



**BLOM**  
IMAGING THE WORLD

Report for 4<sup>th</sup> quarter 2011



## A challenging year

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The company posted revenues from continuing operations of NOK 106 million for the 4<sup>th</sup> quarter, compared with NOK 141 million for the same quarter in 2010. EBITDA for the quarter was NOK -38 million, compared with NOK -76 million for the corresponding quarter in 2010. This corresponds to an EBITDA margin of -35.9 per cent, compared with -54.1 per cent for the 4<sup>th</sup> quarter of 2010. The operating profit for the quarter was NOK -176 million, compared with NOK -393 million for the same period in 2010. Goodwill write-downs of NOK 126 million were charged against the operating profit. Provisions for potential losses on trade receivables and inventory write-downs totalling NOK 32 million were also charged against the operating profit. Profit for the divested business in Denmark is netted under "Discontinued operations" on a separate line in the statement.

The operating revenues for the respective segments were NOK 96 million for Geo Engineering and NOK 10 million for Information Services in the 4<sup>th</sup> quarter. The comparative figures for the 4<sup>th</sup> quarter of 2010 were NOK 122 million for Geo Engineering and NOK 19 million for Information Services.

The company's revenues for 2011 totalled NOK 437 million, compared with NOK 570 million in 2010. EBITDA for 2011 was NOK -33 million, compared with NOK -35 million in 2010. This corresponds to an EBITDA margin of -7.5 per cent for 2011, compared with -6.2 per cent in 2010.

The operating revenues for the respective segments totalled NOK 381 million for Geo Engineering and NOK 56 million for Information Services in 2011. The comparative figures for 2010 were NOK 457 million for Geo Engineering and NOK 113 million for Information Services.

The last quarter of the year has also been marked by continued weak macroeconomic factors in many of the markets where Blom operates. Public sector customers, particularly in certain Southern European countries, showed a significant decline in demand. Northern Europe was marked by a challenging operating environment, which prevented firm orders from being delivered to the customer until 2012.

### **Financial restructuring.**

The company's equity has been lost due to the weak financial results in 2011. The Board of Directors has assessed and is assessing measures to improve the debt to equity ratio. Since the third quarter there have been on-going discussions with a majority of the bondholders to find a more long-term solution for the company's debt structure. The parties are seeking jointly to establish a long-term sustainable capital structure for the company.

## Results

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IFRS (Amounts in NOK 1000)	4 <sup>th</sup> quarter		As at 31/12	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Operating revenues	<b>106,201</b>	141,459	<b>437,114</b>	569,848
EBITDA	<b>-38,100</b>	-76,496	<b>-32,772</b>	-35,219
EBIT	<b>-175,762</b>	-392,936	<b>-214,575</b>	-416,107
EBT	<b>-242,873</b>	-483,109	<b>-315,745</b>	-545,614

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 2010. The interim accounts have been prepared in accordance with the same principles that are used in the annual accounts for 2010. The report has not been audited.

## Operations

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Blom Romania S.R.L, Blom ASA's Romanian subsidiary, signed a technical consulting contract for the development and rehabilitation of infrastructure with the Romanian waterworks SC APA OLTENIA SA in Dolj, Romania. The estimated value of the contract is around NOK 18 million. The work is expected to start in the summer of 2012. In November the subsidiary was awarded two additional contracts with a total value of NOK 12 million in the same market segment. The contracts are confirmation that the company's strategy of increasing its focus on growth markets in Eastern and Central Europe has shown results.

At the end of the year Blom signed a framework agreement with 26 municipalities in the Stockholm region. The estimated value of the contract is around NOK 20 million. The contract encompasses aerial photography, laser scanning and photogrammetric modelling in the Stockholm region for the years 2012, 2013 and 2014, with an option for a two-year extension.

### Pictometry agreement

As announced earlier through stock exchange announcements, our annual report and the company's prospectus in 2011, there is an ongoing dispute between Pictometry International Corp. and Blom ASA concerning the licence agreement entered into on 29 January 2009. The dispute will be settled by arbitration in accordance with the ICC rules in London, including all the monetary claims. It is expected that the proceedings will conclude in 2014. In spite of this, Pictometry filed a bankruptcy petition against Blom on grounds of its claim for outstanding licence fees and royalties. Blom contested that Pictometry had any claim at all against Blom and argued that there was no clear debt that had fallen due pursuant to Section 63 of the Bankruptcy Act. Pictometry withdrew its bankruptcy petition in September. Pictometry petitioned for a preliminary injunction against Blom based on the claim that Blom is unlawfully competing with Pictometry and has copied their technology. The Oslo City Court dismissed the petition and awarded costs to Blom in a ruling of 28 July 2011. Pictometry appealed the ruling to the Court of Appeal.

## Finance and accounts

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The operations were substantially weaker in the quarter due to operational and macroeconomic factors, and the revenues and EBITDA were significantly lower in the quarter.

Due to the weak macroeconomic conditions, Blom has reduced its workforce and implemented other cost savings, which are expected to give annual savings of around NOK 50 million. The order backlog for 2012 is satisfactory. The company is expected accordingly to generate stronger revenue growth and margins in 2012 than in 2011.

The company had a positive cash flow from operational activities of NOK 5 million in the 4<sup>th</sup> quarter. Trade receivables increased by NOK 48 million from the 3<sup>rd</sup> quarter, while work in progress is reduced with NOK 75 million in the last quarter.

In the 4<sup>th</sup> quarter the company made operational investments of NOK 19 million. The equity ratio is -33.1 per cent, compared with 13.3 per cent at the end of 2010, and cash and cash equivalents declined by NOK 21 million to NOK 75 million during the period.

Write-downs in associated company in the 4<sup>th</sup> quarter represented a charge of NOK 19 million. Net financial expenses totalled NOK 49 million for the quarter of which NOK 31 million is write-downs of financial assets. In addition, deferred tax is written down NOK 50 million.

Blom completed the sale of its Danish subsidiary BlomInfo A/S to the Danish engineering and consulting company NIRAS A/S in February 2012. Blom received a payment of DKK 19.4 million for shares in and financing provided to BlomInfo A/S. Upon completion of the transaction, Blom may receive up to DKK 4.5 million as compensation for the working capital in BlomInfo A/S.

The transaction reduces our financing needs and increases Blom's liquidity reserves, at the same time as it reduces operational and credit risk in geographic areas that have proved to be challenging.

## Organisation and personnel

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Blom implemented a new market-oriented organisation structure for the group in September. The new organisation will improve cooperation and the coordination of activities in the group, and it will be highly market-oriented. The reorganisation entails a division of the organisation into five market areas and five product segments.

During the period the company adjusted its workforce, based on the demand for the company's products in the market. A further reduction in the workforce is anticipated for 2012. The company has a staff of employees with a high level of competence. This represents the foundation for the company's future growth. As at 31 December 2011 there were a total of 450 employees in the operative companies, while there was a total of 489 employees at the production facilities in Indonesia and Eastern Europe. The group has a total of 939 employees. In 2011 the number of employees was reduced by 73 in the operative companies and 81 at the production facilities in Indonesia and Eastern Europe, for a total of 154.

## Shareholder matters

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The total number of shareholders as at 31 December 2011 was 3,093, and foreign shareholders accounted for 4.3 per cent of the share capital. Blom owns a total of 1,100,000 of the company's own shares, which represents 0.43 per cent of the total number of outstanding shares.

## Outlook

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The company continues its measures to reduce the cost base, primarily through a reduction of the workforce. As a result of the macroeconomic instability, especially in Southern Europe, these cost cuts have not been sufficient to compensate for falling turnover and margins. The last quarter of the financial year has been marked by extraordinary current and non-current asset write-downs. The effect of these measures is that the company's equity has been lost.

The company and a majority of the bondholders have maintained an ongoing dialogue to find a more long-term solution for the company's debt structure. The parties are jointly seeking to establish a long-term sustainable capital structure for the company.

Blom has during 2011 significantly reduced the cost base and has a satisfactory order backlog for delivery in 2012. Consequently the company is in 2012 expected to generate revenue growth and improved margins compared to 2011.

**Oslo, 28 February 2012**

Gunnar Hirsti  
Board Chairman

Per Kyllingstad  
Board Member

Hege Skryseth  
Board Member

Siv Jønland Staubo  
Board Member

Dirk Blaauw  
Managing Director

## Consolidated Statement of Comprehensive Income – Blom Group

(Amounts in NOK 1000)

4 <sup>th</sup> quarter			31/12/2011	31/12/2010
2011	2010			
<b>106,201</b>	<b>141,459</b>	<b>Operating revenues</b>	<b>437,114</b>	<b>569,848</b>
52,723	68,422	Cost of materials	168,492	213,048
57,167	67,599	Salaries and personnel costs	219,754	249,412
137,662	316,439	Depreciation and write-downs	181,803	380,888
34,411	81,934	Other operating and administrative costs	81,640	142,607
<b>281,963</b>	<b>534,394</b>	<b>Operating expenses</b>	<b>651,689</b>	<b>985,955</b>
<b>-175,762</b>	<b>-392,936</b>	<b>Operating profit/loss</b>	<b>-214,575</b>	<b>-416,107</b>
<b>-18,432</b>	<b>-63,339</b>	<b>Profit attributable to associates</b>	<b>-19,434</b>	<b>-61,594</b>
<b>-48,679</b>	<b>-26,835</b>	<b>Net financial items</b>	<b>-81,736</b>	<b>-67,913</b>
<b>-242,873</b>	<b>-483,109</b>	<b>Pre-tax profit/loss</b>	<b>-315,745</b>	<b>-545,614</b>
-47,754	-23,256	Taxes	-35,507	-5,938
<b>-290,627</b>	<b>-506,365</b>	<b>Net profit/loss from continuing operations</b>	<b>-351,252</b>	<b>-551,552</b>
<b>-8,763</b>	<b>-11,559</b>	<b>Discontinued operations</b>	<b>-9,923</b>	<b>-13,405</b>
<b>-299,390</b>	<b>-517,924</b>	<b>Profit for the year</b>	<b>-361,175</b>	<b>-564,957</b>
		<b>Profit/loss attributable to:</b>		
-299,374	-517,883	Shareholders	-361,175	-564,949
-16	-40	Minority interests	0	-8
<b>-299,390</b>	<b>-517,923</b>	<b>Profit/loss after tax</b>	<b>-361,175</b>	<b>-564,957</b>
		<b>Total comprehensive income:</b>		
-505	-5,197	Currency translation differences	79	-23,347
<b>-299,895</b>	<b>-523,120</b>	<b>Comprehensive profit/loss</b>	<b>-361,096</b>	<b>-589,677</b>
		<b>Comprehensive income attributable to:</b>		
-299,879	-523,080	Shareholders	-361,096	-588,296
-16	-40	Minority interests	0	-1,381
<b>-299,895</b>	<b>-523,120</b>	<b>Comprehensive profit/loss</b>	<b>-361,096</b>	<b>-589,677</b>
<b>Earnings and diluted earnings per share</b>				
		From continuing operations	-1.97	-13.58
		From discontinued operations	-0.06	-0.33
		From profit for the year	-2.03	-13.91

## Balance Sheet – Blom Group

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### ASSETS

(Amounts in NOK 1000)

	31/12/2011	31/12/2010
Patents, licences and similar rights	1,827	3,184
Deferred tax assets	4,430	39,680
Goodwill	0	125,699
<b>Total intangible assets</b>	<b>6,257</b>	<b>168,563</b>
 <b>Property, plant and equipment</b>	 <b>155,686</b>	 <b>144,127</b>
Non-current receivables	5,144	24,254
Investments in associates	0	15,593
<b>Total non-current asset investments</b>	<b>5,144</b>	<b>39,847</b>
<hr/> <b>Total non-current assets</b>	<hr/> <b>167,087</b>	<hr/> <b>352,537</b>
 Inventories	 2,935	 2,559
Work in progress	96,490	152,479
<b>Total inventories</b>	<b>99,425</b>	<b>155,038</b>
 Trade receivables	 169,436	 164,334
Other current receivables	32,386	40,497
<b>Total receivables</b>	<b>201,822</b>	<b>204,831</b>
 <b>Cash and cash equivalents</b>	 <b>75,057</b>	 <b>95,888</b>
 <b>Assets held for sale</b>	 <b>43,388</b>	 <b>0</b>
<hr/> <b>Total current assets</b>	<hr/> <b>419,692</b>	<hr/> <b>455,757</b>
<hr/> <b>TOTAL ASSETS</b>	<hr/> <b>586,779</b>	<hr/> <b>808,294</b>

## Balance Sheet – Blom Group

### EQUITY AND LIABILITIES

(Amounts in NOK 1000)

	31/12/2011	31/12/2010
<b><i>Called-up and fully paid share capital:</i></b>		
Share capital	25,465	4,170
Treasury shares	-110	-110
Share premium reserve	168,997	129,581
<b><i>Other reserves:</i></b>		
Currency translation differences	-42,911	-42,832
Retained earnings	-345 859	17,036
	<b>-194,417</b>	<b>107,845</b>
Minority interests	10	8
<b>Total equity</b>	<b>-194,408</b>	<b>107,853</b>
Pension obligations	16,811	18,031
Non-current liabilities	384,589	46,401
<b>Total non-current liabilities</b>	<b>401,400</b>	<b>64,432</b>
Credit facilities	77,574	54,184
Other interest-bearing current liabilities	75,997	335,239
<b>Total interest bearing short-term liabilities</b>	<b>153,571</b>	<b>389,423</b>
Trade payables	96,253	92,381
Unpaid government taxes	27,822	29,171
Other current liabilities	78,934	125,034
<b>Total other current liabilities</b>	<b>203,009</b>	<b>246,586</b>
<b>Liabilities classified as held for sale</b>	<b>23,206</b>	<b>0</b>
<b>Total current liabilities</b>	<b>379,786</b>	<b>636,009</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>586,779</b>	<b>808,294</b>

### Change in equity from 1 January to 31 December

	2011	2010
Equity as at 31 December	107,853	697,529
Profit/loss for the period	-361,175	-564,957
New share capital by issue of new shares	21,295	0
Premium on share issue	38,266	0
Foreign exchange losses/gains from translation of foreign subsidiaries	-646	-24,719
Equity	<b>-194,408</b>	<b>107,853</b>

## Cash Flow Statement – Blom Group

4 <sup>th</sup> quarter				Indirect model (Amounts in whole NOK 1000)	
2011	2010			As at 31/12	
				2011	2010
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES</b>					
-251,635	-493,949		Pre-tax profit/loss	-325,668	-559,019
139,286	316,836	+	Depreciation and amortisation of property, plant and equipm.	184,483	382,377
-47,787	-39,586	+/-	Change in trade receivables	-14,701	50,988
75,369	124,825	+/-	Change in inventories and work in progress	26,657	109,025
5,259	1,051	+/-	Change in supplier debt	8,172	-12,417
84,796	97,627	+/-	Change in other accruals and unrealised foreign exchange	57,038	87,555
<u>5,289</u>	<u>6,804</u>	A =	<b>Net cash flow from operating activities</b>	<u>-64,019</u>	<u>58,509</u>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
-14,632	-14,750	-	Purchases of property, plant and equipment	-55,810	-56,425
<u>-14,632</u>	<u>-14,750</u>	B =	<b>Net cash flow from investing activities</b>	<u>-55,810</u>	<u>-56,425</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
-6,470	776	+/-	Net change in long-term liabilities	18,178	-39,499
883	13,651	+/-	Net change in overdraft facilities	22,986	-31,569
3,114	0	+	Net receipt of equity capital	59,561	0
<u>-2,473</u>	<u>14,427</u>	C =	<b>Net cash flow from financing activities</b>	<u>100,725</u>	<u>-71,068</u>
-11,816	6,482		<b>A+B+C Net change in cash and cash equivalents</b>	-19,104	-68,985
88,600	89,407	+	Cash and cash equivalents	95,888	164,873
<u>76,784</u>	<u>95,889</u>	=	<b>Cash and cash equivalents</b>	<u>76,784</u>	<u>95,888</u>

The cash flow statement includes discontinued operations (in accordance with IFRS 5, paragraph 33).

## Segments – Blom Group

(Amounts in NOK 1000)

	4 <sup>th</sup> qtr 2011	4 <sup>th</sup> qtr 2010	31/12/2011	31/12/2010
<b>Operating revenues:</b>				
Information Services	10,213	19,352	56,261	112,971
Geo Engineering Services	95,989	122,107	380,853	456,877
<b>Total operating revenues</b>	<b>106,201</b>	<b>141,459</b>	<b>437,114</b>	<b>569,848</b>
<b>EBITDA:</b>				
Information Services	-48	-48,010	18,570	1,512
Geo Engineering Services	-31,104	-17,244	-21,599	1,526
Other	-6,949	-11,241	-29,744	-38,256
<b>EBITDA</b>	<b>-38,100</b>	<b>-76,496</b>	<b>-32,772</b>	<b>-35,218</b>
<b>EBIT:</b>				
Information Services	-65,398	-331,462	-68,531	-316,069
Geo Engineering Services	-117,110	-50,174	-129,880	-61,582
Other	6,745	-11,300	-16,163	-38,456
<b>EBIT</b>	<b>-175,762</b>	<b>-392,936</b>	<b>-214,575</b>	<b>-416,107</b>
<b>Profit attributable to associates:</b>				
Information Services	-18,432	-63,339	-19,434	-61,594
<b>Profit attributable to associates:</b>	<b>-18,432</b>	<b>-63,339</b>	<b>-19,434</b>	<b>-61,594</b>
<b>Earnings before interest and tax:</b>				
Information Services	-81,461	-394,801	-87,965	-377,664
Geo Engineering Services	-119,032	-50,173	-129,880	-61,582
From discontinued operations	-3,852	-10,463	-4,299	-12,110
Other	6,745	-11,300	-16,163	-38,456
<b>Earnings before interest and tax</b>	<b>-197,600</b>	<b>-466,738</b>	<b>-238,308</b>	<b>-489,812</b>

## Segments – Blom Group

(Amounts in NOK 1000)

	4 <sup>th</sup> qtr 2011	4 <sup>th</sup> qtr 2010	31/12/2011	31/12/2010
<b>Assets:</b>				
Information Services	99,854	172,544	99,854	172,544
Geo Engineering Services	366,573	435,432	366,573	435,432
Assets classified as held for sale	43,388	0	43,388	0
Other/Unallocated	76,964	200,318	76,964	200,318
<b>Total assets 1)</b>	<b>586,779</b>	<b>808,294</b>	<b>586,779</b>	<b>808,294</b>
<b>Operational investments:</b>				
Information Services	7,559	7,208	42,646	43,557
Geo Engineering Services	11,605	10,562	27,185	34,612
Other/Unallocated	0	0	26	340
<b>Total assets</b>	<b>19,164</b>	<b>17,770</b>	<b>69,857</b>	<b>78,508</b>

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

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