



Report for 2nd quarter and first half of 2011



Positive operating margin with challenging framework conditions

In a number of countries where Blom operates, the macroeconomic conditions are still challenging, especially in Southern Europe. In order to improve profitability under the current market conditions, Blom has focused on market niches where the company has a competitive advantage and geographic regions that have an increasing need for the company's products and services, as well as continued implementation of cost saving measures. In the current quarter, these measures have entailed an improvement in the EBITDA and, accordingly, a positive operating margin.

The company posted revenues of NOK 153 million in the 2nd quarter, compared with NOK 184 million for the same quarter in 2010. EBITDA for the quarter was NOK 24 million, compared with NOK 14 million for the corresponding quarter in 2010. This corresponds to an EBITDA margin of 15.5 per cent, compared with 7.8 per cent in the 2nd quarter of 2010. The operating profit for the quarter was NOK 8 million, compared with NOK -7 million for the same period in 2010.

Revenues for the 1st half year were NOK 247 million, compared with NOK 306 million for the same period in 2010. EBITDA for the 1st half year was NOK 5 million, compared with NOK 8 million for the corresponding period in 2010. This corresponds to an EBITDA margin of 2.2 per cent, compared with 2.5 per cent in the first half of 2010. The operating loss for the 1st half year was NOK 24 million, compared with a loss of NOK 35 million for the same period in 2010.

Results

IFRS (Amounts in NOK 1000)	2 nd quarter		First half year	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Operating revenues	153,263	183,616	246,851	305,910
EBITDA	23,746	14,385	5,361	7,577
EBIT	8,491	-7,351	-24,147	-35,103
EBT	-3,738	-28,908	-48,625	-68,150

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 according to the same accounting principles as for the 2010 annual accounts. The report has not been audited.

Operations

During the quarter the company has continued its measures to reduce its cost base and other measures to improve profitability, and the company has achieved a positive operating margin as opposed to the same period last year. This is in spite of the fact that many of the markets in which Blom operates are still suffering from weak economic conditions. Revenues are somewhat lower in the first half of the year, compared with the same period in 2010, and this is attributed primarily to the aforementioned weak economic conditions.

Blom was awarded a framework contract from a company in the defence industry in April. The duration of the contract is five years, and it has a combined value of around 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 view this contract as confirmation of the expertise our company represents.

Blom was awarded a four-year framework contract by the mapping authority in the UK, Ordnance Survey, for the delivery and maintenance of geographic information. Orders for the first year of the framework contract encompass data acquisition and the associated modelling of 10,000 square kilometres. Revenue totalling GBP 0.8 million is expected during the contract's first year. Blom has delivered services to Ordnance Survey since 1996, and we are pleased to have been chosen as their supplier for the next four years. In addition, Blom has been awarded mapping and modelling contracts from other customers in the UK with an estimated order value of GBP 2.2 million, primarily for delivery in 2011. Blom has confirmed its market position in the UK with these contracts, and we will seek to strengthen our market position by continuing to develop new products and services.

Blom was awarded a strategically important contract by IGN (French mapping authority) valued at NOK 10 million for airborne laser scanning, which encompasses data acquisition and the associated modelling of areas vulnerable to flooding in southern France. This is one of the main components of a major project that aims to survey all of the areas vulnerable to flooding in France. For Blom, France is a new geographic area for services of this type.

Blom Romania S.R.L., Blom ASA's Romanian subsidiary, signed an agreement in July for technical advisory services for development of a new infrastructure with the Romanian waterworks Oradea S.A. Water Company. The value of the contract is estimated to be around NOK 18 million. This new project encompasses projecting and supervision of the planning of infrastructure for water and sewage. This job is expected to start in the summer of 2011.

Finance and accounts

SECOND QUARTER OF 2011

The operating revenues for the respective segments totalled NOK 134 million for Geo Engineering and NOK 19 million for Information Services. The comparative figures for the 2nd quarter of 2010 were NOK 157 million for Geo Engineering and NOK 27 million for Information Services.

The company has a negative cash flow of NOK 34 million from operational activities in the 2nd quarter, which is attributed primarily to the seasonal increase in the level of activity from the first to the second quarter, which in turn entails a seasonal increase in working capital. Trade receivables declined from the 1st quarter by NOK 3 million to NOK 119 million, while work in progress was NOK 206 million, compared with NOK 162 million as at 30 March 2011.

Operational investments of NOK 23 million were made in the 2nd quarter. Net financial expenses totalled NOK 12 million for the quarter.

FIRST HALF YEAR OF 2011

In the first half of the year, the operating revenues for the respective segments totalled NOK 216 million for Geo Engineering and NOK 31 million for Information Services. The comparative figures for the 1st half of 2010 were NOK 262 million for Geo Engineering and NOK 44 million for Information Services.

Net cash flow from operational activities was NOK -59 million in the 1st half of the year. In the first half of the year, trade receivables were reduced by NOK 45 million from NOK 164 million to NOK 119 million, while work in progress totalled NOK 206 million, compared with NOK 152 million at the end of last year.

In the first half of the year the company made operational investments of NOK 31 million in databases and advanced technology. Net financial expenses in the first half of the year totalled NOK 23 million, compared with NOK 34 million in the first half of 2010.

A rights issue was carried out in Blom ASA during the period from 5 to 19 April 2011. A total of 212,946,563 new shares were subscribed for, which corresponds to net proceeds of NOK 56 million.

The equity ratio is 14.6 per cent, compared with 13.3 per cent at the end of last year, and cash and cash equivalents increased by NOK 19 million to NOK 115 million during the first half of the year.

The company renegotiated a bond loan (ISIN NO 001053847.3) in the first half of the year, and it has been granted temporary relief for 2011 for the covenant concerning Net Interest-bearing Liabilities / 12-month rolling EBITDA.

After the financial restructuring in the first half of the year, Blom has engaged in a constructive dialogue with Norsk Tillitsmann and certain large bondholders to find a more long-term solution for the debt structure. The dialogue touched on extending the term of the loan and changing the terms for the bond loan "FRN Blom ASA Senior Secured Bond". The parties' aim is to jointly develop a long-term solution that satisfies the needs of the parties. In order to ensure adequate time to develop a viable, long-term loan structure that is in harmony with the cash flows and market conditions. The bondholders have approved an extension of the dispensation concerning Sections 13.5.2 and 13.5.3 of the bond agreement, so that no breach for violation of these conditions can be claimed prior to 18 November 2011.

Risk factors

The financial risks are discussed in more detail in the annual report for 2010. The financial crisis has increased our credit risk in general. Our credit risk consisted primarily of government and municipal customers until the beginning of 2011 and purely private companies to a lesser extent. The macroeconomic turbulence that persisted throughout 2010 has continued in several of the countries in which Blom operates, particularly in Southern Europe. The company has, however, not experienced any significant losses on trade receivables as a result of continuing weak economic conditions in several European countries.

The amount of capital tied up in work in progress and trade receivables has decreased overall in 2011, compared with the corresponding period in 2010. Work in progress and receivables from customers are set out contractually, and this means that the amount of capital tied up is determined by the credit terms Blom offers to customers. Blom continues to focus a great deal on reducing the amount of capital tied up in the future. Blom is also exposed in general to fluctuations in exchange and interest rates.

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 for Blom are goodwill, deferred tax assets, recognition of income from projects, and provisions for receivables. The estimates and discretionary assessments are discussed in more detail in the annual report for 2010.

Organisation and personnel

The company has adjusted its workforce during this period, 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 future growth. As of 30 June 2011 there were a total of 488 employees in the operative companies, while there was a total of 510 employees at the production facilities in Indonesia and Eastern Europe. The group has a total of 998 employees, a reduction of 95 during the first half of 2011.

Shareholder matters

An Extraordinary General Meeting of 18 March 2011 decided that the company should seek to carry out a rights issue of new shares with gross proceeds of up to NOK 73.1 million. A rights issue in Blom ASA was carried out during the period from 5 to 19 April 2011. A total of 212,946,563 new shares were subscribed for, which corresponds to gross proceeds of NOK 64 million and an increase in the share capital of NOK 21,294,656.30.

The share capital after the new issue is NOK 25,464,719.90, divided into 254,647,199 shares, each with a nominal value of NOK 0.10.

There were 3,170 shareholders in total as at 30 June 2011, and foreign shareholders held 9.7 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.

Future outlook

In the first half of the year 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 the outlook for 2011, the Board of Directors believes that it is possible to achieve positive operating margins in the current year.

The company is still exposed to markets, especially in Southern Europe, which are also marked by uncertainty in 2011.

Statement by Board of Directors and Managing Director

To the best of our judgement, we declare that the half-year accounts for the period from 1 January to 30 June 2011 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information in the accounts fairly reflects the group's assets, liabilities, financial position and results as a whole. We also declare to the best of our judgement that the half-year report provides a fair summary of important events during the accounting period and their influence on the half-year accounts, the most important risk and uncertainty factors the operations will face in the coming accounting period, as well as any significant transactions with close associates.

Oslo, 10. August 2011

Gunnar Hirsti
Board Chairman

Per Kyllingstad
Board Member

Hege Skryseth
Board Member

Siv Jønland Staubo
Board Member

Magnus Eriksson
Board Member

Dirk Blaauw
Managing Director

Consolidated Comprehensive Profit and Loss Account – Blom Group

OPERATING REVENUES AND EXPENSES

(Amounts in NOK 1000)

2 nd quarter					
2011	2010		30/06/2011	30/06/2010	31/12/2010
153,263	183,616	Operating revenues	246,851	305,910	619,177
52,115	75,219	Cost of materials	86,084	114,602	236,546
60,138	69,887	Salaries and personnel costs	122,405	138,338	277,215
15,256	21,736	Depreciation and write-downs	29,509	42,680	382,377
17,263	24,124	Other operating and administrative costs	33,000	45,392	151,257
144,773	190,967	Operating expenses	270,999	341,013	1,047,395
8,491	-7,351	Operating profit/loss	-24,147	-35,103	-428,218
78	969	Profit attributable to associates	-1,096	814	-61,594
-12,307	-22,525	Net financial items	-23,382	-33,860	-69,207
-3,738	-28,908	Pre-tax profit/loss	-48,625	-68,150	-559,019
1,989	7,761	Taxes	8,180	18,655	-5,938
-1,749	-21,147	Net profit/loss after tax	-40,445	-49,495	-564,957
		Profit/loss attributable to:			
-1,739	-21,179	Shareholders	-40,453	-49,527	-564,949
-10	32	Minority interests	8	32	-8
-1,749	-21,147	Net profit/loss after tax	-40,445	-49,495	-564,957
		Total comprehensive income:			
-3,774	455	Currency translation differences	-3,754	-16,879	-23,347
-5,523	-20,692	Comprehensive profit/loss	-44,199	-66,374	-589,677
		Comprehensive income attributable to:			
-5,513	-20,724	Shareholders	-44,207	-66,406	-588,296
-10	32	Minority interests	8	32	-8
-5,523	-20,692	Comprehensive profit/loss	-44,199	-66,374	-589,677
		Earnings and diluted earnings per share	-0.01	-0.70	-13.91

Balance Sheet – Blom Group

ASSETS

(Amounts in NOK 1000)

	30/06/2011	30/06/2010	31/12/2010
Patents, licences and similar rights	3,567	36,037	3,184
Deferred tax assets	51,040	68,635	39,680
Goodwill	124,988	264,354	125,699
Total intangible assets	179,594	369,027	168,563
Property, plant and equipment	147,370	295,242	144,127
Non-current receivables	23,007	9,653	24,254
Investments in associated companies	14,493	69,978	15,593
Total non-current asset investments	37,500	79,631	39,847
Total non-current assets	364,464	743,900	352,537
Inventories	2,770	2,771	2,559
Work in progress	205,540	280,744	152,479
Total inventories	208,310	283,515	155,038
Trade receivables	118,614	148,918	164,334
Other current receivables	43,978	30,535	40,497
Total receivables	162,591	179,453	204,831
Cash and cash equivalents	114,881	124,870	95,888
Total current assets	485,783	587,838	455,757
TOTAL ASSETS	850,247	1,331,737	808,294

Balance Sheet – Blom Group

EQUITY AND LIABILITIES

(Amounts in NOK 1000)

	30/06/2011	30/06/2010	31/12/2010
<i>Called-up and fully paid share capital:</i>			
Share capital	25,465	4,170	4,170
Treasury shares	-110	-110	-110
Share premium account	168,997	129,581	129,581
<i>Other reserves:</i>			
Currency translation differences	-46,566	-32,522	-42,832
Retained earnings	-23,409	530,061	17,036
	124,377	631,180	107,845
Minority interests	34	-24	8
Total equity	124,410	631,156	107,853
Pension obligations	18,298	20,205	18,031
Non-current liabilities	51,903	363,223	46,401
Total non-current liabilities	70,201	383,428	64,432
Credit facilities	70,378	66,685	54,184
Other interest-bearing current liabilities	395,257	27,221	335,239
Total interest bearing short-term liabilities	465,635	93,906	389,423
Trade payables	93,894	126,968	92,381
Unpaid government taxes	24,016	26,464	29,171
Other current liabilities	72,091	69,815	125,034
Total other current liabilities	190,000	223,247	246,586
Total current liabilities	655,636	317,153	636,009
TOTAL EQUITY AND LIABILITIES	850,247	1,331,737	808,294

Change in equity from 1 January to 30 June

	2011	2010
Equity as at 31 December	107,853	697,529
Profit/loss for the period	-40,445	-49,495
New share capital by issue of new shares	21,295	0
Premium on share issue	39,461	0
Foreign exchange losses/gains from translation of foreign subsidiaries	-3,754	-16,878
Equity	124,410	631,156

Cash Flow Statement – Blom Group

Indirect model (Amounts in whole NOK 1000)

2 nd quarter		As at 30/06	
2011	2010	2011	2010
CASH FLOW FROM OPERATIONAL ACTIVITIES			
-3,738	-28,908		
		Pre-tax profit/loss	-48,625 -68,150
15,256	21,736	+	Depreciation and amortisation of operating assets
			29,509 42,680
2,980	22,414	+/-	Change in trade receivables
			45,721 66,404
-43,433	-30,589	+/-	Change in inventories and work in progress
			-53,272 -19,452
15,746	29,964	+/-	Change in supplier debt
			1,512 22,170
-21,060	1,807	+/-	Change in other accruals and unrealised foreign exchange
			-33,563 -16,083
<u>-34,250</u>	<u>16,424</u>	A =	Net cash flow from operating activities
			<u>-58,719 27,569</u>
CASH FLOW FROM INVESTMENT ACTIVITIES			
-20,716	-15,597	-	Purchases of property, plant and equipment
			-29,222 -28,609
<u>-20,716</u>	<u>-15,597</u>	B =	Net cash flow from investment activities
			<u>-29,222 -28,609</u>
CASH FLOW FROM FINANCING ACTIVITIES			
30,768	-9,447	+/-	Net change in long-term liabilities
			35,343 -18,024
-3,686	-11,907	+/-	Net change in overdraft facilities
			15,145 -20,939
56,447	0	+	Net receipt of equity capital
			56,447 0
<u>83,529</u>	<u>-21,354</u>	C =	Net cash flow from financing activities
			<u>106,935 -38,963</u>
28,562	-20,527		A+B+C Net change in cash and cash equivalents
			18,993 -40,003
86,319	145,397	+	Cash and cash equivalents
			95,888 164,873
<u>114,881</u>	<u>124,870</u>	=	Cash and cash equivalents
			<u>114,881 124,870</u>

Report for 2nd quarter and first half of 2011

Segments – Blom Group

(Amounts in NOK 1000)

	30/06/2011	30/06/2010	As at 30/06/2011	As at 30/06/2010
Operating revenues:				
Information Services	19,456	27,263	30,681	43,600
Geo Engineering Services	133,808	156,353	216,171	262,310
Total operating revenues	153,263	183,616	246,851	305,910
EBITDA:				
Information Services	9,438	7,140	12,770	10,903
Geo Engineering Services	21,822	16,017	8,832	15,958
Others	-7,515	-8,771	-16,241	-19,285
EBITDA	23,745	14,385	5,361	7,577
EBIT:				
Information Services	4,469	-4,895	3,315	-11,843
Geo Engineering Services	11,567	6,357	-11,139	-3,894
Others	-7,545	-8,813	-16,324	-19,367
EBIT	8,491	-7,351	-24,147	-35,103
Profit attributable to associates:				
Information Services	78	969	-1,096	814
Profit attributable to associates:	78	969	-1,096	814
Earnings before interest and tax:				
Information Services	4,547	-3,925	2,219	-11,029
Geo Engineering Services	11,567	6,357	-11,139	-3,894
Others	-7,545	-8,814	-16,324	-19,367
Earnings before interest and tax	8,569	-6,382	-25,243	-34,289

Segments – Blom Group

(Amounts in NOK 1000)

	30/06/2011	30/06/2010	As at 30/06/2011	As at 30/06/2010
Assets:				
Information Services	182,949	519,603	182,949	519,603
Geo Engineering Services	451,693	578,442	451,693	578,442
Others/Unallocated	215,605	233,692	215,605	233,692
Total assets 1)	850,247	1,331,737	850,247	1,331,737
Operational investments:				
Information Services	14,543	15,018	20,521	25,577
Geo Engineering Services	8,897	6,476	10,957	14,039
Total assets	23,440	21,494	31,478	39,616

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

Report for 2nd quarter and first half of 2011

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