FIRST HALF AND
SECOND QUARTER

2008

The growth continues

REACHING FURTHER THROUGH PEOPLE AND INNOVATION

COMROD

COMROD COMMUNICATION GROUP

REPORT FOR FIRST HALF AND SECOND QUARTER OF 2008

Highlights since Q1 reporting:

- Revenues in 2nd quarter increased 23% compared with last year
- Unique new antenna product developed
- UK bridgehead established
- Two new European strategic antenna contracts
- Approved investments NOK 30 million for increased capacity in Norway

In the first half of 2008, Comrod Communication Group strengthened its position as a leading player in global markets for advanced tactical antennas, masts and power supply. Operational performance, financial results and positive market feedback all contributed here.

The development confirms the positive trend from previous quarters. Main market drivers are the new strategies for defense customers, with high mobility forces and increasing use of advanced information technology equipment. This is combined with the Groups leading edge solutions, extensive customer network and proven track record towards these demanding requirements.

New strategic contracts were secured in the first half of 2008, further ensuring revenues for the year and a basis for further growth.

A new unique antenna (HF Loop) is developed. The company expects this to be a core product for the Groups future growth.

Comrod UK is established as part of the Groups strategy to increase revenues till NOK 500 million by 2010-2011. Comrod Communication expects to benefit from the long experience and the extensive network these persons have, both within UK and globally.

Revenues for first half of 2008 were NOK 182.1 million compared with 120.6 million in 2007. (Figures for corresponding period of 2007 will hereafter be shown in brackets). Revenues for second quarter of 2008 were NOK 81.8 million (NOK 66.3 million).

Operating profit (EBIT) for first half was NOK 13.5 million (NOK 10.1 million). EBIT for Q2 was NOK 2.4 million (NOK 4.6 million). The EBIT for the half year, includes non-recurring one time cost of NOK 2.2 million related to change of CEO. The EBIT-margin for Q2 is, in accordance with outlook given in our Q1 report, lower than the level of the last quarters due to seasonality of product mix and changing delivery schedules for our companies. Except for the non-recurring costs, the EBIT margin for the quarter and the half year are slightly above our 2008 budgets

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.

For the Group order intake in the first half is above last year's level, and reflects the strong market foothold established in recent years and the introduction of new products to the market. From our business units, Comrod Communication Group is ready to launch several new products during this year

BUSINESS AREAS

ANTENNAS

Sales and market

Revenues for first half of 2008 were NOK 131.4 million (NOK 63.3 million). Revenues for second quarter of 2008 were NOK 58.9 million, an increase from the NOK 31.6 million revenues in same quarter last year.

Production and results

Operating profit (EBIT) for first half was NOK 17.8 million (NOK 4.5 million). EBIT-margin was 14% (7%). EBIT for Q2 were NOK 5.9 million (NOK 0.5 million).

To streamline the production and prepare for further growth, the company started the works to expand the production plant at Tau shortly after the NOK 30 million investments were approved in May. The new facilities, which will be ready during the first half of 2009, will give improved production flow, increased efficiency per employee and improved profitability for the Business Area Antennas from second half of 2009.

Manufacturing of several of the most labour intensive and low margin products is started by the new company in Hungary (Norworks), which by end of the first half year had a workforce of 19 persons. From September the company will operate from their new modern facility prepared for higher volumes and better workflow.

MASTS

Sales and market

Revenues for first half of 2008 were NOK 29.4 million (NOK 23.3 million). Revenues for second quarter of 2008 were NOK 15.0 million (NOK 16.4 million).

Increased use of Line of Sight (LOS) and Battlefield Surveillance Systems in conflict-solving operations world-wide are the main drivers behind this positive turnover development.

The strategic partnership and supplier development agreement with Thales Group and the contract for deliveries of tactical masts to the US army, confirm that the Group has the right solutions as well as customer base to play a leading role within this market segment.

Production and results

Operating profit (EBIT) for first half was NOK 2.8 million (NOK 2.0 million). EBIT-margin was 10% (9%).

EBIT for Q2 was NOK 2.3 million (NOK 2.4 million). After the weak 4% EBIT on Masts in Q1 due to season-differences on product mix, the EBIT-margin for Q2 was 15%.

INDUSTRIAL PRODUCTS

Sales and market

Revenues for first half of 2008 were NOK 14.9 million (NOK 16.3 million). Revenues for second quarter of 2008 were NOK 6.7 million (NOK 9.3 million).

For the dedicated applications, the sales development in 2008 has been slower than previously expected. This is partly caused by lower sales in the period by one of our main customer. In the same period Lerc has also faced some quality problems from one of our sub-suppliers. This issue is now solved.

Production and results

Operating profit (EBIT) for first half was NOK 0 (NOK 1.0 million). EBIT-margin was 0% (6%). EBIT for Q2 was minus NOK 0.3 million (positive NOK 0.1 million).

The project on restructuring the insulator product area is still in progress, with the aim of profitable production by the end of this year.

The weak profitability of insulator products in combination with slower development on dedicated applications, indicate that the revenues for the year probably will be 10% below last year and with EBIT-margin around 2-3%.

POWER SUPPLY

Sales and market

Revenues for first half of 2008 were NOK 7.9 million (NOK 17.7 million). Revenues for second quarter of 2008 were NOK 2.7 million (NOK 9.0 million). As previously communicated, the revenues for both quarters were lower than same periods in 2007. Since the acquisition of the Power Supply Business Area, the Group has invested systematically in selling in the power supply solutions to the existing Comrod Communication customer network. The Business Area has during the last months experienced a significant increase in requests for offers.

The announced contract with Harris Corporation for battery chargers was the first result of this strategy. First deliveries will be in August 2008. This proves Comrods ability to compete globally, and bring innovative, new products to the market. Several other new contracts are expected during the year. Expected deliveries of these potential contracts will materialize from 2009.

Production and results

As a consequence of the low revenues, operating profit (EBIT) for first half was only NOK 0.2 million (NOK 5.0 million). EBIT-margin was 2% (28%). EBIT for Q2 was minus NOK 0.9 million (NOK 2.5 million).

PARENT COMPANY

The operating costs of the parent company amounted to NOK 6.2 million (NOK 2.2 million) for first half year and NOK 4.1 million for the second quarter. Both figures include NOK 2.2 million in non-recurring costs related to change of CEO.

GROUP

Net finance cost for first half is NOK 3.1 million (NOK 5.1 million) and for the quarter NOK 1.3 million (NOK 2.4 million)

The annual general meeting of Comrod Communication ASA on 29 April decided to pay dividend of NOK 0.59 per share, totally NOK 10.0 million. This was paid to the shareholders 14 May 2008.

Inventories are NOK 9.5 million higher than at the beginning of the quarter. This increase is mainly "works in progress" in order to deliver as scheduled also during the summer months. Current receivables and current payables are both reduced by approximately NOK 5 million in the quarter. Compared with end of June last year, the inventories are increased by 54%, approximately same percentage as the increased revenues. At end of June the total working capital was at the same level as the beginning of the year (compared with reduction of NOK 8.1 million in same period last year).
Total balance sheet at end of June was NOK 326 million, and the equity ratio was 28.3 % (34.9%). Group liquidity remains satisfactory.

The Group fulfils financial covenants related to external financing.

Cash flow from operations was NOK 11.0 million for first half (NOK 23.6 million) in spite of higher profit before tax. In addition to the mentioned increase of working capital, the main difference is that the companies in 2008 have paid NOK 6.0 million in income taxes (NOK 0.9 million).

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
-HF Loop antenna (NVIS)
-Panel mounted antennas for navy applications
-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 half of 2008, and the company plans to test the prototype during second half year. The company has at the end of first half 2008 capitalized a total of NOK 9.2 million in development costs (NOK 5.0 million at 31.12. 2007). During first half of 2008, costs of NOK 1.0 million are expensed. The company has not been able to realize this development project in cooperation with Innovation Norway and the Norwegian defense authorities. A memorandum of understanding is signed with a global industrial partner for a common development project on the UAV.

FINANCIAL RISK

The existing risks and uncertainties described below are expected to remain for the next 6 months.

The Group operates in several markets and has a significant part of revenues and costs outside Norway and in foreign currencies. Currency fluctuations are a significant risk factor. For additional explanations regarding risks and uncertainties, we refer to Board of Director report in the 2007 annual report as well as Note 26 Financial Instruments and Note 3 Uncertainty of estimates.

RELATED PARTIES

The Comrod Communication Group has no agreements with companies in the Hexagon group or their main shareholder the Flakk Group. All of the transactions were carried out as part of normal business and at an arm's length principles. For further information about "Transactions with related parties", we refer to Note 28 of the Annual Report 2007. There are no significant other related party transactions in 2008.

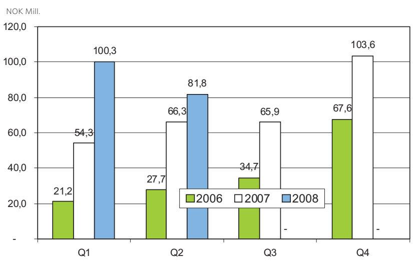
ORGANIZATION

Former President and CEO left the Group on 5 May 2008. Ole Gunnar Fjelde, Managing Director of Comrod AS, functioned as CEO until Niklas Hermansson started 1 July 2008.

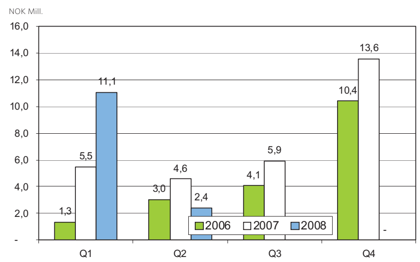
OUTLOOK

The Board is satisfied that the Group continue to deliver results according to plans. For the next half year, the Board expects revenues at least 10% above the high level of same period last year. The y-o-y increase is expected to be higher in Q3 than in Q4. The EBIT-margin for the year is expected to be in line with the good performance of 2007.

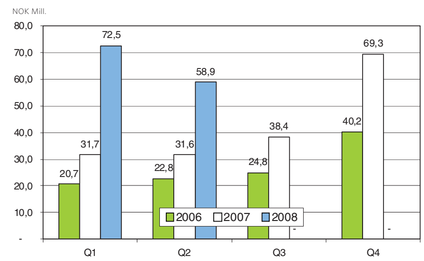
OPERATING REVENUE **GROUP**



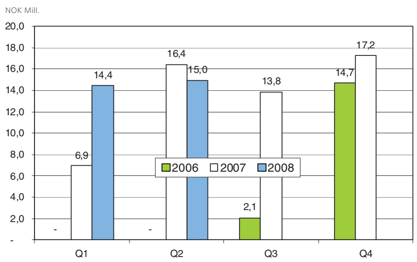
OPERATING PROFIT (EBIT) **GROUP**



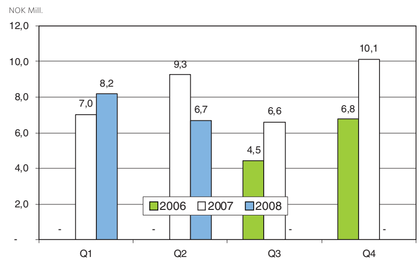
OPERATING REVENUES **ANTENNAS**



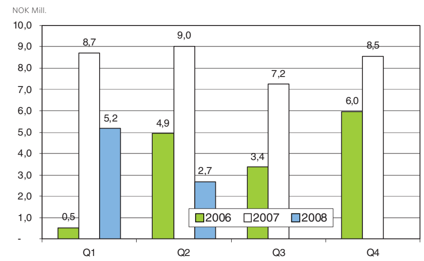
OPERATING REVENUES **MASTS**



OPERATING REVENUES **INDUSTRIAL PRODUCTS**



OPERATING REVENUES **POWER SUPPLY**



CONDENSED INTERIM FINANCIAL INFORMATION

	2nd quarter		1st half year		Year
	2008	2007	2008	2007	2007
(NOK 1000)	Unaudited	Unaudited	Unaudited	Unaudited	Audited
CONSOLIDATED INCOME STATEMENT					
Operating revenues	81 771	66 300	182 100	120 619	289 937
Cost of materials	30 464	28 420	68 403	44 532	113 455
Payroll expenses	32 159	22 150	65 360	42 156	97 966
Other operating expenses	13 510	8 150	28 251	17 872	37 766
Operating profit before depreciation (EBITDA)	5 638	7 580	20 087	16 060	40 750
EBITDA-margin	6,9 %	11 %	11 %	13 %	14 %
Depreciation	3 225	3 007	6 618	6 001	11 175
Operating profit (EBIT)	2 414	4 574	13 469	10 059	29 57
EBIT-margin	3 %	7 %	7 %	8 %	10 %
Net financial items	-1 314	-2 373	-3 053	-5 117	-11 421
Profit/loss before tax	1 099	2 201	10 415	4 941	18 154
Tax	-729	-1 056	-3 672	-1 792	-5 895
Profit/(loss)	370	1 145	6 743	3 150	12 259
Attributable to:					
Equity holders of the parent	489	1 191	6 972	3 196	12 715
Minority interests	-119	-46	-229	-46	-456
CONSOLIDATED BALANCE SHEET					
Intangible assets			73 903	65 907	69 722
Tangible fixed assets			69 540	54 996	61 981
Financial fixed assets			60	60	60
Inventories			77 462	50 100	58 305
Receivables			100 626	63 076	104 525
Bank deposits and cash			5 413	19 685	9 314
Total assets			327 006	253 825	303 906
Paid-in capital			69 507	97 534	69 507
Other equity			22 809	-9 487	25 365
Minority interests			-55	584	174
Provisions			18 113	14 515	19 279
Interest-bearing long-term liabilities			78 183	91 334	76 337
Interest-bearing current liabilities			53 643	2 005	37 653
Other current liabilities			84 806	57 339	75 592
Total liabilities and equity			327 006	253 825	303 906

(NOK 1000)	2nd quarter 2008 Unaudited	2nd quarter 2007 Unaudited	1st half year 2008 Unaudited	1st half year 2007 Unaudited	Year 2007 Audited
CONSOLIDATED CASH FLOW STATEMENT					
Profit before tax			10 415	4 941	18 154
Depreciation and write-downs			6 618	6 001	11 175
Other Non cash elements			1 265	5 461	5 091
Change in net working capital			-7 343	7 180	-26 949
Net cash flow from operating activities			10 955	23 584	7 470
Net cash flow from investment activities			-15 955	21 812	10 548
Net cash flow from financing activities			1 098	-28 895	-11 888
Net change in cash and cash equivalents			-3 901	16 502	6 130
Cash and cash equivalents at start of period			9 314	3 184	3 184
Cash and cash equivalents at end of period			5 413	19 685	9 314
CONSOLIDATED EQUITY RECONCILIATION					
Equity at start of period			95 045	18 236	18 236
Profit/loss in period			6 743	3 150	12 259
Share based payment/Actuarial gain and losses			242	158	-3 172
Forward exchange contracts			-256	778	190
Translation effects			487	-3 317	-2 604
Proceeds from share issue				69 627	70 137
Dividends paid			-10 000		
Equity at end of period			92 261	88 631	95 045
KEY FIGURES					
Equity ratio			28,2 %	34,9 %	31,3 %
Liquidity ratio I			1,3	2,2	1,5
Return on equity (annualised)			14,4 %	11,7 %	21,6 %
Total return (annualised)			8,2 %	4,7 %	6,3 %
Earnings per share			0,40	0,20	0,76
Diluted earnings per share			0,40	0,20	0,76
Cash flow from operations per share			0,68	1,46	0,46
Equity per share			5,45	5,23	5,61
Net interest-bearing liabilities			126 413	73 654	104 676
INFORMATION ON OPERATING SEGMENTS [1,2]					
Antennas					
Operating revenues	58 873	31 627	131 400	63 305	170 764
Operating profit before depreciation (EBITDA)	7 476	1 797	20 930	7 092	24 011
EBITDA-margin	13 %	6 %	16 %	11 %	14 %
Operating profit (EBIT)	5 930	508	17 817	4 511	18 792
EBIT-margin	10,1 %	1,6 %	13,6 %	7,1 %	11 %
Mast					
Operating revenues	14 957	16 402	29 396	23 333	54 398
Operating profit before depreciation (EBITDA)	2 919	3 114	4 139	3 290	9 373
EBITDA-margin	20 %	19 %	14 %	14 %	17 %
Operating profit (EBIT)	2 285	2 441	2 800	2 019	6 832
EBIT-margin	15,3 %	14,9 %	9,5 %	8,7 %	13 %
Industrial Products					
Operating revenues	6 700	9 263	14 884	16 293	33 002
Operating profit before depreciation (EBITDA)	253	721	1 213	2 374	4 776
EBITDA-margin	4 %	8 %	8 %	15 %	14 %
Operating profit (EBIT)	-293	89	-27	1 048	2 374
EBIT-margin	-4,4 %	1,0 %	-0,2 %	6,4 %	7 %
Power Supply					
Operating revenues	2 673	9 025	7 851	17 730	33 516
Operating profit before depreciation (EBITDA)	-433	2 863	1 018	5 778	9 207
EBITDA-margin	-16 %	32 %	13 %	33 %	27 %
Operating profit (EBIT)	-875	2 450	158	4 954	7 548
EBIT-margin	-32,7 %	27,1 %	2,0 %	27,9 %	23 %

[1] Figures for the business areas do not include elimination of internal sales.

[2] Administration costs incurred in parent company and development costs not related to the operating segments are un-allocated

NOTES

NOTE 1: REPORTING ENTITY

Comrod Communication ASA is a company domiciled in Norway. The interim financial statements ending on 30th June 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.

NOTE 4: SUBSEQUENT EVENTS

Flakk Holding AS and Hexagon Composites ASA, the two main shareholders of the Group, announced 11 July 2008 that they have initiated a process evaluating opportunities for their ownership in Comrod. The Board of Comrod Communication ASA announced they will monitor the process closely, and is prepared to support and facilitate the process as appropriate.

The Group established in July 2008 the subsidiary Comrod UK Ltd. in Southampton, United Kingdom, to increase presence in the UK defense market.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2008 has been prepared in accordance with IAS 34 - Interim Financial Reporting – and gives a true and fair view of Comrod Communication Group's consolidated assets, liabilities, financial position and results of operations. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Tau/Oslo, 20. August 2008

Erik Espeset Chairman of the Board	Randi Elin Hognestad Vice-chairman of the Board	Kristin Krohn Devold Member of the Board
Merete Alnes Mostue Member of the Board	Tore J. Fjell Member of the Board	Niklas Hermansson Group President & CEO

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