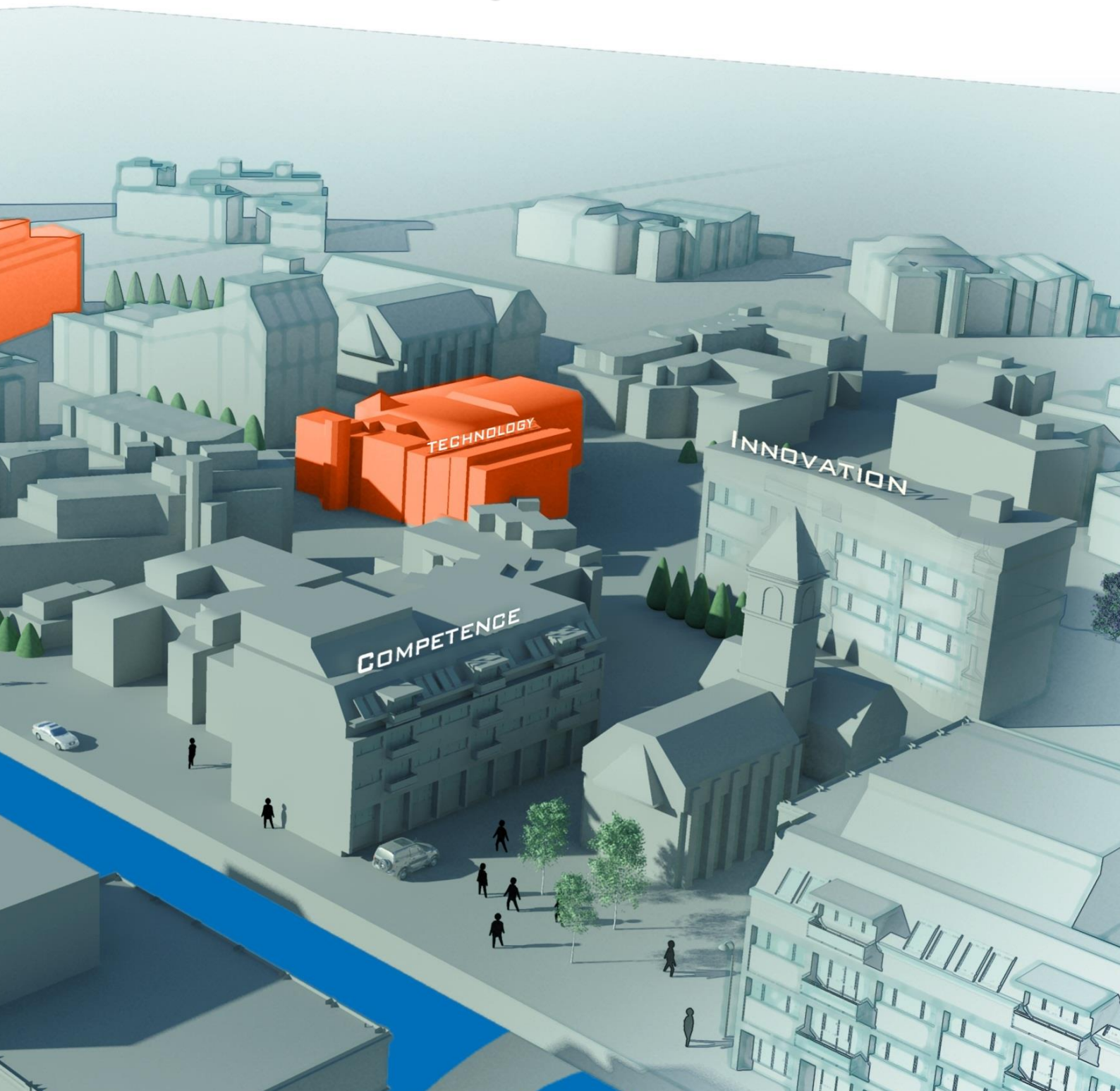




**BLOM**  
IMAGING THE WORLD

REPORT FOR  
1<sup>st</sup> QUARTER 2014



## Blom looks to the future

**Extensive restructuring has marked the company's reports in recent years. In the first quarter of 2014, the sale of the consulting engineering company in Romania was finalized. The company will also complete the restructuring of the company's operations in Iberia in the 2<sup>nd</sup> quarter of 2014. The company's focus and resources will in the future be directed towards new revenue-generating measures that will establish the foundation for a healthier business model in markets where the willingness and capacity to pay for the company's expertise is better. The first quarter is seasonally weak for the company.**

The company reported revenues of NOK 49 million for the 1<sup>st</sup> quarter of 2014, compared with NOK 42 million for the same quarter in 2013. EBITDA for the quarter was NOK -6 million, compared with NOK -10 million for the corresponding quarter in 2013. This corresponds to an EBITDA margin of -11.4 per cent, compared with -22.9 per cent in the 1<sup>st</sup> quarter of 2013. The operating loss for the quarter was NOK 7 million, compared with an operating loss of NOK 17 million for the same period in 2013. The pre-tax loss was NOK 9 million, compared with a pre-tax loss of NOK 20 million for the corresponding quarter in 2013.

The company's principal operations are focused out of the Nordic region, where the company holds a strong historic market position. After three years when a significant portion of the operations in Sweden were linked to a major contract, the Swedish operations have now demonstrated an excellent ability to develop new business areas aimed at new customer groups based on products with satisfactory margins, in a market marked by overcapacity, the company has increased its market share in certain customer segments to over 50 per cent. The company believes that these development trends, combined with a focus on a broader range of services developed on the basis of the company's core competence, may form a solid foundation for growth in the time to come.

The challenging macroeconomic conditions in Iberia continue, and the order intake to date in 2014 has been weak and significantly lower than expected. Therefore, the company will scale down its operations further through the sale and liquidation of its subsidiaries. Operations linked to specific customer segments in the region, as well as the operation and development of the company's database technology, will still be carried out by the Spanish subsidiary.

In the future, the company will focus on increasing sales and measures to develop business opportunities in markets where the company's competence can be exposed to a better risk and earnings profile. The company will also assess new development and business opportunities in which we can exploit the company's expertise to improve the results through various forms of partnership. The company will also continue its work to adapt its structure, cost base and product portfolio.



The company has established a satisfactory balance sheet through the measures that have been implemented. The company's equity ratio is 35 per cent, and the current ratio has improved.

A new Board of Directors and a new shareholder structure with express confidence in the company's competence and opportunities is a strong motivation for the company's employees.

## Results

| IFRS                  | 1 <sup>st</sup> Qtr.<br>2014 | 1 <sup>st</sup> Qtr.<br>2013 | 31/12/2013 |
|-----------------------|------------------------------|------------------------------|------------|
| (Amounts in NOK 1000) |                              |                              |            |
| Operating revenues    | <b>49,008</b>                | 42,342                       | 264,575    |
| EBITDA                | <b>-5,611</b>                | -9,713                       | 32,442     |
| EBIT                  | <b>-7,344</b>                | -16,750                      | -54,906    |
| EBT                   | <b>-8,830</b>                | -19,598                      | -64,195    |

This report has been prepared in accordance with IAS 34 on interim accounts. The interim accounts do not contain all the information that is required in complete annual accounts, and they should be read in conjunction with the consolidated accounts for 2013. The interim accounts have been prepared in accordance with the same principles that are used in the annual accounts for 2013. The result from businesses sold is presented on a separate line in other comprehensive income. The report has not been audited.

## Operations

### Operational development

To improve profitability under the prevailing market conditions that have marked parts of Europe in recent years, the company has chosen to focus more on market niches in which the company has a competitive advantage, or where new business models can be developed based on services of a more repetitive nature. In addition, the company will maintain reduced geographic exposure.

The Nordic region has increased its revenues, compared with the first quarter of 2013. In Sweden, the company's increased focus on specific customer segments and a changed product mix has resulted in revenue growth and an improvement in earnings. Certain important customer segments in Norway have seen a decline in volume and lower prices in recent years. The company has implemented a number of cost-saving measures to maintain its position. The order intake in these segments has been good in the first quarter of 2014. The company has increased its market share, compared with 2013, but this has unfortunately been at the expense of lower margins.

Mid-Europe has increased its revenues compared with the first quarter of 2013, and the efficiency improvement measures implemented contribute to an improved margin. The order intake in the first quarter was good.

The company has limited its exposure in Eastern Europe following the sale of Blom Romania SRL. The sales contract was entered into in November 2013, and the transaction closed in the first quarter of 2014.

The challenging macroeconomic conditions in Iberia continue. The further reduction of geographic exposure, combined with a more focused range of products, will provide the basis for the company's reduced activity in this region in 2014.

In spite of the improved underlying operations profitability for the company this year, the company's results are not satisfactory. The company is therefore focusing on the development of products and services to increase the creation of value for the company's customers.

The company signed a two-year contract with Viking Supply Ships AS (VSS) on 5 February 2014 for the delivery of airborne remote sensor services in 2014 and 2015. These services are linked to VSS operations in Northern waters and will be part of a larger ice monitoring programme. The contract will generate estimated annual revenues of NOK 35 to 50 million, with satisfactory margins. For Blom, the contract is important confirmation that the company is able to adapt and make use of its competence in new markets. VSS has an option for two additional years under certain conditions.

## Finance and accounts

### 1<sup>st</sup> QUARTER 2014

Operating revenues from the segments in the 1<sup>st</sup> quarter:

| Operating revenues (NOK 1000) | 1 <sup>st</sup> Qtr. 2014 | 1 <sup>st</sup> Qtr. 2013 |
|-------------------------------|---------------------------|---------------------------|
| Nordic                        | <b>24,467</b>             | 19,762                    |
| Mid-Europe                    | <b>15,335</b>             | 13,382                    |
| Eastern Europe                | <b>2,063</b>              | 3,312                     |
| Iberia & Latin America        | <b>7,143</b>              | 5,886                     |
| <b>Total</b>                  | <b>49,008</b>             | <b>42,342</b>             |

The company's negative cash flow from operating activities in the 1<sup>st</sup> quarter has been influenced by seasonal fluctuations and the restructuring measures implemented. Trade receivables declined by NOK 6 million during the period to NOK 31 million, while work in progress declined by NOK 6 million to NOK 25 million.

The company's operations are marked by seasonal fluctuations, with most of the value creation taking place in the spring, summer and autumn months. The first quarter does therefore not reflect the expected average quarter for the year.

No operational investments of significance were made in the 1<sup>st</sup> quarter. The corresponding figure for 2013 was NOK 4 million. Net financial expenses totalled NOK 1.5 million for the quarter, and they were lower than the same period last year as a result of lower interest-bearing debt. The equity ratio is

35.1 per cent, compared with 28.8 per cent as at 31 December 2013. Cash and cash equivalents increased by NOK 7 million to NOK 50 million during the quarter.

## Organisation and personnel

The company has a staff of employees with a high level of competence. This represents the foundation for the company's growth. As at 31 March 2014, there were a total of 189 employees in the operative companies, down from 207 at the end of 2013. There are 244 employees at Blom's production facilities in Indonesia and Eastern Europe. The group has a total of 433 employees, which is a reduction of 32 since 31 December 2013.

## Shareholder matters

As at 31 March 2014, the company's share capital totalled NOK 10,070,649.00, divided into 10,070,649 shares, each with a par value of NOK 1.00. The total number of shareholders as at 31 March 2014 was 2,269, and foreign shareholders accounted for 0.68 per cent of the share capital. Blom owns a total of 395,336 of the company's own shares, which represents 3.93 per cent of the total number of outstanding shares.

## Outlook

In spite of the fact that the company has implemented substantial restructuring measures over the last two years, the company will continue to focus on efficiency improvement measures, and streamlining and developing the operations, as well as increasing sales, so that the company can obtain optimal cost structures.

In the opinion of the Board of Directors, all of the measures that have been implemented and the measures that have been planned will enable the company to have profitable operations in 2014 and the years to come. The Board of Directors is satisfied with the company's ability to complete a demanding restructuring process at the same time as the company has established itself in new business areas with better visibility and margins.

**Oslo, 14 May 2014**

**Siv Staubo**

Board Chairman

**Tore Hopen**

Board Member

**Birgitte Ellingsen**

Board Member

**Kristian Lundkvist**

Board Member

**Dirk Blaauw**

CEO



## Consolidated Statement of Income – Blom Group

|  | <u>31/03/2014</u> | <u>31/03/2013</u> | <u>31/12/2013</u> |
|--|-------------------|-------------------|-------------------|
| <b>Operating revenues</b>                    | <b>49,008</b>     | <b>42,342</b>     | <b>264,575</b>    |
| Cost of materials                            | 15,589            | 12,674            | 79,213            |
| Salaries and personnel costs                 | 30,482            | 32,555            | 140,809           |
| Depreciation and write-downs                 | 1,733             | 7,037             | 87,348            |
| Other operating and administrative costs     | 8,548             | 6,826             | 36,318            |
| Other gains and losses                       | 0                 | 0                 | -24,207           |
| <b>Operating expenses</b>                    | <b>56,352</b>     | <b>59,092</b>     | <b>319,481</b>    |
| <b>Operating profit/loss</b>                 | <b>-7,344</b>     | <b>-16,750</b>    | <b>-54,906</b>    |
| <b>Net financial items</b>                   | <b>-1,486</b>     | <b>-2,848</b>     | <b>-9,289</b>     |
| <b>Pre-tax profit/loss</b>                   | <b>-8,830</b>     | <b>-19,598</b>    | <b>-64,195</b>    |
| Taxes  | -126              | -179              | 2,965             |
| <b>Profit/loss from continuing business</b>  | <b>-8,956</b>     | <b>-19,777</b>    | <b>-61,230</b>    |
| <b>Profit/loss from business sold</b>        | <b>3,530</b>      | <b>-3,624</b>     | <b>1,791</b>      |
| <b>Profit/loss for the year</b>              | <b>-5,426</b>     | <b>-23,401</b>    | <b>-59,439</b>    |
| <b>Profit/loss attributable to:</b>          |                   |                   |                   |
| Shareholders                                 | -5,426            | -23,401           | -59,439           |
| <b>Profit/loss after tax</b>                 | <b>-5,426</b>     | <b>-23,401</b>    | <b>-59,439</b>    |
| <b>Comprehensive profit/loss:</b>            |                   |                   |                   |
| Recalculation of pension obligations         | -420              | 42                | 168               |
| Currency translation differences             | -127              | -297              | 6,041             |
| <b>Comprehensive profit/loss</b>             | <b>-5,973</b>     | <b>-23,656</b>    | <b>-53,230</b>    |
| <b>Comprehensive income attributable to:</b> |                   |                   |                   |
| Shareholders                                 | -5,973            | -23,656           | -53,230           |
| <b>Comprehensive profit/loss</b>             | <b>-5,973</b>     | <b>-23,656</b>    | <b>-53,230</b>    |
| <b>Earnings per share:</b>                   |                   |                   |                   |
| From continuing business                     | -0.93             | -14.51            | -45.01            |
| From business sold                           | 0.36              | -0.93             | 1.32              |
| From profit/loss for the year                | -0.56             | -15.44            | -43.70            |

## Balance Sheet – Blom Group

### ASSETS

(Amounts in NOK 1000)

|   | <u>31/03/2014</u>     | <u>31/03/2013</u>     | <u>31/12/2013</u>     |
|---|-----------------------|-----------------------|-----------------------|
| <b>Intangible assets</b>                  | <b>621</b>            | <b>1,124</b>          | <b>684</b>            |
| <b>Property, plant and equipment</b>      | <b>18,621</b>         | <b>92,939</b>         | <b>20,636</b>         |
| <b>Fixed asset investments</b>            | <b>1,268</b>          | <b>361</b>            | <b>1,151</b>          |
| <b>Total non-current assets</b>           | <b><u>20,510</u></b>  | <b><u>94,424</u></b>  | <b><u>22,471</u></b>  |
| <b>Work in progress</b>                   | <b>24,955</b>         | <b>39,130</b>         | <b>30,965</b>         |
| Trade receivables                         | 30,626                | 41,893                | 36,117                |
| Other current receivables                 | 17,340                | 28,560                | 15,054                |
| <b>Total receivables</b>                  | <b>47,966</b>         | <b>70,453</b>         | <b>51,171</b>         |
| <b>Cash and cash equivalents</b>          | <b>49,847</b>         | <b>53,970</b>         | <b>42,725</b>         |
| <b>Assets classified as held for sale</b> | <b>0</b>              | <b>0</b>              | <b>48,072</b>         |
| <b>Total current assets</b>               | <b><u>122,768</u></b> | <b><u>163,553</u></b> | <b><u>172,933</u></b> |
| <b>TOTAL ASSETS</b>                       | <b><u>143,278</u></b> | <b><u>257,977</u></b> | <b><u>195,404</u></b> |



## Balance Sheet – Blom Group

### EQUITY AND LIABILITIES

(Amounts in NOK 1000)

|   | <b>31/03/14</b> | <b>31/03/13</b> | <b>31/12/13</b> |
|---|-----------------|-----------------|-----------------|
| <b><i>Called-up and fully paid share capital:</i></b> |                 |                 |                 |
| Share capital   | 10,071          | 16,849          | 10,071          |
| Treasury shares                                       | -1,977          | -110            | -1,977          |
| Share premium account                                 | 97,720          | 20,458          | 97,720          |
| <b><i>Other reserves:</i></b>                         |                 |                 |                 |
| Currency translation differences                      | -35,475         | -41,686         | -35,348         |
| Retained earnings                                     | -20,057         | 21,705          | -14,210         |
| <b>Total equity</b>                                   | <b>50,283</b>   | <b>17,216</b>   | <b>56,256</b>   |
| Pension obligations                                   | 4,141           | 6,189           | 3,233           |
| Non-current liabilities                               | 10,256          | 74,169          | 10,506          |
| <b>Total non-current liabilities</b>                  | <b>14,397</b>   | <b>80,358</b>   | <b>13,739</b>   |
| Credit facilities                                     | 0               | 3,367           | 0               |
| Other interest-bearing current liabilities            | 3,360           | 51,268          | 3,864           |
| <b>Total interest-bearing current liabilities</b>     | <b>3,360</b>    | <b>54,635</b>   | <b>3,864</b>    |
| Trade payables  | 19,277          | 38,748          | 25,955          |
| Unpaid government taxes                               | 13,767          | 15,857          | 18,931          |
| Other current liabilities                             | 42,193          | 51,163          | 43,449          |
| <b>Total other current liabilities</b>                | <b>75,237</b>   | <b>105,768</b>  | <b>88,335</b>   |
| <b>Liabilities classified as held-for-sale</b>        | <b>0</b>        | <b>0</b>        | <b>33,209</b>   |
| <b>Total current liabilities</b>                      | <b>78,598</b>   | <b>160,403</b>  | <b>125,408</b>  |
| <b>Total liabilities</b>                              | <b>92,995</b>   | <b>240,761</b>  | <b>139,147</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   | <b>143,278</b>  | <b>257,977</b>  | <b>195,403</b>  |

## Change in equity from 1 January to 31 March

|                                  | <b>2014</b>   | <b>2013</b>   |
|----------------------------------|---------------|---------------|
| Equity as at 31 December         | 56,256        | 40,870        |
| Profit/loss for the period       | -5,426        | -23,400       |
| Pension obligations              | -420          | 42            |
| Currency translation differences | -127          | -296          |
| Equity as at 31 December         | <b>50,283</b> | <b>17,216</b> |

## Cash Flow Statement – Blom Group

Indirect model (Amounts in NOK 1000)

|   | <b>As at 31 March</b> |                |
|---|-----------------------|----------------|
|   | <b>2014</b>           | <b>2013</b>    |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                            |                       |                |
| Pre-tax profit/loss   | -8,830                | -19,598        |
| + Depreciation and amortisation of property, plant and equipment      | 1,733                 | 7,037          |
| +/- Change in trade receivables                                       | 5,491                 | -3,910         |
| +/- Change in inventories and work in progress                        | 6,010                 | 5,035          |
| +/- Change in trade receivables                                       | -6,678                | -11,942        |
| +/- Change in other accruals and unrealised foreign exchange          | -14,358               | 11,862         |
| <b>Net cash flow from operating activities – continuing business</b>  | <b>-16,632</b>        | <b>-11,516</b> |
| A = Net cash flow from operating activities – discontinued business   | 0                     | 702            |
| <b>A = Net cash flow from operating activities – total</b>            | <b>-16,632</b>        | <b>-10,814</b> |
| <b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>                           |                       |                |
| - Purchases of property, plant and equipment                          | -152                  | -3,253         |
| + Receipts from sale of shares and other investments                  | 24,308                | 7,487          |
| <b>Net cash flow from investment activities – continuing business</b> | <b>24,156</b>         | <b>4,234</b>   |
| Net cash flow from investment activities – discontinued business      | 0                     | -38            |
| <b>B = Net cash flow from investment activities – total</b>           | <b>24,156</b>         | <b>4,196</b>   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                            |                       |                |
| +/- Net change in current and non-current liabilities                 | -402                  | -1,599         |
| <b>Net cash flow from financing activities – continuing business</b>  | <b>-402</b>           | <b>-1,599</b>  |
| Net cash flow from financing activities – discontinued business       | 0                     | -2,422         |
| <b>C = Net cash flow from financing activities – total</b>            | <b>-402</b>           | <b>-4,021</b>  |
| <b>A+B+C Net change in cash and cash equivalents</b>                  | <b>7,122</b>          | <b>-10,639</b> |
| + Cash and cash equivalents at the start of the period                | 42,725                | 64,609         |
| <b>= Cash and cash equivalents as at 31 March</b>                     | <b>49,847</b>         | <b>53,970</b>  |
| <b>Cash and cash equivalents – continuing business</b>                | <b>49,847</b>         | <b>45,565</b>  |
| <b>Cash and cash equivalents – discontinued business</b>              | <b>0</b>              | <b>8,405</b>   |

## Segments – Blom Group

(Amounts in NOK 1000)

| <b>Operating revenues</b>    | <b>As at 31/03/2014</b> | <b>As at 31/03/2013</b> |
|------------------------------|-------------------------|-------------------------|
| Nordic                       | 24,467                  | 19,762                  |
| Mid-Europe                   | 15,335                  | 13,382                  |
| Eastern Europe               | 2,063                   | 3,312                   |
| Iberia & Latin America       | 7,143                   | 5,886                   |
| <b>Total</b>                 | <b>49,008</b>           | <b>42,342</b>           |
| <b>EBITDA</b>                | <b>As at 31/03/2014</b> | <b>As at 31/03/2013</b> |
| Nordic                       | -2,977                  | 445                     |
| Mid-Europe                   | 1,124                   | -936                    |
| Eastern Europe               | 818                     | 1,094                   |
| Iberia & Latin America       | 93                      | -3,099                  |
| Other segments / unallocated | -4,669                  | -7,217                  |
| <b>Total</b>                 | <b>-5,611</b>           | <b>-9,713</b>           |
| <b>EBIT</b>                  | <b>As at 31/03/2014</b> | <b>As at 31/03/2013</b> |
| Nordic                       | -4,173                  | -5,122                  |
| Mid-Europe                   | 771                     | -1,397                  |
| Eastern Europe               | 739                     | 228                     |
| Iberia & Latin America       | -12                     | -3,238                  |
| Other segments / unallocated | -4,669                  | -7,221                  |
| <b>Total</b>                 | <b>-7,344</b>           | <b>-16,750</b>          |
| <b>Assets 1)</b>             | <b>As at 31/03/2014</b> | <b>As at 31/03/2013</b> |
| Nordic                       | 39,017                  | 106,593                 |
| Mid-Europe                   | 15,212                  | 20,894                  |
| Eastern Europe               | 3,935                   | 2,374                   |
| Iberia & Latin America       | 13,435                  | 17,083                  |
| Other segments / unallocated | 71,679                  | 111,032                 |
| <b>Total</b>                 | <b>143,278</b>          | <b>257,977</b>          |
| <b>Investments</b>           | <b>As at 31/03/2014</b> | <b>As at 31/03/2013</b> |
| Nordic                       | 121                     | 3,652                   |
| Mid-Europe                   | 0                       | 22                      |
| Eastern Europe               | 0                       | 45                      |
| Iberia & Latin America       | 33                      | 51                      |
| <b>Total</b>                 | <b>154</b>              | <b>3,770</b>            |

1) Allocated assets include external trade receivables, work in progress, non-current assets and intangible assets with the exception of deferred tax assets. Other / unallocated assets include assets classified as held for sale as at 31 December 2013.

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