



CONTENT

Introduction	3
Profit and Loss Account	5
Balance Sheet as at 31.12	6
Cash Flow Statement	8
Notes	9
Notes to the Profit and Loss Account	11
Auditor's Report	19

FINANCIAL HIGHLIGHTS

Amount MNOK	2004	2003	2002	2001	2000
Operating income	184,8	165,4	114,1	111,2	94,1
Operating profit	12,3	8,3	4,2	4,5	3,1
Operating margin (%)	6,7	5,0	3,7	4,0	3,3
Earnings per share	3,14	2,95	0,76	0,83	0,52
Equity (%)	44,5	39,5	38,2	56,2	55,7
Return on Equity (%)	10,7	11,3	3,3	4,0	2,6
Return on assets (%)	9,9	8,8	6,3	5,5	6,7

New location
In September 2005 Simrad Optronics ASA moves into new and modern premises at Økern in Oslo.



ANNUAL REPORT FOR 2004

The company

Simrad Optronics ASA is engaged in the development, production and marketing of electro-optical instruments for military and civilian customers. The head office of the company is located in Oslo, with a wholly owned subsidiary in the Great Britain. Simrad Optronics ASA is a member of the Technor Group.

Going concern assumption

Continued operation is taken as the basic premise in the annual accounts, as in the opinion of the Board there are no factors that justify a different position.

Statement for annual accounts 2004

In the opinion of the Board, the annual accounts provide a satisfactory description of the company's position at the turn of the year. The pre-tax result for the year for Simrad Optronics ASA was NOK 10.7 million and NOK 11.8 million for the Group. In comparison, the pre-tax result in 2003 for Simrad Optronics ASA was NOK 10.0 million and NOK 10.2 million for the Group.

Export and sales abroad in 2004 comprised 88 % of the turnover. The subsidiary in Great Britain recorded sales worth NOK 10.0 million. The defence market accounted for 80 %, and the market for gas detectors 20.0 % of the turnover. The Group's volume of incoming orders in 2004 was NOK 195.2 million, compared to NOK 114.9 million in 2003. Orders in hand at the turn of the year amounted to NOK 425.2 million, set against NOK 367.0 million in 2003.

In the opinion of the Board, the company enjoys a good financial position. At the end of the year, the equity ratio was 44.5 % and the external financing is long-term.

The market prospects for the company's military products improved further in 2004. The international fight against terror increases the demand for the company's products. In the autumn of 2004, for example, the company was awarded a contract by Germany for approx. NOK 60 million for the delivery of laser and night sights. The market for gas detectors was somewhat weaker in 2004. This is expected to be transient however. In order to strengthen the gas detector business, the Technor Group took over Simrad Optronics Icare SAS (SOI) in France during the summer of 2004. SOI is owned formally by Technor France, but operationally it is a part of Simrad Optronics' gas detector enterprises. With the takeover of SOI, Simrad Optronics' industrial enterprises have been significantly strengthened and it is anticipated that the turnover in this business area will double as early as in 2005.

The work on development of new products continued in 2004 in the industrial and military division, including further development of the fire control instrument for artillery, the laser sight for direct fire weapons, the gas detector for poisonous gasses, etc. An important feasibility study carried out on behalf of the Norwegian defence was also completed in 2004.

Expectations of future development

On the background of the above-mentioned measures, the marketing prognoses and the company's position in general, the Board is assuming that the company will enjoy a positive trend in the 2005 result. The cash flow is expected to improve, essentially as a consequence of the delivery of fire control systems to the Norwegian and Swedish armed forces.



The modular and user friendly IS2000 Computerised Laser Gun Sight offers significant improvement of first round hit probability for direct firing weapons like the shoulder fired Carl Gustaf anti-tank weapon shown in this picture. The sight has recently been selected as part of the new short range anti-tank weapon for The Netherlands Army.

Financial risk

The company is exposed to credit, interest rate and currency risks in the course of its ordinary business, and it controls its risks so as to have an acceptable level of risk in these areas. Futures contracts are normally used to cover currency risks, however the company also has contracts where the currency risk is covered through provisions for exchange rate adjustments.

As at 31 December 2004 the company had open futures contracts for USD 0.8 million. New customers are credit-assessed, and contracts with a payment risk are secured through an irrevocable credit. The company has interest-bearing debt with adjustable interest rates and hence is exposed to changes in short-term interest rates.

Working environment and gender equality

The company is striving to give equal rights and opportunities for both men and women. Among other factors, men and women receive equal pay for equal work and all vacant positions are open to both genders. In recent years the company has made an effort to recruit women to executive positions as well as to find both male and female candidates for all vacant positions. The company's senior management team consisted of one woman and three men. As at 31 December 2004, the Board was comprised of two women and four men.

The working environment in the company is regarded as satisfactory. Five meetings have been held between the management and the working environment committee, and measures have been initiated to improve the internal environment, among other things by improving the ergonomic conditions at individual workplaces. Absence due to illness in 2004 was 580 days, which corresponds to 3.45 % of working time. Most of these days are due to long-term absences. Short-term absences accounted for 2.1 %. Six personal injuries were reported in 2004, none of them serious. No damage to the company's property or equipment occurred in 2004.

External environment

The company does not use any input factors that represent any significant influence on the external environment, nor does it manufacture products that result in significant damage to the environment. The business consumes little energy and does not produce any significant waste or effluent that is hazardous to the environment. The operations use only small amounts of dangerous substances and gases. All waste from this kind of material is destroyed as special waste. The company conducts testing of instruments and processing using machine tools. To prevent any accidents, all personnel are given thorough training, protective equipment has to be worn, and thorough procedures are implemented for all operations.

Proposal for allocation of profit for the year

The result for the year of NOK 7.8 million will be transferred to other equity capital. The company's free equity capital is NOK 42 million.

Oslo, 6 April 2005

The Board of Directors of Simrad Optronics ASA



Jan Kvalbein
Acting Chairman of the Board



Anne-Karin Bjerkestrand
Member of the Board, Employee Representative



Hanne Bettum
Member of the Board, Employee Representative,
Secretary of the Board

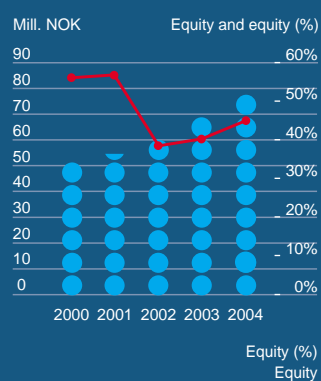


Tore Amundsen
President and CEO

PROFIT AND LOSS ACCOUNT

(Figures in NOK 1,000)

	Note	2004	2003	2002
Sales revenues	2	184,293	163,143	114,058
Other operating income		536	2,279	-
Total operating income		184,829	165,422	114,058
Raw materials and consumables used		105,568	94,440	63,478
Payroll and related cost	6	42,683	42,892	29,154
Depreciation of fixed assets	5	3,740	2,214	1,839
Other operating expenses		20,535	17,588	15,377
Total operating expenses		172,526	157,134	109,848
Operating profit (loss)		12,303	8,288	4,210
Interest received from group companies		34	-	-
Other interest received		144	303	274
Other financial income		7,584	8,735	4,341
Other interest expenses		1,269	560	1,564
Other financial expenses		8,090	6,789	4,543
Total financial items		-1,597	1,689	-1,492
Ordinary result before tax cost		10,706	9,977	2,718
Tax on ordinary result	15	2,942	2,685	839
Profit (loss) for the year		7,764	7,292	1,879
Distribution of year's result				
Other equity	12	7,764	7,292	1,879
Total distributed		7,764	7,292	1,879



Equity and equity (%)

Lower equity (%) in 2002 is caused by received advance payments, which increased the other short-term liabilities.

BALANCE SHEET AS AT 31.12.

(Figures in NOK 1,000)

ASSETS	Note	2004	2003
Fixed assets			
Intangible fixed assets			
Research and development	5	10,060	3,972
Other intangible fixed assets	5	3,758	2,854
Total intangible fixed assets		13,818	6,826
Tangible fixed assets			
Building	5	884	1,856
Machinery	5	2,828	926
Furniture and fixtures, tools, office machines, etc.	5	3,683	3,119
Total tangible fixed assets		7,395	5,901
Financial fixed assets			
Investments in subsidiaries	7	110	110
Pension reserves	14	2,478	1,919
Total financial fixed assets		2,588	2,029
Total fixed assets		23,801	14,756
Current assets			
Goods	4	25,319	18,317
Debtors			
Accounts receivable	3,8	17,302	32,966
Earned, un invoiced revenue	4,5,16	43,061	29,418
Other receivables	8	6,243	4,686
Total receivables		66,606	67,070
Bank deposits, cash in hand, etc.	16	56,737	74,623
Total current assets		148,662	160,010
TOTAL ASSETS		172,463	174,766

The universal clip-on KN200 Night Sight was initially developed to offer night vision capabilities to our existing laser rangefinder instruments. However, with its performance and versatility the KN200 has evolved into a favourite solution for sniper specialists in infantry and special forces world wide. A new and improved version of this product undergoes qualification testing for serial deliveries to the Australian Army in 2005/2006.



BALANCE SHEET AS AT 31.12.

(Figures in NOK 1,000)

EQUITY AND LIABILITIES	Note	2004	2003
Equity			
Paid-in capital			
Share capital	11	24,729	24,729
Total paid-in capital		24,729	24,729
Retained earnings			
Other equity		52,021	44,257
Total retained earnings		52,021	44,257
Total equity	12	76,750	68,986
Liabilities			
Provisions			
Pension liabilities	14	1,882	1,861
Deferred tax	15	5,109	2,167
Total provisions		6,991	4,028
Current liabilities			
Liabilities to financial institutions	9	22,908	8,891
Subordinated loan capital		49,470	25,816
Public duties payable		3,938	2,982
Other short-term liabilities	17	12,406	64,063
Total current liabilities		88,722	101,752
Total liabilities		95,713	105,780
TOTAL EQUITY AND LIBALITIES		172,463	174,766

Oslo, 6 April 2005

The Board of Directors of Simrad Optronics ASA


Jan Kvalbein
Acting Chairman of the Board


Anne-Karin Bjerkestrand
Member of the Board, Employee Representative


Hanne Bettum
Member of the Board, Employee Representative,
Secretary of the Board

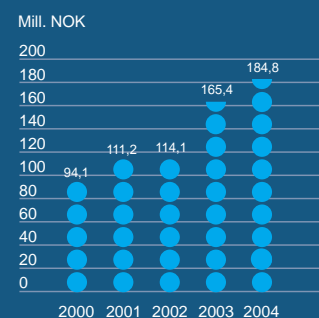

Tore Amundsen
President and CEO

CASH FLOW STATEMENT

(Figures in NOK 1,000)

	01.01-31.12 2004	01.01-31.12 2003
Cash flow from operating activities		
Profit (loss) before tax	10,706	9,977
Ordinary depreciation	3,740	2,214
Depreciation in research and development	-	508
Difference between pension cost and pensions paid	-538	1,134
Changes in stocks	-7,002	1,364
Changes in accounts receivable	15,664	-6,856
Changes in accounts payable	23,654	10,643
Changes in other balance sheet items	-14,244	-9,001
Net cash flow from operating activities	31,980	9,983
Cash flow from investment activities		
Proceeds from sales of tangible fixed assets	-5,874	-6,893
Changes in capitalized research & development costs	-6,352	-876
Net cash flow from investment activities	-12,226	-7,769
Cash flow from financing activities		
Changes in short-term financing	-	-5,007
Proceeds from repayment of short-term debt	-51,657	
Net change in overdraft facility	14,017	
Net cash flow from financing activities	-37,640	-5,007
Net change in cash and cash equivalents	-17,886	-2,793
Cash and cash equivalents 01.01.	74,623	77,416
Cash and cash equivalents 31.12.	56,737	74,623

Operating income
Total operating income 184,8 mill for 2004.
Distributed to the defence market 147,6 mill and
to the industrial market 37,2 mill.



Operating income ●

NOTES

Note 1 - Accounting principles

Basic principles – valuation and classification – other conditions

The annual accounts and the group accounts consist of the profit and loss account, the balance sheet, the cash flow statement and the notes. They have been drawn up in accordance with the Norwegian Public Limited Companies Act (Allmennaksjeselskapsloven), the Norwegian Accounting Act (Regnskapsloven) and good accounting practice in Norway valid at 31.12.2004.

The annual accounts and the group accounts are based on the fundamental principles of historic cost, comparability, continued operations, congruency and care. Transactions are booked at the value of the consideration at the time of the transaction. Income is booked when it is earned and costs are compared with the earned income. The accounting principles are described in further detail below. When actual figures are not accessible at the time the accounts are drawn up, good accounting practice ensures that the management calculates the best possible estimate for use in the profit and loss account and the balance sheet. Deviations can occur between estimated and actual figures.

The company has made use of the exemption in § 3-7 of the Accounting Act regarding the presentation of consolidated accounts.

General principles

Assets/liabilities that are linked to the goods cycle and items that fall due for payment within one year after the balance sheet date are classified as current assets/short-term liabilities. The valuation of the current assets/short-term liabilities is made at the lowest/highest value of initial cost and actual value. Actual value is defined as the assumed future sales prices less the expected sales costs. Other assets are classified as fixed assets.

Posting of income

Income is booked when it is earned. Income is thus normally booked at the time of delivery when goods and services are

sold. For prospective projects, income is booked as current receipts. This involves booking the income according to how much of the project has been completed as the work is carried out. This means that the processed proportion of the project's expected earnings is taken as income. For projects where a loss has been identified, a provision is made for the whole of the anticipated loss. Value added tax, discounts, bonuses and any invoiced freight costs are deducted from the operating income.

Posting of costs / comparison

Expenses are compared with and posted as costs at the same time as the income to which the expenses can be referred. Expenses that cannot be referred directly to income are posted as costs when they arise. During restructuring and suspension of operations, all related expenses are posted as costs at the time of the decision.

Other operating income (costs)

Important income and costs that are not connected with the normal activities are classified as other operating income and costs. Items that are unusual, irregular and important are classified as extraordinary.

Intangible assets and fixed asset

Intangible fixed assets

Intangible assets that are expected to give a future income are capitalised. Depreciations are calculated linearly over the assets' economic life. Expenses connected with research and development are entered in the balance sheet to the extent that they can be related to projects which are assumed to represent future economic advantages for the company.

Tangible fixed assets

Fixed assets are posted in the balance sheet at initial cost less accumulated depreciation and write-offs. If the actual value of the asset is lower than the booked value, and this is due to causes that are assumed to be temporary, then the asset is written off at the actual value. Operational leasing is posted as an expense as a usual leasing cost and classified as an ordinary operating cost.



The new and unique FOI2000 Forward Observer Instrument represents a very efficient tool for observation, reconnaissance, target location and fire correction day and night. The system will be fielded with the Norwegian and Swedish Armies during the summer of 2005.

NOTES

Depreciation

Ordinary depreciation are calculated linearly over the economic life of the asset with a starting point in the historical initial cost. Corresponding principles are taken as the basis for possible intangible assets. Research and development are depreciated over the expected lifespan in step with the number of units produced. The depreciation is classified as an ordinary operating cost.

Stock and stock costs

Stocks of goods are valued at the lowest of cost price according to the "first in first out" principle and assumed sales price. The cost price of processed goods is comprised of direct materials, while the cost price of purchased goods is the cost of acquisition. The year's stock costs consist of the cost price of sold goods with an addition of a possible write-off in accordance with good accounting practice at the year's end.

Debtors

Accounts receivable are entered at face value with deduction for expected loss.

Currency

Cash items, accounts receivable and liabilities in foreign currency are converted at the exchange rate on the balance sheet date. Unrealised exchange gains/losses are entered in the profit and loss account.

When purchase/sales contracts have been entered into in foreign currencies, the company will normally enter into forward exchange contracts to hedge against unexpected losses as a result of currency fluctuations. These forward contracts are not made the object of any independent accounting treatment:

Pension commitments and pension costs

The company has a pension scheme that entitles employees to agreed future pension benefits, called benefit plans. The pension obligations are calculated according to linear accumulation on the basis of considerations such as the

number of years of service, capitalisation rates, future returns from pension funds, future adjustments of salaries, pensions and benefits from the National Insurance Scheme, as well as actuarial considerations such as death rate, voluntary retirement, etc. The pension funds are valued at the actual value. Net pension obligations consist of gross pension obligations less the actual value of the pension funds. Net pension obligations on under-financed schemes are posted in the balance sheet as long-term, interest-free liabilities, while net pension funds on over-financed schemes are posted in the balance sheet as long-term, interest-free assets if it is probable that the over-financing can be used to advantage.

Net pension costs, which are gross pension costs less the estimated adjustments to the pension funds, corrected for apportioned effect of changes in estimates and pension plans, are classified as ordinary operating expenses and are presented together with salaries and other benefits.

Deferred tax and tax costs

Deferred tax is calculated against the background of provisional differences between accounting and tax values at the end of the financial year. The nominal tax rate is used in the calculation. Positive and negative differences are set off against each other within the same period of time. Certain items are also valued separately, such as pension obligations. A deferred tax advantage occurs if there are provisional differences that give rise to a tax deduction in the future. The year's tax costs consist of changes in deferred tax and deferred tax advantage, together with tax payable for the year of income corrected for faults in calculations from previous years.

Cash flow statement

The cash flow statement is drawn up according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid positions.

The FOI2000 Forward Observer Instrument has been developed in close contact with the user environment. User involvement has among a range of activities also included field trials, here exemplified by night time firing on one of the Artillery Firing Ranges in the mountains of Northern Norway.



NOTES

Note 2 – Sales revenues

The company's sales income is distributed across the following product markets:

	2004	2003	2002
The defence market	147,126	125,710	82,881
The industrial market	37,167	37,433	31,177
Total	184,293	163,143	114,058

Geographical distribution

Norway 56,674

Europe and North America 107,772

Rest of the world 19,847

Total 184,293

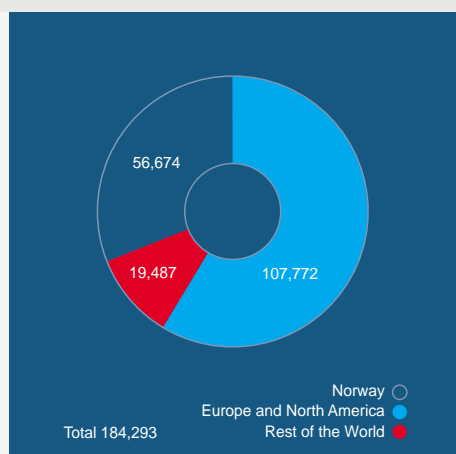
Note 3 – Bad debts

One loss, of the amount of NOK 91, was recorded for the company during the course of the year.

The appropriation to the reserve for bad debts for 2004 was NOK 790.

Note 4 – Stocks and long-term production contracts

	31.12.2004	31.12.2003	Changes
Raw materials	25,319	18,317	-7,002
Goods	25,319	18,317	-7,002
of which valued at initial cost	25,002	17,886	
of which valued at actual value	317	431	



NOTES

Plant contracts	FOI2000	01.01-31.12 2004 Other contracts
Posted as income on projects in progress	83,285	39,320
Costs of earned income	-64,063	-20,398
Net posted in the results for projects in progress	19,222	18,922
Income earned but not invoiced from installation projects in progress, reduced by advances on contracts	3,741	39,320

Revenues and expenses for plant contracts are booked in accordance with the principles of booking income at the point in time the goods or services sold are delivered. Cf. Note 1. The posting of income in 2004 is marked by the contract with the Norwegian and Swedish armed forces for the delivery of 234 FOI2000 artillery fire control systems. The contract was entered into in November 2002, and will end during the course of 2007.

The value of the contract is NOK 272.6 million. In addition, there are also adjustments for cost increases and exchange rate fluctuations, as well as interest income on advance payments received. As at 31.12.04 it has been estimated that the revenues from the contracts will amount to approx. NOK 301 million. It has been calculated that the contract will give a contribution margin of NOK 73.5 million. Income will be posted in accordance with project progress.

As an estimate of project progress, a point of departure will be taken in accumulated expenses in relation to calculated total costs. The contract is divided up into different parts, and the different parts have different contribution margins. The posting of income will occur on the basis of contribution margin and accumulated costs for every single part of the contract. The development work carried out the first three years has a higher contribution margin than that part of the contract that covers assembly and delivery. Thus income with a higher contribution margin has been posted for the first three years than what can be reckoned on for the rest of the contract period.

The FOI2000 system consists of the LP10TL target locator, which was developed by Simrad Optronics, a thermal camera from Flir AB, an angle measuring module from Vectronix AG, and a gyro module and misc. other equipment from other suppliers. Simrad Optronics has performed the system development and integration.

The deliveries from Flir AB and Vectronix AG represent approx. 60% of the contract. This is the reason why the contribution margin in the contract as a whole is lower than what is normal for the company's other contracts, where products from Simrad Optronics are dominant. Simrad Optronics is responsible for the contract with respect to the customers, but it has entered into back-to-back agreements with Flir AB and Vectronix AG. The contract encompasses the development and qualification of the system, in addition to deliveries of the systems, spare parts, documentation and training.

Development and qualification has now been concluded and the system has been approved by the customers in accordance with extremely demanding requirements for performance and quality. Mass production started in December 2004 and the first systems will be delivered in May 2005. Approx. half of the systems will be delivered during the course of the year.

The modular design of the FOI2000 Forward Observer Instrument allows the users to adapt the system configuration to different missions. When speed of movement and operation is an issue, the soldier will prefer to use the LP10TL Target Locator module handheld and possibly in combination with the FTI Thermal Imager module for night time operation.



NOTES

Note 5 – Durable fixed assets / Intangible assets

	Research and development	Other Intangible Assets	Rented premises	Machinery	Stock	31.12.2004 Total
Initial cost at 01.01	4,647	2,854	3,919	3,173	21,730	36,323
Increase purchased fixed assets		1,731	24	2,124	1,996	5,875
Decrease					6,426	6,426
Costs entered as assets	6,352					6,352
Initial cost at 31.12	10,999	4,585	3,943	5,297	17,300	42,124
Accumulated depreciation at 31.12	939	827	3,059	2,469	13,617	20,911
Balance sheet value as at 31.12	10,060	3,758	884	2,828	3,683	21,213
Depreciation in 2004	264	827	996	222	1,431	3,740
Economic life:	**	5 years	*	5-10 years	3-10 years	

The depreciation schedule for all groups is linear.

The group rents its premises. This is not entered in the balance sheet, as, in accordance with good accounting practice, the tenancy agreement is not to be seen as financial leasing. The annual rent amounts to NOK 3,838.

* Expenditure on rented premises is written off using the straight-line depreciation method over the whole period of tenancy as stipulated in the tenancy agreement. The tenancy agreement was entered into 13.08.99 and expires 31.01.2006. Other intangible assets comprise a new ERP system.

The company has spent NOK 30,296 in the research and development of new products in 2004. Of this, NOK 6,352 was capitalised. NOK 26,617 is related to the military side of the business, of which NOK 6,220 was capitalised and NOK 14,025 was expensed on the FOI2000 project. NOK 3,679 is related to the industrial part of the business, of which NOK 132 was capitalised and the remainder expensed. The capitalisation relates to three tangible development projects that are expected to be concluded in 2005. It is anticipated that the combined income of ongoing research and development will correspond to the total expenses incurred.

** Research and development is depreciated over the expected lifespan in step with the number of units produced, and it is expected to be completely depreciated before the year 2010. There is an approved refund of NOK 461 under the Norwegian "Skattefunn" scheme to stimulate R&D spending by businesses.



NOTES

Note 6 – Personnel costs / Number of employees / Remuneration, etc.

Personnel costs, etc.

	2004	2003	2002
Wages and salaries	33,649	35,034	22,065
National insurance	5,569	4,344	3,842
Pension costs	2,392	1,614	812
Other benefits	1,073	1,900	2,435
Personnel costs	42,683	42,892	29,154
Average number of employees in 2004	76	71	63

Remuneration (in NOK)

	Man. Director	The Board
Salary/ remuneration	1,824	280
Contributions to pension obligations	119	
Other remuneration	133	

In addition to the ordinary salary, the Managing Director has a bonus agreement related to the realised result. The Managing Director receives his salary for 1 year after resigning from his position.

Auditor

Auditor's fees amount to NOK 316 in 2004. The amount includes auditor's fees and supplementary assistance. No fees for other services from the auditor have been posted in 2004.

Note 7 – Shares in the subsidiary

Shares in the wholly owned subsidiary Simrad Optronics Ltd. are entered as fixed assets and booked at the cost price of NOK 110. The company's office is located in West Sussex, UK. The equity capital at 31.12.2004 for Simrad Optronics Ltd. was NOK 3,061. The result at 31.12.2004 was NOK 1,315.

The company has made use of the exemption in § 3-7 of the Accounting Act regarding the presentation of consolidated accounts. The consolidated accounts for Technor ASA, the parent company of Simrad Optronics ASA, can be obtained upon request from the Regnskapsregister [Norwegian Register of Accounts].



The compact design, flat profile and low weight of the GN-series Night Vision Goggles bring unsurpassed user comfort. Due to these features the product has been widely accepted among soldiers within infantry, cavalry and special forces.



NOTES

Note 8 – Accounts with companies in the same group

The company has an outstanding claim of NOK 4,392 to the subsidiary Simrad Optronics Ltd. The company has an outstanding claim of NOK 1,108 on the parent company Technor ASA.

Note 9 – Bank overdraft

The company makes use of a bank overdraft of a total of NOK 30,000, of which NOK 22,908 was used as at 31.12.04.

Note 10 – Guarantee commitments

The company has furnished a guarantee for an amount of NOK 128,094 in connection with contracts. The company has put up security in the form of stock-in-trade for the use of overdraft facilities outstanding accounts receivable and operating appurtenances. Book value as at 31.12.04 of these assets was NOK 72,547, NOK 17,302 and NOK 6,511 respectively. A bank guarantee for tax deduction funds to the sum total of NOK 1,200 has been given.

Note 11 – Share capital and shareholder information

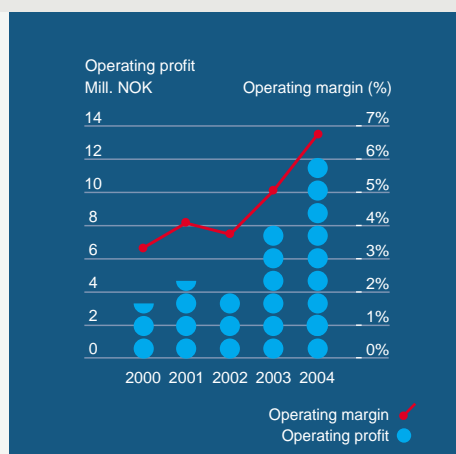
At 31.12.2004, Simrad Optronics ASA had a share capital of NOK 24,729 distributed among 2,472,900 shares of a face value of NOK 10. Each share gives the same right in the company. At 31.12.2004 Technor ASA owned 100% of the shares in Simrad Optronics ASA.

Note 12 – Equity

	Share capital	Other equity	Total equity
The equity capital as at 31.12.03	24,729	44,257	68,986
Result for the year	-	7,764	7,764
The equity capital as at 31.12.04	24,729	52,021	76,750
Distributable reserves	31.12.2004	31.12.2003	
Distributable reserves appear as follows:			
Other equity	52,021	44,257	
- R&D costs in balance sheet	-10,060	-3,972	
Total distributable reserves	41,961	40,285	

Note 13 – Secured exchange rates

The group uses forward exchange contracts to secure contractual future cash flows against unforeseen losses resulting from future exchange fluctuations.



Operating profit and -margin (%)
Operating profit 12,3 mill and operating margin 6,7% for 2004

NOTES

Note 14 – Pension

Simrad Optronics covers its pensions through a collective pension scheme held at a life insurance company. In accordance with the accounting standard from the NRS [Norwegian Accountancy Foundation], the scheme is treated for the purposes of the accounts as a benefit plan and covers 70 active employees and 56 retirees. In addition, the company has uninsured pension commitments related to the AFP scheme which covers 70 employees and 2 retirees.

Pension costs	Secured benefits		Unsecured benefits	
	2004	2003	2004	2003
Present value of benefits earned through the year	- 2,105	- 1,541	- 105	- 93
Interest costs on pension commitments accrued	- 2,168	- 2,038	- 66	- 69
Expected returns from pension funds	2,569	2,451	0	0
Effect of the estimated deviation posted in the results	0	0	21	16
Net pension costs	- 1,704	- 1,128	- 150	- 146

Harmonisation of the pension scheme's financial status set against the amount in the balance sheet:

	Secured benefits		Unsecured benefits	
	2004	2003	2004	2003
Present value of future pension commitments	- 39,411	- 36,856	- 1,175	- 1,231
Employer's contribution	0	0	- 233	- 230
Calculated pension commitments	- 39,411	- 36,856	- 1,408	- 1,461
Pension funds at market value	39,570	36,777	0	0
Effect of the estimated deviation not posted in the results	2,319	1,998	- 474	- 400
Net pension funds / commitments	2,478	1,919	- 1,882	- 1,861

Financial principles:

Capitalisation rates	6.00 %
Anticipated wages and G-growth	3.30 %
Anticipated pension adjustment	2.50 %
Anticipated returns on fund assets	7.00 %

The collective pension scheme is over-financed. In accordance with the NRS standard, the over-financing is set off against the calculated total pension commitment for the scheme. It is probable that the expected utilisation will be realised in both 2003 and 2004. The net pension commitment of NOK 1,882 is presented in the balance sheet on its own line under provision for commitments. The net pension assets of NOK 2,478 are presented in the balance sheet under financial fixed assets.

The Simrad Optronics GD10PE has been developed especially for gas-turbine applications. The product meets new regulations in the market, and offers unique features such as high sensitivity combined with short response time. The core technology is identical to that of the well-renowned GD10P.



NOTES

Note 15 - Tax

	2004	2003
Tax payable appears as follows		
Ordinary result before tax cost	10,706	9,977
Permanent differences	-200	-388
Change in temporary differences	-10,213	443
Received group contribution	-	1,923
Applied deficit to be carried forward	-293	-11,955
Basic tax payable	0	0
Tax payable on year's result (28 %)	0	0
Specification of basis for deferred tax:		
Differences that are set off:		
Fixed assets/long-term liabilities	-320	-606
Current assets/short-term liabilities	28,687	18,715
Other temporary differences	178	223
Total of temporary differences	28,545	18,332
Deficit to be carried forward	-10 298	-10 591
Total	18 247	7 741
Deferred tax/deferred tax advantage	5 109	2 167
The year's tax cost appears as follows		
Tax payable on the year's result	0	0
Gross change in deferred tax	-2,942	3,223
Tax on Group contribution	-	-538
Total tax cost for the year	-2,942	2,685
Periods for losses carried forward :		
2008	353,614	
2011	8,854,915	
2012	1,089,880	
Total	10,298,409	

The company's management believes that the conditions for stating the deferred tax advantage in the balance sheet are present at 31.12.2004. NOK 461, which is related to government grants, are entered under permanent differences. Contribution to government grants are entered as other operating expenses in the profit and loss account.



Rugged designs resist extreme climates and conditions. All industrial products are designed and manufactured according to relevant national and international safety and performance standards for the Oil & Gas market.

NOTES

Note 16 – Prepayment from customers


Of the advance payments received, NOK 56.5 million is tied up as a bank deposit. The amount is presented in the balance sheet under current liabilities and will be depreciated in step with invoicing of the contract. Earned but uninvoiced income on contracts comprises a total of NOK 122.6 million, of which NOK 79.5 million has been netted against advances.

Note 17 – Financial market risk

The company is exposed to credit, interest rate and currency risks in the course of its ordinary business, and it controls its risks so as to have an acceptable level of risk in these areas. Futures contracts are normally used to cover currency risks, however the company also has contracts where the currency risk is covered through provisions for exchange rate adjustments.

As at 31 December 2004 the company had open futures contracts for USD 0.8 million. New customers are credit-assessed and contracts with a payment risk are secured through an irrevocable credit. The company has interest-bearing debt with adjustable interest rates and hence is exposed to changes in short-term interest rates.

The net amount drawn on the overdraft facility as at 31.12.04 was NOK 22,908.



The industrial products division offers a wide range of gas and flame detectors, mainly for the oil & gas, upstream and downstream market. Downstream activities such as refineries represent a large potential to the company.



AUDITOR'S REPORT FOR 2004



KPMG AS
P.O. Box 7000 Majorstuen
Sarkedalsveien 6
N-0306 Oslo

Telephone +47 21 09 21 09
Fax +47 22 60 98 01
Internet www.kpmg.no
Enterprise 935 174 627MVA

To the Annual Shareholders' Meeting of Simrad Optronics ASA

AUDITOR'S REPORT FOR 2004

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Simrad Optronics ASA as of 31 December 2004, showing a profit of NOK 7 764 000. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements and the 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 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 auditing standards and practices generally accepted in Norway. Those standards and practices 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 accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices 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 have been prepared in accordance with law and regulations and present the financial position of the Company as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with the law and regulations.

Stavanger, 6 April 2005

KPMG AS

Stein Fosså

State Authorised Public Accountant

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only



KPMG AS is the Norwegian member firm of KPMG International,
a Swiss cooperative.

Statutsoplyste revisor - medlemmer av Det norske Revisorforbund

Offices in:

Oslo	Haugesund	Sandnessjøen
Bodo	Kristiansund	Stavanger
Ålesund	Larvik	Stord
Arendal	Lillehammer	Tromsø
Bergen	Idre i Rana	Trondheim
Elverum	Mo i Rana	Yaraberg
Finnset	Mo i Rana	Ålesund
Hamar	Sandnessjøen	

Simrad Optronics ASA

Ensjøveien 23B, P. O. Box 6114 Etterstad,
N-0602 Oslo, Norway
Telephone: +47 2266 6000
Fax: +47 2266 6001

www.simrad-optronics.com

Simrad Optronics ASA

New premises – September 2005:
Kabelgata 4B, Økern Næringspark
P. O. Box 174, Økern
N-0509 Oslo, Norway

Simrad Optronics Icare SA

792, Avenue de la Fleuride
P.O. Box 11061
13781 Aubagne Cedex, France
Telephone: +33 4421 80600
Fax: +33 4420 30119

Simrad Optronics Ltd

Hever, 7 Amberley Court, County Oak Way
Crawley, West Sussex, RH11 7XL, UK
Telephone: +44 1293 560 413
Fax: +44 1293 560 418