

## **Acquisition of Vinghøg AS**

# **Creating a world class defence products company**

11 December 2006

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- Simrad Optronics and Vinghøg are highly complementary companies
  - *Customer groups (same)*
  - *Products (no overlapping)*
  - *Expertise and technology (complementary)*
- The merger will create considerable synergies
- No redundancies
- International capabilities are reinforced
- Cooperation with external partners maintained
- The two companies merge from positions of strength

- NOK 460-480m revenue in 2006 (pro forma, excl. SO Fire & Gas)
- 2006 EBITDA of NOK 45-50m (pro forma)
- Production facilities in Oslo and Nøtterøy
- 132 employees
- Strong technology base
- Solid basis for international expansion
- Strong order backlog for 2007 (NOK 270m)

- Simrad Optronics ASA will pay NOK 320m for 100% of the shares in Vinghøg AS
  - *NOK 160m in cash*
  - *NOK 160m in new shares issued in Simrad Optronics*
- The cash part of the settlement is financed through a loan agreement with Nordea
- The new shares will be issued at a price 1% above the closing price at Oslo Børs on 11 December, not higher than NOK 11.50 per share\*
- Lock-in period for recipients of new shares
  - *1/3 of the shares tradeable after 1, 2 and 3 years respectively*

\*) The consideration shares will be issued at a price per share that is 1% above today's closing price per share on the Oslo Stock Exchange subject to a maximum of NOK 11.50 per share. Simrad Optronics has decided to demerge its Fire & Gas division to become an independent listed company under the name Simtronics ASA. The demerger will be carried out with effect from 1.1.2007 prior to completion of the acquisition of Vinghøg. Hence, the issue price and the maximum price of the consideration shares being fixed today, will be adjusted with the share price of the demerged company Simtronics ASA, based on volume weighted average share price for the Simtronics share the three first trading days after listing.

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- Established in 1950 and has evolved into a leading private supplier to the defence industry.
- Experience and solid expertise in the development and production of systems and individual products based on a combination of electro-optics and mechanical engineering.
- Has developed a strong and long-lasting position as a partner and supplier to the Norwegian armed forces and defence contractors, and has developed a close and successful relationship with Kongsberg Gruppen over a long period.
- Has experienced strong growth the recent years, and is well positioned for further growth both in Norway and internationally. The company has already secured contracts and LO's of about NOK 200m for delivery in 2007.
- 65 employees, 34% within R&D. A majority of key personnel have military officer background.

- **RWS Protector (17% of combined revenue)**
  - Developed by Vinghøg in collaboration with Kongsberg Defence and Aerospace (KDA).
  - Continuous collaboration with KDA in further development of the system.
  - Following elements supplied by Vinghøg:
    - Vingeye - CCD Camera
    - RWS-softmount – weapon mount
    - Vingsol – remote discharge mechanism
    - Cocking Actuator



- **Vingtaqs/projects (9% of combined revenue)**
  - Standalone module based system developed in co-operation with the Norwegian Defence.
  - Localises and identifies targets at long distances with high degree of precision.
  - Can be mounted on different vehicles.
  - Integrated laser-based target designator.
- **Weapon Improvement Systems (10% of combined revenue)**
  - Vingsol: Remote discharge mechanism. Used in the RWS
  - M2 Open Bolt: Improves performance of existing weapons
  - Softmount: Integration of weapons with vehicles or ground installations. Lightweight and recoil decreasing. Improves accuracy.
  - Tripod: Lightweight aluminium based tripod for rapid deployment of weapon systems on the ground.
  - Ringmount: Rapid integration of machine guns on light vehicles.



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## Comments

Market

- Overlapping customer groups (complementary products).
- Contractual collaboration (e.g. ISTAR, Soldier rearmament program).
- Broader combined market access and coordination of agent network.
- Development contracts for defence industry.

Expertise

- Complementary expertise (R&D, systems, customers, etc).
- Combined focus on customer support, training, maintenance and logistics.
- Reduced "time to market".
- Economies of scale within the organisation.

Area

## Comments

Products

- Complementary products (laser, electro-optical products, etc).
- Vinghøg has several systems where Simrad products could be integrated.
- Simrad Optronics is presently not a supplier to Vinghøg.

Further growth

- The combined entity will have increased strength for international expansion.
- Vinghøg has already initiated US establishment, which will also be the foundation for Simrad's expansion to the US.
- Excellently positioned with regard to coming re-purchase agreements.
- The combined entity should have increased attention in the financial markets.

Area

## Business description

- One of Norway's largest companies within the defence industry.
- 132 employees in total, strong R&D department.
- Offices in Oslo, Nøtterøy, UK, US (under establishment), world wide sales agent network.
- Significant combined order book and prospect list.
- Key products include remote tracking & surveillance systems, electro-optical products (day & night) and weapon improvement products.
- Key products:
  - Remote weapon systems
  - Target acquisition and surveillance system
  - Fire control system + Tripods/Softmounts
- Upcoming products: Ground laser target designator, perimeter camera, FCS for 40 mm AGL + various upgrades.

Name	Position
<b>Tore Amundsen</b>	<b>CEO, 59, MBA in Economics and Business administration and military background</b>
<b>Harald Lunde</b>	<b>COO, 37, BSc in business administration and military background</b>
<b>Jon Asbjørn Bø</b>	<b>EVP RWS Business area, 41, BSc Electrical Engineering</b>
<b>Roar Langen</b>	<b>EVP Marketing and Sales, 40, Army Military and Staff College</b>
<b>Erik Ellingsæter</b>	<b>EVP R&amp;D, 51, MSc Electrical Engineering</b>
<b>Trygve Egenes</b>	<b>EVP QA/HSE, 40, BSc Mechanical Engineering</b>
<b>Kristian Haneberg</b>	<b>CFO, 40, MBA in Economics and Business administration</b>

## Time schedule

	Date	Comment
Completion of the demerger of Fire & Gas	<b>2 Jan 2007</b>	
Extraordinary General Meeting	<b>3 Jan 2007</b>	<b>Approval of the issue of consideration shares</b>
Completion of the transaction	<b>approx. 15 Jan 2007</b>	

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<b>P&amp;L (mNOK)</b>	<b>2004</b>	<b>2005</b>
Revenues	98,1	158,5
COGS	(31,8)	(74,1)
Personell costs	(29,0)	(35,4)
SG&A	(26,4)	(19,1)
<b>EBITDA</b>	<b>10,9</b>	<b>29,9</b>
Depreciation	(3,7)	(2,8)
<b>EBIT</b>	<b>7,2</b>	<b>27,1</b>
Net financial items	(0,7)	(2,6)
<b>Net income before tax</b>	<b>6,6</b>	<b>24,5</b>
Tax (28%)	(1,6)	(6,2)
<b>Net income</b>	<b>5,0</b>	<b>18,3</b>

<b>Balance Sheet (mNOK)</b>	<b>2004</b>	<b>2005</b>
Intangibles (inc. Goodwill)	1,7	8,1
Fixed assets	9,6	7,1
Inventories	39,3	10,2
Accrued, not invoiced revenues	0,0	41,7
Receivables	17,9	35,4
Cash	11,0	11,2
<b>Total assets</b>	<b>79,5</b>	<b>113,8</b>
Equity	37,3	29,6
Other liabilities	2,8	1,6
Deferred Tax	1,5	6,4
LT interest bearing debt	0,2	0,0
ST interest bearing debt	7,4	30,0
Account payables	15,0	19,3
Tax payable	0,0	0,0
Other current liabilities	15,2	26,8
<b>Total equity and liabilities</b>	<b>79,5</b>	<b>113,8</b>

Note: Numbers shown are Norwegian GAAP. Will be changed to IFRS to reflect Simrad's accounting policy

- Simrad Optronics is a leading supplier of military and industrial electro-optical instruments.
- The company exports to more than 40 countries, and in 2005 sales outside Norway amounted to 77% of the company's turnover.
- Since it was established in 1948 Simrad Optronics has worked closely with the research units of the Norwegian armed forces and with users of military equipment.
- Through a combination of innovative research and development and diversification into new areas, Simrad Optronics has developed a range of new products that are world leaders in their areas.
- In 2005 Simrad Optronics' Defence and Security Division recorded sales of NOK 181.4m and an EBITDA of NOK 15.4m.
- Simrad Optronics Fire and Gas Division to be demerged by 1.1.2007.

## Measures for increased growth

- Increase international interest in LP10TL and FOI2000, primarily towards USA, selected countries in Europe and the Middle East.
- Follow up immediately agreement with American Defence International Inc. – will now begin presentations for potential customers in USA.
- Work to expand market access through cooperation arrangements.
- Focus long-term on various countries' special forces with close cooperation with users.



## Measures for improved profitability

- Achieve economies of scale through increased growth. Acquisition of Vinghøg is an important step.
- Several initiatives to strengthen project execution and management.
- Continue product development and product improvement to increase customer value and reduce unit cost.
- Focus more actively on reducing purchasing costs and improving purchasing coordination.