



Report for 4<sup>th</sup> quarter 2010

## A quarter marked by write downs and weak operations

The company posted revenues of NOK 149 million in the 4<sup>th</sup> quarter, compared with NOK 159 million for the same quarter in 2009. EBITDA for the quarter was NOK -87 million, compared with NOK 23 million for the corresponding quarter in 2009. This corresponds to an EBITDA margin of -58.3 per cent, compared with 14.4 per cent in the 4<sup>th</sup> quarter of 2009. The operating profit for the quarter was a loss of NOK 403 million, compared with a loss of NOK 59 million for the same period in 2009. The operating profit includes write-off of NOK 293 million for the write-down of fixed assets, related primarily to goodwill and assets associated with the Pictometry agreement. There are also charges totalling NOK 75 million for provisions for potential losses on stocks and receivables from customers, as well as potential claims from customers as a result of the uncertainty associated with the Pictometry agreement.

The operating revenues for the respective segments were NOK 129 million for Geo Engineering and NOK 20 million for Information Services in the 4<sup>th</sup> quarter. The comparative figures for the 4<sup>th</sup> quarter of 2009 were NOK 123 million for Geo Engineering and NOK 37 million for Information Services.

The company's revenues totalled NOK 619 million in 2010, compared with NOK 737 million in 2009. EBITDA for 2010 was NOK -46 million, compared with NOK 92 million for 2009. This corresponds to an EBITDA margin of -7.4 per cent for 2010, compared with 12.5 per cent for 2009. The operating revenues for the respective segments totalled NOK 501 million for Geo Engineering and NOK 118 million for Information Services in 2010. The comparative figures for 2009 were NOK 618 million for Geo Engineering and NOK 119 million for Information Services.

### Financial restructuring

As a result of the company's challenges in 2010, Blom has lost a major portion of its equity due to the weak operating results and extraordinary write-downs. The company has been in continuous dialogue with its largest creditors aiming to establish good solutions that can meet the company's needs in the short and long term.

The bond holders have granted a waiver for the existing terms of the loan in connection with the presentation of the results for the 4<sup>th</sup> quarter of 2010. The company has a constructive dialog with the bond holders in order to find a more permanent long-term solution. Blom anticipate that further details will be presented shortly.

## Results

IFRS (Amounts in NOK 1000)	4 <sup>th</sup> quarter		As at 31/12	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Operating revenues	<b>148 547</b>	159 482	<b>619 177</b>	736 901
EBITDA	<b>-86 563</b>	22 902	<b>-45 840</b>	92 306
EBIT	<b>-403 399</b>	-58 821	<b>-428 218</b>	-53 832
EBT	<b>-493 948</b>	-74 467	<b>-559 019</b>	-93 960

The pre-tax loss for the 4<sup>th</sup> quarter includes a charge of NOK 356 million for the write-down of fixed assets, which is related primarily to goodwill and assets associated with the Pictometry agreement. There are also charges of totally NOK 75 million for provisions for potential losses on stocks and receivables from customers, as well as potential claims from customers as a result of the uncertainty associated with the Pictometry agreement.

The fourth quarter has been impacted by continued weak macro-economic factors in many of the markets where Blom operate. This has resulted in pressure on the prices in parts of our operations and delayed call-off on orders under framework agreements. In light of the company's results for 2010 and continued uncertainty concerning macro-economic factors, the company has identified value shortfalls in the company's assets, primarily the aforementioned current and fixed assets.

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 2009. The interim accounts have been prepared in accordance with the same principles that are used in the annual accounts for 2009. The report has not been audited.

## Operations

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In Information Services the company's operations during the quarter has been marked by the uncertainty surrounding the licence agreement with Pictometry. The segment posted revenues of NOK 20 million this quarter, compared with NOK 37 million in the 4<sup>th</sup> quarter of 2009. In the stock exchange disclosure of 21 December 2010, it was announced that the termination would entail a loss of income that would have a negative impact on the 4<sup>th</sup> quarter results in 2010. In addition, the uncertainty that has arisen with regard to the agreement with Pictometry has had consequences for other agreements between Blom and its customers. The accounts have been charged with provisions for potential losses on stocks, work in progress and receivables from customers, as well as potential claims from customers as a result of the uncertainty associated with the Pictometry totalling NOK 45 million.

Geo Engineering Services posted revenues of NOK 129 million this quarter, compared with NOK 123 million in the 4<sup>th</sup> quarter of 2009. The company itself had expected higher revenues in the 4<sup>th</sup> quarter of 2010, however, continued weak macroeconomic conditions in a number of countries in which the company operates resulted in delayed call-off on orders under framework agreements. There are also charges for provisions for potential losses on stocks and receivables from customers, as well as potential claims from customers totalling NOK 30 million.

### Pictometry

Pictometry International Corp. advised Blom ASA on 16 October 2010 that the company found that Blom had breached the licence agreement that was entered into on 29 January 2009, and Pictometry terminated the agreement with immediate effect. Blom is of the opinion that the company has not acted in breach of the agreement and that the termination is thus invalid. Blom has taken the steps necessary to safeguard the company's interests in the short term through its legal advisors.

As a result of this, Blom was granted a preliminary injunction in a case that the company brought before a court in New York claiming that the agreement must be re-

established until a valid judgment is handed down. At the same time the judge ruled that Blom was not to deliver Pictometry-related services to a named partner of Blom until this point in time. As a result of this ruling, Blom was notified by its partner that the company was considered to be in breach of the conditions of the cooperation agreement. Blom did not manage to comply with the arguments put forward by the agreed deadline, and the agreement is therefore terminated.

Blom and Pictometry have recently invested a great deal of resources to find a solution for the dispute outside of the agreed legal proceedings. The parties have, therefore, appointed a voluntary mediator. Both parties consider finding a solution outside the legal system to be in their own best interests. The parties have not yet reached any agreement, but they are still determined to find a solution.

## Finance and accounts

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The operations were substantially weaker in the quarter, and revenues and EBITDA were significantly reduced. The dispute with Pictometry has also entailed a substantial write-down of goodwill and other fixed assets.

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 2011 is satisfactory. Accordingly the company is expected to generate stronger margins in 2011 than in the year 2010.

The company had a positive cash flow from operations of NOK 7 million in the 4<sup>th</sup> quarter. Account receivables from customers increased by NOK 40 million from the 3<sup>rd</sup> quarter to NOK 164 million, while work in progress was NOK 152 million, compared with NOK 277 million for the previous quarter.

In the fourth quarter the company made operational investments of NOK 17 million. The equity ratio was 13.34 per cent, compared with 49.34 per cent at the end of 2009, and cash and cash equivalents increased by NOK 6 million to NOK 96 million during the period.

Write-downs in associated companies in the 4<sup>th</sup> quarter represented a total charge of NOK 63 million. Net financial expenses totalled NOK 27 million for the quarter. Since the company's bond loan has been reclassified from a long-term to a current liability, all of the transaction costs associated with the bond loan totalling NOK 12 million have been expensed. The remaining NOK 15 million represents interest and costs associated with the company's bond loan, leasing commitments and other loans.

## Organisation and personnel

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During this period the company has also adjusted its workforce, based on the demand for the company's products in the market. Due to the continued restructuring of the group, combined with improved coordination and utilisation of the company's resources, as well as the introduction of new technology, a decision has been made to implement additional workforce reductions that will take effect in 2011.

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 2010 there were a

total of 523 employees in the operative companies, while there was a total of 570 employees at the production facilities in Indonesia and Eastern Europe. The group has a total of 1,093 employees. The number of employees was reduced by 76 in the operative companies and 19 in the production facilities in Indonesia and Eastern Europe, totalling 95.

## Shareholder matters

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The total number of shareholders as at 31 December 2010 was 2,542, and foreign shareholders accounted for 32.1 per cent of the share capital. Blom owns a total of 1,100,000 of the company's own shares, which represents 2.64 per cent of the total number of outstanding shares.

## Future outlook

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The company has primarily through staff reductions reduced its cost base this year. Based on the order backlog and budgets for 2011, the Board of Directors is of the opinion that the company will be able to obtain positive operational margins in 2011. In cooperation with its largest creditors, Blom has drafted a solution that can strengthen the company's financial position.

The company is still exposed in markets, especially in the South of Europe, that still are marked by uncertainty in 2011.

Oslo, 16 February 2011

Gunnar Hirsti  
Board Chairman

Per Kyllingstad  
Board Member

Bente Loe  
Board Member

Brita Eilertsen  
Board Member

Dirk Blaauw  
Managing Director and Board Member

## Consolidated Comprehensive Profit and Loss Account – Blom Group

4 <sup>th</sup> quarter		(Amounts in NOK 1000)	
2010	2009	31/12/10	31/12/09
<b>148 547</b>	<b>159 482</b>	<b>619 177</b>	<b>736 901</b>
		<b>Operating revenues</b>	
76 128	27 156	236 546	242 461
74 405	71 317	277 215	297 554
316 835	81 723	382 377	146 138
84 577	38 107	151 256	104 580
<b>551 945</b>	<b>218 303</b>	<b>1 047 394</b>	<b>790 733</b>
		<b>Operating expenses</b>	
<b>-403 399</b>	<b>-58 821</b>	<b>-428 218</b>	<b>-53 832</b>
		<b>Operating profit/loss</b>	
<b>-63 339</b>	<b>73</b>	<b>-61 595</b>	<b>-565</b>
		<b>Profit attributable to associates</b>	
<b>-27 211</b>	<b>-15 719</b>	<b>-69 207</b>	<b>-39 562</b>
		<b>Net financial items</b>	
<b>-493 948</b>	<b>-74 467</b>	<b>-559 019</b>	<b>-93 960</b>
		<b>Pre-tax profit/loss</b>	
-23 975	5 446	-5 938	10 949
<b>-517 923</b>	<b>-69 021</b>	<b>-564 957</b>	<b>-83 012</b>
		<b>Net profit/loss after tax</b>	
		<b>Profit/loss attributable to:</b>	
-517 883	-68 817	-564 949	-82 505
-40	-205	-8	-506
<b>-517 923</b>	<b>-69 022</b>	<b>-564 957</b>	<b>-83 012</b>
		<b>Net profit/loss after tax</b>	
		<b>Comprehensive profit/loss:</b>	
-5 197	-6 388	-24 719	-74 757
<b>-523 120</b>	<b>-75 410</b>	<b>-589 676</b>	<b>-157 769</b>
		<b>Comprehensive profit/loss</b>	
		<b>Comprehensive profit/loss</b>	
		<b>attributable to:</b>	
-523 080	-74 998	-588 296	-156 688
-40	-413	-1 381	-1 081
<b>-523 120</b>	<b>-75 411</b>	<b>-589 676</b>	<b>-157 769</b>
		<b>Comprehensive profit/loss</b>	
		<b>Earnings and diluted earnings per share</b>	
		-13.91	-2.04

## Balance Sheet – Blom Group

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**ASSETS**

(Amounts in NOK 1000)

	31/12/2010	31/12/2009
Patents, licences and similar rights	3 184	36 700
Deferred tax assets	39 680	50 428
Goodwill	125 699	270 579
<b>Total intangible fixed assets</b>	<b>168 563</b>	<b>357 707</b>
<b>Tangible fixed assets</b>	<b>144 127</b>	<b>295 797</b>
Long-term receivables	24 253	10 253
Investments in associated companies	15 593	45 246
<b>Total fixed asset investments</b>	<b>39 847</b>	<b>55 498</b>
<b>Total fixed assets</b>	<b>352 537</b>	<b>709 003</b>
Inventories	2 558	2 826
Work in progress	152 479	261 237
<b>Total inventories</b>	<b>155 038</b>	<b>264 062</b>
Receivables from customers	164 334	240 252
Other current receivables	40 497	35 404
<b>Total receivables</b>	<b>204 831</b>	<b>275 656</b>
<b>Cash and cash equivalents</b>	<b>95 888</b>	<b>164 873</b>
<b>Total current assets</b>	<b>455 756</b>	<b>704 592</b>
<b>TOTAL ASSETS</b>	<b>808 294</b>	<b>1 413 595</b>

## Balance Sheet – Blom Group

### EQUITY AND LIABILITIES

(Amounts in NOK 1000)

	31/12/2010	31/12/2009
<b><i>Called-up and fully paid share capital:</i></b>		
Share capital	4 170	4 170
Treasury shares	-110	-110
Share premium account	129 581	129 581
<b><i>Other reserves:</i></b>		
Currency translation differences	-44 123	-18 424
Retained earnings	18 327	580 924
	<b>107 845</b>	<b>696 141</b>
Minority interests	8	1 389
<b>Total equity</b>	<b>107 853</b>	<b>697 529</b>
Pension obligations	18 031	20 625
Long-term liabilities	46 402	368 717
<b>Total long-term liabilities</b>	<b>64 432</b>	<b>389 342</b>
Overdraft facilities	54 184	89 824
Other interest-bearing short-term liabilities	335 239	31 031
<b>Total interest bearing short-term liabilities</b>	<b>389 423</b>	<b>120 855</b>
Payables to suppliers	92 381	104 798
Unpaid government taxes	29 171	35 289
Other current liabilities	125 033	65 780
<b>Total other current liabilities</b>	<b>246 585</b>	<b>205 868</b>
<b>Total current liabilities</b>	<b>636 009</b>	<b>326 723</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>808 294</b>	<b>1 413 595</b>

<b>Change in equity from 1 January to 31 December</b>	<b>2010</b>	<b>2009</b>
Equity as at 31 December	697 529	855 296
Profit/loss for the period	-564 957	-83 012
Foreign exchange losses/gains from translation of foreign subsidiaries	-24 719	-74 755
<b>Equity</b>	<b>107 853</b>	<b>697 529</b>

## Cash Flow Statement – Blom Group

Indirect model (Amounts in whole NOK 1000)

4 <sup>th</sup> quarter		As at 31/12		
2010	2009	2010	2009	
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES</b>				
-493 948	-74 467			
		Pre-tax profit/loss	-559 019 -93 960	
316 836	81 723	+	Depreciation and amortisation of operating assets	382 377 146 138
-39 586	-23 811	+/-	Change in receivables from customers	50 988 112 767
124 825	152 037	+/-	Change in inventories and work in progress	109 025 16 121
1 051	9 854	+/-	Change in supplier debt	-12 417 24 219
			Change in other accruals and unrealised foreign	
97 626	-86 877	+/-	exchange	87 555 -131 988
<u>6 804</u>	<u>58 459</u>	A =	<b>Net cash flow from operational activities</b>	<u>58 509 73 297</u>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
-14 750	-24 992	-	Payments for purchase of operating assets	-56 425 -76 555
<u>-14 750</u>	<u>-24 992</u>	B =	<b>Net cash flow from investment activities</b>	<u>-56 425 -76 555</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
0	0	+	New long-term debt	0 287 269
776	-451	-	Payments on long-term debt and loans	-39 499 -201 643
13 651	-5 053	+/-	Net change in overdraft facilities	-31 569 6 023
<u>14 427</u>	<u>-5 504</u>	C =	<b>Net cash flow from financing activities</b>	<u>-71 068 91 649</u>
6 481	27 963	<b>A+B+C</b>	<b>Net change in cash and cash equivalents</b>	-68 985 88 391
89 407	136 910	+	Cash and cash equivalents	<u>164 873 76 482</u>
<u>95 888</u>	<u>164 873</u>	=	<b>Cash and cash equivalents</b>	<u>95 888 164 873</u>

## Segments – Blom Group

(Amounts in NOK 1000)

	4 <sup>th</sup> qtr. 2010	4 <sup>th</sup> qtr. 2009	31/12/2010	31/12/2009
<b>Operating revenues:</b>				
Information Services	19 518	36 726	117 873	119 361
Geo Engineering Services	129 030	122 756	501 304	617 540
<b>Total operating revenues</b>	<b>148 547</b>	<b>159 482</b>	<b>619 177</b>	<b>736 901</b>
<b>EBITDA:</b>				
Information Services	-48 459	29 506	892	52 286
Geo Engineering Services	-26 863	3 490	-8 476	75 096
Others	-11 241	-10 094	-38 256	-35 077
<b>EBITDA</b>	<b>-86 563</b>	<b>22 902</b>	<b>-45 840</b>	<b>92 306</b>
<b>EBIT:</b>				
Information Services	-332 177	9 761	-317 752	7 895
Geo Engineering Services	-59 922	-58 450	-72 009	-26 517
Others	-11 300	-10 132	-38 456	-35 210
<b>EBIT</b>	<b>-403 399</b>	<b>-58 821</b>	<b>-428 218</b>	<b>-53 832</b>
<b>Profit attributable to associates:</b>				
Information Services	-63 339	73	-61 595	-565
<b>Profit attributable to associates:</b>	<b>-63 339</b>	<b>73</b>	<b>-61 595</b>	<b>-565</b>
<b>Earnings before interest and tax:</b>				
Information Services	-395 516	9 834	-379 347	7 329
Geo Engineering Services	-59 922	-58 450	-72 009	-26 517
Others	-11 300	-10 133	-38 456	-35 210
<b>Earnings before interest and tax</b>	<b>-466 738</b>	<b>-58 749</b>	<b>-489 812</b>	<b>-54 398</b>

## Segments – Blom Group

(Amounts in NOK 1000)

	4 <sup>th</sup> qtr. 2010	4 <sup>th</sup> qtr. 2009	31/12/2010	31/12/2009
<b>Assets:</b>				
Information Services	172 544	566 178	172 544	566 178
Geo Engineering Services	435 532	586 459	435 432	586 459
Others/Unallocated	200 318	260 958	200 318	260 958
<b>Total assets 1)</b>	<b>808 294</b>	<b>1 413 595</b>	<b>808 294</b>	<b>1 413 595</b>
<b>Operational investments:</b>				
Information Services	7 208	36 227	43 557	70 773
Geo Engineering Services	10 562	3 741	34 612	30 258
Others/Unallocated	0	0	340	0
<b>Total assets</b>	<b>17 770</b>	<b>39 968</b>	<b>78 508</b>	<b>101 031</b>

1) Allocated assets include receivables from customers, work in progress, inventories, fixed assets and intangible assets with the exception of deferred tax assets.

**Blom ASA**  
P.O. Box 34 Skøyen  
N-0212 Oslo  
Norway  
Tel: +47 22 13 19 20  
Fax: +47 22 13 19 21  
E-mail: [blom.no@blomasa.com](mailto:blom.no@blomasa.com)

**Blom Sistemas Geoespaciales S.L.**  
C/ Zurbano 46  
28010 Madrid, Spain  
Tel: +34 914 150 350  
Fax: +34 9 310 49 14  
E-mail: [info.spain@blomasa.com](mailto:info.spain@blomasa.com)

**Blom CGR S.p.A.**  
Via Cremonese 35/A  
43126 Parma  
Italy  
Tel: +39 0521 994948  
Fax: +39 0521 992803  
E-mail: [info.it@blomasa.com](mailto:info.it@blomasa.com)

**Blom Kartta OY**  
Plasilanraitio 5  
FI-00240 Helsinki  
Finland  
Tel: +358 9 229 3060  
Fax: +358 9 148 1711  
E-mail: [info.fi@blomasa.com](mailto:info.fi@blomasa.com)

**Blom Geomatics AS**  
P.O. Box 34 Skøyen  
N-0212 Oslo  
Norway  
Tel: +47 23 25 45 00  
Fax: +47 23 25 45 01  
E-mail: [info.no@blomasa.com](mailto:info.no@blomasa.com)

**Blom Aerofilms Ltd.**  
Cheddar Business Park  
Wedmore Road, BS27 3EB  
UK  
Tel: +44 1934 311000  
Fax: +44 1334 745825  
E-mail: [info.uk@blomasa.com](mailto:info.uk@blomasa.com)

**Blom Deutschland GmbH**  
Oskar-Frech-Strasse 15  
73614 Schorndorf, Germany  
Tel: +49 7181 98021 0  
Fax: +49 7181 98021 29  
E-mail: [info.de@blomasa.com](mailto:info.de@blomasa.com)

**Blom Romania S.R.L.**  
Ion Heliade Radulescu Street, no 3-5  
130010 Tagoviste  
Romania  
Tel: +40(0)245 606 150  
Fax: +40(0)245 210 852  
E-mail: [office@blominfo.ro](mailto:office@blominfo.ro)

**Blom Sweden AB**  
Klippan 1J  
SE-414 51 Gothenburg  
Sweden  
Tel: +46 317 045670  
Fax: +46 317 049980  
E-mail: [info.se@blomasa.com](mailto:info.se@blomasa.com)

**BlomInfo AS**  
Masnedøgade 20  
DK-2100 Copenhagen  
Denmark  
Tel: +45 70 200 226  
Fax: +45 70 200 227  
E-mail: [info.dk@blomasa.com](mailto:info.dk@blomasa.com)