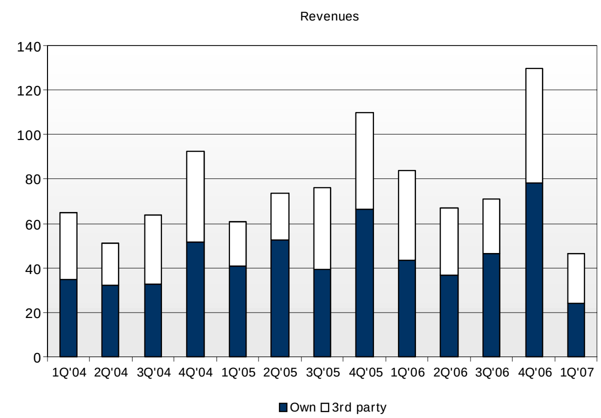
VMETRO Reports First Quarter 2007 Results

Highlights

- Revenues of MNOK 46.4 in 1Q07, down from MNOK 83.8 in 1Q06, a decrease of 45%
- EBIT was MNOK -26.3 in 1Q07 compared to MNOK 4.0 in 1Q06
- Sales of VMETRO products were MNOK 24.1 in 1Q07 compared to MNOK 43.3 in 1Q06
- VMETRO received orders totaling MNOK 80.4 in 1Q07, of which the most significant were:
    - MNOK 17.6 in Germany, and in addition VMETRO's subsidiary signed a master purchase agreement for 3rd party products due to run until the end of next year.
    - MNOK 5.0 in the US where VMETRO entered into a contract with a key US defense industry player.
- Order reserve of MNOK 84.2 up from MNOK 76.0 in 1Q06 and MNOK 50.2 in 4Q06
- As a consequence of the weak financial performance, at the end of March the company implemented actions to reduce its running fixed costs by 10%.
- Significant product released for the Recording & Storage product line

Financials

Revenues
Revenues in 1Q07 were MNOK 46.4, down from MNOK 83.8 in 1Q06, a decrease of 45%. The decline was primarily due to low market demand, especially in the US defense and aerospace market.



Gross margin
Revenues from VMETRO products equaled 52% of the total revenues in Q107, the same as for Q106. Gross margin for 1Q07 was MNOK 23.2 compared to MNOK 43.7 in 1Q06. The gross margin in Q107 was 50% compared to 52% in 1Q06. The decrease in gross margin was primarily due to lower margins on 3rd party products.

Operating expenses
Total operating expenses for 1Q07 were MNOK 49.5 compared to MNOK 39.7 in 1Q06, an increase of 25%. Operating expenses in 1Q07 included an extraordinary restructuring cost totaling MNOK 4.0.

As a consequence of the weak financial performance, the company has implemented actions to reduce its running fixed costs by 10% by reducing staff and operating expenses in order to achieve at least a break-even operating result in 2007. Operating expenses have been reduced mostly in areas not related to sales and product development.

Payroll and related expenses
Payroll and related expenses were MNOK 33.6 in 1Q07 compared to MNOK 28.0 in 1Q06, an increase of 20%. This increase was due to extraordinary

restructuring costs of MNOK 3.0 and a higher headcount in engineering.

Other operating expenses
Other operating expenses in 1Q07 were MNOK 12.8 compared to MNOK 9.7 in 1Q06, an increase of 32%. Increased other operating expenses are largely attributable to higher use of external consultants and other expenses in product development.

Capitalization of R&D expenses
Total capitalized R&D expenses in 1Q07 were MNOK 4.2 compared to MNOK 3.0 in 1Q06. Depreciation on capitalized R&D expenses was MNOK 1.4 which is an increase of MNOK 0.7.

EBIT
EBIT was MNOK -26.3 in 1Q07 versus MNOK 4.0 in 1Q06.

Financial items
Net financial items were MNOK 0.1 in 1Q07 compared to MNOK 2.9 in 1Q06. The decline is mainly due to increased interest expenses in connection with the bond issue of MNOK 200.0 that was established in May 2006.

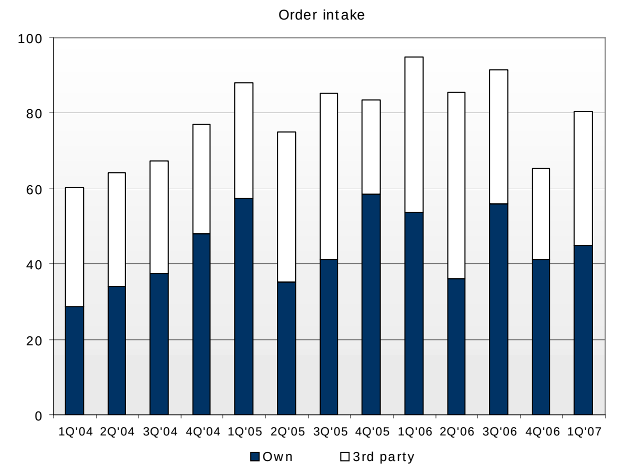
Net income
Net income was MNOK -26.3 in 1Q07 compared to MNOK 6.9 in 1Q06. EPS and fully diluted EPS were NOK -0.80, compared to NOK 0.21 respectively.

Liquidity and capital resources
The Company's net cash flow from operating activities was MNOK -14.9 in 1Q07 compared to MNOK 16.7 in 1Q06.

Cash and cash equivalents at the end of 1Q07 were MNOK 234.8. The Board of Directors is of the opinion that the company has satisfactory financial resources.

Order bookings and reserves
Order bookings in 1Q07 were MNOK 80.4 compared to MNOK 94.8 (-15%) in 1Q06, and MNOK 65.3 (23%) in the previous quarter.

The order reserve at the end of the first quarter was MNOK 84.2, up 11% compared to the end of 1Q in 2006.



Organization
At the end of 1Q07, the Company had 159 employees compared to 144 at the end of 1Q06.

As part of the cost savings exercise announced on March 27 this year, the company has taken actions to reduce its headcount by 19.

VMETRO product overview

Operating revenues generated from VMETRO products were MNOK 24.1 in 1Q07 compared to MNOK 43.3 in 1Q06 (-44%).

Embedded computing
Operating revenues generated from Embedded Computing were MNOK 10.0 (MNOK 19.5) in 1Q07, down 49% from 1Q06. Order bookings for the period were NOK 13.3 million (NOK 25.7 million), down 48% from 1Q06.

VMETRO has announced the first member of a family of analog I/O products for signal collection. These products will allow VMETRO to offer complete signal processing systems, without having to rely on 3rd party vendors. Additional products in this family are expected to be announced in 2Q07.

VMETRO also announced the development of a new family of products based on the VPX interconnect standard, to complement the current offering. Several of these products will be launched in 2007, and will position VMETRO as a stronger supplier in the high-end defense market.

Recording and data storage
Operating revenues generated from Data Recorders for 1Q07 were MNOK 5.9 (MNOK 4.4), up 34% from 1Q06. Order bookings for the period were MNOK 14.9 (MNOK 9.6 million), up 55% from 1Q06.

VMETRO launched the world's fastest recorder engine, based on the Phoenix M6000, in 1Q07. This product, combined with an expanded rugged storage portfolio, positions VMETRO as the leader in high-performance rugged recording solutions.

Other products
Operating revenues generated from Other Business segments were MNOK 8.2 in 1Q07 (MNOK 19.3), down 42%. Order bookings for the period were MNOK 16.8 (MNOK 18.5), down 9%.

VMETRO's Vanguard Express Analyzer has been named as one of the finalists in the 2007 EE Times ACE Awards for product of the year, confirming its industry leading performance.

3rd party product overview

Operating revenue generated from 3rd party products, which are mainly sold in the European market, was MNOK 22.3 in 1Q07, down from MNOK 40.6 in 1Q07, a decline of 45%. Bookings were MNOK 35.4 (MNOK 41.0), down 14%.

Market segment overview

USA
Operating revenues for 1Q07 were MNOK 16.4 (MNOK 30.4), down 46%. Order bookings were MNOK 28.8 (MNOK 40.9), down 30%. The US market continued to be weak in 1Q07. However, based on a strong sales pipeline the company expects the coming quarters to improve.

Europe and RoW
Operating revenues for 1Q07 were MNOK 30.0 (MNOK 53.4) down 44%. Order bookings were MNOK 51.6 (MNOK 53.9) down 4%. 52% of the 1Q07 revenue came from VMETRO products which are on the same level as last year. Based on increased order bookings and a strong sales pipeline, the company expects, for the year as a whole, a similar development in these markets as in the US.

Shareholder related issues

As of April 12, 2007, the total number of outstanding shares was 22 982 080. The company held 195 801 shares as treasury stock.

The VMETRO share has been traded in the range of NOK 18.00 – 27.40 during 1Q07. The closing price at March 30, 2007, was NOK 18.80. As of March 31, 2007, a total of 4.1 million VMETRO shares, compared to 5.8 million in 1Q06, were traded at the Oslo Stock Exchange. At that point in time, VMETRO had a total of 845 shareholders while approximately 7% of the company's shares were foreign owned.

	Shares :	Owner share:
FOLKETRYGDFONDET	2 169 300	9,4 %
SKAGEN VEKST	1 500 000	6,5 %
FERD AS	1 500 000	6,5 %
ODIN NORGE	1 129 650	4,9 %
IGLOO AS	1 094 090	4,8 %
ELIMA AS	1 094 090	4,8 %
XL A/S	1 093 990	4,8 %
JPMORGAN CHASE BANK CLIENT	1 048 000	4,6 %
FLUMEN AS	1 044 090	4,5 %
ODIN NORDEN	963 700	4,2 %
HOME CAPITAL AS	871 700	3,8 %
TERRA NORDEN VPF	753 100	3,3 %
VERDIPAPIRFONDET KLP	611 459	2,7 %
AVANSE NORGE (II) VPF	607 093	2,6 %
TERRA VEKST VPF	602 300	2,6 %
TERRA NORGE VPF	454 380	2,0 %
VERDIPAPIRFONDET DAN DANSKE FUND NORGE	441 600	1,9 %
TANJA A/S C/O INVESTORFORVALTN	348 000	1,5 %
MP PENSJON	329 800	1,4 %
HOLBERG NORGE V/HOLBERG FONDSFORVA	285 000	1,2 %
TOTAL 20 LARGEST	17 941 342	78,7 %
OTHERS	4 844 937	21,3 %
TOTAL	22 786 279	100 %

Outlook

The company will actively pursue its strategy of adapting its existing technology to new markets to become less dependent on the defense and aerospace industry. In addition, VMETRO will continue to explore the option of acquiring companies with complementary technology to add value through technology and sales distribution capabilities.

The unsatisfactory results in 1Q07 were caused by both weak operational performances and lower than expected market demand. As a consequence of the negative results, the company reduced its running fixed costs by 10% at the end of March. It is considered as critical for the company to expand its product portfolio within the growth areas of Embedded Computing and Recording & Data Storage. Therefore the recent cost reduction was structured to limit the impact on current product roadmap and sales capabilities. These actions have been implemented in order to ensure at least a break-even operating result in 2007.

The 1Q07 result was the worst ever for VMETRO. However, due to the good sales pipeline both in the USA and Europe, several new product launches, new market expansion as well as organizational realignments, the Board anticipates that VMETRO can achieve a break-even result for 2007 and with strongly improved profitability going forward.

Oslo, April 24, 2007

The Board of Directors
VMETRO ASA

Tore Engebretsen
Chairman
(sign.)

PROFIT AND LOSS

MNOK	1st quarter 2007	2006	Per 31 December 2006
Operating revenue	**46.4**	**83.8**	**351.1**
Cost of goods sold	23.2	40.1	172.0
Payroll expenses	33.6	28.0	102.1
Other operating expenses	12.8	9.7	37.8
Depreciation	3.1	2.0	9.9
Operating result	**-26.3**	**4.0**	**29.3**
Net financial items	0.1	2.9	-2.4
Profit before taxes	**-26.2**	**6.9**	**26.9**
Taxes	-7.8	2.1	8.7
Profit after taxes	-18.4	4.8	18.2
Minority share	-0,1	-	-0.1
Profit after taxes	**-18.3**	**4.8**	**18.1**
Earnings per share (NOK)	-0.80	0.21	0.79
Diluted Earnings per share (NOK)	-0.80	0.21	0.79

BALANCE SHEET

MNOK	Per 31March 2007	2006	Per 31December 2006
Intangible fixed assets	170.2	149.7	171.4
Tangible assets	9.8	9.6	9.9
Other long-term receivables	0.3	0.2	0.3
Other fixes assets	1.8	1.7	1.8
Total fixed assets	**182.1**	**161.2**	**183.4**
Inventory	40.6	32.1	40.9
Accounts receivables	45.1	57.3	80.8
Other short-term receivables	8.1	9.5	7.8
Cash and cash equivalents	232.8	138.5	254.5
Total current assets	**326.6**	**237.4**	**384.0**
Total assets	**508.7**	**398.6**	**567.4**
Paid-in equity	141.4	141.4	141.4
Other equity	101.6	120.7	127.2
Minority interest	0.8	0.6	0.8
Total equity	**243.8**	**262.7**	**269.4**
Bond Issue	198,7		198.6
Other long-term liabilities	27.4	70.2	28.0
Total long-term liabilities	**226.1**	**70.2**	**226.6**
Accounts payable	24.4	22.2	42.5
Other current liabilities	14.4	43.5	28.9
Total current liabilities	**38.8**	**65.7**	**71.4**
Total equity and liabilities	**508.7**	**398.6**	**567.4**

Key figures per quarter (MNOK)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Operating revenue	46.4	83.8		66.9		70.8		129.6
Operating result	-26.3	4.0		0.3		4.4		20.6
Profit before taxes	-26.2	6.9		1.5		0.7		17.9

Result per main regional market – as of March 31, 2007 (MNOK)

	North-America		Europe		Rest of the World		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Operating revenue	16.4	30.4	26.8	46.6	3.2	6.8	46.4	83.8
Operating result	-13.2	0.7	-8,6	2.3	-4.5	1.0	-26.3	4.0
Non allocated items:								
Net financial items							0.1	2.9

Cash Flow Statement (MNOK)	**First Quarter 2007**	**First Quarter 2006**
Net cash flow from operational activities	-14.9	16.7
Net cash flow from investment activities	-6.2	-4.1
Net cash flow from financing activities	0.7	0.1
Net cash flow for the period	-20.4	12.7
Effect of exchange rate changes on cash	-1.3	-0.5
Cash at beginning of the period	256.3	128.1
Cash at end of the period	234.6	140.3

Change in Equity (MNOK)	**Per March 31 2007**	**Per March 31 2006**
Equity at beginning of period	269.4	262.2
Period's result after minority interest	-18.4	4.8
Conversions differences/elimination	-7.3	3.5
Minority interest	0.1	0.1
Equity at end of period	243.8	240.5

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