

FOURTH QUARTER  
**2008**

The growth continues

REACHING FURTHER THROUGH PEOPLE AND INNOVATION



COMROD COMMUNICATION GROUP





## REPORT FOR FOURTH QUARTER OF 2008

Highlights since Q3 reporting:

- Best quarterly revenue ever.
- Strong development from main business areas.
- MIDS/Terre mast contract.
- Breakthrough for flat panel antenna.
- Milestone order for antenna control system.

## THE GROUP

Comrod Communication Group continues in Q4 the strong development with its main Business Areas Antennas and Masts.

Business Area Power Supply has in Q4 focused on the strategic start up deliveries of the new custom built battery chargers to Harris Corporation Inc.

Revenues for Q4 of 2008 were MNOK 107.5 (MNOK 103.6). (Figures for corresponding period of 2007 will hereafter be shown in brackets). Revenues for full year 2008 was MNOK 368.6 (MNOK 289.9), an increase of 27%.

Operating profit (EBIT) for Q4 was MNOK 11.0 (MNOK 13.6). EBIT for full year was MNOK 30.7 (MNOK 29.6). The EBIT for the full year, 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 sound financial results overall.

## BUSINESS AREAS

### ANTENNAS

#### Sales and market

Revenues for Q4 of 2008 were MNOK 69.6 which is the same high level as Q4 of 2007. Revenues of MNOK 259.6 for the full year are an increase of 52% from last year.

The recent contracts for flat panel antenna to Thales Netherlands and antenna control system to the Dutch Navy and Swedish Kockums, prove that Comrod Communication Group is an attractive partner for multinational OEM companies as well as end users. There is a substantial future potential related to these types of products.

#### Production and results

Operating Profit (EBIT) for Q4 was MNOK 10.2 (MNOK 10.0). EBIT for the full year was MNOK 35.4, an increase of 88% from the MNOK 18.8 EBIT last year.

Operations from the new facilities at Tau will commence during the second quarter of 2009. This will improve production flow, increase efficiency per employee and improve 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 Q4 of 2008 were MNOK 19.2 (MNOK 17.2). Revenues for the full year of 2008 were MNOK 64.7, an increase of 19% from the same period last year.

The award of two new contracts from Thales Group for delivery to the MIDS/Terre mast program underlines the Groups ability to deliver communication solutions adapted to the current and future trend of modern defence communication.

#### Production and results

Operating profit (EBIT) for Q4 was MNOK 4.0 (MNOK 3.8). EBIT for the year was MNOK 9.5, an increase of 40% from MNOK 6.8 for the same period last year.

### INDUSTRIAL PRODUCTS

#### Sales and market

Revenues for Q4 of 2008 were MNOK 10.3 (MNOK 10.1). Revenues for 2008 were MNOK 29.3 (MNOK 33.0).

#### Production and results

Operating profit (EBIT) for Q4 was minus MNOK 0.3 (positive MNOK 0.7). EBIT for the full year was minus MNOK 1.2 (positive MNOK 2.4).

As a result of continued weak development of the insulator products, the Company has decided to phase out this activity during the first half of 2009.

The product range within offshore related applications will continue, and have the full attention from the organization.

### POWER SUPPLY

#### Sales and market

Revenues for Q4 of 2008 were MNOK 8.8 (MNOK 8.5). Revenues for 2008 were MNOK 18.1 (MNOK 33.5). As previously communicated, the revenues for 2008 were expected to be lower than 2007 due to end of previous domestic contracts.

Focus in Q3 and Q4 has been on the strategic start up delivery of the new custom-built battery charger to Harris Corporation Inc.

#### Production and results

Operating profit EBIT for Q4 was minus MNOK 0.4 (positive MNOK 1.4). EBIT for full year was negative MNOK 0.7 (positive MNOK 7.5).

## PARENT COMPANY

The operating costs of the parent company amounted to MNOK 1.8 (MNOK 1.4) for the fourth quarter and MNOK 10.6 (MNOK 4.4) for the full year. This is partly due to strengthening of Group management for the planned expansion of the corporation in international markets. The full year figures also include MNOK 2.2 in non-recurring costs related to change of CEO.

## GROUP

Net finance cost for the quarter is MNOK 7.4 (MNOK 2.8) and for full year is MNOK 15.7 (MNOK 11.4). The full year figures include an amount of MNOK 4.0 (MNOK 4.4) in net currency losses, mainly related to hedging of the Groups cash flow.

Tax costs for the year is MNOK 4.6 (MNOK 5.9).

Inventories are increased by MNOK 1.8 during the quarter and MNOK 12.7 during the year. Current receivables are increased by MNOK 30.7 in the quarter and reduced by MNOK 2.7 during the year. Current liabilities are increased by MNOK 15.8 in Q4 and by MNOK 5.0 during the year. Total working capital is then increased by MNOK 16.7 in the quarter and MNOK 5.0 during the year.

Net interest bearing debt is increased by MNOK 24.5 to MNOK 141.7 during the quarter. Of this increase, MNOK 16.9 is increase of the NOK value of loans denominated in euro recorded as net investment hedge against the investment in Lerc.

Total balance sheet at end of December was MNOK 357.9, and the equity ratio was 30.7% (31.3%). Group liquidity remains satisfactory.

The Group fulfils financial covenants related to external financing.

Cash flow from operations was MNOK 48.5 for full year (MNOK 7.5).

## 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 at the end of December 2008 capitalized a total of MNOK 10.8 in development costs (MNOK 5.0 at 31.12. 2007). During 2008, operating costs of MNOK 1.9 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.

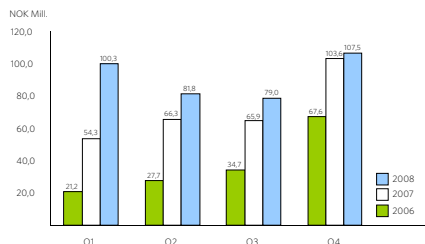
## OUTLOOK

The Board is satisfied with the revenues in Q4 and the positive EBIT development of the two main Business Areas, Antennas and Masts.

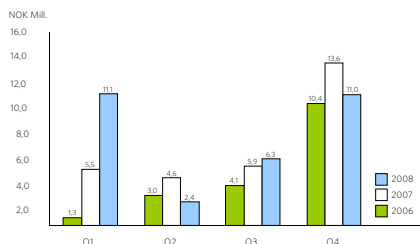
The order backlog at the end of Q4 is at similar levels as at the Year End 2007. The new products launched will contribute to further growth in 2009.

For the first half of 2009, the Company expects revenues above the 2008 level. The second quarter is expected to be stronger than the first quarter. Variations between quarters can be expected also in 2009 for revenues and EBIT-levels.

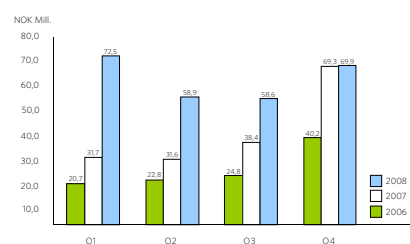
OPERATING REVENUES GROUP



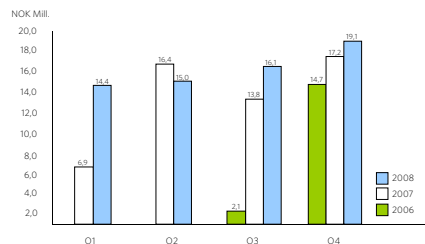
OPERATING PROFIT (EBIT) GROUP



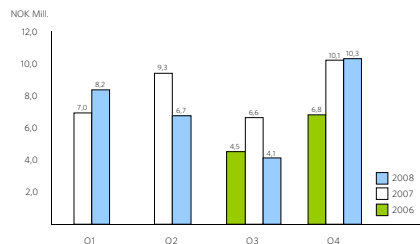
OPERATING REVENUES ANTENNAS



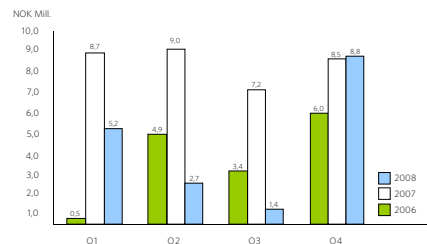
OPERATING REVENUES MASTS



OPERATING REVENUES INDUSTRIAL PRODUCTS



OPERATING REVENUES POWER SUPPLY



(NOK 1000)	4rd quarter		Year	
	2008 Unaudited	2007 Unaudited	2008 Unaudited	2007 Audited
<b>CONSOLIDATED INCOME STATEMENT</b>				
Operating revenues	107 493	103 588	368 631	289 937
Cost of materials	43 264	42 242	143 700	113 455
Payroll expenses	37 608	32 181	128 161	97 966
Other operating expenses	11 825	12 419	52 417	37 766
Operating profit before depreciation (EBITDA)	14 796	16 745	44 353	40 750
EBITDA-margin	13,8 %	16,2 %	12,0 %	14,1 %
Depreciation	3 777	3 169	13 610	11 175
<b>Operating profit (EBIT)</b>	<b>11 019</b>	<b>13 577</b>	<b>30 743</b>	<b>29 575</b>
EBIT-margin	10,3 %	13,1 %	8,3%	10,2 %
Net financial items	-7 446	-2 826	-15 682	-11 421
Profit/loss before tax	3 574	10 751	15 061	18 154
Tax	-619	-3 027	-4 604	-5 895
<b>Profit/(loss)</b>	<b>2 954</b>	<b>7 724</b>	<b>10 457</b>	<b>12 259</b>
<b>Attributable to:</b>				
Equity holders of the parent	3 051	8 048	10 812	12 715
Minority interests	-97	-324	-355	-456
<b>CONSOLIDATED BALANCE SHEET</b>				
Intangible assets			90 362	69 722
Tangible fixed assets			85 652	61 981
Financial fixed assets			74	60
Inventories			71 040	58 305
Receivables			101 806	104 525
Bank deposits and cash			8 981	9 314
<b>Total assets</b>			<b>357 916</b>	<b>303 906</b>
Paid-in capital			69 507	69 507
Other equity			40 400	25 365
Minority interests			-181	174
Provisions			16 914	19 279
Interest-bearing long-term liabilities			94 124	76 337
Interest-bearing current liabilities			56 568	37 653
Other current liabilities			80 585	75 592
<b>Total liabilities and equity</b>			<b>357 916</b>	<b>303 906</b>
<b>CONSOLIDATED CASH FLOW STATEMENT</b>				
Profit before tax			15 061	18 154
Depreciation and write-downs			13 610	11 175
Other Non cash elements			16 451	5 091
Change in net working capital			3 346	-26 949
<b>Net cash flow from operating activities</b>			<b>48 468</b>	<b>7 470</b>
Net cash flow from investment activities			-27 846	10 548
Net cash flow from financing activities			-20 954	-11 888
<b>Net change in cash and cash equivalents</b>			<b>-333</b>	<b>6 130</b>
Cash and cash equivalents at start of period			9 314	3 184
Cash and cash equivalents at end of period			8 981	9 314

(NOK 1000)	4th quarter		Year	
	2008 Unaudited	2007 Unaudited	2008 Unaudited	2007 Audited
<b>CONSOLIDATED EQUITY RECONCILIATION</b>				
Equity at start of period			95 045	18 236
Profit/loss in period			10 457	12 259
Share based payment/Actuarial gain and losses			1 930	-3 172
Forward exchange contracts			108	190
Translation effects			12 186	-2 604
Proceeds from share issue				70 137
Dividends paid			-10 000	
<b>Equity at end of period</b>			<b>109 725</b>	<b>95 045</b>
<b>KEY FIGURES</b>				
Equity ratio			30,7 %	31,3 %
Liquidity ratio I			1,3	1,5
Return on equity (annualised)			10,2 %	21,6 %
Total return (annualised)			5,8 %	6,3 %
Earnings per share			0,62	0,76
Diluted earnings per share			0,62	0,76
Cash flow from operations per share			3,01	0,43
Equity per share			6,48	5,61
Net interest-bearing liabilities			141 711	104 676
<b>INFORMATION ON OPERATING SEGMENTS <sup>1,2</sup></b>				
<b>Antennas</b>				
Operating revenues	69 568	69 308	259 601	170 764
Operating profit before depreciation (EBITDA)	11 830	11 432	41 687	24 011
EBITDA-margin	17,0 %	16,5 %	16,1 %	14,1 %
Operating profit (EBIT)	10 180	9 957	35 389	18 792
EBIT-margin	14,6 %	14,4 %	13,6 %	11,0 %
<b>Mast</b>				
Operating revenues	19 127	17 231	64 650	54 398
Operating profit before depreciation (EBITDA)	4 774	4 442	12 319	9 373
EBITDA-margin	25,0 %	25,8 %	19,1 %	17,2 %
Operating profit (EBIT)	4 018	3 782	9 531	6 832
EBIT-margin	21,0 %	21,9 %	14,7 %	12,6 %
<b>Industrial Products</b>				
Operating revenues	10 290	10 120	29 277	33 002
Operating profit before depreciation (EBITDA)	430	1 376	1 320	4 776
EBITDA-margin	4,2 %	13,6 %	4,5 %	14,5 %
Operating profit (EBIT)	-276	771	-1 173	2 374
EBIT-margin	-2,7 %	7,6 %	-4,0 %	7,2 %
<b>Power Supply</b>				
Operating revenues	8 763	8 544	18 062	33 516
Operating profit before depreciation (EBITDA)	28	1 814	1 067	9 207
EBITDA-margin	0,3 %	21,2 %	5,9 %	27,5 %
Operating profit (EBIT)	-442	1 395	-693	7 548
EBIT-margin	-5,0 %	16,3 %	-3,8 %	22,5 %

1) Figures for the business areas does not include elimination of internal sales

2) Administration costs incurred in parent company and development costs not related to the operating segments are not allocated

## NOTES

### NOTE 1 REPORTING ENTITY

Comrod Communication ASA is a company domiciled in Norway. The interim financial statements ending on 31 December 2008 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.