



## **TeleComputing 2nd quarter 2006:**

- Record high order inflow of MNOK 125,8
- Turnover growth from continued operations of 33,2 % from same quarter in 2005
- Organic turnover growth from continued operations of 10,7 %
- EBITA from continued operations, before restructuring costs of MNOK 10,8
- Solid cash flow

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## TELECOMPUTING REPORT FOR 2nd QUARTER 2006

### Highlights 2nd quarter 2006

- Turnover from continued operations for 2<sup>nd</sup> quarter 2006 was MNOK 121,7 (MNOK 91,4), representing a growth rate of 33,2 %. Organic growth including company acquisitions was 10,7 %.
- Organic growth from continued operations in Norway was 15,3 %. The organic growth in Sweden in local currency, excluding terminated business operations in Proserva, was 4,2 %.
- Order inflow in 2<sup>nd</sup> quarter was MNOK 125,8 (MNOK 106,8). New contracts represented MNOK 64,8 (MNOK 81,9).
- EBITA from continued operations, before restructuring costs, was MNOK 10,8 (MNOK 5,7). The 2<sup>nd</sup> quarter operating result includes costs of MNOK 3,0 related to restructuring of the Swedish organization.
- Operating profit from continued operations after restructuring costs was MNOK 7,3 (MNOK -0,6).
- Cash flow from operations in 2<sup>nd</sup> quarter was MNOK 10,6 (MNOK 14,1).
- Net cash flow from operation after ordinary operational investments, before the cash effect of integration charges of MNOK 3,1, was MNOK 7,4 (MNOK 5,8).
- The MBS consulting department in Stavanger is in process of being sold, and is according to IFRS 5, classified and accounted for as discontinued operations. All prior periods presented are restated according to IFRS 5.



## Financial results

Consolidated statement (MNOK)	IFRS		growth	IFRS		growth
	Q2 2006	Q2 2005		H1 2006	H1 2005	
<b>Continued operations</b>						
Revenues	121,7	91,4	33,2 %	243,5	170,5	42,8 %
Gross margins %	76,3 %	73,3 %		75,6 %	73,4 %	
EBITDA	19,4	9,4	106,4 %	37,3	21,8	71,1 %
EBITDA %	15,9 %	10,3 %		15,3 %	12,8 %	
EBITA	7,8	-0,3	2700,0 %	13,4	4,3	211,6 %
EBITA %	6,4 %	-0,3 %		5,5 %	2,5 %	
Operating profit (EBIT)	7,3	-0,6	1316,7 %	12,4	4,0	210,0 %
EBIT %	6,0 %	-0,7 %		5,1 %	2,3 %	
Cash flow from operations	10,6	14,1	-24,8 %	26,0	25,3	2,8 %
Cash, end of period	79,8	57,9	37,8 %	79,8	57,9	37,8 %
Net interest bearing debt	-72,5	-46,9	54,6 %	-72,5	-46,9	54,6 %
EPS (earnings per share)	0,18	0,01	1916,9 %	0,32	0,10	202,8 %

Revenue continues to develop positively. In the 2<sup>nd</sup> quarter, turnover from continued operations increased by 33,2 % to MNOK 121,7 (MNOK 91,4 for same period last year). Organic growth for the group, including company acquisitions, adjusted for exchange rate changes, was 10,7 %. The gross margin increases to 76 % in 2<sup>nd</sup> quarter compared to 73 % in same quarter previous year.

Operating costs before depreciations were MNOK 73,5 (MNOK 57,6), representing an increase of 27,6 %. Included in operational costs are restructuring charges of MNOK 3,0 in 2<sup>nd</sup> quarter 2006 and MNOK 6,0 in 2<sup>nd</sup> quarter 2005. Hence, operating costs excluding these items have increased by 36,6 %. The increase reflects the acquisitions of IT Broker, Proserva and Stim, as well as a continued development of the organization and focus on strong growth.

The operating profit from continued operations was MNOK 7,3 (MNOK -0,6). Net financial items were MNOK 0,3 (MNOK - 0,2). Included in net financial items is a nonrecurring financial revenue item of MNOK 0,2. Profit from continued operations, after tax, was MNOK 7,6 (MNOK -0,8). Tax is charged with MNOK 0.

Profit after tax, including discontinued operations, was MNOK 6,3 (MNOK 0,3).

The income statement is adjusted, and all prior periods restated, according to International Financial Reporting Standard 5: Non-Current Assets held for Sale and Discontinued Operations. See appendix 2 for details regarding discontinued operations.



## Norway

The market situation is still very positive in Norway. Higher investment rates for existing customers contribute to higher revenues, and the rate of renewals is kept at a very high level at the end of contractual periods.

The order inflow, for both new business and renewals, was record high in 2<sup>nd</sup> quarter.

The revenue from continuing operations increased by 47,5 % to MNOK 84,5 (MNOK 57,3). Organic growth, adjusted for the acquisition of TeleComputing Stavanger (previously IT-Broker) and Stim Computing in 2005, was 15,3 %. Operating profit was MNOK 10,6, an improvement of 221,2 % from same period last year (MNOK 3,3), and proforma operating profit was MNOK 0,6.

## Sweden

During the 2<sup>nd</sup> quarter, the market situation in Sweden has been more challenging than in Norway. Our assessment is that this is caused by random fluctuations and that the general market situation is good in the long term in both countries. Through the 2<sup>nd</sup> quarter, the company focused on increasing new sales, both short and long term, and on restructuring the organization.

The revenue increased by 11,5 % to MNOK 38,7 (MNOK 34,7). The organic growth was 4,2 %, when adjusted for exchange rate effects and for the terminated business activity in the acquired company Proserva AB. The growth rate is influenced by lower new sales order inflow at the end of 2005 and throughout the 1<sup>st</sup> half of 2006. Measures have been implemented in order to ensure higher levels of new sales in the future.

The 2<sup>nd</sup> quarter of 2006 is charged with MNOK 3,0 in costs for restructuring the organization, and the 2<sup>nd</sup> quarter of 2005 included restructuring charges of MNOK 6,0 related to the acquisition of Proserva AB. Operating profit excluding these items was MNOK 2,3 (MNOK 3,5). Net operating profit after restructuring charges was MNOK -0,7 (MNOK -2,5) and proforma operating profit was MNOK - 2,9.

## Cash flow, liquidity and balance sheet

The group had a positive 2<sup>nd</sup> quarter cash flow from operating activities of MNOK 10,6, which is somewhat less than MNOK 14,1 for the same period last year. The combined investments in working capital assets and intangible assets were MNOK 6,3 during this period, which has been entirely included in the current liquidity. The relative low level of investments is caused by normal fluctuations between accounting periods, as well as lower organic growth than in previous quarters.

Payments related to financial leasing agreements and other interest-bearing debt were MNOK 1,2. The liquidity at the end of the 2<sup>nd</sup> quarter was MNOK 79,8, which is an increase of MNOK 6,8 from MNOK 73,0 at the end of 1<sup>st</sup> quarter 2006.

The group's equity was MNOK 242,7, representing an equity ratio of 69,1 %.

## Future outlook

Market outlook for TeleComputing is strong. The general market growth is estimated at 6 – 8 %. The Norwegian operation is expected to generate revenue growth in excess of the general market development. While the growth in the Swedish segment temporarily has been impacted by the low inflow of new sales, it is expected that the recent restructuring of the company will show results in the form of increasing order inflow in the next quarters.



Due to ordinary seasonal fluctuations, the 3<sup>rd</sup> quarter is normally Telecommuting's weakest quarter. However, based on the high order inflow in 2<sup>nd</sup> quarter this year, we expect the seasonal effects to be somewhat less than normal.

TeleComputing has reviewed its strategy and concluded that its focus will continue to be on IT operations. The company will, however, expand its range to include related services, such as design and operation of local network and equipment, on site support and IT consulting.

The company's long term growth and profit targets remain unchanged, and the strategic target of MNOK 1.000 in 2008 is still valid. TeleComputing has a continued ambition to be a leader in the market consolidation, and aims to conduct strategic acquisitions.



CONTINUED OPERATIONS PROFIT AND LOSS STATEMENT (MNOK)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	NGAAP
	Q2 2006	Q2 2005	H1 2006	H1 2005	2005	2004	2004
<b>Operating revenue</b>	<b>121,7</b>	<b>91,4</b>	<b>243,5</b>	<b>170,5</b>	<b>388,3</b>	<b>290,4</b>	<b>290,4</b>
<b>Cost of goods sold</b>	<b>-28,8</b>	<b>-24,4</b>	<b>-59,3</b>	<b>-45,4</b>	<b>-99,0</b>	<b>-80,6</b>	<b>-80,6</b>
Personnel cost	-58,1	-42,5	-117,3	-78,8	-178,8	-131,8	-129,1
Other operating expenses	-15,4	-15,1	-29,6	-24,5	-55,1	-43,4	-43,4
<b>EBITDA</b>	<b>19,4</b>	<b>9,4</b>	<b>37,3</b>	<b>21,8</b>	<b>55,4</b>	<b>34,7</b>	<b>37,4</b>
Depreciation tangible assets	-11,6	-9,7	-23,9	-17,5	-40,5	-34,2	-34,2
<b>EBITA</b>	<b>7,8</b>	<b>-0,3</b>	<b>13,4</b>	<b>4,3</b>	<b>14,9</b>	<b>0,5</b>	<b>3,2</b>
Amortisation GW	0,0	0,0	0,0	0,0	0,0	0,0	-5,7
Amortisation customer contracts	-0,5	-0,3	-1,0	-0,3	-1,2	0,0	0,0
<b>Operating profit (EBIT)</b>	<b>7,3</b>	<b>-0,6</b>	<b>12,4</b>	<b>4,0</b>	<b>13,7</b>	<b>0,5</b>	<b>-2,5</b>
Net financial items	0,3	-0,2	0,3	-0,2	-0,2	0,0	0,0
<b>Profit/loss before tax</b>	<b>7,6</b>	<b>-0,8</b>	<b>12,7</b>	<b>3,8</b>	<b>13,5</b>	<b>0,5</b>	<b>-2,5</b>
Tax	0,0	0,0	0,0	1,4	5,4	-0,5	-0,5
<b>Net profit for the period, continued operations</b>	<b>7,6</b>	<b>-0,8</b>	<b>12,7</b>	<b>2,4</b>	<b>8,1</b>	<b>1,0</b>	<b>-2,0</b>
Net profit discontinued operations (appendix 2)	-1,3	1,1	-1,5	1,1	0,9	0,0	0,0
<b>Net profit for the period</b>	<b>6,3</b>	<b>0,3</b>	<b>11,2</b>	<b>3,5</b>	<b>9,0</b>	<b>1,0</b>	<b>-2,0</b>
EPS diluted (NOK)	0,18	0,01	0,32	0,10	0,27	0,03	-0,06
EPS (NOK)	0,18	0,01	0,32	0,10	0,27	0,03	-0,06



BALANCE SHEET (MNOK)	IFRS 30.06.2006	IFRS 30.06.2005	IFRS 31.12.2005	IFRS 31.12.2004	NGAAP 31.12.2004
Deferred tax asset	52,2	53,9	52,1	55,1	55,1
Goodwill	63,2	59,9	63,1	39,0	33,7
Contracts and customer relationsh.	7,9	10,2	8,8	0,4	0,0
Other immaterial items	15,7	12,0	17,5	6,9	6,9
Tangible fixed assets	68,3	64,0	68,3	55,1	55,1
Financial fixed assets	0,7	0,7	0,7	0,8	0,8
<b>Total fixed assets</b>	<b>208,0</b>	<b>200,7</b>	<b>210,5</b>	<b>157,3</b>	<b>151,6</b>
Inventory	0,9	1,7	0,8	0,6	0,6
Accounts receivable	46,4	40,3	48,5	24,4	24,4
Other short term receivables	16,1	12,0	13,7	11,7	11,7
Cash and cash equivalents	79,8	57,9	72,2	73,1	73,1
<b>Total current assets</b>	<b>143,2</b>	<b>111,9</b>	<b>135,2</b>	<b>109,8</b>	<b>109,8</b>
<b>TOTAL ASSETS</b>	<b>351,2</b>	<b>312,6</b>	<b>345,7</b>	<b>267,1</b>	<b>261,4</b>
<b>Equity</b>	<b>242,7</b>	<b>215,4</b>	<b>224,5</b>	<b>195,1</b>	<b>189,4</b>
Interest bearing debt	3,6	6,5	4,3	2,3	6,3
Deferred tax	0,5	0,0	0,5	0,0	0,0
Other long term debt	7,3	5,2	8,0	3,0	3,0
<b>Long term debt</b>	<b>11,4</b>	<b>11,7</b>	<b>12,8</b>	<b>5,3</b>	<b>9,3</b>
Interest bearing debt	3,7	4,5	4,9	4,0	0,0
Accounts payable	21,1	25,0	34,7	20,5	20,5
Public duties payable	25,7	20,1	26,6	14,9	14,9
Other short term debt	46,6	35,9	42,2	27,3	27,3
<b>Short term debt</b>	<b>97,1</b>	<b>85,5</b>	<b>108,4</b>	<b>66,7</b>	<b>62,7</b>
<b>TOTAL DEBT AND EQUITY</b>	<b>351,2</b>	<b>312,6</b>	<b>345,7</b>	<b>267,1</b>	<b>261,4</b>
<b>Equity ration</b>	<b>69,1 %</b>	<b>68,9 %</b>	<b>64,9 %</b>	<b>73,0 %</b>	<b>72,5 %</b>
<b>Net interest bearing debt</b>	<b>-72,5</b>	<b>-46,9</b>	<b>-63,0</b>	<b>-66,8</b>	<b>-66,8</b>



CASH FLOW (MNOK)	IFRS Q2 2006	IFRS Q2 2005	IFRS H1 2006	IFRS H1 2005	IFRS 2005	IFRS 2004	NGAAP 2004
Profit before tax (continued operations)	7,6	-0,8	12,7	3,8	13,5	0,5	-2,5
Depreciations	12,1	10,0	24,9	17,8	41,7	34,1	39,8
Share based salary	0,7	0,1	0,8	0,3	0,7	2,6	0,0
Restructuring acquisitions	-3,1	-3,4	-4,4	-3,4	-6,3	0,0	0,0
Change in working capital	-5,4	7,1	-6,5	5,7	15,7	4,1	4,0
Discontinued operations (appendix 2)	-1,3	1,1	-1,5	1,1	0,9	0,0	0,0
<b>Cash flow from operations</b>	<b>10,6</b>	<b>14,1</b>	<b>26,0</b>	<b>25,3</b>	<b>66,2</b>	<b>41,3</b>	<b>41,3</b>
Investments intangible assets	-1,2	-5,8	-3,0	-6,3	-11,0	-4,7	-4,7
Investments tangible assets	-6,6	-5,9	-19,7	-17,3	-36,4	-29,6	-29,6
Sale of fixed assets	1,5	0,0	1,5	0,0	0,0	0,0	0,0
Investments in businesses	0,0	-12,5	0,0	-12,5	-14,9	-7,9	-7,9
<b>Cash flow from investments</b>	<b>-6,3</b>	<b>-24,2</b>	<b>-21,2</b>	<b>-36,1</b>	<b>-62,3</b>	<b>-42,2</b>	<b>-42,2</b>
Down payments financial lease	-0,7	-1,2	-1,7	-2,8	-5,1	-9,5	-9,5
Down payment interest bearing debt	-0,5	-1,9	-0,8	-1,9	-1,9	0,0	0,0
Share issues	3,8	-0,0	5,6	1,4	3,4	0,2	0,2
<b>Cash flow from financing</b>	<b>2,6</b>	<b>-3,1</b>	<b>3,1</b>	<b>-3,3</b>	<b>-3,6</b>	<b>-9,3</b>	<b>-9,3</b>
<b>Translation differences</b>	<b>-0,1</b>	<b>-0,8</b>	<b>-0,3</b>	<b>-1,1</b>	<b>-1,2</b>	<b>-0,3</b>	<b>-0,3</b>
<b>NET CHANGE IN CASH</b>	<b>6,8</b>	<b>-14,0</b>	<b>7,6</b>	<b>-15,2</b>	<b>-0,9</b>	<b>-10,4</b>	<b>-10,4</b>
<b>Cash at beginning of period</b>	<b>73,0</b>	<b>71,9</b>	<b>72,2</b>	<b>73,1</b>	<b>73,1</b>	<b>83,5</b>	<b>83,5</b>
<b>Cash at end of period</b>	<b>79,8</b>	<b>57,9</b>	<b>79,8</b>	<b>57,9</b>	<b>72,2</b>	<b>73,1</b>	<b>73,1</b>

IFRS Segments	Q2-2006	Q2-2005	Proforma *) Q2-2005	H1 2006	H1 2005	Proforma *) H1 2005
<b>Norway</b>						
Revenue	84,5	57,3	73,3	168,8	106,4	143,8
Gross contribution	64,0	42,6	56,2	127,7	78,3	108,0
Gross margin	76 %	74 %	77 %	76 %	73 %	75 %
Operating profit	10,6	3,3	0,6	17,8	6,1	2,4
<b>Sweden</b>						
Revenue	38,7	34,7	38,9	77,8	65,4	76,1
Gross contribution	29,1	24,5	27,8	58,3	46,9	55,1
Gross margin	75 %	71 %	71 %	75 %	72 %	72 %
Operating profit	-0,7	-2,5	-2,9	0,9	0,2	-0,2
<b>Group costs and elimination</b>						
Revenue	-1,5	-0,6	-0,6	-3,1	-1,2	-1,2
Gross contribution	-0,1	0,0	0,0	-1,7	0,0	0,0
Gross margin	7 %	0 %	0 %	55 %	0 %	0 %
Operating profit	-2,6	-1,4	-1,4	-6,3	-2,3	-2,4
<b>GROUP - TOTAL</b>						
Revenue	121,7	91,4	111,6	243,5	170,6	218,7
Gross contribution	93,0	67,1	84,0	184,3	125,2	163,0
Gross margin	76 %	73 %	75 %	76 %	73 %	75 %
Operating profit	7,3	-0,6	-3,7	12,4	4,0	-0,2

\*) Proforma is adjusted for the acquisition of IT Broker (from May 2005), Proserva AB (from June 2005), and Stim Computing (from September 2005)



MOVEMENT IN EQUITY	IFRS 30.06.2006	IFRS 30.06.2005	IFRS 31.12.2005	IFRS 31.12.2004	NGAAP 31.12.2004
<b>Equity 31.12</b>	<b>224,5</b>	<b>195,1</b>	<b>195,1</b>	<b>182,9</b>	<b>182,9</b>
Ordinary profit	12,7	2,4	8,1	1,0	-2,0
Share issues	5,6	19,3	21,1	8,8	8,8
Share based salaries	0,8	0,3	0,7	2,6	0,0
Profit from discontinued operations	-1,5	1,1	0,9	0,0	0,0
Translation differences and other	0,6	-2,8	-1,4	-0,2	-0,3
<b>Equity 31.12</b>	<b>242,7</b>	<b>215,4</b>	<b>224,5</b>	<b>195,1</b>	<b>189,4</b>

## Appendix 1 Standards of reporting

The quarterly report is prepared in accordance with International Financial Reporting Standards, including IAS 34, Interim Financial Reporting, and accounting policies applied for the annual financial report for 2005.

## Appendix 2 Discontinued operations

In 2<sup>nd</sup> quarter 2006, TeleComputing decided to sell the Microsoft Business Solutions consulting department in Stavanger. The department was acquired by TeleComputing with the purchase of IT Broker AS in May 2005. The sale is expected to be finalized within a short period of time.

The financial results from the department is separated from ongoing business and classified as discontinued operations on a separate line in the income statement and cash flow, according to IFRS 5. The assets related to the department are immaterial, and are therefore not separated in the balance sheet.

### Financial results from discontinued operations

DISCONTINUED OPERATIONS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	NGAAP
FINANCIAL RESULTS (MNOK)	Q2 2006	Q2 2005	H1 2006	H1 2005	2005	2004	2004
Operating revenue	1,6	2,7	4,6	2,7	7,8	0,0	0,0
EBITDA	-1,3	1,1	-1,5	1,1	0,9	0,0	0,0
Net operating profit	-1,3	1,1	-1,5	1,1	0,9	0,0	0,0
Net cash flow	-1,3	1,1	-1,5	1,1	0,9	0,0	0,0