



**NORCON PLC**  
**FINAL RESULTS**



1 April 2009

## NORCON PLC

### FINAL RESULTS FOR THE TWELVE MONTHS PERIOD ENDING 31 DECEMBER 2008

Norcon plc ("Norcon" or "the Company"; LSE/AIM: NCON), an international leader in project management and outsourcing in the telecommunications, defence and IT sectors is pleased to announce its audited final results for the year ended 31 December 2008. This is the Company's first set of audited annual results since its Initial Public Offering ("IPO") on the AIM market of the London Stock Exchange on 28 July 2008. Norcon plc was founded on 2 June 2008, prior to the IPO. Consolidated results for the full year 2008 include the activity from 1 January to 1 June 2008 and are being compared to the full year consolidated 2007 figures of Norcon's 100% subsidiary as Norcon plc.

#### FINANCIAL HIGHLIGHTS:

- Revenue increased by 18% to US\$67.7m (FY 2007: US\$57.4m)
- Gross profit increased by 31% to US\$15.2m (FY 2007: US\$11.6m)
- Profit before tax increased 32% to US\$9.5m (FY 2007: US\$7.2m)
- Profit after tax increased 14% to US\$6.4m (FY2007: US\$5.7m)
- Cash balances of US\$8.3 million as of year-end (FY 2007: US\$4.5m)
- Pro forma earnings per share on a basic basis of US\$0.16 (FY 2007: US\$0.14)
- Dividend recommended of US\$3.2 million relating to 2008 results

#### OPERATIONAL HIGHLIGHTS:

- Strong sales growth for the full year to established telecommunications and IT clients in the Middle East and Southeast Asia, and successful expansion into Kuwait
- Staff growth to 657 at period end, from 551 at 31 December 2007 with above average consultant utilisation levels remaining stable in the 90- 95% range
- High level of revenue visibility looking forward to the full year 2009 and beyond
- Additional opportunities exist for both organic and acquisition-driven growth in both the telecom and defence sectors

#### Commenting on the results, Norcon's Chairman, Trond Tostrup, said:

*"We are very pleased to have met market expectations with another solid performance during 2008. The general economic conditions worldwide are driving additional outsourcing and project management opportunities and we are benefitting from this trend. We continue to make progress in expanding our business and client relationships in our target markets of the Middle East and South-east Asia where economic conditions are generally more robust than in the rest of the world and where there is an increasing demand for our services. We are also pursuing targeted acquisitions and further opportunities that we believe will generate significant growth. Based on a strong start to 2009, we are confident of a successful outcome for the year and continued long term growth."*

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**ABOUT NORCON:**

*Norcon is an international project management and outsourcing services business, operating in the telecommunications, IT and defence sectors. Headquartered in Cyprus, the Company has provided project management services since 1957 in more than 20 countries around the world.*  
[www.norconplc.com](http://www.norconplc.com)

## **FULL YEAR STATEMENT FROM THE CEO, ARNOLD RØRHOLT**

### Introduction

I am pleased to report that the Company has delivered a positive set of final results for the year ending 31<sup>st</sup> December 2008, maintaining our position as an independent market leader in our core markets. Norcon once again achieved significant revenue and profits growth, more than doubling its size in the last five years, while continuing to pay out dividends and maintaining a high return on equity.

In line with the post-IPO dividend policy, the Board has recommended a dividend of 50% of net income, an amount of \$3.2 million, which subject to shareholder approval, would be payable in the fourth quarter of 2009.

The demand for outsourcing and project management services continues to grow in the telecoms sector. It has been reported that several large telecom operators have recently announced plans to outsource much of their technical operations and Norcon hopes to benefit from the opportunities this affords as it indicates a strengthening opportunity for Norcon to grow its customer base. Our business with our core clients continues to expand, especially in the Middle East and Southeast Asia, where we experience superior levels of client retention.

In terms of new client wins, Norcon was successful in expanding into Kuwait with Kuwait Telecom Co. ("Viva") in 2008 and extending many other ongoing client engagements throughout the Middle East and Southeast Asia with clients such as Saudi Telecom Company ("STC"), Qatar Telecom ("Qtel"), Maxis ("Axis") and our defence sector clients.

These strong client relationships are presenting the Company with the potential for additional geographical growth as our clients enter new territories. In particular, our largest client, STC, has successfully won a license in Bahrain and both it, and another longstanding client Telenor, continue to pursue an expansion strategy that might generate further business for us in new geographical markets.

In addition, we are pursuing opportunities for growth in the defence sector as well as profitable acquisition opportunities complimentary to our business.

### Review of Operations

The continued strong demand for our services has driven an increase in 2008 revenue of 18% with profit before tax increasing by 32% compared to 2007 due to tight control on costs. Given the Company's share price is quoted in sterling, the appreciation of the US Dollar against sterling was also positive for the Company in relation to the dividend yield.

Norcon's relationship with its long term customer, STC, is as strong as ever. Under our long-standing framework agreement, we are in the process of signing a number of contracts covering multiple projects and we look forward to working with them for many more years to come.

This relationship with STC will continue to provide a sound base and support our long term strategic goal of broadening the diversity of our client base. In this regard, we have made good progress with our contract wins referenced above, and expect to continue this trend in the future with ongoing project discussions in UAE, Qatar, Oman, Malaysia, India, Vietnam and others. Furthermore, the Company is pursuing additional project management opportunities in the defence sector where project spending is accelerating in the Gulf region.

Staff numbers increased by close to 20% year on year; as of 31 December 2008, Norcon had 657 employees, up from 551 as of 31 December 2007. Consultant utilisation levels remain both high and stable in the 90% - 95% range.

Norcon continues to be one of the global leaders in terms of consultant utilisation levels with its unique business model and methods for ramping up and down projects.

### Strategy

We aim to grow organically our long-term outsourcing and project management business with continued client retention and contract wins with both current and new clients in new territories. Norcon will continue to look at opportunities to further extend into the Asiatic and Oceanic regions, as well as potentially into select countries in Africa.

### Dividend

The Board has recommended a dividend of \$3.2 million in line with the post-IPO dividend policy of paying out at least fifty percent of net income. Therefore, shareholders on Norcon's register at the record date on May 29, 2009 will be entitled to receive the dividend related to the 2008 net income results that will be paid in the fourth quarter of 2009.

### Outlook

At the date of these results, we have very high levels of visibility over our target 2009 revenues and good visibility for the next one to two years beyond that. We continue to see stronger economic performance in Norcon's core markets than in the general world economy and stable or increasing spending within the oil rich economies in which we operate. This will continue to support our growth in the future and our expectations are for a successful 2009 with continued growth in profits and steady dividends.

On behalf of the Board, I would like to take this opportunity to thank all our employees for their excellent commitment, contribution and hard work during the year. I would also like to welcome the new employees who have joined Norcon during 2008, bringing with them skills and initiatives that I am confident will contribute positively to the Company going forward.

We look forward in the years to come to carrying our successes of the past into the future.

Arnold Rørholt  
Chief Executive Officer  
1 April 2009

## **FINANCIAL REVIEW STATEMENT FROM THE CFO, MARNE MARTIN**

Results are shown for the full years ended 31 December 2007 and 2008 in this CFO's report as the inaugural Norcon plc income statement only covers the period for which Norcon plc was in existence, 2 June to 31 December 2008. The analysis below is based on the comparatives comparing audited 2008 numbers (the consolidated numbers 1 January to 1 June 2008 of Norcon's 100% subsidiary Norconsult Telematics Ltd. ("NTL") and Norcon consolidated numbers 2 June to 31 December 2008) to NTL's consolidated numbers for the full year 2007.

### Summary

Norcon's performance during the twelve months of 2008 has been very positive. Revenue was up by 18% to US\$67.7m for the year (FY2007: US\$57.4m). Geographically, we saw revenue growth across all of the countries in which we operate, with 79% of our revenue coming from our Saudi Arabia branch in 2008 (FY2007: 93%). Gross profit of US\$15.2m for the year was up 31% compared to the full year results of US\$11.6m in 2007.

Profit before tax of US\$9.5m for the 2008 was up by 32% compared to the 2007 figure of US\$7.2m. This increase in profit before tax is primarily due to increased staff numbers while maintaining the continued high utilisation of staff at a level of close to 95%, and tight cost control while adsorbing the additional ongoing AIM listing and advisory expenses. Profit after tax was US\$6.4m for the year, up 14% compared to the 2007 result of US\$5.7m.

The Company's return on equity was a high 58% and the return on assets was 16% in 2008. Adjusting the average equity balance to take into account the \$5.1 million dividend declared for 2007 and the \$3.2 million dividend declared for 2008, the return on equity would be 93%.

Pro forma basic earnings per share were US\$0.16 for the full year compared to the US\$0.14 earnings per share for 2007, an increase of 14%.

### Costs

Cost of sales totalled US\$52.5m for the period. This represents an increase of 15% compared to the 2007 figure of US\$45.8m.

Operating and administration expenses totalled US\$5.1m for the period, including the additional holding company expenses, AIM and other advisory fees. This equates to 45% growth compared to the 2007 figure of US\$3.5 million. This increase can be explained by expenses related to being listed on AIM, the launch of the new branch in Kuwait, additional recruitment and training expenses, increased legal and advisory expense, and additional overseas travel. The purely deal related IPO expenses were capitalised and detailed in the Statement of Equity found in the Norcon consolidated audit report.

Net financial expenses and other income/(expenses) combined decreased to US\$0.6m for 2008 compared to US\$0.8m in 2007. This was largely due to reduced interest expense.

### Taxation

Taxes were accrued in the amount of US\$3.0m during 2008 (FY 2007: US\$1.6 m). The blended effective tax rate based on the tax accruals made for each business unit increased to 32% in 2008, up from 22% in 2007 due to a variety of disallowable expenses impacting the tax accrued for in our Saudi Arabian branch and conservative accruals in some of our other markets. Cyprus, where Norcon plc is a tax resident has an effective 10% tax on profits not taxed elsewhere.

## Foreign Exchange

Foreign exchange translation losses in the period were minimal (less than US\$0.1m). The Company is continuing its policy of denominating revenue and expenses either in the local currency if pegged to the US dollar or in US dollars to the extent feasible.

## Cash Flow

Cash flow continues to be positive for the year as a whole. Cash conversion accelerated in the second half of the year funding the payment of the \$5.1 million dividend, and then decreased as invoicing and collections slowed around year end around the time clients' budgets were being negotiated and then implemented for 2009. Cash flow around year end and first half of 2009 is habitually tighter than at other times of the year.

## Balance Sheet

Cash balances increased year on year. As at 31 December, cash was US\$8.3m (FY2007: US\$4.5m) with negative net cash of US\$2.4m (FY2007:US\$2.7m), reflecting the outstanding short term loan balance of US\$10.6m related to short term accounts receivable factoring. There were minimal amounts (approximately US\$10,000) outstanding from the overdraft facility as of year-end. The Company remains net asset positive, with net assets increasing to US\$11.9m in 2008 (FY 2007: US\$10.2m).

Accounts receivable balances increased year on year by about US\$1.5m to a total of US\$32.0m, a 5% increase from the prior year's ending balance and less than the 18% increase in revenue and with fewer days aging than in 2007. The current ratio has decreased to 1.4 from 1.7 due primarily to the higher level of short term borrowings at year end, which have since been repaid in early 2009.

Relating to the 2008 earnings, a US\$3.2m dividend has been recommended by the Board of Directors of Norcon plc and will be voted on at the Annual General Meeting of the Shareholders in June 2009 for payment in the fourth quarter of 2009 to the shareholders on the share register as of 29 May 2009. Dividend payments are generally targeted to be paid in one or two payments in the second half of the year as that timing matches the peak cash conversion cycle for the Company.

Retained earnings (including the merger reserve related to the creation of Norcon plc and the transfer of the assets of its wholly owned subsidiary NTL and the payment of the US\$5.1m dividend related to the 2007 results, but before the deduction for the \$3.2m dividend related to 2008 results) totalled US\$11.9m as of the end of the 2008.

## International Financial Reporting Standards (IFRS)

The Consolidated Financial Statements of Norcon and its branches and subsidiary companies have been audited by PKF Savvides & Co Ltd., the Company's auditor, and were prepared in conformity with all IFRS Standards (International Financial Reporting Standards, formerly International Accounting Standards) and Interpretations of the IASB (International Accounting Standards Board).

Marne Martin  
Chief Financial Officer  
1 April 2009

**AUDITED FINANCIAL INFORMATION ON NORCON PLC  
FINAL RESULTS FOR TWELVE MONTHS ENDED 31 DECEMBER 2008**

**CONSOLIDATED INCOME STATEMENT**

	<i>12 Months to 31 Dec 2008</i>	<i>12 Months to 31 Dec 2007</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	67,653	57,370
Cost of sales	(52,460)	(45,784)
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<b>Gross profit</b>	15,193	11,586
Operating and administrative expenses	(5,095)	(3,512)
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<b>Profit from operations</b>	10,098	8,074
Finance expenses (net)	(528)	(935)
Other Income/(expenses)	(98)	97
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<b>Profit before tax</b>	9,472	7,236
Income and other accrued tax expense	(3,032)	(1,579)
	<hr/>	<hr/>
<b>Profit for the year</b>	6,440	5,657
	<hr/> <hr/>	<hr/> <hr/>
	<b>US\$</b>	<b>US\$</b>
Pro forma basic earnings per share	0.16	0.14
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Pro forma diluted earnings per share	0.15	0.13
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## CONSOLIDATED BALANCE SHEET

	<i>As At 31 Dec 2008 US\$'000</i>	<i>As At 31 Dec 2007 US\$'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	136	77
Investments	-	-
Investment in associate	594	594
	<hr/>	<hr/>
	730	671
	<hr/>	<hr/>
<b>Current assets</b>		
Work in progress	-	-
Trade and other receivables	31,988	30,402
Cash and cash equivalents	8,258	4,475
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	40,246	34,877
	<hr/>	<hr/>
<b>Total assets</b>	<u>40,976</u>	<u>35,548</u>

**CONSOLIDATED BALANCE SHEET (Continued)**

	<i>As At 31 Dec 2008 US\$'000</i>	<i>As At 31 Dec 2007 US\$'000</i>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	821	22
Other reserves	7,629	107
Retained earnings (Norcon)	3,461	10,059
	<hr/>	<hr/>
<b>Equity attributable to the equity holders of the parent</b>	11,911	10,188
Minority interest	18	21
	<hr/>	<hr/>
	11,929	10,209
<b>Non-current liabilities</b>		
Provision for employees' terminal benefits	6,164	4,296
	<hr/>	<hr/>
<b>Current liabilities</b>		
Trade and other payables	10,224	17,890
Income tax payable	2,001	1,341
Short-term loan	10,658	1,812
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	22,883	21,043
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	40,976	35,548
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## CONSOLIDATED CASH FLOW STATEMENT

	<b>12 Months to 31 Dec 2008 US\$'000</b>	<b>12 Months to 31 Dec 2007 US\$'000</b>
<b>Cash flows from operating activities</b>		
Profit for the year before taxation	9,473	7,241
Adjustments for:		
Depreciation	50	47
Impairment of investment	-	6
Movement in provision for employees' terminal benefits	1,867	1,126
Loss on disposal of fixed assets/closing subsidiary	253	39
Interest income/(expense)	241	365
Exchange difference	(186)	(3)
Minority interest	(3)	-
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<b>Operating profit before working capital changes</b>	11,695	8,821
Increase in trade and other receivables	(1,587)	(4,230)
Decrease in trade and other creditors	(7,666)	(1,950)
Income tax paid and other items	(2,371)	(1,189)
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<b>Net cash from operating activities</b>	71	1,452
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<b>Cash flows from investing activities</b>		
Net proceeds from investing activities	236	85
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<b>Net cash used in investing activities</b>	236	85
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<b>Cash flows from financing activities</b>		
Short term loan	8,847	1,812
Net change in share capital	21	-
Interest paid	(292)	(472)
Dividend declared	(5,100)	-
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	3,476	1,340
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	3,783	2,877
<b>Cash and cash equivalents at beginning of year</b>	4,475	1,598
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<b>Cash and cash equivalent at end of year</b>	8,258	4,475
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**Note:** The Company will shortly be distributing its audited report and consolidated financial statements for the period from 2 June 2008 to 31 December 2008 to shareholders and it will be available to view from the Company's website at [www.norconplc.com](http://www.norconplc.com).