



**BLOM**  
IMAGING THE WORLD

Report for 1<sup>st</sup> quarter 2011



## Financial restructuring

As a result of the company's challenges, Blom lost a major portion of its equity in 2010 due to weak operating results and special write-downs. Accordingly the company's Extraordinary General Meeting of 18 March resolved to carry out a rights issue of new shares. The new issue was carried out during the period from 5 April to 19 April. A total of 212,946,563 shares were subscribed for at NOK 0.30 per share, which corresponds to gross proceeds of NOK 64 million.

In addition, the company has strengthened its liquidity reserves by issuing a new one-year bond loan of NOK 50 million.

The company posted revenues of NOK 94 million in the 1<sup>st</sup> quarter, compared with NOK 122 million for the same quarter in 2010. The reduction in revenues in the first quarter of the year resulted in a worsening of EBITDA, which was compensated for in part by workforce reductions and other cost cuts. EBITDA for the quarter was NOK -18 million, compared with NOK -7 million for the corresponding quarter in 2010. This corresponds to an EBITDA margin of -19.6 per cent, compared with -5.6 per cent in the 1<sup>st</sup> quarter of 2010. The operating loss for the quarter was NOK -33 million, compared with NOK -28 million for the same period in 2010. The loss before tax was NOK -45 million, compared with NOK -39 million for the corresponding period in 2010.

The operating revenues for the respective segments were NOK 82 million for Geo Engineering Services and NOK 11 million for Information Services in the 1<sup>st</sup> quarter. The comparative figures for the 1<sup>st</sup> quarter of 2010 were NOK 106 million for Geo Engineering Services and NOK 16 million for Information Services.

## Results

(Amounts in NOK 1000)	<u>1<sup>st</sup> qtr. 2011</u>	<u>1<sup>st</sup> qtr. 2010</u>	<u>31/12/2010</u>
Operating revenues	<b>93,588</b>	122,294	619,177
EBITDA	<b>-18,384</b>	-6,809	-45,841
EBIT	<b>-32,637</b>	-27,753	-428,218
EBT	<b>-44,887</b>	-39,244	-559,019

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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The year 2010 was marked by continued weak macro-economic conditions in some of the countries where Blom operates. As a result of this, customers in public administration and the private sector, who focus on the development and management of infrastructure and land areas, have temporarily reduced their budgets and postponed call-off orders under already established framework contracts.

The company's contract coverage for 2011 as a whole is relatively good. However, the portion of the order backlog that concerns the processing of data that has already been collected was lower than at the start of earlier years, and this has resulted in lower revenues for the first quarter of the year.

Since national investments in infrastructure and land development in some countries in Europe have been low during the last two years, pent-up demand is expected for the type of services that Blom provides within Geo Engineering Services. For example, relatively substantial cuts are being made in the national budgets in the UK, but Blom has experienced an increase in orders in this region to date this year in spite of this. Markets that the company is exposed to, particularly in Southern Europe, are still marked by uncertainty in 2011. Blom seeks to compensate for the weak macroeconomic factors in Southern Europe through an increased focus on value added services, market segments where Blom has a competitive advantage and certain regions outside Europe.

Blom's subsidiary in Romania signed an agreement valued at NOK 16 million in March. The agreement encompasses technical advice for the development of new infrastructure in Romania. Work on this assignment is expected to start in the spring of 2011. This contract is a confirmation that the company's strategy of focusing more on growth markets in Central and Eastern Europe is showing results. At the same time the company is succeeding with its focus on value added services that build on the competence and customers that the company has acquired over time.

The infrastructure in many Eastern European countries requires substantial maintenance and development. During the past year, financing for projects like this has increasingly been made available from the EU and the World Bank. As a result of this Blom is experiencing an increasing number of public tenders related to infrastructure projects in these countries. The project in Romania is an example of such a project.

Blom has also been awarded a framework contract with a customer in the defence industry. It is expected that the agreement will be signed during the coming weeks, have a duration of five years and an aggregate value of approximately EUR 5 million. The contract encompasses the production of maps and seamless data models. Work on the contract will start in the first half of 2012. Blom has focused on the development of products and services aimed at defence and security services, and we consider this contract to be confirmation of the competence that the company represents.

In the Information Services area, the company's operations have been marked by the same weak macroeconomic factors as in the Geo Engineering Services area, and the uncertainty surrounding the relationship to Pictometry has also had a negative impact on new orders. The company's revenues are thus weaker than the same quarter last year.

## Finance and accounts

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The company posted revenues of NOK 94 million in the 1<sup>st</sup> quarter, compared with NOK 122 million for the same quarter in 2010. EBITDA for the quarter was NOK -18 million, compared with NOK -7 million for the corresponding quarter in 2010. The main reason for the revenue fall in the first quarter compared with the corresponding quarter last year is the fact that the portion of the order backlog that concerns the processing of data that has already been collected was lower than at the start of previous years, and this can in turn be traced back to postponed call-off orders under framework contracts at the end of last year. The reduction in revenues in the first quarter of the year resulted in a decline of EBITDA, which was compensated for in part by workforce reductions and other cost cuts.

Net financial expenses totalled NOK 11 million for the quarter.

The company had a negative cash flow from operational activities of NOK 24 million in the 1<sup>st</sup> quarter. Receivables from customers increased by NOK 43 million from the end of last year to NOK 122 million, while work in progress was NOK 162 million, compared with NOK 152 million as at 31 December 2010.

In the first quarter the company made operational investments of NOK 8 million.

The equity ratio was 9.0 per cent, compared with 13.3 per cent at the end of 2010, and cash and cash equivalents declined by NOK 10 million to NOK 86 million during the period.

## Events after the date of the balance sheet

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An Extraordinary General Meeting was held on 18 March 2011. The General Meeting resolved that Blom shall seek to carry out a rights issue of new shares with gross proceeds of up to NOK 73.1 million. Blom ASA carried out the rights issue from 5 to 19 April 2011. A total of 212,946,563 new shares were subscribed, which corresponds to gross proceeds of NOK 64 million and increased the share capital by NOK 21 294 656.30.

The new share capital will total NOK 25,464,719.90, divided into 254,647,199 shares, each with a nominal value of NOK 0.10.

At the bondholder meeting of 23 March, the bondholders decided that the company can issue a new one-year bond loan of NOK 50 million. The company received the proceeds from the bond loan in April.

## 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. 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 2011 there were a total of 489 employees in the operative companies, while there was a total of 517 employees at the production facilities in Indonesia and Eastern Europe. Overall the group has a total of 1,006 employees, which is a reduction of 87 since the end of last year.

## Shareholder matters

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The total number of shareholders as at 31 March 2011 was 2,675, and foreign shareholders accounted for 11.8 per cent of the share capital. Blom owns 1,100,000 treasury shares, which corresponds to 2.64% of the total number of outstanding shares.

## Future outlook

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In the current quarter the company has continued its measures to reduce the cost base, primarily through a reduction of the workforce. Based on the company's contract coverage and outlook for 2011, the Board of Directors believes that it is possible to achieve positive operating margins in the current year.

The company has completed a financial restructuring, both on the debt and equity sides. Blom is satisfied with the support it has received from its lenders, the subscriptions for new shares and the associated reinforcement of the capital structure, which gives us a good foundation for the future.

The company is still exposed to markets, particularly in Southern Europe, that may still be marked by uncertainty in 2011 as well.

**Oslo, 4 May 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

	(Amounts in NOK 1000)		
	31/03/2011	31/03/2010	31/12/2010
<b>Operating revenues</b>	<b>93,588</b>	<b>122,294</b>	<b>619,177</b>
Cost of materials	33,969	39,383	236,546
Salaries and personnel costs	62,267	68,451	277,215
Depreciation and write-downs	14,253	20,944	382,377
Other operating and administrative costs	15,737	21,268	151,257
<b>Operating expenses</b>	<b>126,225</b>	<b>150,047</b>	<b>1,047,395</b>
<b>Operating profit/loss</b>	<b>-32,637</b>	<b>-27,753</b>	<b>-428,218</b>
<b>Profit attributable to associated companies</b>	<b>-1,174</b>	<b>-155</b>	<b>-61,594</b>
<b>Net financial items</b>	<b>-11,075</b>	<b>-11,335</b>	<b>-69,207</b>
<b>Pre-tax profit/loss</b>	<b>-44,887</b>	<b>-39,244</b>	<b>-559,019</b>
Taxes	6,191	10,894	-5,938
<b>Net profit/loss after tax</b>	<b>-38,696</b>	<b>-28,350</b>	<b>-564,957</b>
<b>Profit/loss attributable to:</b>			
Shareholders	-38,714	-28,350	-564,949
Minority interests	18	0	-8
<b>Net profit/loss after tax</b>	<b>-38,696</b>	<b>-28,350</b>	<b>-564,957</b>
<b>Total comprehensive income:</b>			
Currency translation differences	20	-17,334	-23,347
<b>Comprehensive profit/loss</b>	<b>-38,658</b>	<b>-45,684</b>	<b>-589,677</b>
<b>Comprehensive income attributable to:</b>			
Shareholders	-38,676	-45,684	-588,296
Minority interests	18	0	-1,381
<b>Comprehensive profit/loss</b>	<b>-38,658</b>	<b>-45,684</b>	<b>-589,677</b>
Earnings and diluted earnings per share	-0.95	-0.70	-13.91

## Balance Sheet – Blom Group

### ASSETS

(Amounts in NOK 1000)

	31/03/2011	31/03/2010	31/12/2010
Patents, licences and similar rights	4,283	37,184	3,184
Deferred tax assets	45,187	60,746	39,680
Goodwill	126,080	263,604	125,699
<b>Total intangible assets</b>	<b>175,550</b>	<b>361,535</b>	<b>168,563</b>
<b>Property, plant and equipment</b>	<b>137,472</b>	<b>290,220</b>	<b>144,127</b>
Non-current receivables	23,061	9,681	24,254
Investments in associated companies	14,435	69,178	15,593
<b>Total non-current asset investments</b>	<b>37,496</b>	<b>78,859</b>	<b>39,847</b>
<b>Total non-current assets</b>	<b>350,518</b>	<b>730,614</b>	<b>352,537</b>
Inventories	2,629	2,842	2,559
Work in progress	162,248	250,084	152,479
<b>Total inventories</b>	<b>164,877</b>	<b>252,926</b>	<b>155,038</b>
Trade receivables	121,594	171,332	164,334
Other current receivables	45,489	40,396	40,497
<b>Total receivables</b>	<b>167,083</b>	<b>211,728</b>	<b>204,831</b>
<b>Cash and cash equivalents</b>	<b>86,319</b>	<b>145,397</b>	<b>95,888</b>
<b>Total current assets</b>	<b>418,279</b>	<b>610,051</b>	<b>455,757</b>
<b>TOTAL ASSETS</b>	<b>768,797</b>	<b>1,340,665</b>	<b>808,294</b>

## Balance Sheet – Blom Group

### EQUITY AND LIABILITIES

(Amounts in NOK 1000)

	31/03/2011	31/03/2010	31/12/2010
<b><i>Called-up and fully paid share capital:</i></b>			
Share capital	4,170	4,170	4,170
Treasury shares	-110	-110	-110
Share premium account	129,581	129,581	129,581
<b><i>Other reserves:</i></b>			
Currency translation differences	-42,812	-35,758	-42,832
Retained earnings	-21,660	553,954	17,036
	<b>69,169</b>	<b>651,837</b>	<b>107,845</b>
Minority interests	26	8	8
<b>Total equity</b>	<b>69,195</b>	<b>651,845</b>	<b>107,853</b>
Pension obligations	18,116	20,146	18,031
Non-current liabilities	62,648	361,552	46,401
<b>Total non-current liabilities</b>	<b>80,764</b>	<b>381,698</b>	<b>64,432</b>
Credit facilities	74,279	77,792	54,184
Other interest-bearing current liabilities	339,136	29,093	335,239
<b>Total interest bearing short-term liabilities</b>	<b>413,415</b>	<b>106,885</b>	<b>389,423</b>
Trade payables	78,147	97,004	92,381
Unpaid government taxes	26,618	23,371	29,171
Other current liabilities	100,658	79,863	125,034
<b>Total other current liabilities</b>	<b>205,423</b>	<b>200,238</b>	<b>246,586</b>
<b>Total current liabilities</b>	<b>618,838</b>	<b>307,122</b>	<b>636,009</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>768,797</b>	<b>1,340,665</b>	<b>808,294</b>

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

	2011	2010
Equity as at 31 December	107,853	697,529
Profit/loss for the period	-38,696	-28,350
Foreign exchange losses/gains from translation of foreign subsidiaries	38	-17,334
Equity	<b>69,195</b>	<b>651,845</b>

## Cash Flow Statement – Blom Group

	Indirect model (Amounts in whole NOK 1000)	
	As at 31/3	
	2011	2010
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES</b>		
Pre-tax profit/loss	-44,887	-39,244
+ Depreciation and amortisation of operating assets	14,253	20,944
+/- Change in trade receivables	42,741	43,990
+/- Change in inventories and work in progress	-9,839	11,137
+/- Change in supplier debt	-14,234	-7,794
Change in other accruals and unrealised foreign +/- exchange	-12,502	-17,889
<b>A = Net cash flow from operating activities</b>	<b>-24,468</b>	<b>11,144</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
- Purchases of property, plant and equipment	-8,506	-13,011
<b>B = Net cash flow from investing activities</b>	<b>-8,506</b>	<b>-13,011</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
+/- Net change in long-term liabilities	4,575	-8,577
+/- Net change in overdraft facilities	18,831	-9,032
<b>C = Net cash flow from financing activities</b>	<b>23,406</b>	<b>-17,609</b>
<b>A+B+C Net change in cash and cash equivalents</b>	<b>-9,569</b>	<b>-19,476</b>
+ Cash and cash equivalents	95,888	164,873
<b>= Cash and cash equivalents</b>	<b>86,319</b>	<b>145,397</b>

## Segments – Blom Group

	(Amounts in NOK 1000)	
	31/03/2011	31/03/2010
<b>Operating revenues:</b>		
Information Services	11,225	16,337
Geo Engineering Services	82,363	105,957
<b>Total operating revenues</b>	<b>93,588</b>	<b>122,294</b>
<b>EBITDA:</b>		
Information Services	3,332	3,764
Geo Engineering Services	-12,990	-59
Others	-8,726	-10,514
<b>EBITDA</b>	<b>-18,384</b>	<b>-6,809</b>
<b>EBIT:</b>		
Information Services	-1,153	-6,948
Geo Engineering Services	-22,706	-10,251
Others	-8,778	-10,553
<b>EBIT</b>	<b>-32,637</b>	<b>-27,753</b>
<b>Profit attributable to associates:</b>		
Information Services	-1,174	-155
<b>Profit attributable to associates:</b>	<b>-1,174</b>	<b>-155</b>
<b>Earnings before interest and tax:</b>		
Information Services	-2,327	-7,104
Geo Engineering Services	-22,706	-10,251
Others	-8,778	-10,553
<b>Earnings before interest and tax</b>	<b>-33,811</b>	<b>-27,908</b>

## Segments – Blom Group

(Amounts in NOK 1000)

	31/03/2011	31/03/2010
<b>Assets:</b>		
Information Services	175,655	536,533
Geo Engineering Services	415,658	547,910
Others/Unallocated	177,484	256,221
<b>Total assets 1)</b>	<b>768,797</b>	<b>1,340,665</b>
<b>Operational investments:</b>		
Information Services	5,978	10,559
Geo Engineering Services	2,060	7,563
<b>Total assets</b>	<b>8,038</b>	<b>18,122</b>

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

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