

An aerial photograph of a glacier system with a small boat in the water. The glacier is white and textured, with a dark blue-green water channel running through it. A small boat is visible in the distance on the right side of the water channel. The overall scene is captured from a high angle, showing the intricate patterns of the ice and the surrounding water.

# ANNUAL REPORT 2014



**BLOM**  
IMAGING THE WORLD





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## KEY FIGURES GROUP

(Amounts in NOK 1,000)

	IFRS 2014	IFRS 2013*	IFRS 2012	IFRS 2011	IFRS 2010
<b>Turnover:</b>					
Operating revenue	<b>234,138</b>	219,695	265,146	288,629	596,848
<b>Profit/loss:</b>					
EBITDA	<b>15,270</b>	44,380	49,484	-57,793	-35,219
EBIT	<b>7,290</b>	-42,093	12,028	-138,158	-416,107
Profit/loss from continuing operations	<b>5,729</b>	-52,388	-21,265	-267,915	-564,957
<b>Capital:</b>					
Plant, property and equipment	<b>24,969</b>	22,471	100,419	167,087	352,537
Current assets	<b>122,953</b>	172,933	325,656	419,692	455,757
Equity	<b>74,656</b>	56,256	40,870	-194,408	107,853
Current liabilities	<b>67,915</b>	125,409	300,928	379,787	636,009
Non-current liabilities	<b>5,351</b>	13,739	84,277	401,400	64,432
Total assets	<b>147,922</b>	195,404	426,075	586,779	808,294
<b>Margins:</b>					
Net operating margin (%)	<b>3.1</b>	-19.2	4.5	-47.9	-69.7
Net profit margin (%)	<b>2.4</b>	-23.8	-8.0	-92.8	-92.4
<b>Profitability:</b>					
Total return on equity (%)	<b>3.3</b>	-19.9	-10.2	-44.9	-55.2
Return on net capital (%)	<b>8.8</b>	-107.9	N/A	N/A	-140.3
<b>Financial strength:</b>					
Equity ratio (%)	<b>50.5</b>	28.8	9.6	-33.1	13.3
<b>Liquidity:</b>					
Current ratio	<b>1.8</b>	1.4	1.1	1.1	0.7
<b>Key figures per share:</b>					
Profit/loss from continuing operations	<b>0.57</b>	-5.20	-101.82	-1.50	-13.58
Cash flow	<b>1.36</b>	3.38	77.52	-1.05	-4.20
Dividends	<b>0.00</b>	0.00	0.00	0.00	0.00

**Net operating margin**

EBIT x 100 / operating revenue

**Net profit margin**

Profit/loss after tax x 100 / operating revenue

**Total return on equity**

Profit/loss after tax x 100 / average equity

**Return on net capital**

(Pre-tax profit/loss + financial expenses) x 100 / average total assets

**Equity ratio**

Equity x 100 / total assets

**Current ratio**

Current assets / current liabilities

\* 2013 With correction for discontinued operations

## REPORT BY THE CEO



In 2014, the company has centered its focus and resources on sustaining and further developing profitable operating segments. The company's main business is now centred in the Nordic countries and the UK, where the company has gradually built up a strong market share.

Increased consolidation of resources combined with efforts targeting specific products and customer segments have generated growth, improved margins and more reliable earnings.

The Group's revenues from continuing operations totalled NOK 234.1 million in 2014, compared with NOK 219.7 million in 2013. EBITDA for 2014 amounted to NOK 15.3 million with a margin of 6.5 percent, compared with EBITDA of NOK 44.4 million and a margin of 20.2 percent in 2013. The comparative EBITDA amount for 2013 excluding non-recurring items totalled NOK 20 million, with a margin of 9.2 percent as of 31 December 2013. Operating profit for the Group stated as EBIT totalled NOK 7.3 million in 2014, compared with an operating loss of NOK 42.1 million in 2013. The company had a balance sheet total of NOK 147.9 million in 2014, and an equity ratio of 50.5 percent. The company does not have interest-bearing debt. The profit/loss reported by the business that was sold in Romania, and the Spanish subsidiary Blom Sistemas Geoespaciales SLU, which is under discontinuation, is reported as discontinued operations.

In order to achieve further improvements to profitability in the years to come, Blom aims to focus on niche markets where the company has a competitive edge, or where there is the potential to develop new business models over time based on services of a more repetitive nature, allowing for more predictable earnings and margins for the company.

As an integral part of Blom's strategy to develop new operating segments, the company signed an agreement for the delivery of airborne sensor services involving a major programme for ice surveillance in the Kara Sea. In 2014, revenues and margins from the project have been satisfactory and according to budget. The contract for 2015 was cancelled due to political sanctions against Russia. The company aims to target the further

development of its competencies related to surveillance in Arctic regions. Despite the cancellation, the contract is important confirmation for Blom that the company is able to adapt and make use of its competencies in new markets.

The company has also entered into an agreement with a leading supplier of geographic information, and shall participate in the development of a new orthophoto database covering vast parts of the European continent. The entire programme is scheduled for completion by the end of 2017. Blom holds the rights to the database, which could potentially generate future earnings both from resale and via the development of value-generating systems using this data alone or in combination with other data.

The business in the UK has reported a positive increase in turnover and a satisfactory profit for the year. Incoming orders for 2015 have also been satisfactory. Subsequent to an aggressive reorganisation, the business in the UK has developed new and exciting services targeting charting activities for future maintenance of infrastructure in the UK. The company aims to further develop our services on this market. We are confident that the company's expertise can lay the foundations for long-term customer relationships within this market segment. We therefore hope to generate new long-term opportunities for earnings on a new market, based on our existing expertise.

The company follows a strategy targeting further development of new products and services in order to enhance value generation both for the company's existing and new customers within our current markets. We would like to take this opportunity to thank all our customers for their loyalty to the company throughout 2014, and can guarantee that we will continue to do our utmost to grow and improve based on our customers' trust in us.

Dirk Blaauw has after 11 years of service for Blom, chosen to leave the company. As acting CEO of the Blom Group, I wish to express my gratitude for his efforts and hard work through a period of rapid changes both in technology and markets.

The company, represented by all its employees, has displayed a unique capacity for change, and this affords us the confidence to believe that 2015 will also be an exciting year for the company. I would also like to take this opportunity to thank all my colleagues for their hard work in the past year.

Kind regards, Nils Karbo

# BLOM INTRODUCTION





## THE COMPANY'S VISION AND STRATEGY

### VISION

Blom's ambition is to be one of the leading players in the field of geographic information in Northern Europe. Blom shall create a competitive edge through innovation, technology and unique skills and expertise.

Blom offers solutions and services in the field of geographic information to customers and partners in order to increase the efficiency of work processes and provide added value to customer solutions.

### GOALS

Blom shall become known as a leading and recognised international company that supplies products and services to suit the customer's needs. This will help engender a dynamic customer-orientated product development in which Blom's products and services are continuously developed. In conjunction with the innovative use of new technology, this will contribute to achieving profitable growth and strengthen the company's uniqueness and shareholder value.

The company shall develop and supply services based on geographic information for the public and private market. The company's primary markets are in Europe, but it shall be possible to undertake defined projects all over the world.

Profitable growth shall be implemented through the further development of the company's services via close dialogue with the company's customers and partners. To achieve this, the company shall grow organically, while also expanding through acquisition or other structural measures.

The company's profitability shall be continually improved through the development of innovative and scalable solutions. In conjunction with other efficiency measures this shall contribute to increasing the company's competitive edge.

The company's goal is to have a good reputation. This shall be assured through an ethically and socially sound business plan. The company shall have a strong and clear environmental profile.

### STRATEGY

Important measures for achieving the goals are, for example:

#### *Market*

Blom has defined a set of market segments and core customers in which the company's position and presence shall be secured. Long-term customer relationships shall be developed here through a close partnership. We will develop new innovative services together. Proximity and close collaboration shall ensure growth and customer satisfaction.

Blom works continuously to develop its sales and marketing apparatus so that it effectively supports customers' changing needs. The alliance partners contribute to creating new solutions in various areas.

Blom wins assignments and market shares through its good reputation and high level of customer satisfaction. This requires continuous focus on providing quality in products and services. The company works actively to identify attractive new segments in which Blom's solutions and expertise can be harnessed to strengthen the customer's solutions and competitive edge.

#### *Growth and change*

In order to achieve increased profitability the company must fulfil expectations regarding profitable growth. This will be accomplished through working closely with customers in order to improve products and solutions. The company works actively to identify new segments in which the company's solutions are able to provide added value, either on their own or closely integrated with other products and solutions.

Acquisition and structural changes may be necessary to secure the company's market position.

#### *Skills and innovation*

Knowledge, skills and experience are some of Blom's most important competitive advantages. Blom shall emphasise skills development in new and exciting projects. Thus, Blom seeks to offer its employees attractive and challenging work tasks. This engenders enthusiasm for innovation.

### *Product and technology development*

Technology development and innovation are key to Blom's product strategy. The company annually invests a considerable proportion of its turnover in developing and improving new products, services and databases based on defined market needs.

Blom's product development involves the use of new technology for collecting, processing and distributing geographic information. This also includes the use of new sensors, establishment of new databases and value enhancement of data.

### *Social responsibility and ethics*

The company works actively to comply with business-ethical guidelines associated with social responsibility and the natural environment. These are fundamental elements necessary to develop a sustainable and profitable business culture in which the needs of employees are also taken into account.

### *Financial strategy*

The company shall focus on strong and profitable growth that provides room to manoeuvre financially. The financing of growth and structural changes shall primarily be based on own earnings and the release of capital. The company shall endeavour to observe the accounting guidelines in all countries in which it operates and it is an objective of the company to continuously improve its predictability and reduce risk.

## THE COMPANY'S MARKETS

Blom is a leading European supplier of geographic information. Our customers include public sector enterprises and private industry. The company supplies a wide range of adapted map and geographic products and services.

Blom also supplies tailored solutions to suit the customer's requirements. This ensures that the company's products and services are being continuously developed. Customer-adapted product development ensures a loyal customer base.

Blom's strength lies in the skills and expertise of its employees and the company's loyal customer base.

*Blom's products and services fall into the following principal areas:*

- Map and 3D modelling
- LiDAR / laser scanning
- Aerial photography (orthophoto, oblique imaging)
- Street images
- GIS services
- Web-based geo-server services (BlomURBEX™)

*Blom supplies services and products across the whole value chain. The value chain includes:*

- Data acquisition (photography and laser scanning)
- Processing of geographic information
- Map and model production
- Analysis (GIS)
- Web services
- Supply (online and offline)

*Blom produces a wide range of geographic data and models for various customers, depending on needs and requirements. Blom's primary customer segments are:*

- Defence & Security
- Resources & Environment
- Government & Public Administration
- Utilities & Infrastructure
- Web & Mobility Solutions

Blom supplies its solutions as independent products and services, or in a manner that permits integration into the customer's systems.

### DEFENCE AND SECURITY

Defence organisations are important users of digital maps and thus represent an essential market segment for Blom. Blom supplies mapping and modelling services

to several NATO countries. Factors such as knowledge of local areas, handling of sensitive information, event management and coordination of regional service operators are crucial in the supply of services to these types of customers.

Blom's library of geographic data enables the implementation of strategic dashboards that support assignment planning, monitoring and coordination of territorial activity. All monitoring of this nature can be undertaken with both static and mobile objects. Blom's library includes whole countries and covers large urban areas. The data comprises orthophoto and oblique photos supplied in varying degrees of detail, typically between 4 cm and 50 cm.

Blom's emergency and security systems include, for example, oblique photos to assist operators at emergency call centres such as 112. Operators use Blom's oblique aerial photos, BlomOBLIQUE™ for navigation purposes and to gain the most optimum overview of an area. This enhances the operators' decision-making processes in critical situations and enables better planning. Blom's oblique photography is integrated into the emergency call centre's applications and provides instant visual information on the location from which the call was received, area, length and height. This makes it easier for emergency operators to evaluate a situation and direct emergency vehicles and rescue personnel to and at the accident scene.

To monitor ice and icebergs in Arctic regions, Blom can supply ice-mapping and ice-detection services. This is achieved through the utilisation of innovative, airborne radar technology (SAR) and advanced analysis of detailed ice information in virtually real time. This enables oil companies, for example, to operate with a large degree of safety, even in waters containing major ice obstacles.

### RESOURCES & ENVIRONMENT

Blom's airborne sensors and modelling services can be used to monitor and analyse the effects of environmental changes to the landscape, such as in flooding or soil erosion. The growth patterns of vegetation can also be monitored and analysed to assess growth in forestry and agriculture. These are, for example, used in the preparation of forest plans.

Blom develops databases with information from a combination of aerial photography and laser scanning in order to produce data on terrain. This could be information on landform, snow volumes and vegetation, for example.

Flood modelling systems and forest management tools are examples of value-enhancing services that Blom offers based on the company's models and information databases. Environmental agencies and

private companies, including forest managers, use Blom's information database in their information systems and applications to make commercial and management decisions.

### **GOVERNMENT & PUBLIC ADMINISTRATION**

Blom supplies various products and solutions to the public sector. Utilising modern geographic information integrated into case-handling systems contributes to improved and more efficient case handling. Services include, for example, data collection and preparation of maps and models, cadastral maps and property databases. Cadastral maps facilitate the efficient management of real estate and are a basis for any financial development and growth.

Blom also supplies oblique imaging from aircraft and street images that permit accurate measurements to be taken, as well as the importation of own data (vector data). This helps municipal and county council case workers to work more efficiently, reduces the need for physical inspections and generally increases the quality of case handling.

### **UTILITIES & INFRASTRUCTURE**

Blom supplies various products and solutions to both new projects and for ongoing infrastructure maintenance.

In the case of energy companies and railway companies, this could be in the planning of new line corridors/route alignments, digitisation, photographing and maintenance of existing networks.

In respect of energy companies, the digitisation and photographing of line corridors will contribute to improved and more systematic maintenance planning. In the case of new lines, it will be possible at the planning stage to simulate impact assessments for the different choices of route.

For infrastructure and roads, it will be possible to plan new routes and sites, as well as scan and photograph the progress of projects. This will help ensure better control and monitoring of progress.

Blom's solutions enable monitoring and maintenance of critical infrastructure (i.e. gas pipelines, transmission lines, railways, mines, roads and airports). Blom's techniques include the use of helicopters and planes for laser scanning and photography. The results provide high level accuracy and richness in detail.

The ongoing development of mobile communications requires investments in network infrastructure. Such investments are crucial to successful deployment. To enable geographic analyses for planning, maintenance

and optimisation of different communications networks, Blom offers, for example, digital surface models (DSM). Various public and private players involved in city planning and infrastructure are currently some of the most important sectors using Blom's oblique photo database. This includes public bodies, energy companies and waterworks, as well as engineers and contractor operations. The geographically referenced data helps achieve a greater level of accuracy at the planning stage.

Developers of water/sewage networks and power grids actively work to increase efficiency. Utilising Blom's solutions contributes to more effective planning of network expansion or maintenance of existing networks. Blom's oblique photos provide access to information that would otherwise have been difficult to obtain without being physically present at the location.

### **WEB & MOBILITY SOLUTIONS**

Blom supplies map data, services and solutions to various web portals for commercial and public use. This includes different types of maps, street and aerial photography, as well as 3D models. Blom supplies unique content and online services for use in geographic search services, web-based map solutions and catalogue services.

Blom's images and 3D models enable service providers to improve the user's experience and offer realistic online experiences. The company's customers are looking to increase traffic on their websites by offering unique content, including high quality images and models from Blom.

Estate agents must be able to present properties as effectively as possible to potential customers and partners. Blom offers a unique way in which to present a property's qualities. As well as supplying high-resolution oblique photos and 3D models of a property or area, Blom also provides tools that permit users to measure, for example, a building's height, area or distance from the nearest park, railway station, school, etc. These tools also permit interactive tourist guides in which users may travel to a destination virtually, or find the distance between interesting monuments, hotels, etc. It is expected that the modern tourist will increasingly demand such tools.

Blom supplies information to be used to develop these 3D experiences and offers unique aerial images and 3D models covering cities throughout Europe. Blom's data permits users to easily zoom in to a level of detail that was previously unavailable, and which makes it possible to see minor details on building façades and other objects at ground level.

Smartphones with integral GPS have now become "everyday fare" in the telecom industry. This has

resulted in increased focus on location-based services (LBS). Blom's platform for LBS provides users with online access from any device to Blom's own online server, BlomURBEX™. BlomURBEX™ permits data and pictures relevant to the user to be downloaded directly or streamed via PC, Mac, tablet or smartphone.

**BLOMURBEX™**

BlomURBEX™ is Blom's own geographic database in which aerial images and models are accessible. Through BlomURBEX™, Blom develops and offers new products and services based on the company's unique content, as well as content and services offered by our partner networks.

In several of the markets in which Blom operates, customers want access to geographic information as an online service. The BlomURBEX™ platform can provide products and services both offline and online. BlomURBEX™ has a set of tools that make all content available on different platforms and in various applications. These tools support reliable, simple and fast integration with the customers' end-user applications and enable direct access to large amounts of information and data models in BlomURBEX™.

The tools in BlomURBEX™ support reliable, high performance applications for the public sector market, business market, as well as the large-scale consumer market, for navigation and location-based services. Integration tools such as plugin modules, development toolboxes and programming interfaces are available to the majority of software developers and system integrators. BlomURBEX™ is a state-of-the-art and forward-looking platform created to serve emerging markets, within everything from defence and security (including private security), finance and insurance, to media, telecom, transport and infrastructure.

# FINANCIAL ANALYSIS



## FINANCIAL ANALYSIS

### PROFIT AND POSITIVE CASH FLOW

In 2014, the company has centred its focus and resources on sustaining and further developing profitable business. At the same time, the company has sought growth opportunities by exploiting existing expertise within new operating segments.

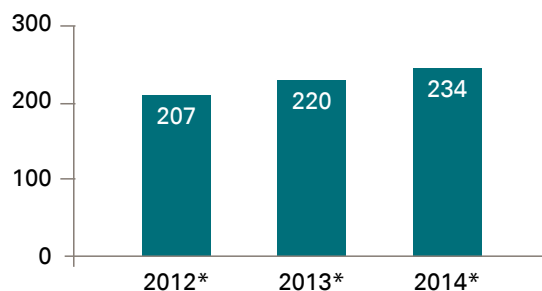
The company's comprehensive reorganisation programme is now reaping benefits. The reduced cost base, measures to reduce geographic exposure and more focused operations have gradually shown positive effects. The company's main business is now centred in the Nordic countries and the UK, where the company has gradually built up a strong market share. The sale of the Romanian subsidiary was concluded in the first quarter of 2014, and the company now only has a limited commercial exposure in Eastern Europe. In 2014, the company also further downscaled its activities in Iberia, with the closure of its subsidiary. Increased consolidation of resources combined with efforts targeting specific products and customer segments have generated growth, improved margins and more reliable earnings from the company's main business.

With a positive growth in turnover and improved profitability in 2014, the company's results are satisfactory. Initiatives implemented by the company to improve profitability have in principle been executed. Group revenues from continuing operations totalled NOK 234.1 million in 2014 compared with NOK 119.7 million in 2013, including an adjustment for the sale of intangible assets of NOK 20.0 million. EBITDA for 2014 amounted to NOK 15.3 million with a margin of 6.5 percent, compared with EBITDA of NOK 44.4 million and a margin of 20.2 percent in 2013. EBITDA for 2013 included a positive non-recurring item of NOK 44.2 million. Operating profit for the Group stated as EBIT totalled NOK 7.3 million in 2014, compared with a loss of NOK 42.1 million in 2013. The operating loss reported in 2013 included a negative non-recurring item of NOK 10.8 million. The company had a balance sheet total of NOK 147.9 million in 2014, compared with NOK 195.4 million in 2013.

The result reported by discontinued operations is presented on a separate line in the total profit/loss item.

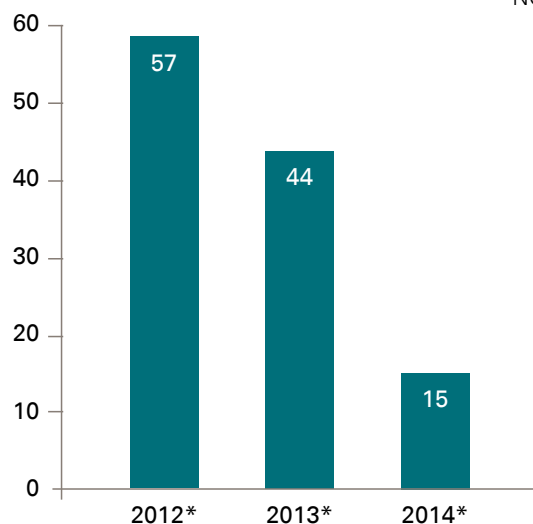
### REVENUE FOR 2012-2014

(Amounts in NOK 1,000)



### EBITDA FOR 2012-2014

(Amounts in NOK 1,000)



\* With correction for discontinued operations

### MARKET

The company will continue to focus on niche markets where the company has a competitive edge, or where there is the potential to develop new business models over time based on services of a more repetitive nature. This will provide more predictable earnings and margins for the company over time.

The company's agreement with Viking Supply Ships AS (VSS) regarding delivery of airborne sensor services is one element of a major programme for ice surveillance in the Kara Sea. In 2014, revenues and margins from the project have been satisfactory and according to budget. As a result of the political sanctions against Russia, Viking Supply Ships AS cancelled its order for 2015 in November 2014. The economic consequences of the cancellation have been clarified by both parties. For Blom, the contract is

important confirmation that the company is able to adapt and make use of its competencies in new markets.

An increase has been planned in drilling and petroleum activities in Arctic waters, in addition to an increase in various types of environmental surveillance. Based on its experience and competencies, the company will seek to further develop the market for various charting services in Arctic waters.

In 2014, the company entered into an agreement with a leading supplier of geographic information. The agreement forms part of a global programme where the company participates in the development of a new orthophoto database covering vast parts of the European continent.

Blom holds the rights to the database, which could potentially generate future earnings both from resale and via the development of value-generating systems using this data alone or in combination with other data.

Within the Nordic segment, the Swedish business has displayed a successful capacity to develop new operating segments with an increased focus on specific customer segments and changes to product range. Additional initiatives to achieve further development of new operating segments have been planned for 2015.

In recent years, certain major customer segments in Norway have seen a decline in volume in addition to reduced prices. The company has implemented a number of measures to reduce costs in order to sustain its market position. In 2014, the company's market share has grown when compared with 2013, but at lower margins. Sections of the Norwegian market are showing a price level that is not sustainable over time, and the company expects to see a price correction.

Within the Mid-Europe segment, the businesses in the UK have reported increased revenues when compared with 2013, combined with improvements to efficiency, resulting in total in improved margins. At the start of 2015, the order backlog is good and the company forecasts further positive growth. The company has been awarded a number of important contracts to chart motorways and the railway network. The services provided by the company play an important role in increasing the efficiency of future maintenance work on infrastructure. The company aims to further develop these services in the UK, while also evaluating opportunities to offer similar services in the Nordic countries.

Throughout 2014, the company has made further reductions to its geographic exposure via the sale and

discontinuation of businesses. Despite an improvement in profitability from underlying operations as a whole for the company, there remains significant room for improvement in future results. The company is therefore focusing on the development of products and services to increase value generation for the company's customers.

#### **KEY ACCOUNTING PRINCIPLES**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the basis of historical cost, with the exception of financial instruments that are measured at market value. The preparation of financial statements in accordance with IFRS requires the use of estimates. In addition, the application of the company's accounting principles requires that the management exercise judgement.

Estimates and discretionary assessments are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are regarded as probable under the current circumstances. The Group prepares estimates and makes assumptions concerning the future. The most important evaluations for Blom ASA are related to the calculation of deferred tax assets, recognition of revenue from projects, and provisions for receivables and liabilities.

#### **REVENUE**

The Group's revenues from continuing operations totalled NOK 234.1 million in 2014, compared with NOK 219.7 million in 2013. To improve the company's profitability under the prevailing market conditions, Blom has focused on market niches in which the company has a competitive edge, and on geographic regions that have an increasing need for the company's products and services.

Operating revenue for 2014 and 2013 has been adjusted to include discontinued operations.

#### **FINANCIAL EXPENSES**

Net financial expenses totalled NOK 0.8 million in 2014, compared with NOK 9.9 million in 2013. Subsequent to the conversion of interest-bearing bond debt in 2013, the company has limited interest-bearing debt, primarily attributable to leasing contracts.

#### **TAX**

The company did not carry deferred tax assets on the balance sheet as at 31 December 2014. Deferred tax assets related to tax loss carry forwards that are not in the balance sheet totalled NOK 106 million as at 31 December 2014, See Note 9.

**INTANGIBLE ASSETS**

Goodwill is the difference between the acquisition cost for the acquisition of a business and the fair value of the net identifiable assets in the business at the time of the acquisition. Goodwill from the acquisition of subsidiaries is treated as an intangible asset. Goodwill is tested annually for impairment in value, and is recognised at acquisition cost less accumulated write-downs. In 2011, the company carried out a total write-down of goodwill and therefore does not carry goodwill on the balance sheet.

Patents and licenses are recognised at historical cost. Patents and licences have a limited economic life and are recognised at historical cost less accumulated amortisation. Patents and licences are amortised according to the straight-line method over their expected life (3-10 years).

**SEGMENT INFORMATION**

As a result of the introduction of IFRS 8 on 1 January 2009, the company implemented segment reporting according to prevailing operating segments. The Group's continuing operations for 2014 have been reported primarily in three segments: Nordic, Mid-Europe and Eastern Europe – all separate cash flow generating units.

**PROVISIONS FOR RECEIVABLES**

The provisions for potential losses on receivables are based on the management's discretionary assessment of potential future losses on receivables from customers. The company's customers are primarily municipalities, government agencies and companies or institutions where municipalities or government agencies have a dominant influence. The company considers the risk of potential future losses from this type of customer to be low. The company has earmarked provisions for potential losses on specific customers and evaluated the size of the potential loss.

As at 31 December 2014, the company has provisions of NOK 0.1 million for potential future losses on specific trade receivables.

**FOREIGN CURRENCY AND INTEREST RATE CONDITIONS**

The company is somewhat exposed to fluctuations in foreign exchange rates, since substantial revenues are in foreign currencies other than NOK, primarily EUR and GBP. The company has relatively large operative subsidiaries in four European countries, one of which uses the Euro and one which has GBP as their functional currency, while the two remaining subsidiaries use two different functional currencies.

The company has certain investments in foreign subsidiaries, where net assets are exposed to foreign currency translation risk.

The company focuses on reducing any foreign currency risk associated with cash flows, and does not focus on reducing the foreign currency risk associated with assets and liabilities. The subsidiaries in general have revenue and expenses in the same currency, and this substantially reduces the Group's cash flow exposure to a single currency. The Finance Department is responsible for assessing the need for and any hedging of currency risk. In 2014 the company did not find it necessary to make use of forward contracts to hedge cash flows against currency risk.

The company is also exposed to fluctuations in interest rates for the company's interest-bearing debt and cash and cash equivalents. The Group's interest rate risk is associated with long-term loans and financial leasing. Most of the company's interest-bearing debt has a floating rate of interest. The company has not made use of interest rate swaps or other financial instruments.

**LIQUIDITY AND CAPITAL STRUCTURE**

The Group had NOK 51.4 million in liquid reserves from continuing operations at the end of 2014, compared with NOK 42.7 million at the end of the previous year. Restricted bank deposits totalled NOK 3.5 million and total available liquid reserves were therefore NOK 47.9 million.

Liquidity is monitored weekly and monthly by means of rolling cash flow forecasts from the subsidiaries, and these forecasts also form the basis for continuous placements of excess liquidity. If the company were to find itself in a situation in which its operations do not generate adequate liquidity during certain periods, the company will seek to improve its liquid reserves by the sale of assets and/or taking on additional debt and/or increasing the company's share capital.

With a view to the company's net available liquid reserves of NOK 47.9 million, the spring will be the period of the year in which liquidity is lowest since seasonally it is the period of the year when the highest amount of working capital is tied up. During this period, the company has a low level of liquid reserves for unforeseen events.

As a result of the comprehensive reorganisation programme, the company's assets were subject to significant depreciation and write-downs in 2013, and the company's bond debt was converted to equity. The result for 2014 combined with improvements to cash flow have secured the company a stronger balance sheet. The company has a sound platform on which to achieve profitable growth, and the businesses in the Nordic countries and the UK have a positive outlook for profitable operations in 2015.

Accordingly, the company considers its liquidity to be adequate.

The composition of non-current liabilities and current interest-bearing liabilities is described in Note 8.

#### **EQUITY**

Blom has an equity ratio of 50.5 percent as at 31 December 2014, compared with 28.8 percent as at 31 December 2013. In 2013, the company's total outstanding bond debt of NOK 97.3 million was converted to equity, and a capital reduction and share split were carried out. At the extraordinary General Meeting on 29 November 2013, the Board of Directors resolved to reduce the company's share capital by NOK 40,282,596 by reducing the nominal value of the shares. The reduction in capital was registered on 25 January 2014 and was carried out as a transfer to other reserves. For more detailed information, please read Note 16: Share capital and shareholder information.

# BOARD OF DIRECTORS' REPORT





## BOARD OF DIRECTORS' REPORT

### GROUP BUSINESS

In 2014, the Group has centred its focus and resources on sustaining and further developing profitable operations. At the same time, the Group has sought growth opportunities by exploiting existing expertise within new operating segments. Throughout the year, the Group has also continued its efforts to complete its reorganisation programme and measures to increase cost-efficiency in order to reduce the Group's geographic and operational exposure. The Group's main business is now centred in the Nordic countries and the UK, where the Group has gradually built up a strong market share. The Group is targeting its efforts on specific products and customer segments in order to generate a rate of growth that will provide improved margins and more reliable earnings.

The result reported in 2014 is an indication that the Group's strategy has started to yield results. This combined with improved cash flow has secured the Group a stronger balance sheet. The Board of Directors is satisfied that these measures in total have provided the Group with a strong platform for profitable growth, and the Group aims to expand within operating segments where there is good visibility and improved margins.

The Group follows a strategy that over time will form the basis for revenue streams from other customers and market areas, while at the same time building on the Group's core expertise.

The Group's increased focus on more wider application of sensor technology has opened the door to new market opportunities.

Blom is one of the leading suppliers in Europe of geographic information, and the Group supplies a wide range of map and geographic services. Blom also supplies customised systems to customers, and the Group supplies online map services via its geographic database, BlomURBEX™. Blom focuses on five main market segments: Defence & Security, Resources & Environment, Government & Public Administration, Utilities & Infrastructure and Web & Mobility Solutions.

Blom's reporting structure has been determined by the Group's focus on improving profitability and market orientation toward niche markets where Blom has a competitive edge. This structure ensures cooperation and coordination of activities in the Group. In 2014, the Group's operations were divided into three geographic segments: Nordic, Mid-Europe and Eastern Europe.

Blom has independent operations in a total of six countries in Europe, as well as production units in Indonesia and Romania. The parent company has offices at Skøyen in Oslo and manages operations from there.

### DECLARATION REGARDING THE FINANCIAL STATEMENTS

The Board of Directors believes that the financial statements provide a true and fair picture of the Group's result and position. Revenues from continuing operations are stable and on the increase.

### OPERATING REVENUES FROM THE VARIOUS GEOGRAPHIC SEGMENTS IN 2014:

(Amounts in NOK 1,000)

Operating revenue	2014	2013
Nordic	<b>161,823</b>	167,556
Mid-Europe	<b>62,577</b>	42,266
Eastern Europe	<b>9,738</b>	9,874
<b>Sum operating segments</b>	<b>234,138</b>	<b>219,696</b>

The equity ratio was 50.5 percent in 2014 compared with 28.8 percent in 2013. Cash and cash equivalents amounted to NOK 51.4 million in 2014 compared with NOK 42.7 million in 2013. Interest-bearing debt totalled NOK 1.6 million in 2014.

### PROFIT/LOSS

The Group's turnover from continuing operations amounted to NOK 234.1 million in 2014, compared with NOK 219.7 million in 2013. EBITDA for 2014 amounted to NOK 15.2 million with a margin of 6.5 percent, compared with EBITDA of NOK 44.4 million and a margin of 20.2 percent in 2013. Operating profit for the Group stated as EBIT totalled NOK 7.3 million in 2014, compared with a loss of NOK 42.1 million in 2013. The profit/loss from sold businesses and operations to be discontinued are reported net under the item for "Discontinued operations" on a separate line of the accounts.

Net cash flow from operating activities for continuing operations was NOK 2.6 million.

Net financial expenses totalled NOK 0.9 million in 2014, compared with NOK 9.9 million in 2013.

### INVESTMENTS

Total operational investments from continuing operations had a lower impact on liquidity in 2014 than in the previous year, and totalled NOK 6.2 million in 2014, compared with NOK 14.1 million in 2013. This is

attributed primarily to a reduction in investments in databases and other capital assets.

### FINANCING AND BALANCE SHEET

The General Meeting in 2013 resolved to reduce the parent company's share capital by NOK 40,282,596 by reducing the nominal value of the shares. The capital reduction was registered on 25 January 2014.

Total assets at the end of the year amounted to NOK 147.9 million, compared with NOK 195.4 million the year before. The equity ratio was 50.5 per cent as at 31 December 2014, compared with 28.8 per cent as at 31 December 2013. The balance sheet does not contain goodwill.

As of 31 December 2014, the Group had a positive interest-bearing position of NOK 51.4 million. The Group had interest-bearing debt of NOK 1.6 million, primarily attributed to leasing contracts. The net interest-bearing position was therefore positive, by NOK 49.8 million.

Trade receivables were down NOK 4.7 million in 2014 to NOK 26.1 million; while work in progress was at NOK 25.0 million in 2014, compared with NOK 31.0 million in 2013.

Group liquidity is satisfactory and is subject to continuous monitoring. The impact of the completion of various reorganisation measures has negatively impacted the cash flow from operating activities in 2014. As in previous years, the Group expects to tie up working capital in the first half of 2015. However, on the basis of the Group's strong balance sheet and net accessible liquid assets as of 31 December 2014, the Group still deems liquidity to be sufficient. The Group's customers are primarily municipalities or government agencies, and the Group considers the risk of potential future losses from this type of customer to be very low. The Group has no financial instruments on or outside the balance sheet for hedging, credit, currency or other type of financing.

### GOING CONCERN

Pursuant to Section 3-3 of the Accounting Act, it has been confirmed that the prerequisites for continued operations as a going concern have been met. This assumption has been made for the preparation of the accounts, forecast results for 2015 and the Group's long-term strategic forecast for the coming years. The Group has an economic and financial position to support continued operations for the next 12 months.

### STATEMENT OF PROSPECTS

In 2014, the Group has carried out further measures to consolidate the Group's geographic and operational

exposure. The Group's main business is now centred in the Nordic countries and the UK, with related production units in Romania and Indonesia. The Group will continue to develop its business in order to achieve optimal cost structures.

The Board of Directors expects the Group to report profitable operations in 2015 and the years to come. There is good, underlying growth in several of the market segments in which the Group has exposure. The Group has a good position for profitable growth and aims to expand into operating segments that have good visibility and improved margins. At the same time, the Group's core business must sustain a positive development so that the Group's objectives within new operating segments can be met. The Group is reliant upon sustaining its competitive situation and demand from public customers, and that this segment continues to develop in a positive direction. The Group's efforts targeting the private market have shown a positive development, and this will counteract the impact of any cyclical fluctuations in demand from public-sector customers in the future. The Group has also achieved a balanced cost base by reducing fixed costs and increasing the scope of subcontracting, in order to maintain the flexibility required to meet any changes in the competitive situation and demand. The Board of Directors acknowledges the operating and market risks facing the Group in the future, but is of the opinion that the Group's financial position, competencies and market position afford a solid platform for future success.

### ENVIRONMENT AND EQUALITY

#### *Working environment*

In 2014, the Group has adjusted its workforce, based on market demand for the Group's products.

The Group has a staff of employees with a high level of competencies. This provides the foundations for future growth. As of 31 December 2014, the operating companies in the Group had a total 152 employees, down from 207 at the end of 2013. The Group's production units in Indonesia and Romania employ 267 persons. In total, the Group has 419 employees, down 46 since 31 December 2013.

In 2014, sickness absence in Norway was 2.9 percent compared with 3.9 percent in 2013. Sickness absence reported by the Group was 2.4 percent in 2014. No occupational injuries were reported in 2014. The Board of Directors is of the opinion that the working environment is satisfactory, as is the general level of job satisfaction and employee loyalty to the Group. Blom continuously seeks to improve the working environment. This is followed up locally in the individual subsidiaries.

*Equal opportunities*

The percentage of female employees in Norway in 2014 was 15 percent compared with 11 percent in 2013. The percentage of female employees in the Group was 35 percent in 2014. Two of the four elected board members for the Group are women. The employees are represented on the Board of Directors for the operating company in Norway. There are no employee-elected female board members.

Blom's personnel policy is deemed to be gender neutral in all areas, and equal status issues are fulfilled in a satisfactory manner. We are in a male-dominated industry, and this is reflected in the Group's gender composition. The Board of Directors will continue its efforts to ensure that the Group satisfies equal opportunities requirements at any given time.

*External environment*

The Group highlights the environment during planning and execution of projects. The Group's primary impact on the environment is from energy consumption, as the Group owns five aircraft and has operated up to ten aircraft and two helicopters for data collection throughout the year. This may to some extent have an impact on the environment. The Group has good procedures for maintenance and upgrade of its aircraft in order to ensure that owned aircraft operate efficiently, thereby minimising the

impact on the external environment. Over the past year, the Group has decided to discard two aircraft and has replaced these by hiring in more modern and fuel-efficient planes. Similar measures to reduce the Group's environmental impact are assessed on a continuous basis. Due to the nature of the Group's other operations, these only have a limited impact on the external environment, and the Group operates in compliance with applicable laws and regulations.

*Corporate governance*

The Group aims to comply with the Code of Practice for Corporate Governance published by Norwegian Corporate Governance Board (NUES) on 23 October 2013. The scope to which the Group adheres to the Code of Practice is described in detail in this annual report.

*Corporate social responsibility statement*

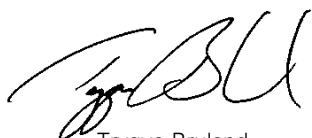
The corporate social responsibility statement has been included as a separate section in the annual report.

**APPLICATION OF PROFIT/LOSS FOR THE PARENT COMPANY**

The Board of Directors proposes the following application of the annual profit/loss:

Proposed dividend	NOK	0
From other reserves	NOK	6,845,000

Oslo, 12 March 2015



Trygve Bruland  
Chairman of the Board



Siv Staubo  
Board member



Birgitte Ellingsen  
Board member



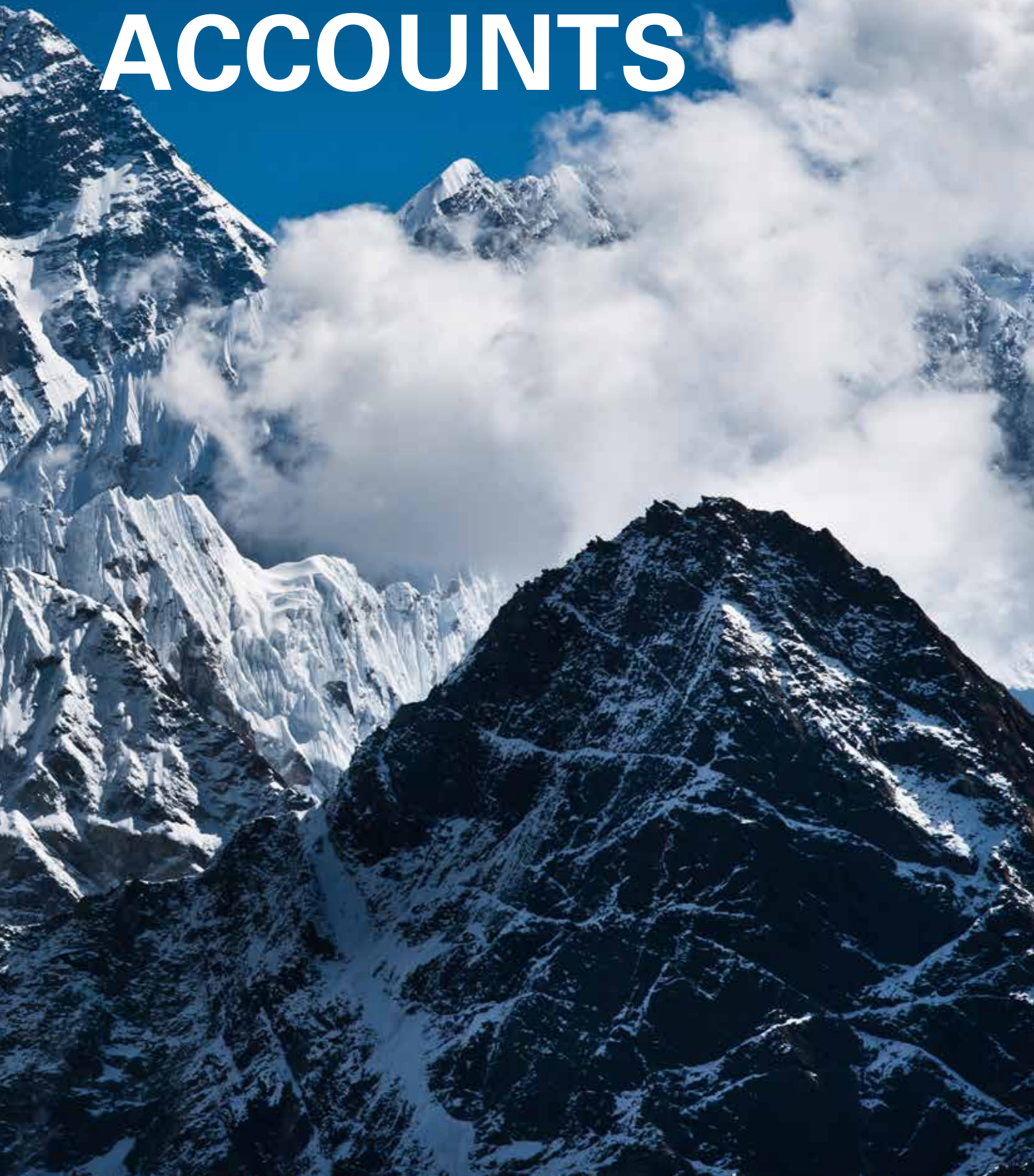
Kristian Lundkvist  
Board member



Dirk Blaauw  
CEO



# BLOM GROUP ACCOUNTS



## CONSOLIDATED INCOME STATEMENT – BLOM GROUP

(Amounts in NOK 1,000)

	Note	2014	2013
<b>Operating revenue</b>	1/ 23	<b>234,138</b>	<b>219,695</b>
Cost of materials		90,995	68,124
Salaries and personnel costs	12	101,524	107,459
Ordinary depreciation, amortisation and write-downs	2/3	7,980	86,473
Other operating and administrative expenses		26,348	23,938
Other gains/losses		0	-24,207
<b>Operating expenses</b>		<b>226,847</b>	<b>261,788</b>
<b>Operating profit/loss</b>		<b>7,290</b>	<b>-42,093</b>
<b>Net financial items</b>	13	<b>-832</b>	<b>-9,929</b>
<b>Profit/loss before tax</b>		<b>6,458</b>	<b>-52,022</b>
Tax expense	9	-729	-366
<b>Profit/loss for year from continuing operations</b>		<b>5,729</b>	<b>-52,388</b>
<b>Profit/loss for year from discontinued operations</b>	24	<b>2,197</b>	<b>-7,052</b>
<b>Profit/loss for the year</b>		<b>7,926</b>	<b>-59,440</b>
<b>Profit/loss attributable to:</b>			
Shareholders		7,926	-59,440
<b>Profit/loss for the year</b>		<b>7,926</b>	<b>-59,440</b>
<b>Comprehensive profit/loss:</b>			
Items that will not be reclassified to profit or loss:			
Recalculation of pension obligations	7	-853	168
Items that may be reclassified to profit or loss:			
Conversion differences	21	11,345	6,041
<b>Total profit/loss for the year</b>		<b>18,418</b>	<b>-53,231</b>
<b>Total comprehensive profit/loss attributable to:</b>			
Shareholders		18,418	-53,231
		<b>18,418</b>	<b>-53,231</b>
<b>Earnings per share:</b>			
From continuing operations	17	0.59	-38.51
From discontinued operations		0.23	-5.19
<b>From annual profit/loss</b>		<b>0.82</b>	<b>-43.70</b>
<b>Diluted earnings per share:</b>			
From continuing operations	17	0.59	-38.51
From discontinued operations		0.23	-5.19
<b>From annual profit/loss</b>		<b>0.82</b>	<b>-43.70</b>

Notes 1 to 24 are an integral part of the consolidated financial statements.

## BALANCE SHEET – BLOM GROUP

## ASSETS

(Amounts in NOK 1,000)

	Note	2014	2013
Patents, licences and similar rights	3	482	684
Deferred tax asset	9	0	0
<b>Total intangible assets</b>		<b>482</b>	<b>684</b>
<b>Plant, property and equipment</b>	<b>2</b>	<b>19,948</b>	<b>20,636</b>
<b>Financial assets</b>	<b>20</b>	<b>4,538</b>	<b>1,151</b>
<b>Total capital assets</b>		<b>24,969</b>	<b>22,471</b>
Work in progress	4/23	24,983	30,965
Trade receivables	5	26,139	36,117
Other current receivables	5	16,232	15,054
<b>Total receivables</b>		<b>42,371</b>	<b>51,171</b>
<b>Cash &amp; cash equivalents</b>	<b>6</b>	<b>51,400</b>	<b>42,725</b>
<b>Assets classified as held for sale</b>	<b>24</b>	<b>4,199</b>	<b>48,072</b>
<b>Total current assets</b>		<b>122,953</b>	<b>172,933</b>
<b>TOTAL ASSETS</b>		<b>147,922</b>	<b>195,404</b>

Notes 1 to 24 are an integral part of the consolidated financial statements.

## BALANCE SHEET – BLOM GROUP

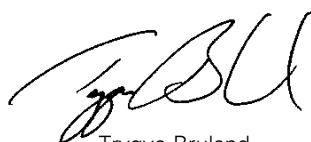
### EQUITY AND LIABILITIES

(Amounts in NOK 1,000)

	Note	2014	2013
<b>Paid-in capital:</b>			
Share capital	16	10,071	10,071
Own shares		-1,978	-1,977
Share premium reserves	16	97,703	97,720
<b>Other equity:</b>			
Conversion differences	21	-24,003	-35,348
Retained earnings		-7,137	-14,210
<b>Total equity</b>		<b>74,656</b>	<b>56,256</b>
Pension obligations	7	4,348	3,233
Non-current liabilities	8/14	977	9,607
Deferred tax	9	26	899
<b>Total non-current liabilities</b>		<b>5,351</b>	<b>13,739</b>
<b>Interest-bearing current liabilities</b>	<b>8/14</b>	<b>648</b>	<b>3,864</b>
Trade payables		19,526	25,955
Public fees payable		13,310	18,931
Tax payable	9	163	0
Other current liabilities	10	30,548	43,449
<b>Total other current liabilities</b>		<b>63,547</b>	<b>88,335</b>
<b>Liabilities classified as held for sale</b>	<b>24</b>	<b>3,720</b>	<b>33,210</b>
<b>Total current liabilities</b>		<b>67,915</b>	<b>125,409</b>
<b>Total liabilities</b>		<b>73,266</b>	<b>139,148</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>147,922</b>	<b>195,404</b>

Notes 1 to 24 are an integral part of the consolidated financial statements.

Oslo, 12 March 2015


Trygve Bruland  
Chairman of the Board

Siv Staubo  
Board member

Birgitte Ellingsen  
Board member

Kristian Lundkvist  
Board member

Dirk Blaauw  
CEO

## CHANGES IN EQUITY – BLOM GROUP

(Amounts in NOK 1,000)

	Note	Share capital	Own shares	Share premium reserves	Conversion differences	Retained earnings	Equity
<b>Equity as at 1 January 2013 (restated)</b>	8	<b>16,849</b>	<b>-110</b>	<b>20,458</b>	<b>-41,389</b>	<b>45,062</b>	<b>40,870</b>
Profit/loss for the year						-59,440	-59,440
Other comprehensive profit/loss:							
Conversion differences	21				6,041		6,041
Pension obligations	7					168	168
Comprehensive profit/loss for the year					6,041	168	6,209
Share capital reduction	16	-15,164		15,164			0
New share capital by conversion	16	48,669					48,669
Premium on conversion	16		-1,867	23,620			21,753
Share capital reduction*		-40,283		40,283			
Costs recognised in equity				-1,805			-1,805
Total profit/loss for the year		-6,778	-1,867	77,262	6,041	-59,272	15,386
<b>Equity as at 31 December 2013</b>		<b>10,071</b>	<b>-1,977</b>	<b>97,720</b>	<b>-35,348</b>	<b>-14,210</b>	<b>56,256</b>
Profit/loss for the year						7,926	7,926
Other comprehensive profit/loss:							
Conversion differences	21				11,345		11,345
Pension obligations	7					-853	-853
Comprehensive profit/loss for the year					11,345	-853	10,492
Repurchase of own shares	16		-1				-1
Costs recognised in equity				-17			-17
Total profit/loss for the year		0	-1	-17	11,345	7,073	18,400
<b>Equity as at 31 December 2014</b>		<b>10,071</b>	<b>-1,978</b>	<b>97,703</b>	<b>-24,003</b>	<b>-7,137</b>	<b>74,656</b>

\*Share capital reduction registered on 25 January 2014.

Notes 1 to 24 are an integral part of the consolidated financial statements.

## STATEMENT OF CASH FLOW – BLOM GROUP

### INDIRECT MODEL

(Amounts in NOK 1,000)

	Note	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Pre-tax profit/loss		6,458	-52,022
+ Depreciation, amortisation and write-downs	2/3	7,980	86,473
- Taxes paid		-526	-488
- Paid interest		-436	-3,573
+/- Change in trade receivables		-4,709	-6,882
+/- Change in inventories and work in progress		-1,337	-7,305
+/- Change in trade payables		4,220	-3,733
+/- Change in other accruals and unrealised foreign exchange		-9,054	-17,172
Net cash flow from operating activities – continuing operations		2,595	-4,702
Net cash flow from operating activities – discontinued operations	24	-5,791	14,855
<b>A = Net cash flow from operating activities</b>		<b>-3,196</b>	<b>10,153</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
- Purchases of property, plant and equipment	2/3	-5,438	-10,662
+ Receipts from sale of shares and other investments		23,968	7,487
Net cash flow from investing activities – continuing operations		18,530	-3,175
Net cash flow from investing activities – discontinued operations	24	-19,995	-544
<b>B = Net cash flow from investing activities</b>		<b>-1,465</b>	<b>-3,719</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
+/- Repayment of debt		-4,916	-3,717
Net cash flow from financing activities – continuing operations		-4,916	-3,717
Net cash flow from financing activities – discontinued operations	24	0	-7,994
<b>C = Net cash flow from financing activities</b>		<b>-4,916</b>	<b>-11,711</b>
<b>A+B+C Net change in cash and cash equivalents</b>		<b>-9,577</b>	<b>-5,277</b>
+ Cash and cash equivalents as at 1 January		61,967	67,244
<b>= = Cash and cash equivalents as at 31 December</b>	6/24	<b>52,390</b>	<b>61,967</b>
<b>Cash and cash equivalents – continuing operations</b>	6	<b>51,400</b>	<b>35,191</b>
<b>Cash and cash equivalents – discontinued operations</b>	24	<b>990</b>	<b>26,776</b>

Notes 1 to 24 are an integral part of the consolidated financial statements.



A photograph of a massive glacier wall meeting the water. The glacier is a deep blue color, with many vertical cracks and ledges. The water in the foreground is dark blue and filled with numerous icebergs of various sizes. The sky is a pale, clear blue. The text "NOTES TO THE ACCOUNTS BLOM GROUP" is overlaid in white, bold, sans-serif font in the center of the image.

# NOTES TO THE ACCOUNTS BLOM GROUP

## NOTES TO THE ACCOUNTS BLOM GROUP

### GENERAL INFORMATION

Blom ASA collects, processes and sells high quality map data. The Group possesses unique databases, and has developed applications and services for navigation and location-based services. Blom ASA has subsidiaries in eight countries.

Blom ASA is a public limited company registered and domiciled in Norway. The office address is Drammensveien 165, 0277 Oslo, Norway. Blom ASA is listed on Oslo Stock Exchange.

The consolidated financial statements were approved by the company's Board of Directors on 12 March 2015.

### SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

The most important accounting principles applied by the Group in the preparation of the consolidated financial statements are described below. These principles have been applied identically to all the periods that are presented, unless otherwise stated in the description.

#### BASIC PRINCIPLES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as stipulated by the EU.

These consolidated financial statements have been prepared on the basis of the historical cost principle, with the exception of financial instruments that are measured at market value. The preparation of financial statements in accordance with IFRS requires the use of estimates. In addition, the application of the company's accounting principles requires that the management exercise judgement. Areas that contain a large degree of such discretionary assessments, a high degree of complexity, or areas where the assumptions and estimates are of significance for the consolidated financial statements are described in Note 23.

#### *a) New and amended standards implemented in 2014*

As of 1 January 2014, the following standards are implemented which have a major impact on the financial statements:

Amendment to IAS 32 Financial Instruments, which describes when net presentation of financial assets and liabilities can occur. The right to offset amounts cannot be contingent upon future events. Offsetting must also be legally enforceable in all situations (ordinary operations, default, insolvency or bankruptcy) in which the

company and its counterparts may find themselves. The amendment also involves an assessment of settlement mechanisms. The amendment did not have a significant impact on the consolidated financial statements.

Other standards, amendments and interpretations implemented for the financial year 2014 had no significance for the Group.

#### *b) Standards, amendments and interpretations for existing standards that have not yet entered into force, and for which the Group has not chosen early adoption*

A number of new standards, amendments to standards and interpretations are obligatory for future financial statements. The Group has decided not to choose early adoption for a number of these standards, the most significant of which are described below.

IFRS 9 Financial Instruments involves classification, measurement and recognition of financial assets and liabilities, and hedge accounting. The complete version of IFRS 9 was published in July 2014. It replaces those sections of IAS 39 that involved similar problems. According to IFRS 9, financial assets shall be classified in three categories: fair value through other comprehensive income, fair value through profit or loss and amortised cost. The measurement category is determined by the initial recognition of the asset. Classification relies on the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. Equity instruments shall in principle be measured at fair value through profit or loss.

The company can elect to present changes in fair value through other comprehensive income, but this decision is binding and any gain/loss on future sales cannot be reclassified as measured through profit or loss. With the amendment, impairment caused by credit risk shall be recognised on the basis of estimated loss instead of the current model, where the loss must have been incurred. In relation to financial liabilities, the standard is in principle a continuation of the requirements in IAS 39. The main amendment is that where the fair value option has been utilised for a financial liability, changes in fair value caused by changes in own credit risk shall be recognised in other comprehensive income. IFRS 9 provides a simplification of the requirements related to hedge accounting, in that hedge effectiveness is more closely linked to the management's risk management, and provides more leeway for evaluation. At the same time, hedge documentation remains a requirement. The amendment comes into effect for the financial year 2018, but early adoption is accepted. The Group has not yet fully evaluated the impact of IFRS 9.

IFRS 15 Revenue from Contracts with Customers involves recognition of revenue. The standard requires contracts with customers to be divided into different performance obligations. A performance obligation may be a good or a service. Revenue is recognised when control of the good or service is passed over to the customer, and the customer thereby has the ability to direct the use of and obtain the benefits from the good or service. The standard is a replacement for IAS 18 Revenue and IAS 11 Construction Contracts with related interpretations. The standard comes into effect for the financial year 2017, but early adoption is accepted. The Group is currently evaluating the impact of IFRS 15.

Beyond this, there are no other standards or interpretations that have not entered into force that are expected to have a significant impact on the consolidated financial statements.

#### **CONSOLIDATION PRINCIPLES**

Subsidiaries are companies where the Group has a controlling interest. A controlling interest is normally achieved when the Group owns, directly or indirectly, more than 50 percent of the voting shares in the company, and the Group is able to exercise actual control over the company. Subsidiaries are consolidated from the point in time when control is transferred to the Group, and eliminated from consolidation when such control ends.

The acquisition method of accounting is used for the acquisition of subsidiaries. The acquisition cost is measured as the fair value of the assets that are contributed as consideration for the acquisition, equity instruments that are issued, liabilities that are assumed, plus direct costs associated with the acquisition. Identifiable acquired assets, liabilities and contingent liabilities that are assumed to be inherent in a business combination are assessed at their fair value, independent of any minority interests. The portion of the acquisition cost that exceeds the fair value of identifiable net assets in the subsidiary is recognised as goodwill.

All internal transactions, outstanding accounts and unrealised gains between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction establishes an impairment for the transferred asset. The accounting principles in subsidiaries are amended as required to achieve compliance with the Group's accounting principles.

Transactions with non-controlling owners of subsidiaries are treated as equity transactions. In the event of an acquisition of shares from non-controlling owners, the difference between the consideration and the share's proportionate share of the carrying amount of the net assets in the subsidiary is recognised through the equity

of the parent company's owners. Gains or losses from the sale of non-controlling owners are recognised correspondingly through equity.

#### **SEGMENT REPORTING**

Segments are reported in the same manner as internal reporting to the Group's highest decision-maker. The Group's highest decision-maker, who is responsible for the allocation of resources to and the assessment of earnings in the operating segments, is defined as the corporate management.

#### **FOREIGN CURRENCY TRANSLATION**

##### *a) Functional currency and presentation currency*

The accounts of the individual entities in the Group are measured in the currency that is used primarily in the economic area where the entity operates (functional currency). The consolidated accounts are presented in Norwegian kroner (NOK), which is both the functional and presentation currency for the parent company.

##### *b) Transactions and balance sheet items*

Transactions involving foreign currencies are translated into the functional currency using the exchange rates that are in effect at the time of the transactions. Foreign currency gains and losses that arise from the payment of such transactions and the translation of monetary items (assets and liabilities) at year-end at the rates in effect on the balance sheet date are recognised in the income statement. Currency gains and losses linked to loans, cash and cash equivalents are presented on a net basis as financial income or financial expenses. If the foreign currency position is regarded as a net investment in a foreign business, the gains or losses are recognised directly in equity.

##### *c) Group companies*

In consolidation of the accounts of foreign subsidiaries, the income statement is translated into the presentation currency according to average exchange rates for the year. Balance sheet items are translated at the exchange rate in effect on the balance sheet date. Currency translation gains or losses resulting from differences in the exchange rates in effect on the balance sheet date compared with the rates in effect at the previous year-end are recognised directly in equity and specified separately.

In consolidation of differences from the translation of net investments in foreign business operations, these differences are recognised directly against equity. When portions of a foreign operation are sold, the associated translation difference that was recognised directly in equity is recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments of assets and liabilities associated with the acquisition of a foreign entity are treated as assets and liabilities in the acquired entity, and translated at the rate in effect on the balance sheet date.

### REVENUE RECOGNITION

Sales are recognised in the income statement when the revenue can be measured reliably, it is probable that the financial benefits attributable to the transaction will pass to the Group and special criteria related to various forms of sale have been met. Reliable measurement of sales is not deemed possible until all the conditions linked to the sale have been fulfilled. The Group bases its accounting estimates on historical data, an assessment of the type of customer and transaction, as well as any circumstances related to the individual transaction. The sale of services is recognised in the income statement in the period in which the service was performed, based on the degree of completion of the transaction in question. The degree of completion is determined by measuring the services provided in relation to the total agreed volume of services to be provided. During the period where a negative result is identified for a project, the estimated loss on the contract will be charged in whole. Work in progress represents the value of services performed in long-term projects, and the change in the work in progress is included under operating income. The sale of licences is recognised in the income statement when the licences have been made available to the customer, and the risk related to the delivery has been transferred to the customer. In addition, the customer must have accepted the delivery as part of the contract, and the period for submitting complaints must have expired or documentation must exist that all the criteria related to the delivery have been met.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and write-downs. Acquisition cost includes costs that are directly attributable to the acquisition of the assets. Subsequent expenditure is added to the carried amount for the value of the asset or carried separately on the balance sheet, when it is probable that the future economic benefits related to the expenditure will pass to the Group, and that the expenditure can be reliably measured. Other repair and maintenance costs are recognised in the income statement in the period when the expenses are incurred.

Depreciation is calculated based on the straight-line method so that the cost price of the non-current asset, or the revalued or written-down value of the asset, is depreciated to the residual value over the expected life of the asset:

Airframes and engines	3-15 years
Lasers and digital cameras	3-5 years
Other equipment	2-5 years

The economic life of the non-current assets and the scrap value are reviewed on the date of each balance sheet and adjusted as required. When the book value of the non-current asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount. Gains and losses on disposals are presented as part of the operating profit/loss and calculated by comparing the sales price with the book value.

### INTANGIBLE ASSETS

Goodwill is the difference between the cost of the acquisition of a business and the fair value of the Group's share of the net identifiable assets in the business at the time of the acquisition. Goodwill from the acquisition of subsidiaries is treated as an intangible asset. Goodwill is tested annually for impairment, and is recognised at acquisition cost less accumulated write-downs.

In order to evaluate whether there is a need to write down goodwill, goodwill is allocated to separate cash flow generating entities. Goodwill is allocated to the cash flow generating entities or groups of cash flow generating entities that may be expected to benefit from the acquisition.

Patents and licences have a limited economic life and are carried at historical acquisition cost less amortisation. Patents and licences are amortised according to the straight-line method over their expected life (3-10 years).

### TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been delivered by suppliers in the ordinary course of business. Trade payables are classified as current if payment is due within one year or less. If this is not the case, then they are classified as non-current. Trade payables are measured at fair value when first carried. For subsequent measurement, the trade payables are recognised at amortised cost using the effective interest rate method.

### GOVERNMENT GRANTS

Grants from the government are recognised at fair value when it is reasonably certain that the grant will be received and the Group will satisfy all the conditions attached to the grant. Government grants relating to future costs are carried and recognised during the period that best matches the costs for which they are meant to compensate. Government grants relating to the purchase of property, plant and equipment are carried as deferred government grants under non-current liabilities and recognised in the income statement on a straight-line basis over the expected lives of the related assets.

**LOANS**

Loans are recognised at their fair value when they are disbursed, less any transaction costs. In subsequent periods, loans are recognised at their amortised cost, as calculated by means of the effective interest rate method. The difference between the loan amount disbursed (less transaction costs) and the redemption value is recognised in the income statement over the term of the loan.

Loans are classified as current liabilities unless there is an unconditional right to defer payment of the debt by more than 12 months from the date of the balance sheet.

**TRADE RECEIVABLES**

Trade receivables are recognised at fair value. For subsequent measurement, trade receivables are assessed at their amortised cost by means of the effective interest rate method, less provisions for losses that have been incurred. Provisions for losses on trade receivables are recognised when there are objective indicators that the Group will not receive settlement in accordance with the original terms. The amount of the write-down will be recognised in the income statement.

**CASH & CASH EQUIVALENTS**

Cash and cash equivalents consist of cash, bank deposits and other short-term and readily negotiable investments with a maximum original maturity of three months. Overdraft facilities used are included under current liabilities on the balance sheet.

**SHARE CAPITAL AND PREMIUMS**

Ordinary shares are classified as equity. Expenses that are directly attributable to the issue of new shares less taxes are posted against the equity as a reduction in the proceeds.

Payments for the purchase of own shares are recognised as a reduction in equity. A loss or gain is not recognised in the income statement for any purchase, sale, issue or cancellation.

**TAX**

The tax expense in the income statement encompasses the tax payable for the period and the change in deferred tax. Tax is recognised in the income statement, except when it is related to items that are recognised directly in equity. If this is the case, the tax will also be recognised directly in equity.

The tax expense is calculated in accordance with the tax laws and regulations that have, or have essentially, been adopted by the tax authorities on the date of the balance sheet. It is the legislation in the countries where the Group's subsidiaries or associates operate and generate taxable income that determine how the taxable income

is calculated. The management evaluates the Group's tax positions for each period with regard to situations where the current tax laws are subject to interpretation. Provisions are made for projected tax payments based on the management's evaluations.

Deferred tax is calculated for all the provisional differences between the tax-related values and consolidated accounting values of assets and liabilities. If deferred tax arises upon the initial carrying of a liability or asset in a transaction that is not part of a business combination and does not affect either the reported or taxable profit/loss on the transaction date, it will not be carried on the balance sheet. Deferred tax is determined by means of the tax rates and tax laws that have been adopted or essentially adopted on the balance sheet date, which are assumed to apply when the deferred tax asset is realised or when the deferred tax is settled.

Deferred tax assets are recognised provided that future taxable income is probable and the temporary differences can be offset against this income.

Deferred tax is calculated for temporary differences from investments in subsidiaries and associates, except when the Group controls the timing of the reversal of the temporary differences, and it is probable that these will not be reversed in the foreseeable future.

**PROVISIONS**

The Group recognises provisions in the accounts when there is a legal or self-imposed obligation to do so as a result of earlier events, there is a preponderance of evidence that the obligation will be settled by a transfer of economic resources, and the size of the obligation can be estimated with an adequate degree of reliability. Provisions are not made for future operating losses.

**PENSION PLANS**

The Group companies have different pension plans. The pension plans are financed in general by payments to insurance companies or pension funds, as determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans. A defined contribution plan is a pension plan in which the Group pays fixed contributions to a separate legal entity. The Group does not have any legal or other obligation to pay additional contributions if this entity does not have sufficient funds to pay all employees benefits relating to their service in current and prior periods. The contributions are recognised as an employee benefit expense on a straight-line basis for the period in question. Contributions paid in advance are recognised as an asset to the extent that the contribution can be refunded or reduce future payments.

A defined benefit plan is a pension plan that defines the pension payment an employee will receive when he/she retires. Pension payments are normally dependent on one or more factors such as age, years of service and salary level. The carried liability related to the defined contribution plans is the current value of the defined contributions at balance sheet date minus the fair value of the pension plan assets. The pension liability is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined contributions is determined by discounting the estimated future payments at the interest rate for a bond issued by a company with high creditworthiness in the same currency as that used for payment of contributions, with a term that is approximately the same as the term of the associated pension liability.

Gains or losses that arise from recalculation of the liability as a result of empirical deviations or changes in the actuarial assumptions are recognised in equity through other comprehensive income during the period when they arise.

The effect of changes to the plans' contributions is recognised immediately.

## LEASES

Leases where a significant part of the risk does not lie with the lessee are classified as operating leases. Disbursements for operating leases (less any financial subsidies/contributions from the lessor) are recognised on a straight-line basis over the term of the lease.

Leases for property, plant and equipment where the Group has the significant risk and control are classified as financial leases. Financial leases are carried on the balance sheet at the start of the lease at the lower of the fair value of the leased asset and the present value of the total minimum rent. Each rent payment consists of an interest element and a principal element. The interest element is recognised as a financial expense and the principal element reduces the liability. The interest expense is recognised in the income statement under financial items and is distributed over the lease period so that the interest rate on the residual liability is constant for each period. The leasing liability in question, less the interest expense, is classified under other non-current liabilities. Property, plant and equipment acquired through financial leases are depreciated over the shorter of the projected life of the asset or term of the leasing agreement.

## NOTE 1: SEGMENT REPORTING

From 2014, the Group's business operations are reported primarily in three segments: Nordic, Mid-Europe and Eastern Europe.

Activities in the different segments are carried out primarily through independent companies, and the distribution of revenues, expenses, assets and investments is based on the accounts of the individual companies.

The profit/loss per operating segment for 2014 is as follows:

(Amounts in NOK 1,000)

	Nordic	Mid-Europe	Eastern Europe	Unallocated	Group
Operating income	161,823	62,577	9,738		<b>234,138</b>
<b>EBITDA</b>	<b>15,774</b>	<b>10,497</b>	<b>3,542</b>	<b>-14,543</b>	<b>15,270</b>
Depreciation, amortisation & write-downs	6,431	1,161	371	17	<b>7,980</b>
<b>Operating profit/loss</b>	<b>9,343</b>	<b>9,336</b>	<b>3,171</b>	<b>-14,560</b>	<b>7,290</b>
Net financial items				- 832	<b>-832</b>
Pre-tax profit/loss	9,343	9,336	3,171	-15,392	<b>6,458</b>
Tax expense				-729	<b>-729</b>
<b>Profit/loss from continuing operations</b>	<b>9,343</b>	<b>9,336</b>	<b>3,171</b>	<b>-16,121</b>	<b>5,729</b>
Profit/loss from discontinued operations				2,197	<b>2,197</b>
<b>Profit/loss for the year</b>	<b>9,343</b>	<b>9,336</b>	<b>3,171</b>	<b>-13,924</b>	<b>7,926</b>
Assets	49,470	17,861	3,752	76,839	<b>147,922</b>
Investments	4,736	514	447	525	<b>6,222</b>

The profit/loss per operating segment for 2013 is as follows:

(Amounts in NOK 1,000)

	Nordic	Mid-Europe	Eastern Europe	Unallocated	Group
Operating income	167,556	42,266	9,873		<b>219,695</b>
<b>EBITDA</b>	<b>46,490</b>	<b>-63</b>	<b>3,312</b>	<b>-5,359</b>	<b>44,380</b>
Depreciation, amortisation & write-downs	79,658	6,421	175	219	<b>86,473</b>
<b>Operating profit/loss</b>	<b>-33,168</b>	<b>-6,484</b>	<b>3,137</b>	<b>-5,578</b>	<b>-42,093</b>
Net financial items				-9,929	<b>-9,929</b>
Pre-tax profit/loss	-33,168	-6,484	3,137	-15,507	<b>-52,022</b>
Tax expense				-366	<b>-366</b>
<b>Profit/loss from continuing operations</b>	<b>-33,168</b>	<b>-6,484</b>	<b>3,137</b>	<b>-15,873</b>	<b>-52,388</b>
Profit/loss from discontinued operations				-7,052	<b>-7,052</b>
<b>Profit/loss for the year</b>	<b>-33,168</b>	<b>-6,484</b>	<b>3,137</b>	<b>-22,925</b>	<b>-59,440</b>
Assets	48,060	16,864	5,107	125,373	<b>195,404</b>
Investments	12,141	918	693	306	<b>14,058</b>

Assets allocated to segments consist primarily of property, plant and equipment, intangible assets, work in progress and trade receivables. Deferred tax assets and cash are not allocated to segments. The parent company's operating expenses (primarily wages and salaries and costs related to the head office) and assets are not allocated to segments. Assets classified as held for sale and operations to be discontinued are not allocated to segments. Investments consist of the addition of property, plant and equipment and intangible assets. Non-allocated investments include investments in sold operations and operations under discontinuation or disposal.

Profit/loss per geographic segment is as follows:

(Amounts in NOK 1,000)

<b>OPERATING INCOME</b>	<b>2014</b>	<b>2013</b>
Norway	40,410	32,733
Sweden	33,745	74,651
Finland	31,707	31,453
UK	53,060	36,769
Other countries	75,216	44,089
<b>Total operating income</b>	<b>234,138</b>	<b>219,695</b>

(Amounts in NOK 1,000)

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Norway	27,608	21,040
Other Nordic countries	20,758	26,115
UK	17,861	12,530
Other countries	4,856	28,725
<b>Total allocated assets</b>	<b>71,083</b>	<b>88,410</b>
Assets classified as held for sale	4,199	48,072
Unallocated assets	72,640	58,922
<b>Total assets</b>	<b>147,922</b>	<b>195,404</b>

(Amounts in NOK 1,000)

INVESTMENTS	2014	2013
Norway	2,821	9,900
Other Nordic countries	1,472	2,241
UK	514	882
Other countries	890	883
<b>Total allocated investments</b>	<b>5,697</b>	<b>13,906</b>
Unallocated investments	525	152
<b>Total investments</b>	<b>6,222</b>	<b>14,058</b>

## NOTE 2: PROPERTY, PLANT AND EQUIPMENT

(Amounts in NOK 1,000)

	Buildings	Machinery, fixtures, etc.	Total
<b>2013 FINANCIAL YEAR</b>			
<b>Book value as at 01.01.13</b>	<b>363</b>	<b>98,549</b>	<b>98,912</b>
Conversion differences	-193	-3,407	-3,600
Additions	0	13,366	13,366
Assets held for sale	-77	-1,107	-1,184
Depreciation for the year	-41	-29,100	-29,141
Write-downs for the year	0	-57,717	-57,717
<b>Book value as at 31/12/2013</b>	<b>52</b>	<b>20,584</b>	<b>20,636</b>
<b>As at 31 December 2013</b>			
Acquisition cost	261	486,562	486,823
Accumulated depreciation	-209	-274,559	-274,768
Accumulated write-downs	0	-191,419	-191,419
<b>Book value as at 31/12/2013</b>	<b>52</b>	<b>20,584</b>	<b>20,636</b>
<b>2014 FINANCIAL YEAR</b>			
<b>Book value as at 01/01/2014</b>	<b>52</b>	<b>20,584</b>	<b>20,636</b>
Conversion differences	-30	2,113	2,083
Additions	30	5,614	5,644
Disposals/other movements	0	-473	-473
Assets held for sale	0	-198	-198
Depreciation for the year	-13	-7,731	-7,744
<b>Book value as at 31/12/2014</b>	<b>39</b>	<b>19,909</b>	<b>19,948</b>
<b>As at 31 December 2014</b>			
Acquisition cost	261	493,619	493,880
Accumulated depreciation	-222	-282,291	-282,513
Accumulated write-downs	0	-191,419	-191,419
<b>Book value as at 31/12/2014</b>	<b>39</b>	<b>19,909</b>	<b>19,948</b>

## NOTE 3: INTANGIBLE ASSETS

(Amounts in NOK 1,000)

	Goodwill	Patents, licences and similar rights	Total
<b>2013 FINANCIAL YEAR</b>			
<b>Book value as at 01.01.13</b>	<b>0</b>	<b>1,328</b>	<b>1,328</b>
Conversion differences	0	-310	-310
Additions	0	540	540
Disposals / other movements	0	0	0
Assets held for sale	0	-383	-383
Amortisation for the year	0	-491	-491
<b>Book value as at 31/12/2013</b>	<b>0</b>	<b>684</b>	<b>684</b>
<b>As at 31 December 2013</b>			
Acquisition cost	301,907	56,626	358,533
Accumulated amortisation	0	-26,545	-26,545
Accumulated write-downs	-301,907	-29,397	-331,304
<b>Book value as at 31/12/2013</b>	<b>0</b>	<b>684</b>	<b>684</b>
<b>2014 FINANCIAL YEAR</b>			
<b>Book value as at 01/01/2014</b>	<b>0</b>	<b>684</b>	<b>684</b>
Conversion differences	0	-297	-297
Additions	0	577	577
Disposals / other movements	0	-221	-221
Assets held for sale	0	-25	-25
Amortisation for the year	0	-236	-236
<b>Book value as at 31/12/2014</b>	<b>0</b>	<b>482</b>	<b>482</b>
<b>As at 31 December 2014</b>			
Acquisition cost	301,907	56,660	358,567
Accumulated amortisation	0	-26,781	-26,781
Accumulated write-downs	-301,907	-29,397	-331,304
<b>Book value as at 31/12/2014</b>	<b>0</b>	<b>482</b>	<b>482</b>

### WRITE-DOWN TEST FOR GOODWILL / PROPERTY, PLANT AND EQUIPMENT

Goodwill in the company has arisen due to the acquisition of companies from 2004 to 2007.

The company wrote down goodwill to zero in 2011. The write-downs were necessary due to general weak macroeconomic conditions in many of the markets where Blom operates, which had a negative impact on projected cash flows. The write-down test for property, plant and equipment for 2014 is discussed in Note 23.

## NOTE 4: INVENTORY AND WORK IN PROGRESS

Work in progress includes accrued, non-invoiced work on long-term projects of NOK 25.0 million in 2014 and NOK 31.0 million in 2013.

## NOTE 5: TRADE RECEIVABLES AND OTHER RECEIVABLES

(Amounts in NOK 1,000)

	2014	2013
Trade receivables	26,214	38,717
Provisions for expected losses	-75	-2,600
<b>Trade receivables – net</b>	<b>26,139</b>	<b>36,117</b>
Prepayments	8,433	2,969
Other current receivables	7,799	12,085
<b>Total other current receivables</b>	<b>16,232</b>	<b>15,054</b>
<b>Total current receivables</b>	<b>42,371</b>	<b>51,171</b>

Movement in provisions for expected losses on trade receivables:

(Amounts in NOK 1,000)

	2014	2013
<b>As at 1 January</b>	<b>2,600</b>	<b>5,384</b>
Operations under disposal/discontinuation	-2,525	-2,721
Change in provisions for expected losses	42	16
Realised losses for the year	-42	-79
Reversal of unused amounts	0	0
<b>As at 31 December</b>	<b>75</b>	<b>2,600</b>

As at 31 December 2014, the provisions for expected losses on trade receivables were NOK 75,000 (2013: NOK 2,600,000).

Other current receivables include, for example, prepaid government fees and taxes.

Age distribution of the Group's trade receivables:

(Amounts in NOK 1,000)

	2014	2013
<b>Trade receivables not due for payment</b>	<b>22,104</b>	<b>28,293</b>
Up to 30 days	2,532	3,064
Between 30 and 90 days	796	1,054
Over 90 days	707	3,706
Total receivables due for payment	4,035	7,824
<b>Total trade receivables</b>	<b>26,139</b>	<b>36,117</b>

Recognised value of the Group's trade receivables and other receivables by currency:

(Amounts in NOK 1,000)

	2014	2013
NOK	17,513	10,002
GBP	5,070	3,931
EUR	10,781	24,663
SEK	5,718	9,411
Other currencies	3,289	3,164
<b>Total current receivables</b>	<b>42,371</b>	<b>51,171</b>

## NOTE 6: CASH & CASH EQUIVALENTS

(Amounts in NOK 1,000)

	2014	2013
Cash and bank deposits	47,910	38,517
Restricted cash & cash equivalents	3,490	4,208
	<b>51,400</b>	<b>42,725</b>

The restricted cash & cash equivalents include the employees' tax withholdings and cash deposits for portions of the Group's bank guarantees.

## NOTE 7: PENSIONS

The pension obligations recognised apply to the employees (in total 77) in the subsidiary Nusantara in Indonesia, and the CEO of Blom ASA. A defined benefit pension plan for a former employee, charged to operations, was settled in November 2014. Settlement of the plan resulted in a disbursement of pension assets of approx. NOK 4,000,000 and recognised income of approx. NOK 1,370,000.

(Amounts in NOK 1,000)

	2014	2013
<b>Book value of obligation:</b>		
Pension benefits	4,348	3,233
	<b>4,348</b>	<b>3,233</b>
<b>Cost charged to the income statement (Note 12):</b>		
Defined benefit pension plans	104	1,833
Defined contribution pension schemes	2,161	1,837
Pension expense	<b>2,265</b>	<b>3,670</b>
<b>Impact of recalculation of obligation charged to other comprehensive income:</b>		
	<b>-853</b>	<b>168</b>

The following companies are included in this table: Blom ASA and Nusantara (Indonesia).

Pension benefits:

(Amounts in NOK 1,000)

	2014	2013
Present value of accrued pension obligations for defined benefit plans in fund-based schemes	7,451	11,582
Fair value of pension assets	-7,491	-11,282
	<b>-40</b>	<b>300</b>
Present value of obligation for non-fund-based schemes	4,388	2,933
Unrecognised remeasurement	0	0
Unrecognised costs related to pension benefits earned in prior periods	0	0
Share of obligation from operations under disposal	0	0
<b>Net pension obligations on the balance sheet</b>	<b>4,348</b>	<b>3,233</b>

Changes in the defined benefit pension obligations during the year:

(Amounts in NOK 1,000)

	Present value of the obligation	Fair value of pension assets	Total
<b>1 January 2013</b>	<b>939</b>	<b>-13,090</b>	<b>5,849</b>
Value of pension benefits earned for the year	1,476	0	1,476
Interest expenses/(income)	396	-38	358
	<b>1,872</b>	<b>-38</b>	<b>1,834</b>
Effect of recalculation	-2,398	1,230	-168
Conversion differences	-3,477	1,543	-1,934
Paid to the pension plans	0	-2,348	-2,348
Paid from the pension plans	-421	421	0
<b>31 December 2013</b>	<b>14,515</b>	<b>-11,282</b>	<b>3,233</b>

	Present value of the obligation	Fair value of pension assets	Total
<b>1 January 2014</b>	<b>14,515</b>	<b>-11,282</b>	<b>3,233</b>
Value of pension benefits earned for the year	1,019	0	1,019
Interest expenses/(income)	748	-291	457
	<b>1,767</b>	<b>-38</b>	<b>1,476</b>
Effect of recalculation	917	1,230	856
Conversion differences	600	1,543	600
Discontinuation / settlement	-5,517	4,145	-1,372
Paid to the pension plans	0	0	0
Paid from the pension plans	-442	0	-442
<b>31 December 2014</b>	<b>11,840</b>	<b>-7,492</b>	<b>4,348</b>

Economic assumptions:

	2014	2013
Discount rate	2.30 - 8.50 %	4.10 - 8.75 %
Annual salary inflation	2.75 - 10.0 %	3.75 - 10.0 %
Annual pension regulation	2.50 - 3.00 %	0.60 - 3.00 %

In Norway, the assumptions in the updated recommendations from the Norwegian Accounting Standards Board dated 31 December 2014 are applied. For Blom Nusantara (Indonesia), assumptions that are in accordance with local circumstances are applied, as indicated in the table above.

The mortality assumptions are based on published statistics and experience in each individual country.

Average life expectancy in Norway (number of years) on the date of the balance sheet for a person who retires when he/she reaches the age of 65 is as follows:

	2014	2013
Men	20	18
Women	23	21

The capital in the fund-based pension plan in Norway is managed by a company that has invested the capital in a number of funds. The actual return on the pension assets was NOK 291,000 in 2014 (2013: NOK 38,000).

## NOTE 8: LOANS AND OTHER NON-CURRENT LIABILITIES

The composition of non-current liabilities and current interest-bearing liabilities is as follows:

(Amounts in NOK 1,000)

	2014	2013
<b>Non-current liabilities:</b>		
Financial leasing	678	420
Other non-current liabilities	299	9,187
<b>Total non-current liabilities</b>	<b>977</b>	<b>9,607</b>
<b>Current interest-bearing liabilities:</b>		
Financial leasing	490	1,016
Other financing	158	2,848
<b>Other current interest-bearing liabilities</b>	<b>648</b>	<b>3,864</b>

Other non-current liabilities in 2013 are mainly related to operations under discontinuation as of 31 December 2014.

The interest-bearing debt has adjustable interest rates or interest adjustment clauses that are shorter than three months at any given time. Since the debt can be repaid at the time when the interest rate is regulated, the difference between the fair value and book value will be small and insignificant.

The effective interest rate on the balance sheet date was as follows:

	2014		2013	
	NOK	SEK	NOK	EUR/GBP
Financial leasing	5.5 %	3.6 %	4.5-7.5 %	4.6 %
Other interest-bearing liabilities	4.8 %			15.0 %

Book value of the Group's non-current liabilities and current interest-bearing liabilities:

(Amounts in NOK 1,000)

	2014	2013
NOK	1,029	3,082
EUR	0	9,718
Other currency	596	671
<b>Total non-current liabilities and current interest-bearing liabilities</b>	<b>1,625</b>	<b>13,471</b>

The maturity structure of the Group's current and non-current interest-bearing liabilities is as follows:

(Amounts in NOK 1,000)

	2015	2016	2017	2018	2019 ->
Financial leasing	490	421	174	83	0
Other liabilities	158	158	141	0	0
<b>Total</b>	<b>648</b>	<b>579</b>	<b>315</b>	<b>83</b>	<b>0</b>

## NOTE 9: TAX

Deferred taxes are reported net if the Group has a legal right to offset deferred tax assets against deferred taxes on the balance sheet and if the deferred taxes are owed to the same tax authority. The following amounts have been recognised net:

(Amounts in NOK 1,000)

	2014	2013
<b>Deferred tax assets:</b>		
Deferred tax assets that reverse after more than 12 months	0	0
Deferred tax assets that reverse within 12 months	0	0
<b>Deferred tax assets as at 31 December</b>	<b>0</b>	<b>0</b>
<b>Deferred tax:</b>		
Deferred taxes that reverse after more than 12 months	26	899
Deferred tax that falls due for payment within 12 months	0	0
<b>Deferred tax as at 31 December</b>	<b>26</b>	<b>899</b>
<b>Net deferred tax</b>	<b>26</b>	<b>899</b>
<b>Change in carried deferred tax:</b>		
<b>Book value as at 1 January</b>	<b>899</b>	<b>1,274</b>
Foreign currency translation	-169	-113
Recognised in the income statement during the period	73	-34
Assets held for sale	-777	-228
<b>Book value as at 31 December</b>	<b>26</b>	<b>899</b>

Change in deferred tax asset and deferred tax (without net recognition within same tax regime):

(Amounts in NOK 1,000)

	Operating assets	Projects	Other	Total
<b>Deferred tax:</b>				
<b>1 January 2013</b>	<b>0</b>	<b>1,274</b>	<b>0</b>	<b>1,274</b>
Assets held for sale	0	-228	0	-228
Recognised during the period	0	-34	0	-34
Foreign currency differences	0	-113	0	-113
<b>31 December 2013</b>	<b>0</b>	<b>899</b>	<b>0</b>	<b>899</b>
Assets held for sale	0	-777	0	-777
Recognised during the period	0	73	0	73
Foreign currency differences	0	-169	0	-169
<b>31 December 2014</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>26</b>

(Amounts in NOK 1,000)

	Tax loss carry forward	Operating assets	Other	Total
<b>Deferred tax asset</b>				
<b>1 January 2013</b>	0	0	0	0
Assets held for sale	0	0	0	0
Recognised during the period	0	0	0	0
Foreign currency differences	0	0	0	0
<b>31 December 2013</b>	0	0	0	0
Recognised during the period	0	0	0	0
<b>31 December 2014</b>	0	0	0	0

The deferred tax assets related to tax losses carried forwards are recognised in the balance sheet when it is probable that the Group can apply this against future taxable income. The table below shows that most of the tax loss carry forward expires after 2019 (or that there is no deadline linked to the right to carry forward). The deferred tax assets related to tax losses carried forwards that are not on the balance sheet totalled NOK 106 million as at 31 December 2014 and NOK 188 million as at 31 December 2013. Deferred tax assets that are not carried refer primarily to tax losses carried forwards in Blom ASA (NOK 47,400,000), Blom Data (NOK 37,800,000), the British subsidiary (NOK 6,200,000) and the Swedish subsidiary (NOK 5,000,000). Reference is also made to Note 24.

(Amounts in NOK 1,000)

	Amount
<b>Expiry dates for tax losses carried forwards</b>	
2015	0
2016	0
2017	0
2018	0
2019	0
Later than 2019	5,400
No restrictions	397,911
<b>Total tax losses carried forward</b>	<b>403,311</b>

(Amounts in NOK 1,000)

	2014	2013
<b>Tax expense:</b>		
Tax payable	656	400
Change in deferred tax	73	-34
	<b>729</b>	<b>366</b>

The tax expense deviates from the amount that would have been reported if the nominal tax rates in the different countries were applied. The difference can be explained as follows:

(Amounts in NOK 1,000)

	2014	2013
<b>Result before tax</b>	<b>6,458</b>	<b>-52,022</b>
Tax calculated at the tax rate of the various countries	1,850	-11,072
Non-tax-deductible expenses/non-taxable income	-500	-11,898
Tax losses recognised as an expense, or not on the balance sheet	2,366	24,226
Utilisation of previously unrecognised tax loss carry forward	-2,987	-890
<b>Tax expense</b>	<b>729</b>	<b>366</b>

The weighted average tax rate was 11.3 percent in 2014 (2013: 0.7 percent).

The following tax rates apply in the various countries in 2014:

Norway 27 percent, Sweden 22 percent, Finland 20 percent, UK 22 percent and Romania 16 percent.

## NOTE 10: OTHER CURRENT LIABILITIES

(Amounts in NOK 1,000)

	2014	2013
Prepayments	8,336	13,899
Holiday pay etc. for employees	10,626	14,003
Project costs	1,561	6,601
Other current liabilities	10,025	8,946
	<b>30,548</b>	<b>43,449</b>

## NOTE 11: PLEDGED ASSETS AND SECURITY

Bank guarantees totalling NOK 1.9 million have been facilitated by the company in connection with property lease guarantees. A cash deposit of the same amount has been provided as security for the bank guarantees.

In connection with the sale of property in Tønsberg, Blom ASA has, together with Scanrope Holding AS, guaranteed that Scan Subsea ASA will pay its rent up to 5 September 2016. Scan Subsea ASA was acquired in 2007 by the NYSE listed company Parker Hannifin Corporation.

## NOTE 12: WAGES AND SALARIES

(Amounts in NOK 1,000)

	2014	2013
Wages	80,703	88,688
Employer's contribution	14,226	12,292
Pension expenses	2,265	3,670
Other remuneration	4,330	2,809
	<b>101,524</b>	<b>107,459</b>

Pension expenses include both defined benefit and defined contribution pension plans. As of 31 December 2014, the Group had a total of 419 employees.

## NOTE 13: FINANCIAL INCOME AND EXPENSES

(Amounts in NOK 1,000)

	2014	2013
Interest and other financial income	241	1,179
Interest and other financial expenses	-1,761	-13,145
Net foreign currency gains/(losses)	688	2,036
<b>Net financial items</b>	<b>-832</b>	<b>-9,930</b>

Interest and other financial expenses in 2013 include recognised transaction costs totalling NOK 2,730,000 in connection with the conversion of the company's bond debt.

## NOTE 14: FINANCIAL LEASES

Property, plant and equipment acquired through financial leases include the following:

(Amounts in NOK 1,000)

	2014	2013
Acquisition cost carried on balance sheet	21,702	27,019
Accumulated depreciation	-20,534	-25,374
<b>Book value as at 31 December</b>	<b>1,168</b>	<b>1,645</b>

The present value of obligations related to financial leases slightly deviates from the carried amount. Financial leases encompass the leasing of sensors and IT-related equipment. The duration of the agreements is from 3 to 5 years. The leasing agreements have a floating interest rate.

## NOTE 15: OPERATING LEASES

Minimum future leasing payments related to operating leases are as follows:

(Amounts in NOK 1,000)

	2014	2013
Maturity within 1 year	7,086	6,859
Maturity between 1 and 5 years	4,961	7,529
Maturity after more than 5 years	0	0
	<b>12,047</b>	<b>14,388</b>

The operating leases encompass the leasing of vehicles, offices, sensors and IT-related equipment. The duration of the agreements is from 3 to 5 years, and most of them are renewable at the market rate when they expire.

## NOTE 16: SHARE CAPITAL AND SHAREHOLDER INFORMATION

Blom ASA has one class of shares, and there were 10,070,649 outstanding shares each with a nominal value of NOK 1.00 at the end of 2014. Share capital as of 31 December 2014 totalled NOK 10,070,649.

At the company's Extraordinary General Meeting of 29 November 2013, the Board of Directors proposed a reduction of the company's share capital to ensure greater flexibility with regard to the company's evaluation and choice of various future strategic development alternatives. The General Meeting resolved a reduction of the company's share capital by NOK 40,282,596, from NOK 50,353,245 to NOK 10,070,649, by reducing the nominal value of the company's share from NOK 5.00 to NOK 1.00. After the creditor notification time was over the share capital reduction was registered on 25 January 2014. The reduction in share capital took place in the form of a transfer to other reserves, and therefore did not involve any disbursements.

On 25 November 2014, the Board of Directors of Blom ASA resolved to make a bid to purchase those shares in Blom ASA owned by shareholders who own less than 33 shares. The reason for the bid was the Board of Director's decision to provide minority shareholders with the opportunity to realise their shares in a cost-efficient manner, and to reduce Blom's costs connected to the administration of the company's shareholder base. At the same time, the Group issued advance notice, pursuant to section 4-24 of the Public Limited Liability Companies Act, of its aim to apply to the Ministry of Trade, Industry and Fisheries for a permit to exercise enforced redemption of shares owned by shareholders whose shares have a total value of less than NOK 500. Once the bid had expired, the company had received a total of 339 acceptances to purchase 1,116 shares, comprising 0.01 percent of all shares issued in the company.

There were no changes in share capital in 2014.

### OWN SHARES

At the end of the year, the company owned 396,452 shares corresponding to 3.94 percent of the total number of outstanding shares. The Board of Directors has a mandate to acquire the company's own shares.

### OWNERSHIP STRUCTURE

The number of shareholders as of 31 December 2014 was 1,754 compared with 2,413 as of 31 December 2013.

The percentage of shares held by foreign shareholders was 0.41 percent compared with 0.26 percent at year-end 2013.

Blom's 20 largest shareholders as at 31 December 2014:

Aksjonær	No. of shares	%
1 URBEX INVEST AS	7,456,517	74.04 %
2 HOLMEN SPESIALFOND	700,000	6.95 %
3 BLOM ASA	396,452	3.94 %
4 MP PENSJON PK	302,370	3.00 %
5 VEEN A/S	175,462	1.74 %
6 A/S MERITUM	175,357	1.74 %
7 SPAR KAPITAL INVESTOR AS	101,779	1.01 %
8 SALTNES	48,784	0.48 %
9 A/S PARMA	35,051	0.35 %
10 FLUMEN FINANS AS	35,051	0.35 %
11 VOLLSTAD	34,962	0.35 %
12 KJÆRVOLL	28,000	0.28 %
13 AUSTRÅTT	25,000	0.25 %
14 AURSJØ	24,877	0.25 %
15 NORTH SEA GROUP AS	22,000	0.22 %
16 INDUSTRIELL INNSATS & INNOVASJON AS	21,000	0.21 %
17 HENRIKSEN	17,929	0.18 %
18 A/S TERMES	17,578	0.17 %
19 JOH RASMUSSEN & RACINE AS	17,578	0.17 %
20 MEPS AS	17,578	0.17 %
<b>Total 20 largest shareholders</b>	<b>9,653,325</b>	<b>95.86 %</b>
Others	417,324	4.14 %
<b>Total</b>	<b>10,070,649</b>	<b>100.00 %</b>

Shares held by members of the Board of Directors and CEO:

	No. of shares as at 31.12.14
Trygve Bruland Chairman of the Board	0
Siv Staubo Board member	0
Birgitte Ellingsen Board member	0
Kristian Lundkvist Board member	0
Dirk Blaauw CEO	0
Urbex Invest AS, related party to Birgitte Ellingsen and Kristian Lundkvist	7,456,517

On 23 May 2014, a report was issued stating that CEO Dirk Blaauw had signed an agreement regarding an option to purchase 10% of the shares in Urbex Invest AS, a company that owns 74.04% of the shares in Blom ASA.

## NOTE 17: EARNINGS AND DILUTED EARNINGS PER SHARE:

The diluted earnings per share in 2014 are calculated by dividing the disposable profit/loss for the year with the weighted average of ordinary shares issued throughout the year, less the company's own shares. On 25 November 2014, the Board of Directors of Blom ASA resolved to make a bid to purchase those shares in Blom ASA owned by shareholders who own less than 33 shares. Once the bid had expired, the company had received a total of 339 acceptances to purchase 1,116 shares, comprising 0.01 percent of all shares issued in the company.

Diluted earnings per share in 2013 are estimated by taking the weighted average of the number of outstanding shares in 2013, adapted to take into account the conversion of the bond debt into 973,367,160 shares and the issue of 15 shares, so that the number of shares after the conversion and issue was 1,007,064,900, and the share reverse split (1:100) in which own shares were utilised. After conversion of the bond loan and once the share issue and reverse split of shares were carried out, the company's share capital was NOK 50,353,245, divided into 10,070,649 shares, each with a nominal value of NOK 5.00. The General Meeting resolved a reduction of the company's share capital by NOK 40,282,596, from NOK 50,353,245 to NOK 10,070,649, by reducing the nominal value of the company's shares from NOK 5.00 to NOK 1.00.

(Amounts in NOK 1,000)

	2014	2013
<b>Earnings per share:</b>		
From continuing operations	0.59	-38.51
From discontinued operations	0.23	-5.18
<b>From annual profit/loss</b>	<b>0.82</b>	<b>-43.70</b>
<b>Diluted earnings per share:</b>		
From continuing operations	0.59	-38.51
From discontinued operations	0.23	-5.19
<b>From annual profit/loss</b>	<b>0.82</b>	<b>-43.70</b>
Profit/loss for the year from continuing operations	5,729	-52,388
Profit/loss for the year from discontinued operations	2,197	-7,051
<b>Profit/loss for the year</b>	<b>7,926</b>	<b>-59,440</b>
Weighted average of number of shares issued	9,675,252	1,360,261
Diluted shares	0	0
Number of conversion shares omitted from the diluted EPS	0	0

## NOTE 18: EXECUTIVE PERSONNEL

Pursuant to Section 6-16a of the Public Limited Companies Act, the Board of Directors' shall prepare a separate statement concerning the adoption of salaries and other remuneration to the CEO and executive personnel. Pursuant to Section 5-6 of the Public Limited Companies Act, the General Meeting shall hold a consultative vote on the Board of Directors' guidelines for salary stipulation for the next financial year. If the guidelines include share-based payment schemes, then such schemes shall also be approved by the General Meeting. The Board of Directors recommends the following guidelines, which are to be subjected to a consultative vote at the General Meeting in 2015:

### DECLARATION REGARDING STIPULATION OF SALARY AND OTHER REMUNERATION OF EXECUTIVE PERSONNEL

#### *Guidelines for 2015*

The company's executive personnel are paid a fixed salary that reflects the employee's education, experience and professional qualifications. It is important that remuneration is at a level that allows the company to attract the best qualified persons to the company's key positions.

In addition to their base salary, executive personnel can receive a variable bonus of up to 30 percent of his/her gross annual salary. The size of the bonus paid to the individual employees will be dependent in part on the achievement of individual targets and in part on the performance of the Group. The targets for the CEO are set by the Board of Directors. The CEO has established targets for executive personnel.

Executive personnel receive a free company car, telephone, mobile phone, Internet, newspapers and canteen as benefits in kind. Executive personnel in Norway are members of the company's defined contribution pension plan in the same manner as other employees. The retirement age for executive personnel is according to local legislation. If employment is terminated, the individual employees are entitled to a salary for a maximum of 18 months after the termination of employment.

Blom believes that the company's performance-based bonus agreements with executive personnel have a motivating effect and are in the best interests of the company and its shareholders.

The company does not currently have any agreements with executive personnel concerning the allocation of shares, subscription rights, options and other forms of remuneration linked to shares or the performance of the company's shares or shares in other companies within the Group. The Board of Directors will, however, continuously consider incentive schemes that are appropriate to secure a qualified management for the company, including the use of various share option schemes.

#### *Implemented executive remuneration policy for 2014*

The remuneration of executive personnel in 2014 has been in accordance with the declaration that was presented to the General Meeting in 2014.

#### **EXECUTIVE PERSONNEL**

Salary and other remunerations to executive personnel in 2014:

(Amounts in NOK 1,000)

Name	Position	Basic salary	Accrued bonus	Other taxable assets	Deposit paid coll. pension	Agreed severance pay
Dirk Blaauw	CEO	3,150,000	0	181,843	65,185	18 months' salary

NOK 757,655 was charged against income in 2014 for the early retirement pension scheme for CEO Dirk Blaauw, and the gross pension obligation was NOK 7,451,957. Including the pension assets, the scheme is over-financed by NOK 40,000 as of 31 December 2014. The pension right applies from the age of 62.

The assumptions made for the pension obligations are a return of 3.20 percent, discount rate of 2.30 percent, projected National Insurance base amount (G) adjustment of 2.50 percent and wage inflation of 2.75 percent.

Salary and other remunerations to executive personnel in 2013:

(Amounts in NOK 1,000)

Name	Position	Basic salary	Accrued bonus	Other taxable assets	Deposit paid coll. pension	Agreed severance pay
Dirk Blaauw	CEO	3,150,000	0	214,905	62,373	18 months' salary
Lars Bakklund	CFO til 31.10.	2,593,750	0	187,041	51,977	
Nils Karbø	CTO	1,500,000	0	201,658	60,167	6 months' salary

NOK 235,192 was charged against income in 2013 for the early retirement pension scheme for CEO Dirk Blaauw, and the total pension obligation was NOK 6,334,995. The pension right applies from the age of 62.

Lars Bakklund resigned on 31 October 2013 and, according to agreement, received severance pay corresponding to 18 months' salary, including remuneration in addition to the benefits mentioned above. NOK 742,465 was charged against income in 2013 for the early retirement pension scheme for CFO Lars Bakklund, and the total pension obligation was NOK 0.

The assumptions made for the pension obligations are a return of 4.40 percent, discount rate of 4.10 percent, projected National Insurance base amount (G) adjustment of 3.00 percent and wage inflation of 3.75 percent.

### BOARD OF DIRECTORS

Remuneration of the Board of Directors is stipulated by the General Meeting. For the period from 3 June 2013 to 27 September 2013, NOK 375,000 was paid in fees to the Board of Directors.

A new Board of Directors was elected at the Extraordinary General Meeting of 27 September 2013. NOK 750,000 was paid in fees to the Board of Directors for the period from 27 September 2013 to 22 May 2014.

Provisions totalling NOK 1,125,000 have been allocated in the accounts for 2014 for the remuneration of the Board of Directors for the period from 22 May 2014 to the Annual General Meeting in 2015. The remuneration breaks down into NOK 450,000 for the Chairman of the Board and NOK 225,000 for other board members.

Remuneration of the Board of Directors for the period from 3 June 2013 to 27 September 2013:

(Amounts in NOK 1,000)

	Blom ASA
Tom H. Knoff	150,000
Siv Sandvik	75,000
Ingvild Myhre	75,000
Olav Fjell	75,000
<b>Total</b>	<b>375,000</b>

Remuneration of the Board of Directors for the period from 27 September 2013 to 22 May 2014:

(Amounts in NOK 1,000)

	Blom ASA
Siv Staubo	300,000
Kristian Gjertsen Lundkvist	150,000
Birgitte Ellingsen	150,000
Tore Hopen	150,000
<b>Total</b>	<b>750,000</b>

The following provisions have been made for remuneration of the Board of Directors for the period from 22 May 2014 until the Annual General Meeting in 2015:

(Amounts in NOK 1,000)

	Blom ASA
Trygve Bruland	450,000
Siv Staubo	225,000
Kristian Gjertsen Lundkvist	225,000
Birgitte Ellingsen	225,000
<b>Total</b>	<b>1,125,000</b>

## NOTE 19: AUDITOR

Auditor's fees totalling NOK 857,000 were charged against income in the Group for 2014 (2013: NOK 942,000). The Group also paid fees for other attestation services (including statements related to share capital increases and scheduled control procedures) of NOK 0 (2013: NOK 886,000). In addition, there were tax consulting fees (including technical assistance with tax papers and guidance concerning tax questions) totalling NOK 140,000 (2013: NOK 322,000) and other services totalled NOK 393,000 (2013: NOK 0). The amounts listed are exclusive of VAT.

## NOTE 20: FAIR VALUE OF ASSETS AND LIABILITIES, AND FINANCIAL ASSETS PER CATEGORY

With the exception of loans with interest-free periods, there are no differences between the fair value and book value of assets and liabilities.

Financial instruments per category:

(Amounts in NOK 1,000)

	2014 Lending and receivables	2014 Non-financial assets	2014 Total
<b>Assets</b>			
Non-current financial assets	4,538	0	4,538
Trade receivables	26,139	0	26,139
Other current receivables	7,799	8,433	16,232
Cash & cash equivalents	51,400	0	51,400
<b>Total</b>	<b>89,876</b>	<b>8,433</b>	<b>98,309</b>
	Financial liabilities at amortised cost	Non-financial liabilities	Total
<b>Liabilities</b>			
Interest-bearing current liabilities	648	0	648
Trade payables	19,526	0	19,526
Other current liabilities	22,212	8,336	30,548
<b>Total</b>	<b>42,386</b>	<b>8,336</b>	<b>50,722</b>

	2013 Lending and receivables	2013 Non-financial assets	2013 Total
<b>Assets</b>			
Non-current financial assets	802	349	1,151
Trade receivables	36,117	0	36,117
Other current receivables	12,085	2,969	15,054
Cash & cash equivalents	42,725	0	42,725
<b>Total</b>	<b>91,729</b>	<b>3,318</b>	<b>95,047</b>
	Financial liabilities at amortised cost	Non-financial liabilities	Total
<b>Liabilities</b>			
Interest-bearing current liabilities	9,607	0	9,607
Trade payables	3,864	0	3,864
Other current liabilities	25,955	0	25,955
<b>Total</b>	<b>29,551</b>	<b>13,899</b>	<b>43,449</b>
	<b>68,977</b>	<b>13,899</b>	<b>82,875</b>

Non-financial assets and liabilities comprise advance payments and shares in other companies.

## NOTE 21: FINANCIAL RISK

The Group's activities involve various types of financial risk: market risk (currency and interest rate), credit risk, liquidity risk and risk related to asset management. The Group has a central Finance Department to carry out risk management, in close cooperation with the subsidiaries. The purpose of risk management is to minimise any potentially negative impact on the Group's financial results.

### MARKET RISK

#### *a. Currency risk*

The company is somewhat exposed to fluctuations in foreign exchange rates, since substantial revenues are in foreign currencies other than NOK, primarily EUR. The company has relatively large operative subsidiaries in four European countries, one of which uses the Euro as functional currency, while the three remaining subsidiaries use three different functional currencies.

The company focuses on reducing any foreign currency risk associated with cash flows, and on reducing the foreign currency risk associated with assets and liabilities. The subsidiaries in general have revenue and expenses in the same currency, and this substantially reduces the Group's cash flow exposure to a single currency. The Finance Department carries out assessments of the need for any hedging of currency risk in cash flows. In 2014, the company did not find it necessary to hedge cash flows against currency risks.

Net foreign exchange gains totalled NOK 0.7 million in 2014.

The company has certain investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. The currency translation difference on equity as at 31 December 2014 totalled NOK -24.0 million.

The EUR/NOK rate of exchange as at 31 December 2014 was 9.04, while the average of the monthly average rates used to translate the income statement was 8.41.

If the EUR/NOK rate of exchange had been 7.09 percent stronger as at 31 December 2014 and all other variables were constant, profit after tax would be NOK 0.40 million higher. The change is attributed primarily to foreign exchange gains in connection with the translation of trade receivables and inventories.

If the NOK/RON exchange rate had been 7.09 percent stronger as at 31 December 2014 and all other variables were constant, profit after tax would be NOK 0.31 million higher. The change is attributed primarily to a foreign exchange gain in connection with the translation of trade receivables and inventories.

#### *b. Interest rate risk*

The Group's interest-bearing assets, which are cash and cash equivalents and the Group's profit and cash flow from operating activities, are in general independent of changes in market interest rates.

The Group has interest-bearing debt as described in Note 8. The interest-bearing debt has floating interest rates or interest rate regulation clauses that are shorter than three months at any given time. Since the debt can be repaid at the time when the interest rate is regulated, the difference between the fair value and book value will be small and insignificant.

The Group's interest rate risk is associated with long-term loans and financial leasing. All of the company's interest-bearing debt is subject to floating interest rates. The company has not made use of interest rate swaps or other financial instruments. A change in interest rate of 1 percent would result in a change in interest expense of approx. NOK 0.02 million, with a corresponding impact on the profit/loss after tax.

#### **CREDIT RISK**

The company has not entered into any transactions that involve financial derivatives or other financial instruments. The counterparty risk in financial transactions is, therefore, non-existent.

The credit risk in connection with sales to customers is managed within the local subsidiaries, and at Group level for major projects. Credit risk is monitored by the local subsidiaries and at Group level. The company has guidelines for new contracts that focus on various elements, all of which shall contribute to the customer paying the company as quickly as possible.

The company's customers are primarily municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. The company considers the risk of potential future losses from this type of customer to be low.

As at 31 December 2014, the company has provisions of NOK 0.1 million for potential future losses on specific trade receivables. The company has earmarked provisions for specific customers and evaluated the size of the potential loss.

The company is focusing on reducing outstanding trade receivables. The age distribution of the Group's trade receivables is specified in Note 5. The company's public sector customers are expected to have a higher percentage of trade receivables and work in progress compared with private customers due to the duration of the projects and the customers' delivery terms.

Trade receivables (invoiced to customers) and work in progress (not yet invoiced to customers) totalled NOK 51.1 million as at 31 December 2014, compared with NOK 67.1 million as at 31 December 2013, i.e. a reduction of 23.8 percent.

#### **LIQUIDITY RISK**

The company's management of liquidity risk entails maintenance of adequate liquid reserves and credit facilities. The central management team and the local managers of subsidiaries monitor the Group's liquid reserves and credit facilities through rolling forecasts based on projected cash flow. If the company were to find itself in a situation in which its operations do not generate adequate liquidity during certain periods, the company will seek to improve its liquid reserves by the sale of assets and/or taking on additional debt and/or increasing the company's share capital.

The Group had NOK 51.4 million in liquid reserves at the end of the year, compared with NOK 42.7 million in liquid reserves at the end of the previous year. Restricted bank deposits totalled NOK 3.5 million and total available liquid reserves were NOK 47.9 million.

The company's operations are marked by seasonal fluctuations, since a large portion of the company's operations consist of airborne data acquisition and the processing and modelling of the map data obtained. Data acquisition is not normally performed when the surface of the earth is covered in snow. With regard to working capital, this means that

the company ties up most working capital in the spring when airborne data acquisition starts, and the subsequent processing of data is not normally paid for by the end customer until the summer months.

Based on the company's available liquid reserves of NOK 47.9 million at the end of the year, the spring will be the period of the year in which liquid reserves are lowest – as this is the season when the highest amount of working capital is tied up. During this period, the company has a low level of liquid reserves for unforeseen events. The maturity structure of the Group's non-current liabilities (excluding deferred tax liabilities) and current interest-bearing liabilities is specified in Note 8.

Moreover, the company has other current liabilities, excluding obligations classified as held for sale as of 31 December 2014, totalling NOK 30.5 million, as indicated in Note 10.

The Group has current assets, excluding cash and cash equivalents and assets classified as held for sale, totalling NOK 67.3 million as at 31 December 2014.

The company has not made use of any financial instruments and therefore has no liquidity risk due to financial instruments.

#### RISK ASSOCIATED WITH ASSET MANAGEMENT:

The Group's aim with regard to asset management is to ensure continuing operations for the Group, in order to secure a return for the owners and other stakeholders and to maintain an optimal capital structure in order to reduce capital costs. Asset management is monitored based on the Group's debt-to-equity ratio. The debt-to-equity ratio is calculated by dividing the net interest-bearing debt by the adjusted total assets. Net interest-bearing debt includes all liabilities on which interest accrues as recognised in the balance sheet. The adjusted total assets are the equity stated on the balance sheet plus interest-bearing debt.

The Group aims to have a debt-to-equity ratio that can be serviced by underlying operations and ensure an acceptable credit rating. The debt-to-equity ratio as at 31 December 2014 and 31 December 2013 is calculated as follows:

(Amounts in NOK 1,000)

	2014	2013
Total loans	1,625	14,370
Total equity	74,656	56,256
Total assets (adjusted)	76,281	70,626
<b>Debt-to-equity ratio</b>	<b>2%</b>	<b>20 %</b>

## NOTE 22: SUBSIDIARIES

The following directly and indirectly owned subsidiaries are included in the consolidated accounts:

Blom Nordic Holding AS, Oslo (100%)  
 Blom Geomatics AS, Oslo (100%)  
 Blom Data AS, Oslo (100%)  
 Blom Kartta Oy, Finland (100%)  
 FMKkaart OU, Estonia (100%)  
 Blom Sweden AB, Sweden (100%)  
 PT. Blom Nusantara, Indonesia (90%)  
 Blom Deutschland GmbH, Germany (100%)  
 Blom Aerofilms Ltd, England (100%)  
 Blom International Operations S.R.L, Romania (100%)  
 Blom Data Spain S.L.U, Spain (100%)

## NOTE 23: IMPORTANT ACCOUNTING ESTIMATES AND DISCRETIONARY ASSESSMENTS

Estimates and discretionary assessments are evaluated continuously and based on historical experience and other factors, including expectations of future events that are regarded as probable under the current circumstances. The Group prepares estimates and makes assumptions concerning the future. The accounting estimates that are made as a result of this will rarely coincide in full with the final outcome. The most important valuation items are discussed below.

### PROPERTY, PLANT AND EQUIPMENT

The Group performs annual tests to assess the value of property, plant and equipment.

Due to mutual cash flow dependency between the company's legal entities within its operating segments, the company is regarded as having three cash-generating entities, and assets in the company are allocated to these cash flow generating entities. The recoverable amount from the cash flow generating entities is calculated based on the value determined for the asset by calculating its utility value. These calculations require the use of estimates.

The present value of the cash flow from cash flow generating entities exceeds the book value of non-current assets and net working capital. Reference is also made to the list of non-current assets in Note 2. The test makes use of liquidity prognoses before tax based on the 2015 budget that has been approved by the Board of Directors. Different growth assumptions have been used to reflect the projected market performance and gradual increase in working capital, in step with the growth and required rate of return of 8.0 percent before tax.

- If the required rate of return were to be increased by 5 percentage points to 13.0 per cent, the testing of property, plant and equipment would not entail any write-down requirement.
- If working capital were to deteriorate by NOK 7 million in 2014, the testing of property, plant and equipment would not entail any write-down requirement.
- If the growth in terminal value from 2016 and beyond were to be reduced from 1 to 0 percent, the testing of property, plant and equipment would not entail any write-down requirement.

As described in Notes 3 and 4, goodwill has been fully written down. The book value of property, plant and equipment is deemed justifiable within various growth scenarios and with a satisfactory and rational change in the required rate of return.

### DEFERRED TAX ASSET

The Group is taxed for income in several different jurisdictions. The use of discretion is required to determine the income tax for all these countries and state this as one figure in the consolidated accounts. For many transactions and calculations, there will be uncertainty related to the ultimate tax liability. The Group has written down the recognised tax effect of losses carried forwards to nil.

### RECOGNITION OF PROJECT INCOME

Project income is recognised in accordance with the continuous completion method. This method requires that the Group make discretionary assessments concerning the percentage of the total project delivered on the date of the balance sheet.

As of 31 December 2014, the company carried NOK 25.0 million in work in progress. Work in progress has been recognised, but not invoiced to the customer as of 31 December 2014. If the percentage of services delivered on the balance sheet date in relation to the total services delivered were to deviate by 10 percent from the management's estimate, the revenue for the year would change by NOK 2.5 million.

### PROVISIONS FOR RECEIVABLES

The provisions for receivables are based on the management's discretionary assessment of potential future losses on trade receivables. The company's customers are primarily municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. The company considers the risk of potential future losses from this type of customer to be very low.

As at 31 December 2014, the company has provisions of NOK 0.1 million for potential future losses on specific trade receivables. If upon realisation any losses were to deviate by 10 percent from the management's estimate, the realised losses in relation to the provisions would change by approximately NOK 0.0 million.

## NOTE 24: ASSETS AND LIABILITIES FOR DISCONTINUED OPERATIONS

Assets and liabilities related to the company Blom Deutschland GmbH were classified as held for sale as at 31 December 2014, based on the Board of Directors' decision to sell the company in the autumn of 2014.

The item entitled "Annual profit/loss from discontinued operations" in the income statements for 2014 and 2013 includes the following companies: Blom Romania S.R.L. (sold in 2014), Blom Sistemas Geoespaciales S.L.U (under liquidation per 2014), Blom Deutschland GmbH (classified as held for sale per 2014) and Blom CGR S.p.A (sold 2013).

Assets and liabilities classified as held for sale as of 31.12.14:

Blom Deutschland GmbH:

(Amounts in NOK 1,000)

	2014	2013
Property, plant and equipment	223	0
Work in progress	699	0
Trade receivables	2,113	0
Other assets	1,164	0
<b>Total assets</b>	<b>4,199</b>	<b>0</b>

	2014	2013
Trade payables	190	0
Other current liabilities	3,530	0
<b>Total liabilities</b>	<b>3,720</b>	<b>0</b>

Assets and liabilities classified as held for sale as of 31.12.2013:

Blom Romania S.R.L.:

(Amounts in NOK 1,000)

	2014	2013
Property, plant and equipment	0	1,566
Work in progress	0	11,153
Trade receivables	0	6,897
Other assets	0	28,456
<b>Total assets</b>	<b>0</b>	<b>48,072</b>

	2014	2013
Non-current liabilities	0	309
Credit facilities	0	3,715
Trade payables	0	20,911
Public fees payable	0	613
Other current liabilities	0	7,660
<b>Total liabilities</b>	<b>0</b>	<b>33,209</b>

Profit/loss for 2014 from discontinued operations:

(Amounts in NOK 1,000)

	Revenues	Expenses	Profit after tax
Blom Deutschland GmbH	11,829	13,772	-1,943
Blom Sistemas Geoespaciales S.L.U	9,628	10,896	-1,268
Blom Romania S.R.L	2,648	-2,760	5,408
<b>Total</b>			<b>2,197</b>

Profit/loss for 2013 from discontinued operations:

(Amounts in NOK 1,000)

	Revenues	Expenses	Profit after tax
Blom Deutschland GmbH	10,626	11,670	-1,044
Blom Sistemas Geoespaciales S.L.U	34,254	42,052	-7,798
Blom Romania S.R.L	40,429	37,145	3,284
Blom CGR S.p.a	3,986	5,479	-1,493
<b>Total</b>			<b>-7,051</b>

Cash flow for 2014 from discontinued operations:

(Amounts in NOK 1,000)

	Operating activities	Investing activities	Financing activities	Total cash flow	Cash and cash equivalents
Blom Deutschland GmbH	-1,890	-45	0	<b>-1,935</b>	990
Blom Sistemas Geo. S.L.U	-3,901	-708	0	<b>-4,609</b>	0
Blom Romania S.R.L.	0	-19,242	0	<b>-19,242</b>	0
<b>Total</b>				<b>-25,786</b>	<b>990</b>

Cash flow for 2013 from discontinued operations:

(Amounts in NOK 1,000)

	Operating activities	Investing activities	Financing activities	Total cash flow	Cash and cash equivalents
Blom Deutschland GmbH	625	-48	0	<b>577</b>	2,925
Blom Sistemas Geo. S.L.U	2,891	-343	-5,887	<b>-3,339</b>	4,609
Blom Romania S.R.L.	11,339	-153	-2,108	<b>9,078</b>	19,242
<b>Total</b>				<b>6,316</b>	<b>26,776</b>

Blom Deutschland GmbH and Blom Sistemas Geoespaciales S.L.U. were not classified as held for sale, or under liquidation as of 31 December 2013. Cash and cash equivalents for these companies totalled NOK 7,534,000.

A bright sun in a clear blue sky above a vast, snow-covered mountain range. The sun is in the upper left, creating a lens flare effect. The mountains are covered in deep snow, with some rocky peaks visible. The overall scene is bright and clear.

# **BLOM ASA ACCOUNTS**

## INCOME STATEMENT – BLOM ASA

(Amounts in NOK 1,000)

	Note	2014	2013
Operating income	1	6,188	10,530
Salaries and personnel costs	2/7	10,031	24,400
Ordinary depreciation	3	25	62
Other operating and administrative expenses	4/12	7,098	8,020
<b>Operating expenses</b>		<b>17,155</b>	<b>32,482</b>
<b>Operating profit/loss</b>		<b>-10,966</b>	<b>-21,952</b>
Financial income/expenses		4,121	-3,549
Write-down of subsidiaries	13/14	0	-41,977
<b>Net financial items</b>		<b>4,121</b>	<b>-45,526</b>
<b>Profit/loss before tax</b>		<b>-6,845</b>	<b>-67,478</b>
<b>Tax expense</b>	9	<b>0</b>	<b>0</b>
<b>Profit/loss for the year</b>		<b>-6,845</b>	<b>-67,478</b>
Application of profit/loss:			
Transferred to/from other reserves		-6,845	-67,478
<b>Total allocations</b>		<b>-6,845</b>	<b>-67,478</b>

## BALANCE SHEET – BLOM ASA

### ASSETS

(Amounts in NOK 1,000)

	Note	2014	2013
Intangible assets	9	0	0
Plant, property and equipment	3	472	0
Shares in subsidiaries	13	55,642	73,021
Non-current receivables	5/7	4,558	0
<b>Total financial assets</b>		<b>60,200</b>	<b>73,021</b>
<b>Total capital assets</b>		<b>60,672</b>	<b>73,021</b>
Current receivables	5/14	13,939	10,583
Cash & cash equivalents	6	14,127	7,571
<b>Total current assets</b>		<b>28,066</b>	<b>18,154</b>
<b>TOTAL ASSETS</b>		<b>88,738</b>	<b>91,175</b>

## BALANCE SHEET – BLOM ASA

### EQUITY AND LIABILITIES

(Amounts in NOK 1,000)

	Note	2014	2013
<b>Paid-in capital:</b>			
Share capital		10,071	10,071
Own shares		-1,978	-1,977
Share premium reserves		43,949	51,313
<b>Retained earnings:</b>			
Other equity		0	0
<b>Total equity</b>	7/8	<b>52,042</b>	<b>59,407</b>
Pension obligations	7	0	300
Other non-current liabilities	10	299	0
<b>Total non-current liabilities</b>		<b>299</b>	<b>300</b>
Trade payables		451	3,145
Public fees payable		1,315	961
Other current liabilities	10/14	34,630	27,361
<b>Total current liabilities</b>		<b>36,396</b>	<b>31,468</b>
<b>Total liabilities</b>		<b>36,695</b>	<b>31,767</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>88,738</b>	<b>91,175</b>

Oslo, 12 March 2015



Trygve Bruland  
Chairman of the Board



Siv Staubo  
Board member



Birgitte Ellingsen  
Board member



Kristian Lundkvist  
Board member



Dirk Blaauw  
CEO

## CASH FLOW STATEMENT – BLOM ASA

### INDIRECT MODEL

(Amounts in NOK 1,000)

	Note	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/loss before tax		-6,845	-67,478
+ Depreciation, amortisation and write-downs	3/14/15	25	42,039
+/- Gain/loss on sale of assets and shares		-4,291	0
+/- Change in current receivables		-9,092	2,285
+/- Change in current liabilities		6,594	-17,380
+/- Change in other accruals		-3,802	9,204
<b>A = Net cash flow from operating activities</b>		<b>-17,412</b>	<b>-31,330</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
+ Receipts from sale of shares and other investments		23,968	7,487
<b>B = Net cash flow from investing activities</b>		<b>23,968</b>	<b>7,487</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
+ New non-current liabilities		0	0
<b>C = Net cash flow from financing activities</b>		<b>0</b>	<b>0</b>
<b>A+B+C Net change in cash and cash equivalents</b>		<b>6,556</b>	<b>-23,843</b>
+ Cash and cash equivalents as at 1 January		7,571	31,414
<b>= Cash and cash equivalents as at 31 December</b>		<b>14,127</b>	<b>7,571</b>



# NOTES TO THE ACCOUNTS BLOM ASA



## NOTES TO THE ACCOUNTS BLOM ASA

### GENERAL INFORMATION

The accounts for Blom ASA have been prepared in accordance with the Accounting Act of 1998 and the generally accepted accounting principles in Norway (NGAAP). In cases where the notes for the parent company are significantly different from the notes for the Group, these are provided below. Reference is made otherwise to the information in the notes for the Group.

### CURRENCY

Transactions involving foreign currencies are translated into the functional currency using the exchange rates that are in effect at the time of the transactions. Gains and losses that arise from the payment of such transactions and the translation of monetary items in foreign currencies at the rates in effect on the date of the balance sheet are recognised in the income statement. The company uses Norwegian kroner (NOK) as both its functional and presentation currency.

### SUBSIDIARIES

Investments in subsidiaries are valued in accordance with the cost method and written down if the value in the balance sheet exceeds the recoverable amount. Write-downs are reversed if the basis for the write-down no longer exists.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised in the accounts at acquisition cost less accumulated depreciation and write-downs. Depreciation is calculated on the basis of the straight line method so that the cost price of the non-current assets is depreciated to the residual value over the expected life of the asset.

### LOANS

Loans are recognised in the accounts at their fair value when they are disbursed, less any transaction costs. In subsequent periods, loans are recognised in the accounts at their amortised cost, as calculated by means of the effective interest rate method. The difference between the loan amount disbursed (less transaction costs) and the redemption value is recognised in the income statement over the term of the loan. Loans are classified as current liabilities unless there is an unconditional right to postpone payment of the debt by more than 12 months from the date of the balance sheet.

### CASH & CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank deposits and other short-term, readily negotiable investments.

### TAX

The tax expense in the income statement encompasses the tax payable for the period and the change in deferred tax. Deferred tax is calculated at the rate of 27 percent on the basis of temporary differences between the carrying amounts and their tax base (as a consequence of the change in the tax rate effective in 2014), in addition to any tax loss carry forward at the end of the financial year. Tax adding or tax deducting temporary differences that may reverse during the same period are offset. Deferred tax and tax assets that can be recognised on the balance sheet are recognised on a net basis on the balance sheet. Deferred tax assets are recognised on the balance sheet provided that future taxable income is probable and the temporary differences can be offset against this income.

### PENSION PLANS

The company has both defined benefit and defined contribution pension plans. The contributions are recognised as a payroll cost in the accounts as they fall due. Contributions paid in advance are recognised as an asset in the accounts if the contribution can be refunded or reduce future payments. The carried liability related to the defined contribution pension plans is the current value of the defined contributions at balance sheet date minus the fair value of the pension assets. Pension payments an employee will receive on retirement are normally dependent on one or more factors such as age, years of service and salary level. The pension obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits is determined by discounting the estimated future payments at the interest rate for a bond issued by a company with high creditworthiness in the same currency as the benefits will be paid, with a term that is approximately the same as the term of the associated pension obligation.

Gains or losses that arise from recalculation of the obligations as a result of empirical deviations or changes in the actuarial assumptions are recognised in equity through other comprehensive income during the period when they arise.

The effect of changes to the pension plan benefits are recognised immediately in profit and loss.

## NOTE 1: REVENUES

The operating revenues consist of fees for services that the parent company renders for companies in the Group.

Operating revenues allocated per operating segment and geographic segment:

(Amounts in NOK 1,000)

	2014	2013
<b>Operating segments</b>		
Nordic	3,200	7,300
Mid-Europe	1,700	1,000
Eastern Europe	1,288	2,230
<b>Total operating revenues</b>	<b>6,188</b>	<b>10,530</b>

(Amounts in NOK 1,000)

	2014	2013
<b>Geographic breakdown</b>		
Norway	2,000	5,700
Other Nordic countries	1,200	1,600
Other Europe	2,988	3,230
<b>Total operating revenues</b>	<b>6,188</b>	<b>10,530</b>

## NOTE 2: WAGES

(Amounts in NOK 1,000)

	2014	2013
Wages	7,366	17,008
Employer's contribution	2,245	3,105
Pension expense	102	2,490
Other remuneration	318	1,797
	<b>10,031</b>	<b>24,440</b>

Pension expense includes both defined benefit and defined contribution pension plans. The average number of full-time equivalents in 2014 was five. Reference is made otherwise to the notes to the consolidated financial statements.

## NOTE 3: PROPERTY, PLANT AND EQUIPMENT

(Amounts in NOK 1,000)

	2014	2013
Acquisition cost as at 1 January	756	756
Additions during the year	497	0
Accumulated depreciation as at 31 December	781	756
<b>Book value as of 31.12.</b>	<b>472</b>	<b>0</b>
Depreciation for the year	25	62

## NOTE 4: OTHER OPERATING AND ADMINISTRATIVE EXPENSES

(Amounts in NOK 1,000)

	2014	2013
Travel expenses	344	724
Rent and other office expenses	1,063	1,610
External services	2,422	4,885
Other operating and administrative expenses	1,167	801
<b>Total</b>	<b>7,098</b>	<b>8,020</b>

## NOTE 5: NON-CURRENT AND CURRENT RECEIVABLES

(Amounts in NOK 1,000)

	2014	2013
Non-current receivables	4,518	0
Pension assets (Note 7)	40	0
<b>Total non-current receivables</b>	<b>4,558</b>	<b>0</b>
Intragroup receivables (Note 14)	9,066	2,825
Accrual items	354	455
Other current receivables	4,519	7,303
<b>Total current receivables</b>	<b>13,939</b>	<b>10,583</b>

## NOTE 6: CASH & CASH EQUIVALENTS

(Amounts in NOK 1,000)

	2014	2013
Cash and bank deposits	11,748	4,232
Restricted bank deposits	2,379	3,339
<b>Total</b>	<b>14,127</b>	<b>7,571</b>

The restricted bank deposits include the employees' tax withholdings and cash deposits for portions of the company's guarantees (Note 11).

## NOTE 7: PENSIONS

Blom ASA has a defined contribution pension plan that covers five persons. This pension plan satisfies the requirements stipulated in the Mandatory Occupational Pension Act. The company also covers a pension plan for one person financed from operations, subsequent to the settlement in November 2014 of a similar plan for a former employee. The capital in the fund-based plan is managed by a company that has invested the capital in a number of funds. A tax deduction cannot be claimed until the pension has been paid. Settlement of the pension plan for the former employee has resulted in the disbursement of pension funds totalling approx. NOK 4,000,000, and recognised income of approx. NOK 1,370,000.

The company has changed its accounting principles from the 2013 financial year, so that pensions are now recognised in accordance with NRS 6 (IAS 19R). Any remeasurements are recognised directly against equity.

(Amounts in NOK 1,000)

	2014	2013
Net pension expense financed through revenue	-489	1,268
Defined contribution expense	591	1,222
<b>Total pension expense</b>	<b>102</b>	<b>2,490</b>
Remeasurement recognised directly in equity	503	2,134
<b>Net pension expense</b>		
Present value of current year's pension benefits earned	674	858
Net interest expense	149	149
Settlement recognised	-1,372	0
Administrative costs	35	46
Employer's contribution	25	215
<b>Net pension expense</b>	<b>-489</b>	<b>1,268</b>
<b>Net pension obligations</b>		
Accrued pension obligations as at 31 December	7,452	11,545
<b>Estimated pension obligations as at 31 December</b>	<b>7,452</b>	<b>11,545</b>
Pension assets (at market value) as at 31 December	7,492	11,282
Employer's contribution	0	37
<b>Net pension obligations</b>	<b>-40</b>	<b>300</b>

	2014	2013
<b>Economic assumptions</b>		
Discount rate	2.30 %	4.10 %
Projected return on pension fund assets	3.20 %	4.10 %
Projected wage inflation	2.75 %	3.75 %
Projected pension increase	2.50 %	0.6 - 3.00 %
Projected National Insurance base amount (G) regulation	2.50 %	3.50 %

The actuarial assumptions are based on the normal assumptions that are used by the insurance industry with regard to demographic factors.

## NOTE 8: EQUITY

(Amounts in NOK 1,000)

	Note	Share capital	Own shares	Share premium reserves	Equity
<b>Equity as at 01.01.13</b>		<b>16,849</b>	<b>-110</b>	<b>17,919</b>	<b>34,658</b>
Profit/loss for the year				-67,478	-67,478
Remeasurement for pensions recognised directly in equity	7			2,134	2,134
Share capital reduction		-15,164		15,164	0
Share capital increase/premium on conversion		48,668	-1,867	47,827	94,628
Share capital reduction*		-40,283		40,283	0
Costs of conversion/share capital reduction				-4,535	-4,535
<b>Equity as at 01/01/2014</b>		<b>10,071</b>	<b>-1,977</b>	<b>51,314</b>	<b>59,407</b>
Profit/loss for the year				-6,845	-6,845
Remeasurement for pensions recognised directly in equity	7			-503	-503
Repurchase of own shares			-1		-1
Costs recognised in equity				-17	-17
<b>Equity as at 31/12/2014</b>		<b>10,071</b>	<b>-1,978</b>	<b>43,949</b>	<b>52,042</b>

\*Share capital reduction was registered on 25 January 2014.

Reference is also made to Note 16 Share capital and shareholder information in the consolidated financial statements.

## NOTE 9: TAX

(Amounts in NOK 1,000)

	2014	2013
<b>Calculation of deferred tax/deferred tax assets:</b>		
<b>Temporary differences:</b>		
Property, plant and equipment	-229	-472
Non-current receivables	807	0
Receivables	0	-3,028
Capital gain and loss account	5,427	6,784
Provisions in accordance with the generally accepted accounting principles	-100	-286
Pension plan assets/pension obligations	-7,452	-11,545
Net temporary differences	-1,547	-8,547
Deficit to carry forward	-175,533	-160,140
Basis for deferred tax assets	-177,080	-168,687
27% deferred tax asset	-47,811	-45,545
<b>Deferred tax assets on balance sheet</b>	<b>0</b>	<b>0</b>
<b>Tax basis, change in deferred taxes and tax payable:</b>		
Profit/loss before tax	-6,757	-67,478
Permanent differences	-1,635	12,874
Write-down of shares	0	28,900
<b>Tax basis for current year</b>	<b>-8,393</b>	<b>-25,703</b>
Change in temporary profit/loss differences	-6,999	-16,955
Change in deficit	15,392	47,193
Share issue expenses recognised directly in equity	0	-4,535
<b>Basis for tax payable in income statement</b>	<b>0</b>	<b>0</b>
<b>Tax breakdown:</b>		
Tax payable	0	0
Change in deferred tax	0	0
<b>Tax expense (27% of basis for the tax expense for the year)</b>	<b>0</b>	<b>-5,339</b>
Use of deferred tax assets not recognised on the balance sheet	0	0
Share of deferred tax assets not recognised on the balance sheet	0	5,339
<b>Tax expense</b>	<b>0</b>	<b>0</b>

Tax loss carry forward is NOK 175.5 million as at 31 December 2014.

## NOTE 10: OTHER NON-CURRENT AND CURRENT LIABILITIES

(Amounts in NOK 1,000)

	2014	2013
<b>Other non-current liabilities</b>	<b>299</b>	<b>0</b>
Intragroup liabilities (Note 14)	31,997	23,063
Other current liabilities	2,633	4,298
<b>Total other current liabilities</b>	<b>34,630</b>	<b>27,361</b>
<b>Total other non-current and current liabilities</b>	<b>34,929</b>	<b>27,361</b>

## NOTE 11: PLEDGED ASSETS AND SECURITY

Bank guarantees totalling NOK 1.9 million have been facilitated by the company in connection with property lease guarantees. A cash deposit totalling NOK 1.9 million has been deposited as security for the bank guarantees.

In connection with the sale of a property in Tønsberg, Blom ASA has, together with Scanrope Holding AS, guaranteed that Scan Subsea ASA will pay its rent up until 5 September 2016. Scan Subsea ASA was acquired in 2007 by the NYSE listed company Parker Hannifin Corporation.

## NOTE 12: AUDITOR FEES

Blom ASA has charged an auditor's fee of NOK 410,000 (2013: NOK 440,000) against income for 2014. In addition, there were tax consulting fees (including technical assistance with tax papers and guidance concerning tax questions) totalling NOK 50,000 (2013: NOK 175,000). Other attestation services amounted to a charge against income of NOK 0 (2013: NOK 585,000) and other services totalled NOK 333,000 (2013: NOK 0).

## NOTE 13: SUBSIDIARIES

(Amounts in NOK 1,000)

Company	Company's share capital	No. of shares	Nominal value Total	Cost price for the shares	Value in balance sheet
Blom Data AS	4,000,000	40,000	4,000,000	18,529	0
Blom Data AS – converted loan				200,000	0
Blom Nordic Holding AS	10,070,649	10,070,649	10,070,649	55,642	55,642
<b>Total</b>				<b>274,171</b>	<b>55,642</b>

The value of the shares was written down by NOK 0 million in 2014 and NOK 28.9 million in 2013. The companies are wholly-owned, unless otherwise specified. Reference is made otherwise to the notes to the consolidated financial statements.

## NOTE 14: RELATED PARTIES

The parent company does not have any related parties other than subsidiaries and certain managers. Reference is also made to the notes to the consolidated financial statements.

Transactions between the parent company and subsidiaries are as follows:

(Amounts in NOK 1,000)

Company	Result Purchases	Current liabilities 31.12.14	Result Sales	Current receivables 31.12.14
Blom Geomatics AS	0	0	2,000	6,277
Blom Kartta OY	0	0	600	600
Blom Aerofilms Ltd	0	0	1,700	782
Blom Sweden AB	0	0	600	81
Blom Int.Operations SRL	0	0	1,288	1,326
Blom Nordic Holding AS	0	31,997	0	0
<b>Total</b>	<b>0</b>	<b>31,997</b>	<b>6,188</b>	<b>9,066</b>

The value of receivables was written down by NOK 0 million in 2014 and NOK 13.1 million in 2013.



To the Annual Shareholders' Meeting of Blom ASA

## **Independent auditor's report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Blom ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent auditor's report - 2014 - Blom ASA, page 2

*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Blom ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Blom ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12 March 2015  
**PricewaterhouseCoopers AS**

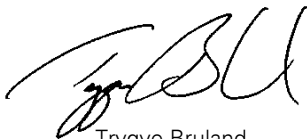
Geir Haglund  
State Authorised Public Accountant (Norway)

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

## STATEMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm that to the best of our knowledge the financial statements for the period 1 January to 31 December 2014 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and of the Group as a whole. We also confirm that the Board of Directors' report includes a true and fair review of the development, performance and position of the company and the Group, together with a description of the principal risks and uncertainties facing the company and the Group.

Oslo, 12 March 2015



Trygve Bruland  
Chairman of the Board



Siv Staubo  
Board member



Birgitte Ellingsen  
Board member



Kristian Lundkvist  
Board member



Dirk Blaauw  
CEO

# CORPORATE GOVERNANCE



## CORPORATE GOVERNANCE

### 1. REPORT

For Blom ASA it is important that investors, clients, partners and others who follow the company have confidence in the fact that the company's operations are managed properly in accordance with sound ethical guidelines. Reliability, honesty and integrity are key to the company's core values. These are values that are important for a good reputation and the realisation of Blom's business goals.

Blom aims to have an adequate level of independence between the company's different corporate bodies, and confidence in the fact that the company is managed in accordance with principles that promote ethical and sustainable business practices.

Blom ASA, the parent company of the Group, is the company in which the Group's supervisory board and management functions are carried out. The Group's management structure is based on Norwegian company law, the Articles of Association, instructions for the Board of Directors, and the working instructions for the company's management adopted by the Board of Directors. The company has prepared ethical guidelines and guidelines for corporate social responsibility. (See corporate social responsibility statement.)

**Deviation from the Code of Practice:** None

### 2. BUSINESS

Blom is a major European supplier for the collection, processing and modelling of geographic information. Blom possesses unique European databases with maps, images and models. The company delivers data and solutions to customers in the public and private sectors, as well as the consumer market, and it allows partners to develop applications based on the company's databases, location-based services and navigation solutions. The object of the company is established in the Articles of Association.

The Board of Directors considers it as its duty to continuously adapt the company's strategy to ensure that shareholders can optimise their returns based on the resources the company represents at any given time. The Board of Directors aims to develop the company based on the resources represented by the competencies of its employees and the recognition the company enjoys in the market. Blom will use its financial platform and instruments available to achieve this goal.

**Deviation from the Code of Practice:** None

### 3. EQUITY AND DIVIDENDS

#### *Capital*

Total assets at year-end 2014 amounted to NOK 147.9 million, with an equity ratio of 50.5 percent. Dividends will be considered on an ongoing basis as a result of the company's strategy and earnings.

#### *Capital changes*

The extraordinary General Meeting dated 29 November 2013 adopted a reduction of the company's share capital by NOK 40,282,596, from NOK 50,353,245 to NOK 10,070,649, by reducing –the nominal value of the company's share from NOK 5.00 to NOK 1.00. Once the period of notice to creditors had expired, the reduction of share capital was registered on 25 January 2014. The reduction in share capital took place in the form of a transfer to other reserves, and thus no disbursements were made in connection with the reduction in share capital.

#### *Mandate to increase capital*

At the Annual General Meeting on 22 May 2014, the Board of Directors was authorised to increase the company's share capital up to a maximum limit of 10 percent of the share capital. This mandate is valid until the Annual General Meeting in 2015.

#### *Mandate to purchase own shares*

At the company's Annual General Meeting on 22 May 2014, the Board of Directors was authorised to purchase up to 10 percent of the company's own shares. This mandate is valid until the Annual General Meeting in 2015. At the end of the year, the company owned 396,452 shares, which corresponds to 3.943 percent of the total number of outstanding shares.

**Deviation from the Code of Practice:** None

### 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Board of Directors of Blom ASA aims for equal treatment of the company's shareholders. This is accomplished by informing Oslo Stock Exchange, the company's shareholders, securities firms and the rest of the market on a continuous basis about the company's performance, activities and special events that may affect the price of the company's shares. Blom ASA only has one class of shares.

Where the Board of Directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders, the waiver will be based on the common interests of the company and the shareholders. The justification for the waiver will be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

In the event of any not immaterial transactions between the company and shareholders, executive personnel or close associates of any such parties, the Board of Directors will arrange for a valuation to be obtained from an independent third party.

**Deviation from the Code of Practice:** None

## 5. FREELY NEGOTIABLE SHARES

Shares in Blom ASA are freely negotiable. The Articles of Association do not restrict the negotiability of shares.

**Deviation from the Code of Practice:** None

## 6. GENERAL MEETINGS

The Board of Directors will take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board.

- A complete notice will be sent to all the shareholders in writing at least 21 days in advance and will be available on Blom's website 21 days prior to the General Meeting. Enclosures to the notice and documents concerning the items on the General Meeting's agenda will be published on the company's website and not sent to the shareholders. A shareholder may nevertheless request that the documents concerning the business to be discussed are sent free of charge.
- The registration deadline is normally the day prior to the meeting.
- The right to participate and vote at the General Meeting may only be exercised when the acquisition of shares has been entered in the register of shareholders on the fifth working day prior to the date of the General Meeting (registration date).
- Shareholders who cannot be present at the General Meeting will be given an opportunity to vote. The Board of Directors will:
  - Provide information on the procedure for representation at the meeting through a proxy.
  - Nominate a person who will be available to vote on behalf of shareholders as their proxy.
  - Prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.
- The Board of Directors and the auditor will be present at the General Meeting

- The Board of Directors and chairperson will make arrangements so that the General Meeting has an opportunity to vote on each of the individual candidates for offices in the company's corporate bodies.
- The Board of Directors will propose an independent chairperson if such a chairperson is required to ensure a proper execution of the General Meeting.
- The Ordinary General Meeting elects the Board of Directors, determines the directors' fees, approves the financial statements and dividend proposed by the Board of Directors, elects the auditor and approves the auditor's remuneration, and deals with any other business stated in the notice of the meeting.
- The Chairman of the Board is elected by the General Meeting.
- The minutes of the General Meeting will be available on the company's website [www.blomasa.com](http://www.blomasa.com).

**Deviation from the Code of Practice:** None.  
Ref. Item 7 with regard to nomination committee.

## 7. NOMINATION COMMITTEE

Blom ASA does not have a nomination committee as of 31 December 2014.

The Board of Directors has resolved to establish a nomination committee, and resolved that the management and the company's main shareholder shall recommend the composition of the committee. This recommendation will be presented at the Annual General Meeting in 2015.

**Deviation from the Code of Practice:** None

## 8. BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

The object of the Board of Director's work is to manage the shareholders' assets in the best possible manner and to treat all shareholders equally. The composition of the Board of Directors should therefore ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. The board members are elected for a term of two years.

At the Annual General Meeting on 22 May 2014, Trygve Bruland was elected as a new board member at the same time as Tore Hopen resigned from the board. None of the other board members were up for election.

At least two of the members of the board elected by shareholders should be independent of the company's management, significant business partners and the company's main shareholders. The Chairman of the Board is elected by the General Meeting. The Board of Directors will elect a deputy chairman if it is appropriate for the proper performance of the Board of Directors.

Subsequent to the election, the Board of Directors has two independent members. The other two board members represent the main shareholder Urbex Invest AS, which owns 74.04% of the shares.

**Deviation from the Code of Practice:** None

### 9. THE WORK OF THE BOARD OF DIRECTORS

In accordance with Norwegian law, the Board of Directors is responsible for the supervisory management of the company, while the CEO is responsible for the day-to-day management. The Chairman of the Board shall follow the development of operations in close cooperation with the CEO, plan the board meetings and ensure that the Board Members receive the information that is required so that they can perform their functions properly in accordance with legislation.

The Chairman of the Board chairs the board meetings. If it is appropriate for the proper performance of the Board of Directors, the Board of Directors will appoint another board member to chair the discussions at board meetings. The CEO participates at board meetings. Other members of the management ordinarily participate whenever appropriate. The Board of Directors held a total of 10 meetings in 2014.

In accordance with its instructions, the Board of Directors is required to produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board of Directors has established and appointed members to an audit committee and a remuneration committee. The Board of Directors will consider the use of other board committees if this is appropriate to ensure that the Board of Directors performs its work in an independent manner. The Board of Directors has not made use of other board committees in 2014.

**Deviation from the Code of Practice:** None

### 10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. This includes elements such as risk management of significant commercial risk, execution of significant management control, and control of financial reporting and monitoring mechanisms.

Significant risk includes strategic risk, financial risk, liquidity risk and operational risk. The company's significant risk factors are assessed on an ongoing basis and at least once a year, and they are included in the company's annual report.

Blom's internal control of financial reporting encompasses guidelines and procedures to ensure that the accounts are prepared in accordance with IFRS and provide a true picture of the company's operations and financial position.

Management controls are performed at a senior level in the company. The organisation was restructured in 2012, and the reporting system was changed accordingly in order to enable closer follow-up and cooperation within the Group. The CEO holds monthly meetings with each individual Country Managing Director.

**Deviation from the Code of Practice:** None

### 11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of the Board of Directors is stipulated by the General Meeting. For the period from 3 June 2013 to 27 September 2013, NOK 375,000 was paid in board member fees.

A new Board of Directors was elected at the Extraordinary General Meeting of 27 September 2013. For the period from 27 September 2013 to 22 May 2014, NOK 750,000 was paid in board member fees.

Provisions totalling NOK 1,125,000 have been allocated in the accounts for 2014 for the remuneration of the Board of Directors for the period from 22 May 2014 to the Annual General Meeting in 2015. This figure comprises NOK 450,000 for the Chairman of the Board and NOK 225,000 for other board members.

The remuneration of the Board of Directors should reflect the board's responsibility, expertise and time commitment and should not be linked to the company's performance. No share options have therefore been granted nor any other performance-linked remuneration awarded to members of the Board of Directors. The Board of Directors can approve specific remuneration for special tasks that are carried out by the members of the Board of Directors.

**Deviation from the Code of Practice:** None

### 12. REMUNERATION OF EXECUTIVE PERSONNEL

The Board of Directors has prepared separate guidelines for remuneration of executive personnel in accordance with the Limited Liability Companies Act. The guidelines will be presented to the General Meeting.

Special instructions have been prepared for the Chief Executive Officer. Reference is also made to the CEO's responsibilities and duties in the company's rules of procedure for the Board of Directors. The Board of Directors determines the remuneration of the Chief Executive Officer.

The company's executive personnel are paid a fixed salary that reflects the employee's education, experience and professional qualifications. It is important that the remuneration is at a level that makes it possible to attract the best qualified persons to the company's key positions. A bonus can be agreed on in addition to the base salary. The size of the bonus paid to the individual employee will be dependent in part on the achievement of individual targets and in part on the performance of the Group.

Executive personnel receive free telephone, mobile phone, Internet, newspapers and canteen as benefits in kind. Executive personnel are members of the company's defined contribution pension scheme in the same manner as other employees. The CEO has an early retirement pension agreement from age 62. Blom believes that the company's performance-based bonus agreements with executive personnel have a motivating effect and are in the best interest of the company and its shareholders.

The company does not currently have any agreements with executive personnel concerning the allocation of shares, subscription rights, options and other forms of remuneration linked to shares or the performance of the company's share or shares of other companies within the Group.

The Board of Directors will, however, continuously consider incentive schemes that are appropriate to secure a qualified management for the company, including the use of various share option schemes.

**Deviation from the Code of Practice:** None

### 13. INFORMATION AND COMMUNICATIONS

Blom ASA seeks to maintain an open information policy in relation to shareholders, the media and other interested parties within the boundaries of the securities legislation, accounting law and stock exchange regulations. The Group has its own website, [www.blomasa.com](http://www.blomasa.com), which contains IR information and other information that is useful for understanding the Group's overall operations and development. Quarterly presentations are distributed by webcast in connection with the reporting of interim results. Blom aims to follow the recommendations of the Oslo Stock Exchange for reporting IR information.

The Chairman of the Board and CEO are authorised to speak on behalf of the company.

**Deviation from the Code of Practice:** None

### 14. TAKE-OVERS

The Board of Directors will not attempt to influence, hinder or obstruct take-over bids for the company's activities or shares, or prevent the execution thereof. The Board of Directors will help ensure that all shareholders are treated equally.

If a bid is made for the company's shares, the Board of Directors will obtain a valuation from an independent expert and issue a recommendation to shareholders as to whether they should accept or reject the bid.

**Deviation from the Code of Practice:** None

### 15. AUDITOR

The company's auditor prepares an annual plan for the performance of audit work and presents the plan to the audit committee. The auditor will attend the board meeting that reviews the annual accounts. The auditor otherwise performs the activities he is required to perform in accordance with Norwegian law and the generally accepted auditing standards.

The auditor will at least once a year review with the audit committee the company's internal control procedures, including identified weaknesses and proposals for improvement.

The Board of Directors has authorised the management to use the auditor, to a limited extent, for the performance of services for the company other than pure auditing. This applies in particular to matters of a particularly complex nature such as tax issues, acquisitions and mergers/demergers. The Board of Directors feels that such consulting does not affect the auditor's independence in relation to the company.

**Deviation from the Code of Practice:** None

## STATEMENT ABOUT SOCIAL RESPONSIBILITY

### 1. OUR CORPORATE SOCIAL RESPONSIBILITY

Blom's primary goal is to be a recognised international company focusing on innovation and the development of values in the company. Blom wants to strengthen its shareholder value through profitable growth by pursuing attractive, customer-orientated solutions based on the utilisation of the company's resources and high level of expertise. We shall accomplish this while also showing respect for human rights and rights in the workplace. Blom continuously assesses the social consequences of its operations while also considering its responsibility to ensure sustainable growth in society.

### 2. SOCIAL RESPONSIBILITY AT BLOM

- Goals and values describe the fundamental attitudes and thoughts that characterise the Group and its operations.
- In conjunction with Blom's principles regarding corporate governance and the group's ethical guidelines, the principles of social responsibility describe the general responsibility that lies with the management and all employees in the Group.
- The company also has guidelines and steering documents in different areas.

### 3. FUNDAMENTAL PRINCIPLES OF SOCIAL RESPONSIBILITY

Blom observes the fundamental principles of social responsibility:

- Blom will hold itself to account for the impact it makes on society, the economy and the environment. This means that Blom accepts reasonable scrutiny of its operations. This responsibility obligates Blom to hold itself to account for the interests that control the company and the legal authorities, with regard to laws and regulations.
- Blom shall be open to scrutiny regarding any of its decisions and activities that impact society and the environment. The principle of openness does not require protected information to be made public. Nor does it mean that information should be provided that is confidential or in conflict with legal, commercial and security obligations, or data protection.
- Blom shall actively work to promote the objectives of the Anti-discrimination Act in its operations. The

activities will include, for example, recruitment, pay and working conditions, promotion, development opportunities and protection from harassment. Company employees shall reflect the composition of the population and the ethnic minority groups in the respective countries in which the company operates.

- Blom shall behave in an ethical manner. Blom's conduct is based on the values of honesty, equality and integrity. This means that the company shall demonstrate a caring attitude towards people, animals and the environment and be committed to putting on the agenda the impact the company has on people, animals and the environment.
- Blom shall respect, take account of and respond to the interests of the company's interested parties. Interested parties usually comprise owners, employees, customers or the authorities, although other groupings may also have rights, claims or specific interests that the company shall take into consideration.
- Blom accepts that respect for constitutional society is an absolute requirement. This means that the company shall maintain an overview of relevant laws and regulations, and comply with same.
- Blom shall observe international norms of conduct. In countries in which legislation does not ensure reasonable environmental or social safeguards, the company shall endeavour to maintain international norms of conduct.
- Blom shall observe the UN Declaration of Human Rights and acknowledge its meaning and universal validity.
- Blom shall combat fraud and corruption and comply with the ethical and legal obligations that this implies.

### 4. ROLES AND RESPONSIBILITIES

To ensure that Blom's business practice is in accordance with the fundamental principles, each company in the Group is responsible for assessing which type of impact its operation has on society. If necessary, they shall prepare separate guidelines on how the principles of social responsibility shall be applied to each company. All employees and board members at Blom shall comply with the fundamental principles laid down in this document.

### 5. FUTURE WORK

Blom has not formulated and implemented separate procedures and standards for social responsibility in the group. Thus, in its future work with social responsibility, the company will comply with the guidelines of social responsibility laid down in Norwegian Standard (NS-ISO 26000:2010).

## THE BOARD OF DIRECTORS IS COMPOSED AS FOLLOWS:

### **TRYGVE C. BRULAND, CHAIRMAN OF THE BOARD**

Trygve Bruland has extensive experience within strategy and corporate finance, in principle gained while holding various positions in the Norwegian investment banks, SEB Enskilda, Pareto and Medici, from 1996 to 2012. Prior to that time, he was employed by McKinsey & Co. and Boston Consulting Group. Since 2012, Trygve Bruland has worked with investments and is a member of several boards. He has an MBA from INSEAD in Fontainebleau, France, and an MSc in Economics (Master of Science in Business and Economics) from the Norwegian School of Economics (NHH) in Bergen.

### **BIRGITTE A. ELLINGSEN, BOARD MEMBER**

Birgitte Ellingsen is CFO of Middelborg AS. She is a graduate of Agder University College and is a registered auditor. Her work experience includes eight years as an auditor with KPMG AS. Over the past 11 years, Birgitte Ellingsen has worked with investments within telecommunications, property and shipping for Middelborg AS. eiendom og skipsfart i Middelborg AS.

### **KRISTIAN G. LUNDKVIST, BOARD MEMBER**

Kristian G. Lundkvist is the founder of Middelborg AS, a company with roots within retailing in the telecommunications industry. Middelborg AS is now a diversified holding company with investments in real estate, the stock market and shipping. Middelborg AS is a long-term industrial owner actively participating in the value generation of the companies in its portfolio, especially related to business development, optimisation of capital structures and networking.

### **SIV JØNLAND STAUBO, BOARD MEMBER**

Siv Jønland Staubo has a doctorate in the field of Corporate Governance at the Department of Financial Economy at the BI Norwegian Business School. She is a senior lecturer in the same department. Siv Jønland Staubo holds a Bachelor of Applied Physics from Heriot-Watt University, Edinburgh and a Master of Finance from the BI Norwegian Business School. She has previously worked as a consultant on alternative energy resources and with computer technology for oil exploration.

## INFORMATION ON SHARES IN BLOM

Blom ASA has one class of shares, and there were 10,070,649 outstanding shares each with a nominal value of NOK 1.00 at the end of 2014. The share capital at 31 December 2014 totalled NOK 10,070,649.

At the company's Extraordinary General Meeting of 29 November 2013, the Board of Directors proposed a reduction of the company's share capital to ensure greater flexibility with regard to the company's evaluation and choice of various future strategic development alternatives. The General Meeting adopted a reduction of the company's share capital by NOK 40,282,596, from NOK 50,353,245 to NOK 10,070,649, by reducing the nominal value of the company's share from NOK 5.00 to NOK 1.00. Once the period of notice to creditors had expired, the reduction in share capital was registered on 25 January 2014. The reduction in share capital took place in the form of a transfer to other reserves, and thus no disbursements were made in connection with the reduction in share capital.

On 25 November 2014, the Board of Directors of Blom ASA resolved to purchase those shares in Blom ASA owned by shareholders who own fewer than 33 shares. The reason for the bid for shares was the Board of Director's decision to provide minority shareholders with the opportunity to realise their shares in a cost-efficient manner, and to reduce Blom's costs connected to the administration of the company's shareholder base. At the same time, the Group issued advance notice, pursuant to section 4-24 of the Public Limited Liability Companies Act, of its aim to apply to the Ministry of Trade, Industry and Fisheries for a permit to exercise enforced redemption of shares owned by shareholders whose shares have a total value of below NOK 500. Once the bid had expired, the company had received a total of 339 acceptances to purchase 1,116 shares, comprising 0.01 percent of all shares issued in the company.

At the end of the year, the company owned 396,452 shares corresponding to 3.94 percent of the total number of outstanding shares.

### *Mandate to increase capital*

At the Annual General Meeting on 22 May 2014, the Board of Directors was authorised to increase the company's share capital up to a maximum limit of 10 percent of the share capital. This mandate is valid until the Annual General Meeting in 2015.

### *Mandate to purchase own shares*

At the company's Annual General Meeting of 22 May

2014, the Board of Directors was authorised to purchase up to 10 percent of the company's own shares. This mandate is valid until the Annual General Meeting in 2015.

### **DIVIDENDS**

In accordance with the company's goals for future growth, Blom will seek to maintain a sound financial platform. Dividends will be considered on an ongoing basis as a result of the company's strategy and earnings. No dividend will be distributed for the 2014 financial year.

### **SHAREHOLDERS AND VOTING RIGHTS**

Blom ASA had 1,754 shareholders at the end of 2014. Foreign shareholders owned 0.41 percent of the shares. All the shares registered by name carry equal voting rights. The shares are freely negotiable.

Blom's 20 largest shareholders as at 31 December 2014:

	<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
1	URBEX INVEST AS	7,456,517	74.04 %
2	HOLMEN SPESIALFOND	700,000	6.95 %
3	BLOM ASA	396,452	3.94 %
4	MP PENSJON PK	302,370	3.00 %
5	VEEN A/S	175,462	1.74 %
6	A/S MERITUM	175,357	1.74 %
7	SPAR KAPITAL INVESTOR AS	101,779	1.01 %
8	SALTNES	48,784	0.48 %
9	A/S PARMA	35,051	0.35 %
10	FLUMEN FINANS AS	35,051	0.35 %
11	VOLLSTAD	34,962	0.35 %
12	KJÆRVOLL	28,000	0.28 %
13	AUSTRÅTT	25,000	0.25 %
14	AURSJØ	24,877	0.25 %
15	NORTH SEA GROUP AS	22,000	0.22 %
16	INDUSTRIELL INNSATS & INNOVASJON AS	21,000	0.21 %
17	HENRIKSEN	17,929	0.18 %
18	A/S TERMES	17,578	0.17 %
19	JOH RASMUSSEN & RACINE AS	17,578	0.17 %
20	MEPS AS	17,578	0.17 %
	<b>Sum 20 største aksjonærer</b>	<b>9,653,325</b>	<b>95.86 %</b>
	Øvrige	417,324	4.14 %
	<b>Totalt</b>	<b>10,070,649</b>	<b>100.00 %</b>

### **INFORMATION TO THE STOCK MARKET**

Blom places major importance on communications with the stock market, and aims for open dialogue with all parties involved. Our goal is to ensure that the market always has adequate and uniform information with which to ensure correct pricing of our shares. This is accomplished by informing Oslo Stock Exchange, the company's

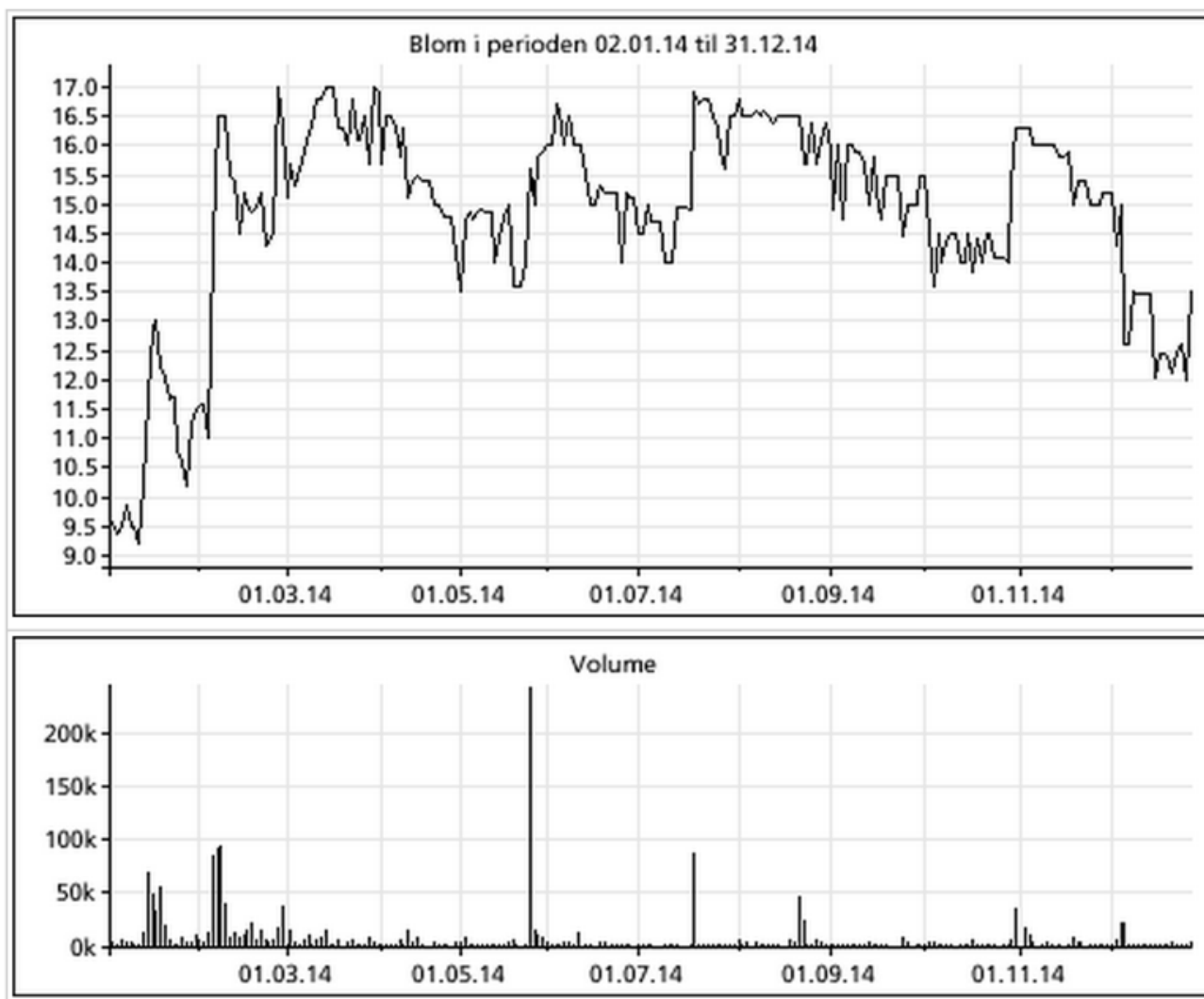
shareholders, securities firms and the rest of the market on a continuous basis about the company's development, activities and special events that may affect the price of the company's shares. The liquidity of the shares is not satisfactory. The shares are listed under OB Match on Oslo Stock Exchange.

The company's financial statements and interim financial reports will be published in Norwegian and in English. The presentation of the interim financial reports will also be published via webcast.

#### FINANCIAL CALENDAR 2015:

Event	Date
Interim financial report Q4 2014	25.05.2015
Interim financial report Q1 2015	30.04.2015
Ordinary General Meeting 2015	07.05.2015
Interim financial report Q2 2015	20.08.2015
Interim financial report Q3 2015	29.10.2015

#### DEVELOPMENT IN SHARE PRICE



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