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**TeleComputing 3. quarter 2005:**

- **Continued high order inflow**
- **Turnover growth 41% compared with same quarter in 2004**
- **16.6% organic turnover growth**
- **Acquired STIM Computing AS**
- **Good cashflow from operation**

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# TELECOMPUTING REPORT FOR 3. QUARTER 2005

## Highlights 3. Quarter 2005

- Order inflow in 3. Quarter was MNOK 117 (MNOK 51 in the corresponding period 2004). New contracts represented MNOK 80 (MNOK 38)
- Turnover for 3. Quarter 2005 was MNOK 99,0 (MNOK 70,0), an approximate 41% growth. Organic turnover growth including company acquisitions was 16,6%.
- 21,3% organic growth in Norway. The organic growth in Sweden in local currency, including termination of business operation in Proserva, was 10,6%.
- TeleComputing acquired 1 company during 3. Quarter; the Norwegian company STIM Computing AS. Restructuring cost of MNOK 2,0 related to the integration is charged in the second quarter
- Operating result before restructuring charges of MNOK 2,0 related to the acquisition of STIM Computing AS, was MNOK 5,5 (MNOK 1,5)
- Cash flow from operation was in MNOK 16,7 (MNOK 11,2)
- Net cash flow from operation after ordinary operational investments (but before the cash effect of restructuring charges related to Proserva of MNOK 1,3) was MNOK 8,4
- The accounts have been prepared according to the IFRS. A separate IFRS Transition Document describing the main differences between IFRS and NGAAP has been distributed earlier.

## Financial results

Consolidated statement (MNOK)	IFRS			IFRS			IFRS 2004
	Q3 2005	Q3 2004	growth	Q1-Q3 2005	Q1-Q3 2004	growth	
Revenues	99,0	70,0	41,4 %	272,2	212,0	28,4 %	290,4
Gross margins %	77 %	72 %		75 %	72 %		72 %
EBITDA	15,2	10,0	52,0 %	38,1	21,6	76,4 %	34,7
Resultat før skatt (EBIT)	3,5	1,5	133,3 %	8,6	-3,5	345,7 %	0,5
Cash flow from operation	16,7	11,2	49,1 %	42,0	22,3	88,3 %	41,3
Cash, end of period	62,8	68,1	-7,8 %	62,8	83,5	-24,8 %	73,1
Net interest bearing debt	-52,6	-59,5	-11,6 %	-52,6	-59,5	-11,6 %	-67,2
EPS (earnings per share)	0,07	0,05	47,5 %	0,17	-0,11	255,6 %	0,03

The turnover growth shows a continued positive trend. In 3. quarter the turnover increased by 41,4% to MNOK 99,0 (MNOK 70,0 for same period last year). Organic growth for the group, including company acquisitions was 16,6%. Gross margin increase at same rate, 77% in 3. quarter compared to 72% in same quarter previous year.

Operational costs before depreciation and integration costs was MNOK 58,8 (MNOK 40,6), representing an increase of 44,8%. The increase reflects the acquisitions of IT Broker, Proserva and STIM, as well as a continued development of the organization. Total operational cost includes the restructuring cost of MNOK 2,0 related to the STIM integration.

Operational results after the integration cost was MNOK 3,5 (MNOK 1,5). Net financial items were MNOK 0,0 (MNOK 0,0). Hence, the result before tax was MNOK 3,5 (MNOK 1,5). A calculatory tax expense of MNOK 1,1 is booked against deferred tax asset.

### Norway

TeleComputing enjoy high activity in Norway both with existing and potential customers. The strategic refocusing of the overall service offering and strong focus on improving the sales process has been successful. The operating revenue in Norway increased by 50,8% to MNOK 65,6 (MNOK 43,5). The organic growth, adjusted for the IT Broker and STIM acquisitions, is 21,3%.

Operational results before integration costs (MNOK 2,0), was MNOK 4,3, which is a substantial improvement from same period last year (MNOK 1,0) and proforma result of MNOK 2,8.

Integration costs relate to the acquisition of STIM in September 2005.

## **Sweden**

Sweden continues the positive growth from 2.quarter. Revenues increased by 41,8% (in local currency), from same period last year, to MNOK 34,2 (MNOK 26,3). In local currency the organic growth is 10,6% when adjusted for the terminated business activity in the acquired company Proserva.

Operational result improved by 31% to MNOK 2,9 (MNOK 2,0) Operational margin is then 8,4% compared to 7,6% last year, reflecting the synergy effects from the Proserva acquisition, and continued focus on cost reductions.

## **Cash flow, liquidity and balance**

The group had a positive 3.quarter cash flow for operating activities of MNOK 16,7, which is a considerable improvement compared with the MNOK 5,5 for the same period last year. The combined investments in ordinary working capital and intangible assets were MNOK 9,6 during this period, which has been included in the current liquidity. In addition, TeleComputing has net cash outlays related to the acquisition of STIM, and restructuring payments in Proserva, of MNOK 3,6. Payments related to financial leasing agreements and other interest-bearing debt was MNOK 1,1. The liquidity at the end of the 3.quarter was MNOK 62,8, which is an increase from MNOK 57,9 at 2.quarter ending.

The group's equity was MNOK 219,4, representing an equity ratio of 65%.

## **Future outlook**

The general market growth is still estimated to be between 6 and 8%. Based on the high order inflows in the 3.quarter, both in Norway and Sweden, TeleComputing expects a growth for the group in excess of the market growth. The demand for our strategic services is increasing.

The consolidation in the market continues and TeleComputing has continued ambition to be a leader in this consolidation race. After a strong growth by acquisitions in the 2.and 3.quarter, TeleComputing will during the next months focus on organic growth and efficient integration of the acquired companies. At the same time the focus on, and investments in growth, delivery quality and efficiency will continue during the remains of the year.

Due to ordinary seasonal effects, the 4.quarter is normally a better period for TeleComputing compared to 3.quarter. And, based on the strong order inflows in the 3. Quarter, TeleComputing expects the positive operational pace to continue into consecutive months.

<b>PROFIT AND LOSS STATEMENT (MNOK)</b>	<b>IFRS Q3 2005</b>	<b>IFRS Q3 2004</b>	<b>NGAAP Q3 2004</b>	<b>IFRS Q1-Q3 2005</b>	<b>IFRS Q1-Q3 2004</b>	<b>NGAAP Q1-Q3 2004</b>	<b>IFRS 2004</b>	<b>NGAAP 2004</b>
<b>Operating revenue</b>	<b>99,0</b>	<b>70,0</b>	<b>70,0</b>	<b>272,2</b>	<b>212,0</b>	<b>212,0</b>	<b>290,4</b>	<b>290,4</b>
<b>Cost of goods sold</b>	<b>-23,0</b>	<b>-19,4</b>	<b>-19,4</b>	<b>-69,4</b>	<b>-58,9</b>	<b>-58,9</b>	<b>-80,6</b>	<b>-80,6</b>
Personnel cost	-46,7	-30,3	-29,8	-125,8	-96,9	-94,7	-131,8	-129,1
Other operating expenses	-14,1	-10,3	-10,3	-38,9	-34,6	-34,6	-43,4	-43,4
<b>EBITDA</b>	<b>15,2</b>	<b>10,0</b>	<b>10,5</b>	<b>38,1</b>	<b>21,6</b>	<b>23,8</b>	<b>34,7</b>	<b>37,4</b>
Depreciation tangible assets	-11,2	-8,5	-8,5	-28,7	-25,1	-25,1	-34,2	-34,2
<b>EBITA</b>	<b>4,0</b>	<b>1,5</b>	<b>2,0</b>	<b>9,4</b>	<b>-3,5</b>	<b>-1,3</b>	<b>0,5</b>	<b>3,2</b>
Amortisation goodwill	0,0	0,0	-1,5	0,0	0,0	-4,2	0,0	-5,7
Amortisation customer contracts	-0,5	0,0	0,0	-0,8	0,0	0,0	0,0	0,0
<b>Operating result (EBIT)</b>	<b>3,5</b>	<b>1,5</b>	<b>0,5</b>	<b>8,6</b>	<b>-3,5</b>	<b>-5,5</b>	<b>0,5</b>	<b>-2,5</b>
Net financial items	0,0	0,0	0,0	-0,2	-0,1	-0,1	0,0	0,0
<b>Profit/loss before tax</b>	<b>3,5</b>	<b>1,5</b>	<b>0,5</b>	<b>8,4</b>	<b>-3,6</b>	<b>-5,6</b>	<b>0,5</b>	<b>-2,5</b>
Change in deferred tax asset	1,1	0,0	0,0	2,5	0,0	0,0	-0,5	-0,5
<b>Net profit for the period</b>	<b>2,4</b>	<b>1,5</b>	<b>0,5</b>	<b>5,9</b>	<b>-3,6</b>	<b>-5,6</b>	<b>1,0</b>	<b>-2,0</b>
EPS diluted (NOK)	0,07	0,05	0,01	0,17	-0,11	-0,17	0,03	-0,06
EPS (NOK)	0,07	0,05	0,01	0,17	-0,11	-0,17	0,03	-0,06

- IT Broker is included in May and June 2005. Proserva is included in June 2005. STIM is included in september 2005

\*) calc. Tax

<b>BALANCE SHEET (MNOK)</b>	<b>IFRS 30.09.2005</b>	<b>IFRS 30.09.2004</b>	<b>NGAAP 30.09.2004</b>	<b>IFRS 31.12.2004</b>	<b>NGAAP 31.12.2004</b>
Deferred tax asset	52,7	55,1	55,1	55,1	55,1
Goodwill	63,0	38,4	34,7	39,0	33,7
Contracts and customer relationsh.	9,5	0,0	0,0	0,4	0,0
Other immaterial assets	14,7	6,5	6,0	6,9	6,9
Tangible fixed assets	69,6	56,1	56,1	55,1	55,1
Financial fixed assets	0,7	0,7	0,7	0,8	0,8
<b>Total fixed assets</b>	<b>210,2</b>	<b>156,8</b>	<b>152,6</b>	<b>157,3</b>	<b>151,6</b>
Inventory	1,2	1,0	1,0	0,6	0,6
Accounts receivable	43,9	28,9	28,9	24,4	24,4
Other short term assets	19,4	15,7	15,7	11,7	11,7
Cash and cash equivalents	62,9	68,1	68,1	73,1	73,1
<b>Total current assets</b>	<b>127,4</b>	<b>113,7</b>	<b>113,7</b>	<b>109,8</b>	<b>109,8</b>
<b>TOTAL ASSETS</b>	<b>337,6</b>	<b>270,5</b>	<b>266,3</b>	<b>267,1</b>	<b>261,4</b>
<b>Equity</b>	<b>219,4</b>	<b>190,2</b>	<b>186,0</b>	<b>195,1</b>	<b>189,4</b>
Interest bearing debt	10,3	3,3	8,6	2,3	6,3
Other long term debt	5,2	2,1	2,1	3,0	3,0
<b>Long term debt</b>	<b>15,5</b>	<b>5,4</b>	<b>10,7</b>	<b>5,3</b>	<b>9,3</b>
Interest bearing debt	0,0	5,3	0,0	4,0	0,0
Accounts payable	25,0	22,3	22,3	20,5	20,5
Public duties payable	25,6	12,7	12,7	14,9	14,9
Other short term debt	52,1	34,6	34,6	27,3	27,3
<b>Short term debt</b>	<b>102,7</b>	<b>74,9</b>	<b>69,6</b>	<b>66,7</b>	<b>62,7</b>
<b>SUM DEBT AND EQUITY</b>	<b>337,6</b>	<b>270,5</b>	<b>266,3</b>	<b>267,1</b>	<b>261,4</b>
<b>Equity ratio</b>	<b>65,0 %</b>	<b>70,3 %</b>	<b>69,8 %</b>	<b>73,0 %</b>	<b>72,5 %</b>
<b>Net interest bearing debt</b>	<b>-52,6</b>	<b>-59,5</b>	<b>-59,5</b>	<b>-66,8</b>	<b>-66,8</b>

CASH FLOW (MNOK)	IFRS Q3 2005	IFRS Q3 2004	NGAAP Q3 2004	IFRS Q1-Q3 2005	IFRS Q1-Q3 2004	NGAAP Q1-Q3 2004	IFRS 2004	NGAAP 2004
Ordinary profit before tax	3,5	1,5	0,5	8,4	-3,6	-5,6	0,5	-2,5
Depreciation	11,7	8,5	10,0	29,5	25,1	29,2	34,1	39,8
Share based salary	0,3	0,5	0,0	0,6	2,1	0,0	2,6	0,0
Restructuring acquisition	-1,3	0,0	0,0	-4,7	0,0	0,0	0,0	0,0
Change working capital	2,5	0,7	0,7	8,2	-1,3	-1,3	4,1	4,0
<b>Cash flow from operations</b>	<b>16,7</b>	<b>11,2</b>	<b>11,2</b>	<b>42,0</b>	<b>22,3</b>	<b>22,3</b>	<b>41,3</b>	<b>41,3</b>
Investments intangible asset	-0,7	-0,3	-0,3	-7,0	-2,7	-2,7	-4,7	-4,7
Investments tangible assets	-8,9	-7,7	-7,7	-26,2	-20,9	-20,9	-29,6	-29,6
Investment in businesses	-2,3	0,0	0,0	-14,8	-7,2	-7,2	-7,9	-7,9
<b>Cash flow from investments</b>	<b>-11,9</b>	<b>-8,0</b>	<b>-8,0</b>	<b>-48,0</b>	<b>-30,8</b>	<b>-30,8</b>	<b>-42,2</b>	<b>-42,2</b>
Down payment financial lease	-1,1	-2,2	-2,2	-3,9	-7,1	-7,1	-9,5	-9,5
Down payment interest bearing	0,0	0,0	0,0	-1,9	0,0	0,0	0,0	0,0
Share issues	1,5	0,0	0,0	2,9	0,3	0,3	0,2	0,2
<b>Cash flow from investments</b>	<b>0,4</b>	<b>-2,2</b>	<b>-2,2</b>	<b>-2,9</b>	<b>-6,8</b>	<b>-6,8</b>	<b>-9,3</b>	<b>-9,3</b>
Translation differences	-0,3	0,0	0,0	-1,4	-0,1	-0,1	-0,3	-0,3
<b>NET CHANGE IN CASH</b>	<b>4,9</b>	<b>1,0</b>	<b>1,0</b>	<b>-10,3</b>	<b>-15,4</b>	<b>-15,4</b>	<b>-10,4</b>	<b>-10,4</b>
Cash at beginning of period	57,9	67,1	67,1	73,1	83,5	83,5	83,5	83,5
Cash at end of period	62,8	68,1	68,1	62,8	68,1	68,1	73,1	73,1

IFRS Segments	Q3-2005	Q3-2004	Proforma *) Q3-2004	Q1-Q3 2005	Q1-Q3 -2004	Proforma *) Q1-Q3 2004
<b>Norway</b>						
Revenues	65,6	43,5	54,1	174,7	125,3	147,4
Gross contribution	50,2	31,7	41,2	130,3	94,1	112,3
Gross margins	77 %	73 %	76 %	75 %	75 %	76 %
Operating result	2,3	1,0	2,8	9,5	-2,8	-2,7
<b>Sweden</b>						
Revenues	34,2	26,3	36,4	99,6	87,1	100,9
Gross contribution	25,8	18,5	26,5	72,6	58,8	69,7
Gross margins	75 %	70 %	73 %	73 %	68 %	69 %
Operating result	2,9	2,0	1,2	3,1	5,7	4,6
<b>Group cost and elimination</b>						
Revenues	-0,9	0,3	0,3	-2,1	-0,3	-0,3
Gross contribution	-0,1	0,4	0,4	-0,1	0,3	0,3
Gross margins	9 %	170 %	170 %	4 %	-100 %	-100 %
Operating result	-1,3	-1,5	-1,7	-3,6	-6,5	-6,5
<b>GROUP - TOTAL</b>						
Revenues	98,9	70,0	90,7	272,2	212,1	248,0
Gross contribution	75,9	50,6	68,1	202,8	153,2	182,3
Gross margins	77 %	72 %	75 %	75 %	72 %	74 %
Operating result	3,9	1,5	2,3	9,0	-3,6	-4,6

\*) Proforma is adjusted for the acquisition of Infostream Services (January to May), IT Broker (May and June) and Proserva AB (June) and STIM Computing (September)

MOVEMENT IN EQUITY	IFRS 30.09.2005	IFRS 30.09.2004	NGAAP 30.09.2004	IFRS 31.12.2004	NGAAP 31.12.2004
<b>Equity 31.12</b>	<b>195,1</b>	<b>182,9</b>	<b>182,9</b>	<b>182,9</b>	<b>182,9</b>
Ordinary result	5,9	-3,6	-5,7	1,0	-2,0
Share issues	20,6	8,7	8,7	8,8	8,8
Share based salaries	0,6	2,2	0,0	2,6	
Translation differences and other	-2,8	0,0	0,1	-0,2	-0,3
<b>Equity 30.09/31.12</b>	<b>219,4</b>	<b>190,2</b>	<b>186,0</b>	<b>195,1</b>	<b>189,4</b>