



THIRD QUARTER
2008

The growth continues



REPORT FOR THIRD QUARTER 2008

Highlights since Q2 reporting:

- Best Q3 and YTD EBIT ever.
- Q3 Revenues up 20% from LY.
- YTD revenues up 40% from LY.
- First strategic order from India.
- Power supply order from Swedish defense.
- Strong cash flow.

THE GROUP

Comrod Communication Group continues in Q3 the strong development with its main Business Areas Antennas and Masts.

Business Area Power Supply has in Q3 focused on the strategic start up deliveries of the new custom built battery chargers to Harris Corporation Inc.

Comrod UK is now established as part of the Groups strategy to increase revenues till MNOK 500 by 2010-2011. Comrod Communication expects to benefit from the long experience and the extensive network these persons have, both within UK and globally. A strategic first order is received from India.

Revenues for Q3 of 2008 were MNOK 79.0 (MNOK 65.9). (Figures for corresponding period of 2007 will hereafter be shown in brackets). Revenues for first three quarters of 2008 were MNOK 261.1 (MNOK 186.6).

In spite of weaker USD than same period last year, operating profit (EBIT) for Q3 was MNOK 6.3 (MNOK 5.9). EBIT for first three quarters was MNOK 19.7 (MNOK 16.0). The EBIT for the first three quarters, includes non-recurring one time cost of MNOK 2.2 related to change of CEO.

Financial results indicate that the Group has achieved the planned operational efficiency at the new and higher turnover level, thus generating strong financial results overall.

BUSINESS AREAS

ANTENNAS

Sales and market

Revenues for Q3 of 2008 were MNOK 58.6, an increase of 53% from the MNOK 38.4 revenues in same quarter last year. Revenues of MNOK 190.0 for the first three quarters is an increase of 87% from same period last year.

Production and results

Operating Profit (EBIT) for Q3 was MNOK 7.4 (MNOK 4.3). EBIT for first three quarters was MNOK 25.2, an increase of 185% from the MNOK 8.8 EBIT in the same period last year.

The new facilities at Tau, which will be ready during second quarter of 2009, will allow for further revenue growth. It will also give improved production flow, increased efficiency per employee and improved profitability for this Business Area.

The new facility of Comrod subsidiary in Hungary started to operate from October. This will further improve margins on labour intensive antenna products.

MASTS

Sales and market

Revenues for Q3 of 2008 were MNOK 16.1 (MNOK 13.8). Revenues for first three quarters of 2008 were MNOK 45.5, an increase of 23% from the same period last year.

Production and results

Operating profit (EBIT) for Q3 was MNOK 2.7 (MNOK 1.0). EBIT for first three quarters was MNOK 5.5, an increase of 81% from MNOK 3.1 for the same period last year.

INDUSTRIAL PRODUCTS

Sales and market

Revenues for Q3 of 2008 were MNOK 4.1 (MNOK 6.9). Revenues for first three quarters of 2008 were MNOK 19.0 (MNOK 22.9).

Production and results

Operating profit (EBIT) for Q3 was minus MNOK 0.9 (positive MNOK 0.6). EBIT for first three quarters was minus MNOK 0.9 (positive MNOK 1.6). The Group expects improvements for Q4.

POWER SUPPLY

Sales and market

Revenues for Q3 of 2008 were MNOK 1.4 (MNOK 7.2). Revenues for first three quarters of 2008 were MNOK 9.3 (MNOK 25.0). As previously communicated, the revenues for all three quarters were expected lower than same periods in 2007 due to end of previous domestic contracts.

Focus in Q2 and Q3 has been on the strategic start up deliveries of the new custom built battery chargers to Harris Corporation Inc.

The order from the Swedish Army was an amendment to an existing frame contract.

Production and results

As a consequence of the low revenues, operating profit EBIT for Q3 was minus MNOK 0.4 (positive MNOK 1.2). EBIT for first three quarters was negative MNOK 0.3 (positive MNOK 6.2).

Revenues for Q4 are expected to be at least MNOK 7-8 and EBIT for the full year expected to be positive.

PARENT COMPANY

The operating costs of the parent company amounted to MNOK 2.2 (MNOK 0.8) for the third quarter and MNOK 8.4 (MNOK 3.0) for first three quarters. This is partly due to strengthening of Group management for the planned expansion of the corporation in international markets. The year to date figures also include MNOK 2.2 in non-recurring costs related to change of CEO.

GROUP

Net finance cost for the quarter is MNOK 5.1 (MNOK 3.5) and for first three quarters is MNOK 8.2 (MNOK 8.6). The YTD figures include an amount of MNOK 2.8 in net currency losses, mainly related to hedging of the Groups cash flow.

Inventories are reduced by MNOK 7.8 during the quarter. Current receivables are reduced by MNOK 29.5 and current payables by MNOK 22 during the quarter.

Net interest bearing debt is reduced from MNOK 126.4 to MNOK 117.2 during the quarter.

Total balance sheet at end of September was MNOK 300.4, and the equity ratio was 31.9% (33.9%). Group liquidity remains satisfactory. Total net interest bearing debt in is reduced by MNOK 9.2 during Q3.

The Group fulfils financial covenants related to external financing.

Cash flow from operations was MNOK 43.2 for first three quarters (MNOK 8.4).

Research & Development

Comrod Communication Group has a long track record of

developing new, leading edge technology products in cooperation with demanding international customers. As part of our strategy for future growth, several products are in the phase of being tested and/or launched. Among these are

- New telescopic mast
- HF Loop antenna (NVIS)
- Multiband/wide band antennas, including jamming versions
- Compact Power Supply
- Various antenna control systems

Some of these products are expected to be significant to revenue growth from 2009.

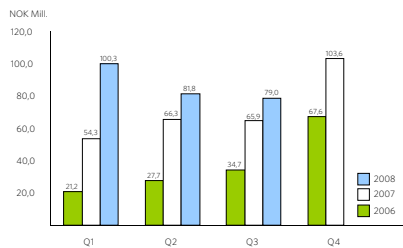
The project to develop an unmanned aerial vehicle (UAV) has continued in the first three quarters of 2008. The company has at the end of September 2008 capitalized a total of MNOK 10.1 in development costs (MNOK 5.0 at 31.12. 2007). During first three quarters of 2008, operating costs of MNOK 1.4 are expensed (MNOK 1.5 for FY 2007). A memorandum of understanding is signed with Lockheed Martin for a common development project for the next two phases of the UAV. The Group is actively looking for strategic or financial partners for the next phases of the project.

OUTLOOK

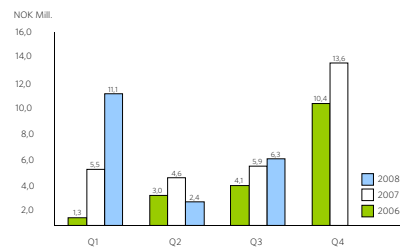
The Board is satisfied with the revenues in Q3 and the positive EBIT development of the two main Business Areas, Antennas and Masts. For Q4 the Board expects revenues similar to last year level. EBIT in Q4 is expected to be at least 2-3 percentage points better than Q3 level. If the strong USD and EUR rates continue, this will have further positive impact on the Q4 margins.

The Group expects order backlog at the end of Q4 to be at least on the level of Year End 2007. The new products launched will contribute to further growth in 2009.

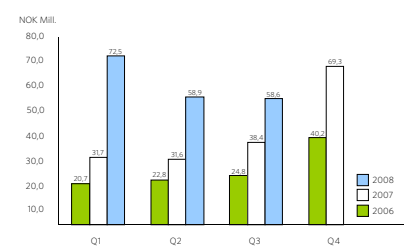
OPERATING REVENUES GROUP



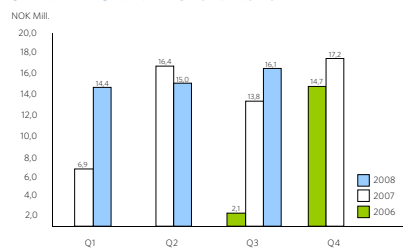
OPERATING PROFIT (EBIT) GROUP



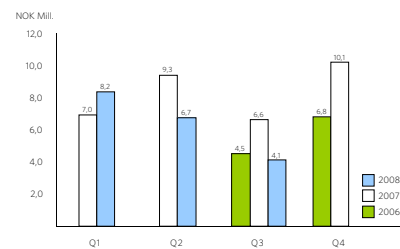
OPERATING REVENUES ANTENNAS



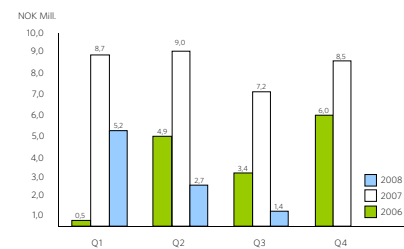
OPERATING REVENUES MASTS



OPERATING REVENUES INDUSTRIAL PRODUCTS



OPERATING REVENUES POWER SUPPLY



(NOK 1000)	3rd quarter		YTD September		Year
	2008 Unaudited	2007 Unaudited	2008 Unaudited	2007 Unaudited	2007 Audited
CONSOLIDATED INCOME STATEMENT					
Operating revenues	79 037	65 932	261 137	186 550	289 937
Cost of materials	32 033	26 236	100 436	70 768	113 455
Payroll expenses	25 194	23 630	90 553	65 785	97 966
Other operating expenses	12 340	7 467	40 591	25 338	37 766
Operating profit before depreciation (EBITDA)	9 470	8 599	29 557	24 659	40 750
EBITDA-margin	12,0 %	13,0 %	11,3 %	13,2 %	14,1 %
Depreciation	3 215	2 660	9 833	8 662	11 175
Operating profit (EBIT)	6 255	5 939	19 724	15 997	29 575
EBIT-margin	7,9 %	9,0 %	7,6 %	8,6 %	10,2 %
Net financial items	-5 183	-3 478	-8 237	-8 595	-11 421
Profit/loss before tax	1 072	2 461	11 487	7 402	18 154
Tax	-312	-1 076	-3 985	-2 868	-5 895
Profit/(loss)	760	1 384	7 503	4 534	12 259
Attributable to:					
Equity holders of the parent	788	1 470	7 761	4 666	12 715
Minority interests	-29	-86	-258	-132	-456
CONSOLIDATED BALANCE SHEET					
Intangible assets			82 172	65 151	69 722
Tangible fixed assets			72 821	58 973	61 981
Financial fixed assets			63	58	60
Inventories			69 306	57 915	58 305
Receivables			71 127	73 370	104 525
Bank deposits and cash			4 955	5 364	9 314
Total assets			300 444	260 831	303 906
Paid-in capital			69 507	97 655	69 507
Other equity			26 521	-9 664	25 365
Minority interests			-84	498	174
Provisions			17 521	14 472	19 279
Interest-bearing long-term liabilities			82 822	88 918	76 337
Interest-bearing current liabilities			39 369	1 653	37 653
Other current liabilities			64 788	67 299	75 592
Total liabilities and equity			300 444	260 831	303 906
CONSOLIDATED CASH FLOW STATEMENT					
Profit before tax			11 487	7 402	18 154
Depreciation and write-downs			9 833	8 662	11 175
Other Non cash elements			8 890	9 325	5 091
Change in net working capital			13 009	-17 020	-26 949
Net cash flow from operating activities			43 220	8 368	7 470
Net cash flow from investment activities			-28 111	23 239	10 548
Net cash flow from financing activities			-19 468	-29 427	-11 888
Net change in cash and cash equivalents			-4 359	2 180	6 130
Cash and cash equivalents at start of period			9 314	3 184	3 184
Cash and cash equivalents at end of period			4 955	5 364	9 314

(NOK 1000)	3rd quarter		YTD September		Year
	2008 Unaudited	2007 Unaudited	2008 Unaudited	2007 Unaudited	2007 Audited
CONSOLIDATED EQUITY RECONCILIATION					
Equity at start of period			95 045	18 236	18 236
Profit/loss in period			7 503	4 534	12 259
Share based payment/Actuarial gain and losses			363	282	-3 172
Forward exchange contracts			264	2 418	190
Translation effects			2 770	-6 608	-2 604
Proceeds from share issue				69 627	70 137
Dividends paid			-10 000		
Equity at end of period			95 944	88 490	95 045
KEY FIGURES					
Equity ratio			31,9 %	33,9%	31,3 %
Liquidity ratio I			1,4	2,0	1,5
Return on equity (annualised)			10,5 %	11,3%	21,6 %
Total return (annualised)			8,2 %	4,7%	6,3 %
Earnings per share			0,44	0,27	0,76
Diluted earnings per share			0,44	0,27	0,76
Cash flow from operations per share			2,68	0,52	0,46
Equity per share			5,66	5,22	5,61
Net interest-bearing liabilities			117 236	85 207	104 676
INFORMATION ON OPERATING SEGMENTS ^{1,2}					
Antennas					
Operating revenues	58 632	38 352	190 033	101 657	170 764
Operating profit before depreciation (EBITDA)	8 927	5 487	29 857	12 579	24 011
EBITDA-margin	15,2 %	14,3 %	15,7 %	12,4 %	14 %
Operating profit (EBIT)	7 393	4 324	25 210	8 834	18 792
EBIT-margin	12,6 %	11,3 %	13,3 %	8,7 %	11,0 %
Mast					
Operating revenues	16 126	13 834	45 522	37 167	54 398
Operating profit before depreciation (EBITDA)	3 406	1 641	7 545	4 931	9 373
EBITDA-margin	21,1 %	11,9 %	16,6 %	13,3 %	17 %
Operating profit (EBIT)	2 712	1 031	5 512	3 050	6 832
EBIT-margin	16,8 %	7,5 %	12,1 %	8,2 %	12,6 %
Industrial Products					
Operating revenues	4 104	6 589	18 987	22 882	33 002
Operating profit before depreciation (EBITDA)	-324	1 026	889	3 400	4 776
EBITDA-margin	-7,9 %	15,6 %	4,7%	14,9 %	14,5 %
Operating profit (EBIT)	-870	555	-897	1 603	2 374
EBIT-margin	-21,2 %	8,4 %	-4,7 %	7,0 %	7,2 %
Power Supply					
Operating revenues	1 447	7 242	9 298	24 972	33 516
Operating profit before depreciation (EBITDA)	20	1 615	1 039	7 393	9 207
EBITDA-margin	1,4 %	22,3 %	11,2 %	29,6 %	27,5 %
Operating profit (EBIT)	-410	1 199	-251	6 154	7 548
EBIT-margin	-28,3 %	16,6 %	-2,7 %	24,6 %	22,5 %

NOTES

NOTE 1 REPORTING ENTITY

Comrod Communication ASA is a company domiciled in Norway. The interim financial statements ending on 30th September comprise Comrod Communication ASA and its subsidiaries (collectively referred to as the Group).

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES AND STATEMENT OF COMPLIANCE

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group for the year ended 31 December 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 Communication Group for the year ended 31 December 2007 and the above mentioned accounting principles.

NOTE 3 ESTIMATES

The preparation of interim financial statements requires management to make judgments, 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 judgments 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 Group for the year ended 31 December 2007.