

# THIRD QUARTER 2011

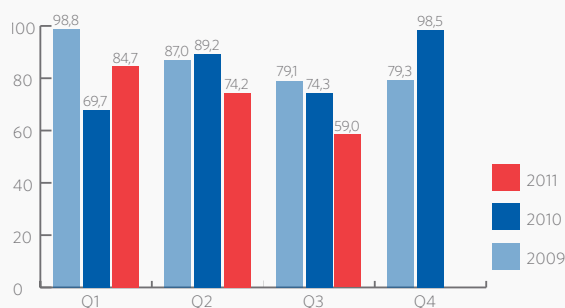
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# REPORT FOR THIRD QUARTER OF 2011

Highlights since Q2/first half reporting:

- Global recession with reduced and postponed defence spending starting to impact on activity levels.
- Acquisition of Wibe Telescopic Mast AB has been closed.
- Reduced activity level for BU Norway but still delivering satisfactory financial contributions.
- Continued weak development and performance for BU France.

## Operating revenues - Group (NOK Mill)



During Q3 2011 Comrod Communication acquired 80% of the shares of WIBE TM AB in Sweden with an obligation to acquire the remaining shares within two years. The purchase price for the 80% shareholding of Wibe TM was MSEK 12.5.

WIBE TM brings an extended aluminium mast product range to Comrod Group's current composite mast offering. This will provide Comrod with a unique opportunity to expand its tactical mast offering to the global civil and defence markets. This expansion is fully in line with Comrod's strategic plan to develop and expand the Group through additional high-value products designed for demanding defence and high-end niche civil markets. Revenues from Business Unit Sweden for Q3 2011 were MNOK 0.8 effective from the month of September. EBITDA for the same period was MNOK -0.3. For further information see attached note.

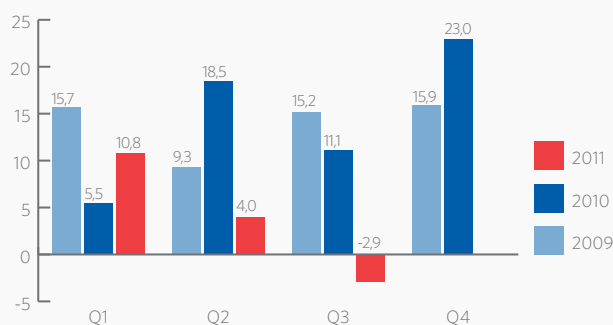
The Group has experienced a weaker revenue development in the first three quarters of 2011. In addition to the impact of the unstable situation in the Middle East and North Africa the global financial crisis with fast reducing public spending in many countries has now started to directly impact on short term defence spendings. This has negatively impacted on Comrod's order intake and activity levels. In particular the impact of postponed and reduced US defence programmes are starting to hurt Comrod.

However, in spite of the above the Group is still experiencing positive feedback from specific market areas with new and existing products. The timing of conversion of this positive feedback into tangible sales is still uncertain.

Despite a positive contribution from BU Norway, the Group's overall financial performance during Q3 was weak.

Revenues for Q3 2011 were MNOK 59.0 compared with MNOK 74.3 in 2010. (Figures for corresponding period of 2010 will hereafter be shown in parentheses). Revenues for the first three quarters of 2011 totalled MNOK 217.9 (MNOK 233.2).

## Operating profit before depreciation (EBITDA) Group



## (NOK Mill)

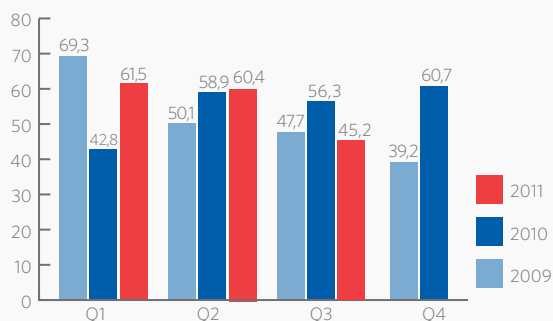
Operating profit before depreciation (EBITDA) for Q3 2011 was MNOK -2.9 (MNOK 11.1). EBITDA for the first three quarters of 2011 amounted to MNOK 11.9 (MNOK 35.1).

EBITDA for Q3 2011 includes a total non-recurring cost of MNOK 9.0. This includes cost related to the acquisition of Wibe Telescopic Masts in Sweden, change of CEO, and payroll cost of a staff reduction plan for BU France.

## OPERATING BUSINESS UNITS

### BUSINESS UNIT NORWAY

## Operating revenues BU Norway (NOK Mill)



## Sales and Market

Revenues for Q3 2011 were MNOK 45.2 (MNOK 56.3). For the first three quarters of 2011 revenues was MNOK 167.1 (MNOK 158.0).

Business Unit Norway experienced a slower order intake and a decline in revenues in Q3. The main reason is a significant reduction and postponement of defence spendings – current reduced US government spending being the main component. This challenging situation is expected to continue into the fourth quarter and most likely into 2012.

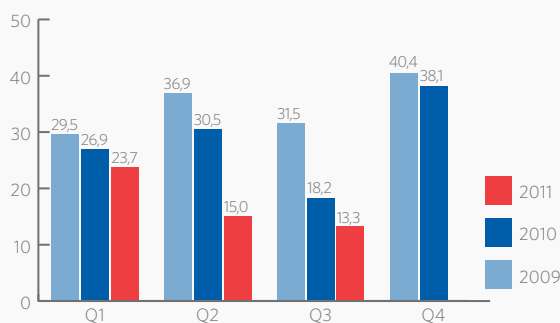
#### Production and Results

EBITDA for Q3 2011 were MNOK 8.3 (MNOK 12.1), equivalent to an EBITDA margin of 18.4% (21.5%). EBITDA for the first three quarters of 2011 was MNOK 27.8 (MNOK 29.8).

With highly automated production processes the lower volumes are negatively affecting contribution. However, in spite of the lower revenues, the quarterly financial results are considered to be satisfactory.

#### BUSINESS UNIT FRANCE

##### Operating revenues BU France (NOK Mill)



#### Sales and Market

Revenues for Q3 2011 were MNOK 13.3 (MNOK 18.2). For the first three quarters of 2011 revenues was MNOK 51.9 (MNOK 75.6).

During Q3 and year-to-date 2011 the French Business Unit saw a decline in overall sales. One of the main reasons for the decline is the continued unstable situation in traditional key geographical markets.

In view of the current situation, actions have been taken to strengthen the Business Unit's position in the market.

#### Production and Results

EBITDA for Q3 2011 were MNOK - 4.4 (MNOK - 0.3), equivalent to an EBITDA margin of -32.9% (- 1.5%). EBITDA for the first three quarters of 2011 was MNOK - 5.7 (MNOK 8.4).

#### OTHER UNITS AND ELIMINATIONS

This includes the cost of the parent company Comrod Communication ASA, Comrod UK, Comrod Hungary and Group eliminations.

EBITDA for the first three quarters of 2011 was MNOK - 9.8 (MNOK - 3.1). Q3 2011 includes non-recurring costs of MNOK 5.3 related to the acquisition of Wibe Telescopic Masts in Sweden and to change of CEO.

#### PARENT COMPANY

The operating costs of the parent company amounted to MNOK 10.0 (MNOK 5.3) for the first three quarters of 2011 and MNOK 5.9 (MNOK 1.6) for Q3. The operating cost is affected with a non-recurring cost related to change of CEO.

#### GROUP

At the end of September 2011, total assets were MNOK 342.4 (MNOK 328.7) and the equity ratio was 45.3% (47.2%). Group liquidity remains strong.

At the end of Q3 the Group fulfilled all its financial covenants related to external funding.

#### OUTLOOK

The fast developing global financial crisis is resulting in reduced public spending levels which are creating a volatile market situation for some of the Group's key products. This is likely to negatively impact on the Group's business activities moving into Q4 2011 and early 2012. This view is in line with what has been previously communicated to the market. The Board is not satisfied with the Group's current financial performance, but acknowledges that the current volatile market is challenging. The establishment and follow up of short and medium term actions to ensure that the Group's business activities are aligned to the current market opportunities will be a continued key focus area for both the Management and the Board. The short term impact of the US defence spending cuts could be significant for the Group as the US defence market is considered to be approximately 40-50% of the world market. However, the communication segment of this defence market (which is Comrod's space) is likely to be less impacted than other segments.

The Group continues to explore mergers and acquisition targets, both in Europe and in other strategic regions.

As outlined above the Board acknowledges the current market instability and expects this to continue in the fourth quarter of 2011 and early 2012. However, the Group has received positive feedback from its main customers regarding technical performance of its key products and general service levels.

#### RECOVERY PLAN

An action plan to regain profitability has been initiated and parts are already being implemented. This includes both short term cost cutting measures and special focus on new revenue opportunities. In line with this plan, initial personnel adjustments have already been actioned both for BU Norway and BU France. Financial impact will be gradually effective from 4Q 2011.

# FINANCIAL INFORMATION

(All figures in NOK 1.000)

	3rd quarter		YTD september		Year
	2011 UNAUDITED	2010 UNAUDITED	2011 UNAUDITED	2010 UNAUDITED	2010 AUDITED
<b>CONSOLIDATED INCOME STATEMENT</b>					
Operating revenues	59 037	74 300	217 944	233 207	331 742
Cost of materials	22 815	28 583	88 413	81 938	115 146
Payroll expenses	29 127	23 933	86 239	82 161	107 963
Other operating expenses	9 982	10 711	31 374	33 983	50 540
<b>Operating profit before depreciation (EBITDA)</b>	<b>-2 888</b>	<b>11 073</b>	<b>11 918</b>	<b>35 125</b>	<b>58 093</b>
<i>EBITDA-margin</i>	-4,9 %	14,9 %	5,5 %	15,1 %	17,5 %
Depreciation	4 562	3 951	14 167	12 111	16 484
<b>Operating profit (EBIT)</b>	<b>-7 451</b>	<b>7 122</b>	<b>-2 249</b>	<b>23 014</b>	<b>41 609</b>
<i>EBIT-margin</i>	-12,6 %	9,6 %	-1,0 %	9,9 %	12,5 %
Net financial items	-5 009	168	-1 770	-6 274	-5 511
Profit/loss before tax	-12 460	7 290	-4 019	16 740	36 098
Tax	3 441	-1 814	1 589	-5 069	-7 898
<b>Profit/(loss)</b>	<b>-9 019</b>	<b>5 475</b>	<b>-2 430</b>	<b>11 671</b>	<b>28 200</b>
Attributable to:					
Equity holders of the parent	-8 969	5 475	-2 380	11 671	28 200
Non-controlling interests	-50	0	-50	0	0
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>Profit/(loss)</b>	<b>-9 019</b>	<b>5 475</b>	<b>-2 430</b>	<b>11 671</b>	<b>28 200</b>
Change in actuarial gain/(loss) (Net of tax)	0	0	0	0	878
Change in gain/(loss) on hedge of net investment (Net of tax)	-367	22	-289	1 908	2 578
Change in gain/(loss) on cash flow hedges (Net of tax)	0	0	0	0	0
Exchange differences on translation of foreign operations	1 183	268	876	-4 119	-6 266
<b>Other comprehensive income/(loss) for the period (Net of tax)</b>	<b>816</b>	<b>290</b>	<b>587</b>	<b>-2 211</b>	<b>-2 810</b>
<b>Total comprehensive income/(loss) for the period (Net of tax)</b>	<b>-8 203</b>	<b>5 765</b>	<b>-1 843</b>	<b>9 460</b>	<b>25 390</b>
Attributable to:					
Equity holders of the parent	-8 153	5 765	-1 793	9 460	25 390
Non-controlling interests	-50	0	-50	0	0

## CONT. FINANCIAL INFORMATION

(All figures in NOK 1.000)

	YTD september		Year
	2011 UNAUDITED	2010 UNAUDITED	2010 AUDITED
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
Intangible assets	77 054	75 322	75 070
Tangible fixed assets	90 287	75 787	80 646
Inventories	77 159	59 515	63 804
Receivables	66 980	87 836	91 056
Bank deposits and cash	30 958	30 272	32 271
<b>Total assets</b>	<b>342 438</b>	<b>328 732</b>	<b>342 846</b>
Paid-in capital	97 938	99 188	99 188
Other equity	57 322	55 894	71 825
Provisions	15 299	24 919	16 998
Interest-bearing long-term liabilities	78 596	70 514	65 071
Interest-bearing current liabilities	38 628	20 372	20 491
Other current liabilities	54 655	57 845	69 272
<b>Total liabilities and equity</b>	<b>342 438</b>	<b>328 732</b>	<b>342 846</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOW</b>			
Profit before tax	-4 019	16 740	36 098
Depreciation and write-downs	14 167	12 111	16 484
Other Non cash elements	1 867	1 687	-306
Change in net working capital	9 301	-9 515	-14 023
<b>Net cash flow from operating activities</b>	<b>21 316</b>	<b>21 023</b>	<b>38 253</b>
Net cash flow from investment activities	-28 443	-8 430	-18 686
Net cash flow from financing activities	5 814	-2 195	-7 170
<b>Net change in cash and cash equivalents</b>	<b>-1 312</b>	<b>10 398</b>	<b>12 397</b>
Cash and cash equivalents at start of period	32 271	19 874	19 874
<b>Cash and cash equivalents at end of period</b>	<b>30 959</b>	<b>30 272</b>	<b>32 271</b>

# CONT. FINANCIAL INFORMATION

(All figures in NOK 1.000)

YTD september

Year

 2011  
UNAUDITED

 2010  
UNAUDITED

 2010  
AUDITED

	2011 UNAUDITED	2010 UNAUDITED	2010 AUDITED
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>			
Equity at start of period	171 013	146 407	146 407
Profit/loss in period	-2 380	11 671	28 200
Other comprehensive income/(loss)	587	-2 211	-2 810
Non-controlling interests	1 666	0	0
Share based payment	0	23	23
Purchase of own shares	-15 625	-807	-807
<b>Equity at end of period</b>	<b>155 260</b>	<b>155 083</b>	<b>171 013</b>
<b>KEY FIGURES</b>			
Equity ratio	45,3 %	47,2 %	49,9 %
Liquidity ratio I	1,9	2,3	2,1
Return on equity (annualised)	-2,0 %	10,3 %	17,8 %
Total return (annualised)	0,2 %	5,8 %	9,4 %
Earnings per share	-0,13	0,60	1,44
Diluted earnings per share	-0,13	0,60	1,44
Cash flow from operations per share	1,16	1,08	1,96
Equity per share	8,46	7,93	8,76
Net interest-bearing liabilities	86 265	60 613	53 291

# BUSINESS OPERATING UNITS

(All figures in NOK 1.000)

	3rd quarter		YTD September		Year
	2011 UNAUDITED	2010 UNAUDITED	2011 UNAUDITED	2010 UNAUDITED	2010 AUDITED
<b>INFORMATION ON BUSINESS OPERATING UNITS</b>					
<b>France:</b>					
Operating revenues	13 290	18 188	51 938	75 630	113 738
Operating profit before depreciation (EBITDA)	-4 376	-277	-5 746	8 448	19 492
EBITDA-margin	-32,9 %	-1,5 %	-11,1 %	11,2 %	17,1 %
Operating profit (EBIT)	-5 348	-1 004	-9 442	5 527	15 470
EBIT-margin	-40,2 %	-5,5 %	-18,2 %	7,3 %	13,6 %
Pretax income	-5 382	-1 096	-9 268	5 234	15 173
<b>Norway:</b>					
Operating revenues	45 180	56 273	167 118	157 987	218 640
Operating profit before depreciation (EBITDA)	8 317	12 107	27 805	29 753	43 162
EBITDA-margin	18,4 %	21,5 %	16,6 %	18,8 %	19,7 %
Operating profit (EBIT)	5 524	9 787	19 904	23 290	34 346
EBIT-margin	12,2 %	17,4 %	11,9 %	14,7 %	15,7 %
Pretax income	1 488	10 231	19 012	19 198	31 452
<b>Sweden:</b>					
Operating revenues	802	0	802	0	0
Operating profit before depreciation (EBITDA)	-301	0	-301	0	0
EBITDA-margin	-37,5 %	0,0 %	-37,5 %	0,0 %	0,0 %
Operating profit (EBIT)	-308	0	-308	0	0
EBIT-margin	-38,4 %	0,0 %	-38,4 %	0,0 %	0,0 %
Pretax income	-339	0	-339	0	0
<b>Other, adjustments and eliminations:</b>					
Operating revenues	-235	-161	-1 914	-410	-637
Operating profit before depreciation (EBITDA)	-6 529	-757	-9 841	-3 076	-4 561
Operating profit (EBIT)	-7 318	-1 661	-12 402	-5 803	-8 207
Pretax income	-8 227	-1 845	-13 424	-7 691	-10 527
<b>Group:</b>					
Operating revenues	59 037	74 300	217 944	233 207	331 741
Operating profit before depreciation (EBITDA)	-2 888	11 073	11 918	35 125	58 093
EBITDA-margin	-4,9 %	14,9 %	5,5 %	15,1 %	17,5 %
Operating profit (EBIT)	-7 451	7 122	-2 249	23 014	41 609
EBIT-margin	-12,6 %	9,6 %	-1,0 %	9,9 %	12,5 %
Pretax income	-12 460	7 290	-4 019	16 740	36 098

1) Figures for the operating business units do not include elimination of internal sales.

## NOTES

### NOTE 1: REPORTING ENTITY

Comrod Communication ASA is a company domiciled in Norway. The interim financial statements ending on 30 September 2011 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 2010. 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 2010 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 2010.

### NOTE 4: Business combinations

#### Acquisition of WIBE Telescopic Mast AB

On 16 September 2011, Comrod Communication ASA ("Comrod") acquired 80% of the voting shares of WIBE Telescopic Mast AB ("WIBE TM"), an unlisted company based in Sweden. The remaining 20% of the shares will be held by AB Wibe - a subsidiary of the French Schneider Electric Group. Comrod has agreed to acquire this remaining 20% shareholding within the next two years at agreed terms.

WIBE TM brings to Comrod an aluminium mast product range complementary to the Group's current composite mast offering. This will provide Comrod with a unique opportunity to expand its tactical mast offering to the global civil and defence markets. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements as per 30.09.2011 include the results of WIBE TM, (renamed to Comrod Sweden AB) for the month of September. The allocation of intangible assets and goodwill are preliminary numbers.

SEK 1 million of the total purchase consideration of SEK 12,5 million has been recorded as a contingent liability as the payment of the remaining purchase consideration is dependent on the seller completing certain formalities. The contingent liability has been recorded as other short term liabilities.

The Group has elected to measure the non-controlling interest at the acquire at fair value.

## CONT. NOTES

The provisional fair value of the identifiable assets and liabilities of WIBE TM AB as at the date of acquisition was:

Fair value recognized  
on acquisition  
Unaudited (NOK 1000)

### ASSETS

Property, plant and equipment	1 312
Intangible assets	2 956
Deferred tax asset	423
Trade receivables	1 001
Inventories	14 278
Other current assets	311
	20 281

### LIABILITIES

Bank overdraft	- 6 652
Trade payables	- 1 155
Other current liabilities	-1 518
	-9 325
Total identifiable net assets at fair value	10 956
Non-controlling interest measured at fair value	- 1 716
Goodwill arising on acquisition	1 373
Purchase consideration transferred	10 613
Bank overdraft acquired with the subsidiary	- 6 652
Contingent liability	- 849
Cash paid	- 9 764
Net cash outflow	17 266

From the date of the acquisition, WIBE TM has contributed NOK 802 474 of revenue and with a negative effect of NOK 338 644 to net profit before tax.

The transaction costs of NOK 1 276 590 have been expensed and are included in other operating expenses in the income statement.