



First quarter 07



Comrod Communications ASA acquired 70 per cent of the shares in UMS Norway during the first quarter. This represents a new niche product, where many of the technology elements are related to Comrod's core competence, and accordingly offers an interesting growth opportunity. The concept is development of unmanned aircraft (UAV), which will be used primarily for surveillance and security work in defence and civilian applications. A number of major investments in such systems are set to be made in Europe and the North America up to 2015.

## BUSINESS AREAS

### ANTENNAS

#### Sales and market

The antennas business area had sales of NOK 31.7 million in the first quarter (2006: NOK 20.7 million). This increase primarily reflects the acquisition of Lerc SA in France, which represented a turnover of NOK 9.1 million in the first quarter. Activity in the defence area was also generally somewhat higher during the period. Comrod is still experiencing good activity in the market for defence and civil communication, and sales for the business area in 2007 are expected to be at least on a par with the pro forma figures for the year before.

#### Production and result

The process of identifying synergies between Comrod AS and Lerc SA and of laying strategic plans for achieving these effects has been initiated in the business area. The operating margin for the period was satisfactory, but more efficient use of production resources is expected for the year as a whole. An operating profit of NOK 4 million was achieved by the antennas business area in the first quarter (2006: NOK 1.8 million). Profit for the full year is expected to show an improvement on 2006.

### MASTS

#### Sales and market

Sales for the masts business area totalled NOK 6.9 million in the first quarter (2006: NOK 0), a significant increase from the pro forma figures for 2006.

Tactical masts for defence applications are the most important market for the business area, where the company has succeeded in strengthening its position through technology

and competitive products. The business area has been making good progress in 2007, and this is expected to continue.

#### Production and result

The mast business area had an operating loss of NOK 0.4 million for the first quarter (2006: NOK 0) Productivity and capacity will continue to be improved through investments, and is expected to increase margins. A positive result is forecasted for 2007 as a whole.

### INDUSTRIAL PRODUCTS

#### Sales and market

Industrial products achieved sales of NOK 7 million for the first quarter (2006: NOK 0). Compared with pro forma figures for last year, the business area has made positive progress so far in 2007. Insulators and offshore products account for the bulk of turnover. The market for these products is expanding.

#### Production and results

New investment will be made in the business area during 2007 to improve its productivity even further. Operating profit for industrial products in the first quarter came to NOK 1 million (2006: NOK 0). A satisfactory profit is expected for the year as a whole.

### POWER SUPPLY

#### Sales and market

Power supply had sales of NOK 8.7 million in the first quarter (2006: NOK 0.5 million). This business area was acquired by Comrod at 1 March 2006, and no pro forma figures are available for January-February of that year. The group sees good synergies on the market side through a coordination of marketing

between the business areas, and is already experiencing positive effects from this work via enquiries and tenders. Opportunities to secure new market shares have improved by comparison with 2006.

#### Production and result

Operating profit for the business area in the first quarter was NOK 2.5 million, compared with a loss of NOK 0.4 million in 2006.

A satisfactory result is expected for 2007 as a whole, which will represent an improvement from last year.

### PARENT COMPANY AND GROUP

#### Parent company

The corporate management is located at Tau. Operating costs totalled NOK 1.6 million for the first quarter.

#### Group

Comrod Communication ASA achieved sales of NOK 54.3 million in the first quarter (2006: NOK 21 million). Operating profit before and after depreciation (EBITDA/EBIT) was NOK 8.5 million (2006: 2.3 million) and NOK 5.5 million (2006: NOK 1.4 million) respectively. The equity capital ratio at 31 March was 35,3 per cent (2006: 9.1 per cent). Group liquidity is good. The board is satisfied with results for antennas in the first quarter, and expects this business area to make good progress for the rest of the year. The same applies for industrial products. Where masts are concerned, higher sales and an improved operating result are forecasted for 2007 as a whole. Satisfactory results are expected for the power supply business area in 2007, alongside active efforts to win new market shares.

## Comrod Communication ASA - profit and loss statement first quarter 2007

(All figures in NOK 1 000)

PROFIT AND LOSS STATEMENT	IFRS	IFRS	IFRS
	Q1 2007	Q1 2006	31.12.06
Operating revenues	54 319	21 221	143 603
Cost of materials	16 112	5 453	43 823
Payroll expenses	20 006	10 537	55 236
Other operating expenses	9 722	3 001	20 000
Operating profit before depreciation (EBITDA)	8 479	2 230	24 544
Depreciation	2 995	884	5 686
Operating profit (EBIT)	5 485	1 346	18 858
Net financial items	(2 744)	(592)	(7 126)
Profit/loss before tax	2 740	754	11 732
Tax	(735)	(211)	(3 786)
Profit/(loss)	2 005	543	7 946

(All figures in NOK 1 000)

	IFRS	IFRS	IFRS
	Q1 2007	Q1 2006	31.12.06
<b>BALANCE SHEET</b>			
Intangible assets	65 529	24 383	67 386
Tangible fixed assets	56 044	22 112	57 878
Financial fixed assets	62	0	0
Inventories	51 364	18 643	44 312
Receivables	62 919	55 744	97 867
Bank deposits and cash	12 524	1 353	4 184
Total assets	248 442	122 235	271 627
Paid-in capital	97 413	6 398	6 546
Other equity	(9 761)	4 771	12 180
Provisions	15 420	5 373	15 660
Interest-bearing long-term liabilities	98 354	60 373	181 528
Interest-bearing current liabilities	2 078	22 366	2 053
Other current liabilities	44 938	22 954	53 660
Total liabilities and equity	248 442	122 235	271 627
<b>CASH FLOW STATEMENT</b>			
Profit before tax	2 740	754	11 732
Depreciation and write-downs	2 995	884	5 686
Change in net working capital	(12 212)	83	(9 059)
Net cash flow from operating activities	(6 477)	1 721	8 360
Net cash flow from investment activities	28 748	(26 501)	(122 587)
Net cash flow from financing activities	(13 931)	24 455	116 733
Net change in cash and cash equivalents	8 340	(325)	2 506
Cash and cash equivalents at start of period	4 184	1 678	1 678
Cash and cash equivalents at end of period	12 524	1 353	4 184
Available unused credit facility	10 000	5 000	5 000
<b>EQUITY RECONCILIATION</b>			
Equity at start of period	18 726	26 579	26 579
Profit/loss in period	2 005	543	7 946
Share-based payment/actuarial gain and losses	40	49	(721)
Forward exchange contracts	(168)	(237)	(583)
Translation effects	(1 458)	0	269
New equity	68 507		1 000
Approved/received group contributions from last year	0	(15 764)	(15 764)
Equity at end of period	87 652	11 169	18 726
<b>KEY FIGURES</b>			
Equity ratio	35.3%	9.1%	6.9%
Liquidity ratio I	2.7	1.67	2.63
Return on equity (annualised)	15.1%	19.8%	53.8%
Total return (annualised)	6.8%	5.3%	9.6%
Earnings per share	0.12	0.36 <sup>2)</sup>	5.30 <sup>2)</sup>
Diluted earnings per share	0.12	0.36 <sup>2)</sup>	5.30 <sup>2)</sup>
Cash flow from operations per share	(0.38)	1.15 <sup>2)</sup>	5.57 <sup>2)</sup>
Equity per share	5.17	7.45 <sup>2)</sup>	12.48 <sup>2)</sup>
Net interest-bearing liabilities	100 432	82 739	183 581
<b>Information on business Areas <sup>1)</sup>:</b>			
<b>Antennas:</b>			
Operating revenues	31 678	20 678	107 983
Operating profit before depreciation (EBITDA)	5 295	2 536	21 686
Operating profit (EBIT)	4 003	1 792	17 761
<b>Masts:</b>			
Operating revenues	6 931	0	11 834
Operating profit before depreciation (EBITDA)	176	0	(578)
Operating profit (EBIT)	(422)	0	(559)
<b>Industrial products:</b>			
Operating revenues	7 030	0	8 977
Operating profit before depreciation (EBITDA)	1 653	0	660
Operating profit (EBIT)	959	0	210
<b>Power supply:</b>			
Operating revenues	8 705	543	14 809
Operating profit before depreciation (EBITDA)	2 915	(306)	2 776
Operating profit (EBIT)	2 504	(446)	1 446

<sup>1)</sup> Figures for the business areas do not include elimination of internal sales.

<sup>2)</sup> Figures in NOK 1000

The above currant quarter figures are not comparable to prior period figures. Reference is made to Note 4.

**NOTE 1: REPORTING ENTITY**

Comrod Communication ASA is a company domiciled in Norway. The interim financial statements for the first quarter of 2007 ending on 31 March comprise Comrod Communication ASA and its subsidiaries (collectively referred to as the group).

**NOTE 2: SIGNIFICANT ACCOUNTING PRINCIPLES AND STATEMENT OF COMPLIANCE**

Comrod Communication ASA was part of the Hexagon Composites group until 22 January 2007, at which date the demerger was implemented. From that date, the Comrod group will issue separate group financial statements for activities in Comrod Communication ASA and its subsidiaries.

The accounting policies applied by the Comrod group in these financial statements are the same as those applied by the Hexagon Composites ASA group for the year

ended 31 December 2006, and will also be applied in the Comrod group's annual financial statements for 2007.

These interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting. These statements do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Comrod group for the year ended 31 December 2006 and the above-mentioned accounting principles.

**NOTE 3: ESTIMATES**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may

differ from these estimates. The significant judgements made by management in preparing these interim financial statements when applying the group's accounting policies and the key sources of estimate uncertainty are the same as those applied to the consolidated financial statements of the Hexagon Composites ASA group for the year ended 31 December 2006.

**NOTE 4: PRO FORMA INFORMATION**

The first-quarter profit and loss statement is not comparable with the profit and loss statements for previous years owing to the acquisition of Fidulerc SA, with its wholly-owned Lerc SA subsidiary. At 29 June 2006, Comrod AS reached agreement with ECI Composites Inc to buy all the shares in Fidulerc SA. The acquisition was approved by the French authorities in September 2006, and Fidulerc SA has been consolidated from that date.

**Comrod Communication ASA - Note 4 Proforma numbers first quarter 2007**

(All figures in NOK 1.000)	Actual IFRS Q1 2007	Proforma IFRS Q1 2006	Proforma IFRS 31.12.06
<b>PROFIT AND LOSS STATEMENT</b>			
Operating revenues	54 319	42 238	197 523
Cost of materials	16 112	11 901	62 941
Payroll and social security expenses	20 006	18 471	70 638
Other operating expenses	9 722	8 889	34 702
Operating profit before depreciation (EBITDA)	8 479	2 977	29 241
Depreciation	2 995	2 533	9 783
Operating profit (EBIT)	5 485	444	19 458
Net financial items	(2 744)	(2 247)	(13 678)
Profit/loss before tax	2 740	(1 803)	5 780
<b>Information on Business Areas <sup>1)</sup>:</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>31.12.06</b>
<b>Antennas:</b>			
Operating revenues	31 678	30 976	129 289
Operating profit before depreciation (EBITDA)	5 295	3 956	25 472
Operating profit (EBIT)	4 003	2 674	20 816
<b>Mast:</b>			
Operating revenues	6 931	4 203	27 186
Operating profit before depreciation (EBITDA)	176	(744)	(1 064)
Operating profit (EBIT)	(422)	(1 219)	(2 699)
<b>Industrial Products:</b>			
Operating revenues	7 030	6 516	26 239
Operating profit before depreciation (EBITDA)	1 653	71	2 057
Operating profit (EBIT)	959	(565)	(105)
<b>Power Supply:</b>			
Operating revenues	8 705	543	14 809
Operating profit before depreciation (EBITDA)	2 915	(306)	2 776
Operating profit (EBIT)	2 504	(446)	1 446

<sup>1)</sup> Figures for the business areas do not include elimination of internal sales.