947	29,869	33,260	31,294	34,406	30,500
TBO	80,943	92,380	71,180	89,812	72,147	83,416	77,430	85,967	76,325
PBO Total	51,856	56,385	47,860	54,433	49,356	52,746	50,781	54,730	49,199

Changes in assumptions for the above analysis:

- #1 Standard
- #2 Discount rate -0,5
- #3 Discount rate +0,5
- #4 Wage increase +0,5
- #5 Wage decrease -0,5
- #6 Base amount adjustment -0,5
- #7 Base amount adjustment +0,5
- #8 Pension regulation +0,5
- #9 Pension regulation -0,5

Note 19 Income tax expense

Recognized in the income statement

Simrad Optronics ASA			Simrad Optronics Group		
2007	2006	2005	Figures in NOK 1,000		
2007	2006	2005	2007	2006	2005
			Current tax expense		
-	-	-	-	-	-
-	-	-	-	-	-
			Current tax discontinued operations		
-	-	-	-	-	-
			Deferred tax expense		
(3,326)	(8,310)	6,899	12,049	(9,579)	6,801
625	-	-	625	-	-
14,026	-	-	-	-	-
(11,547)	-	-	(11,547)	-	-
(9,150)	8,310	(6,899)	(8,185)	10,633	(7,415)
(9,372)	-	-	(7,057)	1,054	(614)
			Total income tax expense (benefit) in income statement		
(9,372)	-	-	(7,057)	1,054	(614)
			Total tax expense discontinued operations		
-	-	-	-	-	-
			Reconciliation of effective tax rate		
(42,464)	(43,639)	5,724	7,395	(44,128)	4,364
(11,890)	(12,219)	1,603	2,071	(12,356)	1,222
-	-	-	25	(72)	(130)
40	291	215	50	291	238
(627)	-	(95)	(954)	-	(95)
14,026	-	-	625	-	-
625	-	-	-	-	-
(11,547)	-	-	(11,547)	-	-
-	11,929	(1,722)	2,673	13,191	(1,849)
(9,372)	-	-	(7,057)	1,054	(614)
22.1 %	0.0 %	0.0 %	Actual tax rate	-95.4 %	-2.4 %
				-14.1 %	

*) Relates to group contribution from Vinghøg AS and Servo Kontroll AS to Simrad Optronics ASA with tax effect for 2007. Group contribution is according to IFRS not recognized in 2007, but will be booked as income in 2008 when it is received.

***) Since note 20 shows comparable figures that include the Fire & Gas division, then the change in temporary differences above will not be reconcilable towards note 20.

Note 20 Deferred tax assets and liabilities

Simrad Optronics ASA

Items of deferred tax assets and liabilities recognized in the balance sheet:

Figures in NOK 1,000	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Property, plant and equipment	-	-	252	157	252	157
Inventory	(446)	(428)	-	-	(446)	(428)
Long-term contracts	-	-	241	2,906	241	2,906
Accounts receivables and other receivables	(562)	(70)	-	-	(562)	(70)
Provisions	(10)	-	-	-	(10)	-
Defined benefit plans	(759)	(1,117)	-	-	(759)	(1,117)
Other items	(558)	(195)	20	32	(538)	(163)
Tax value of loss carry-forwards	(8,175)	(1,286)	-	-	(8,175)	(1,286)
Tax (assets)/liabilities	(10,510)	(3,095)	513	3,095	(9,997)	0
Set off tax	513	3,095	(513)	(3,095)	-	-
Net tax (assets)/liabilities	(9,997)	0	(0)	0	(9,997)	0

Unrecognized deferred tax assets	2007	2006
Tax asset/(liability) related to deductible temporary differences	-	-
Tax asset/(liability) related to loss carry forwards	-	13,297

NOK 1,750 of the not recognized loss carry forward as per 31 December 2007 has been transferred to Simtronics ASA in conjunction with the de-merger of the Fire & Gas division in January 2007.

The remaining amount (NOK 11,547) has been recognized in Simrad Optronics ASA in 2007, of which a part has been used towards the group contribution (with tax effect) that the Company received from two subsidiaries (see note 20).

Simrad Optronics Group

Items of deferred tax assets and liabilities recognized in the balance sheet:

Figures in NOK 1,000	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Property, plant and equipment	(685)	-	-	157	(685)	157
Intangible assets	-	-	43,036	2,862	43,036	2,862
Inventory	(446)	(428)	-	-	(446)	(428)
Long-term contracts	-	-	26,842	2,906	26,842	2,906
Accounts receivables and other receivables	(560)	(70)	-	-	(560)	(70)
Provisions	(10)	-	-	-	(10)	-
Defined benefit plans	(759)	(1,117)	-	-	(759)	(1,117)
Other items	(558)	(175)	20	32	(538)	(143)
Tax value of loss carry-forwards	(8,188)	(1,286)	-	-	(8,188)	(1,286)
Tax (assets)/liabilities	(11,206)	(3,075)	69,898	5,957	58,692	2,882
Set off tax	11,206	3,075	(11,206)	(3,075)	-	-
Net tax (assets)/liabilities	0	0	58,692	2,882	58,692	2,882

Unrecognized deferred tax assets	2007	2006
Tax asset/(liability) related to deductible temporary differences	-	333
Tax asset/(liability) related to loss carry forwards	-	16,675

Note 21 Provisions

Figures in NOK 1,000

Simrad Optronics ASA	2007	2006
Balance at 1 January	-	551
Provisions made during the year	37	-
Provisions used during the year	-	551
Provisions reversed during the year	-	-
Balance at 31 December	37	-

Simrad Optronics Group	2007	2006
Balance per 1. januar	330	843
Reduction by de-merger	330	-
Provisions made during the year	-	-
Provisions used during the year	-	513
Provisions reversed during the year	-	-
Balance at 31 December	-	330

The provision as per 31 December 2006 was related to potential warranty obligations.

Note 22 Acquisitions and divestments

Figures in NOK 1,000,000

Acquisition of Vinghøg AS

With effect 4 January 2007, Simrad Optronics ASA acquired 100% of the shares in Vinghøg AS. Vinghøg AS was established in 1950 and represents experience and solid expertise in the development and manufacturing of systems and products combining electro-optics and mechanical engineering. The company has a strong and long-lasting position as a partner and supplier to the Norwegian armed forces and defence contractors. Vinghøg is well positioned for further growth both in Norway and internationally.

The purchase price was NOK 320, of which NOK 160 was settled in cash and NOK 160 was settled by issuance of 21,422,965 shares in Simrad Optronics ASA. Based on a fair value adjustment of the share issue, and the addition of directly attributable transaction costs of NOK 4.1, the acquisition cost was NOK 322.9. Estimated net cash flow effect from acquisition is NOK 102.3.

The twelve months period to allocate the fair value to identifiable assets has now passed. During 2007 allocation of fair value has been done provisionally. At 31 December 2007, according to IRFS 3.62, a thorough final appraisal has been made of the fair value of the transaction. Excess values have been allocated to identifiable assets based on updated valuations. Remaining excess value has been assigned to goodwill. The Goodwill is primarily related to the expertise of the employees as well as expected synergy effects of the integration of the company in to the Group's existing activities.

In 2007 Vinghøg Group has had an operating income of NOK 298 (2006: NOK 248.2) and a profit before tax of NOK 88.9 (2006: NOK 64.9).

Net assets acquired:

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

	Acquirer's carrying amount before combination	Fair value adjustments	Fair value
Commercialized technology	-	55.6	55.6
Non-commercialized technology	-	11.8	11.8
Agencies	-	9.1	9.1
Client relations	-	106.3	106.3
Goodwill	7.0	113.4	120.4
Licenses, rights and patents	0.5	(0.5)	-
Tangible and financial fixed assets	7.6	-	7.6
Current assets other than bank and cash	84.4	-	84.4
Bank and cash balances	62.1	-	62.1
Current liabilities other than deferred tax	(68.1)	-	(68.1)
Deferred tax liability	(15.2)	(51.2)	(66.4)
Total	78.4	244.5	322.9

Pro forma figures

The table below shows the pro forma profit and loss and balance sheet for the Group for 2006, as well as actual profit and loss and balance sheet for 2007. The pro forma figures, which are exclusive of the Fire & Gas division which was de-merged with effect from 1 January 2007 (see note 24), are prepared as if Vinghøg AS was acquired as per 1 January 2006.

Profit and loss	Pro forma	
<i>Figures in NOK 1,000</i>	2007	2006
Operating income	458,386	381,601
Operating result	21,841	(3,420)
Net financial items	(14,445)	(17,819)
Profit (loss) before tax	7,395	(21,239)
Taxes	(7,057)	7,474
Profit (loss) after tax	14,452	(28,714)

Description of assumptions for pro forma figures

In preparing the pro forma figures the following assumptions were made:

- Vinghøg is consolidated as if the acquisition took place 1 January 2006, and as if the cash payment of NOK 160,000 was financed with a long term loan.
- Amortization of excess values (other than goodwill) for 2006 is NOK 34,280, while in 2007 the amortization was NOK 29,100. The reason for this is that the amortization (at date of acquisition, and in preparing the pro forma figures) was presumed to be degressive.

Sale of Vinghøg Obsima AS

Simrad Optronics sold on 26 April 2007 100% of the shares in Vinghøg Obsima AS for NOK 1.4 million. Vinghøg Obsima AS was owned 100% by Vinghøg AS.

Note 23 Government grants

Figures in NOK 1,000

Simrad Optronics ASA:

The Company received in 2007 NOK 0 (2006: 487) in government grants through "Skattefunn". The grant for 2006 was recognized as a reduction in capitalized development costs, as the grant was related to projects capitalized under IAS 38.

Simrad Optronics Group:

The Group has received NOK 1,167 (2006: 487) in government grants through "Skattefunn". The grant was recognized as a reduction of the associated cost lines. The grant for 2006 was recognized as a reduction in capitalized development costs, as the grant was related to projects capitalized under IAS 38.

Note 24 Discontinued operations

Figures in NOK 1,000

De-merger of Simtronic ASA (Fire & Gas)

On 9 October 2006 the general assembly of Simrad Optronics ASA approved the proposed de-merger of the Fire & Gas operation. The operation was transferred to Simtronic ASA, which was listed on the Oslo Stock Exchange on 5 January 2007. For accounting purposes the de-merger was effective in the accounts as of 1 January 2007.

As part of the de-merger the nominal value of the shares of Simrad Optronics ASA was reduced, resulting in a total reduction of the share capital amounting to NOK 5,984, ref note 16. The capital reduction was calculated based on a valuation split of 78/22 between the Defense & Security and Fire & Gas operation. This split was again based on valuations performed by external advisors. For more details, see publicised de-merger statement made available on 6 September 2006 and the prospectus for Simtronic ASA made available on 5 January 2007.

The implementation of the de-merger effective as of 1 January resulted in a total reduction of the capital of NOK 18,404. The share capital and share premium account of Simrad Optronics ASA was reduced by NOK 5,984 and 12,957, respectively. NOK 537 was distributed to other equity.

The effect of the Fire & Gas de-merger on the balance sheet as of 1 January 2007 of Simrad Optronics ASA and Simrad Optronics Group is outlined below (based on the balance sheet as of 31 December 2006):

Profit and loss for discontinued operations	Simrad Optronics ASA		Simrad Optronics Group	
	2006	2005	2006	2005
Operating income	44,370	31,336	77,347	51,521
Operating expenses	45,926	32,941	81,808	54,908
Operating result	(1,556)	(1,605)	(4,461)	(3,387)
Net financial items	(1,628)	(478)	(1,745)	(913)
Taxes	-	-	-	-
Profit(loss) after tax	(3,184)	(2,083)	(6,206)	(4,300)

Financial impact as a consequence of de-merger	Simrad Optronics ASA	Simrad Optronics Group
	2006	2006
Non-current assets	23,876	16,557
Inventories	9,818	15,484
Accounts receivables and other receivables	13,084	20,998
Cash and cash equivalents	0	1,365
Deferred tax liability	0	0
Accounts payable and other payables	28,374	41,303
Net assets and liabilities at the moment of de-merger	18,404	13,101

The segment Fire & Gas was not discontinued or classified as held for sale at the end of 2006. Comparable figures in the financial statements are reclassified to show discontinued operations as separate from continued operations.

Note 25 Subsequent events

Figures in NOK 1,000

Restructure

With effect from 1 January 2008 Simrad Optronics Group has restructured its operating activities, by transferring the operational activities in Simrad Optronics ASA to the subsidiary Vinghøg AS. Simrad Optronics ASA is from 1 January 2008 a pure holding company. Vinghøg AS will be headquartered at Nøtterøy with a division in Oslo. Further explanation can be found in the Director's report.

Acquisition of Nauteknik Defence & Security AS

Simrad Optronics has in January 2008 acquired Nauteknik Defence & Security AS (NDS). The company is an agent company within the defense sector, and will be merged with Vinghøg's agent company Vingtech AS. Vinghøg's other agent company, Servo Kontroll AS, will become a subsidiary of NDS. The acquisition amount is NOK 6,700.

Nauteknik Defence & Security AS had revenues of NOK 13,000 and EBIT of NOK 3,200 in 2007. Net cash balance as at 31 December 2007 was NOK 4,500.



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To the Annual Shareholders' Meeting of Simrad Optronics ASA

AUDITOR'S REPORT FOR 2007

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Simrad Optronics ASA as of 31 December 2007, showing a loss of NOK 33 092 000 for the parent company and a profit of NOK 14 452 000 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 coverage of the loss. 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 recognised income and expense and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of recognised income and expense 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 the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

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.

Opinion

In our opinion,

- the financial statements are prepared in accordance with the 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 2007, the results of its operations, 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 coverage of the loss is consistent with the financial statements and comply with the law and regulations.

Oslo, 28 March 2008
KPMG AS

Bjørn Kristiansen
State Authorised Public Accountant

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

Offices in:

Oslo	Haugesund	Sandefjord
Bodo	Kristiansund	Sandnessjøen
Ålesund	Larvik	Stavanger
Årstad	Lillesand	Sund
Bergen	Mo i Rana	Tromsø
Elverum	Molde	Tvedestrand
Finnøy	Narvik	Tvedestrand
Hamar	Rena	Ålesund

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