



TeleComputing 1st quarter 2007:

- Revenue from continuing operations of MNOK 167,5
- Revenue growth of 50 % from Q1 2006 (includes organic growth of 14 %)
- High order inflow in Operations & Outsourcing segment of MNOK 118
- Restructuring expenses of MNOK 3,1 tied to Kentor integration
- EBITA of MNOK 10,4 (6,2 % margin) after restructuring expenses. EBITA margin before restructuring expenses of 8,0 %.
- EBIT from continued operations of MNOK 9,1
- Acquisition of Kentor AB and Netthuset AS, executed in Q1
- Stim Computing AS business (applications) is held for sale due to lack of strategic fit, and is included as discontinued operations from Q1.

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TELECOMPUTING REPORT FOR 1st QUARTER 2007

Highlights 1st quarter 2007

- *Total group revenue for 1st quarter 2007 was MNOK 172,4. After deducting discontinued operations, revenue from continued operations for 1st quarter 2007 was MNOK 167,5 (MNOK 111,8), representing a growth rate of 49,8 %*
- *Revenue from continuing operations excluding 2007 acquisitions was MNOK 127,8 (MNOK 111,8), representing an organic growth rate of 14,4 %.*
- *Acquisition of Kentor AB and Netthuset AS. Acquisitions are included in financial reporting from 1 February 2007. Acquired businesses had revenue of MNOK 39,6 during Q1 (February – March) .*
- *Order inflow in the Operations & Outsourcing segment during the 1st quarter was MNOK 118 (MNOK 109). New contracts represented MNOK 85 (MNOK 45).*
- *Restructuring expenses tied to the integration of Kentor were MNOK 3,1. In addition, nonrecurring expenses of MNOK 0,4 were incurred in due diligence on an acquisition that was later abandoned.*
- *Operating profit before amortization (EBITA) from continued operations was MNOK 10,4 (MNOK 5,3). Before Kentor restructuring expenses, EBITA was MNOK 13,5 (MNOK 5,3), representing an EBITA margin of 8,0 % (4,8 %).*
- *Amortization expenses were MNOK 1,3 (MNOK 0,5). This includes two months of amortization for intangible assets associated with the Kentor and Netthuset acquisitions.*
- *After deducting amortization expenses, operating profit (EBIT) from continuing operations was MNOK 9,1 (MNOK 4,8).*
- *Net income after tax (including discontinued operations) was MNOK 6,9 (MNOK 5,0)*
- *The Stim Computing AS subsidiary, focusing on application products rather than services, has been reevaluated following the acquisition of Kentor AB. It was found not to support our overall strategy, and is being held for sale. The business is therefore included as discontinued operations from Q1. Prior period reporting has been adjusted according to IFRS 5.*



Financial results

FINANCIAL SUMMARY (MNOK)	Q1 2007	Q1 2006	growth	2006
Revenues	167,5	111,8	49,8 %	456,7
Gross margins %	72,4 %	73,3 %		73,6 %
EBITA (continued operations)	10,4	5,3	94,0 %	28,8
EBITA %	6,2 %	4,8 %		6,3 %
EBIT (continued operations)	9,1	4,8	88,7 %	26,7
EBIT %	5,4 %	4,3 %		5,9 %
Net Income (inc. discontinued operations)	6,9	5,0	38,8 %	41,9
Cash, end of period (inc. discontinued operations)	98,3	73,0	34,7 %	135,0

TeleComputing ASA experienced record high total group revenues of MNOK 172,4 during the first quarter 2007. After deducting for discontinued operations, revenues were MNOK 167,5, compared with MNOK 111,8 in the prior year. This represents a growth rate of 49,8 %.

Revenue in the first quarter includes the acquisitions of Kentor AB and Netthuset AS. The acquisitions are effective in the financial reporting from 1 February 2007. The acquisitions represent revenue of MNOK 39,6 during Q1 2007 (February – March). Excluding acquired companies, Q1 revenues were MNOK 127,8. This represents an organic growth rate of 14,4 %.

Gross margins were 72,4 % in Q1 2007 compared with 73,3 % in Q1 2006. The reduction in gross margins is due to an increase in the sales of third-party hardware / software within the product mix, as a result of the acquisition of Netthuset AS and the recent growth of the managed client service offering.

TeleComputing incurred restructuring costs of MNOK 3,1 tied to the acquisition of Kentor and consolidation of the TeleComputing Sweden and Kentor Outsourcing businesses. This includes the cost of terminating a facilities lease contract of MNOK 1,5, and other one-time relocation and employment termination charges of MNOK 1,6. In addition to the Kentor restructuring costs, TeleComputing incurred one-time corporate expenses of MNOK 0,4 tied to due diligence on an acquisition that was later abandoned.

Operating income before amortization costs (EBITA) was MNOK 10,4. This reflects an EBITA margin of 6,2 %. Before the Kentor restructuring expenses, the EBITA margin was 8,0 %, at the top end of the “Best in Class 2008” target range of 6 – 8 %.

Amortization expenses were MNOK 1,3, compared with MNOK 0,5 during the first quarter 2007. The increase reflects the amortization of intangible assets acquired with the purchase price of the Kentor AB and Netthuset AS acquisitions, according to IFRS 3. TeleComputing engaged PriceWaterhouseCoopers’ business valuation team to conduct the valuation the trademarks and customer relations intangible assets for the Kentor AB acquisition. Further information regarding the amortization expenses is included in the notes to the financial statements.

After amortization expenses, Q1 operating income (EBIT) was MNOK 9,1. The company had interest expenses of MNOK 1,3, compared with no interest expense in Q1 2006. The interest expense reflects approximately two months’ interest on a bank loan of MNOK 200 from which TeleComputing financed the acquisition of Kentor AB.



A group tax rate of 8 % is estimated, based on the split of taxable profits between Norway and Sweden. This includes an income tax rate of 28 % in Sweden, and 0 % in Norway where prior years' tax-loss carryforwards will be capitalized as deferred tax assets to offset the tax expenses.

TeleComputing has initiated a process to sell its Stim Computing AS subsidiary, due to difficulties in integrating Stim's software and applications business with TeleComputings IT services business. This business is now classified as discontinued operations and reported separately according to IFRS 5. In Q1 2007, Stim Computing had revenues of MNOK 5,0 and an EBIT loss of MNOK 0,3 before corporate allocations.

TeleComputing had net income after tax of MNOK 6,9 in Q1 2007 compared with MNOK 5,0 in Q1 2006. This represents a basic earnings per share growth from continuing operations of 43 % to NOK 0,20 compared with NOK 0,14 in Q1 2006.

The number of employees in TeleComputing at the end of Q1 2007 was 600. This compares with 303 employees as of Q1 2006. Both totals exclude employees in discontinued operations. The increase is primarily due to the acquisition of Kentor AB, which had 235 employees at the time of acquisition.

Segment Reporting

TeleComputing reports its business segments based on geography (Norway / Sweden) and based on business area (IT Operations and Outsourcing and IT Services and Solutions). The IT Services and Solutions area was initiated in Q1 2007 after the acquisition of Kentor AB.

In Norway, TeleComputing has not yet developed a presence in IT Services and Solutions. The resulting business segments are then: Norway IT Operations and Outsourcing, Sweden IT Operations and Outsourcing, and Sweden IT Services and Solutions.

IFRS Segments	Q1-2007	Q1-2006	Growth	Organic Growth	2006
Norway IT Operations and Outsourcing					
Revenue	84,7	72,7	16,5 %	10,7 %	295,2
EBITA	7,5	3,1	140,9 %	131,9 %	25,2
EBITA %	8,8 %	4,3 %			8,5 %
EBIT	7,2	2,8	152,2 %	144,5 %	24,3
Sweden IT Operations and Outsourcing					
Revenue	58,2	39,0	49,2 %	21,2 %	161,5
EBITA	(0,7)	2,2	N/A	N/A	3,6
EBITA before Kentor restructuring	2,4				
EBITA %	-1,2 %	5,7 %			2,2 %
EBIT	(1,2)	2,0	N/A	N/A	2,5
Sweden IT Services and Solutions					
Revenue	24,5	N/A	N/A	N/A	N/A
EBITA	3,6	N/A	N/A	N/A	N/A
EBITA %	14,5 %				
EBIT	3,1	N/A	N/A	N/A	N/A
Consolidated					
Revenue	167,5	111,8	49,8 %	14,4 %	456,7
EBITA	10,4	5,3	94,0 %	18,0 %	28,8
EBITA before Kentor restructuring	13,5				
EBITA %	6,2 %	4,8 %			6,3 %
EBIT	9,1	4,8	88,7 %	20,1 %	26,7

* Note: Revenue is net of eliminations of MNOK 5 discontinued operations, and MNOK 2 intercompany revenue.

EBITA and EBIT include allocations of corporate overhead of MNOK 3 (group total)

Organic growth calculated as growth before acquisitions made during the last 12 months (i.e., Kentor and Netthuset)



Norway IT Operations and Outsourcing

The Norway IT Operations and Outsourcing business ("TC Norway") continued its growth trend in Q1 2007 and sold outsourcing contracts with a total contract value of MNOK 93. This includes new business of MNOK 61.

Total revenue was MNOK 84,7, compared with 72,7 in Q1 2006. This represents total growth of 16,5 %, of which 10,7 % was organic growth. The acquired business unit Netthuset AS (reported from 1 February) represents the remaining growth in Q1.

Revenue growth was particularly strong in upsells of hardware / software products. The increase in the hardware / software product mix contributed to lower gross margins of 70,8 % from 72,5 % in Q1 2006. As the hardware / software product sales have low associated operating expenses, they do not dilute total profitability. Therefore, EBITA margin remained a healthy 8,8 % after corporate overhead allocations, compared with 4,3 % in Q1 2006.

Sweden IT Operations and Outsourcing

This Sweden IT Operations and Outsourcing business ("TC Sweden") includes the TeleComputing subsidiary in Sweden, combined with the IT operations business of Kentor AB from Q1 2007. Business results from Kentor are reported from 1 February.

Total revenue was MNOK 58,2, compared with 39,0 in Q1 2006. This represents total growth of 49,2 %, of which 21,2 % was organic growth. The acquired Kentor IT operations unit (reported from 1 February) represents the remaining growth in Q1.

After a record Q4 order inflow of MNOK 123, TC Sweden had lower sales of new contracts in Q1 2007. In total, TC Sweden entered into new outsourcing agreements with a total contract value of MNOK 25 in Q1 2007, including MNOK 24 of new business. TC Sweden significantly increased its new sales pipeline in Q1, including many new leads and cross-selling opportunities generated by Kentor's customer relations.

Gross margin fell to 67,2 %, greatly due to a higher hardware / software product mix. In addition, the business unit had high operating costs from implementing the large volume of outsourcing contracts won in Q4. This required additional capacity and higher costs from temporary workers.

Also, the business incurred one-time restructuring costs of MNOK 3,1 tied to the consolidation of the TeleComputing Sweden and Kentor Outsourcing businesses. After the restructuring costs and corporate overhead allocations, EBITA was a loss of MNOK 0,7 (- 1,2 %). Before restructuring costs, EBITA margin was 4,2 %. The Sweden outsourcing business expects higher operating margins from Q2 after the conclusion of the Kentor integration and implementation of Q4 outsourcing contracts.

Sweden's operating loss (EBIT) of MNOK 1,2 reflects the non-cash amortization costs associated with the value of intangible assets acquired in Kentor's outsourcing business, according to IFRS 3. Based on a valuation of Kentor's trademark and customer relations intangible assets by PriceWaterhouseCoopers and an estimate of the life of these assets, the related amortization costs were estimated at MNOK 0,3 during February - March.

Sweden IT Services and Solutions

The Sweden IT Services and Solutions segment ("Kentor IT Services") was formed in Q1 2007 with the acquisition of Kentor's IT consulting business. The acquisition is reflected in TeleComputing's results from 1 February 2007.



Revenues were MNOK 24,5 during February and March, which represents growth of 13,1 % compared with revenues during the same period in 2006 (MNOK 21,7). Market demand is very strong for consulting projects, and Kentor IT Services has maintained consultant invoicing utilization rates of 79 %. Revenue growth will be driven by increased staffing and pricing opportunities.

The business has been highly profitable. EBITA after corporate allocations was MNOK 3,6 during February and March, reflecting an EBITA margin of 14,5 %. No post-acquisition restructuring costs were required in the IT Services and Solutions business, as the business was entirely complementary to TeleComputing. The business expects to benefit from future cross-sales and marketing opportunities with TeleComputing. Cross-selling opportunities to TeleComputing's customer base have already taken place and the prospect list is building.

The company's operating income (EBIT) of MNOK 3,1 reflects the non-cash amortization costs associated with intangible assets acquired in Kentor's consulting business, according to IFRS 3. These amortization costs were estimated at MNOK 0,4 during February - March.

Cash flow, liquidity and balance sheet

TeleComputing had a net working capital balance of MNOK 83,0 at the end of Q1 2007, which includes a cash balance of MNOK 98,3. Cash flow from operations was MNOK 13,0, reflecting overall profitability and the collection of receivables. Cash flow from investments was a net outflow of MNOK 247,2, due to the acquisitions of Kentor AB and Netthuset AS, as well as investments in expanding the data center in Norway. Cash flow from financing activities was MNOK 202,2, due to a bank loan used to finance the acquisition of Kentor AB.

Total interest bearing debt was MNOK 205,7. This includes the MNOK 200 bank loan facility for the acquisition of Kentor AB, as well as liabilities tied to leasing contracts. Additional long-term debt of MNOK 22,4 includes liabilities of MNOK 11,8 related to options contracts through which Kentor expects to buy out minority investors in its Kentor Business Solutions AB, Kentor Göteborg AB and Kentor East AB subsidiaries during 2008 – 2012.

TeleComputing's equity balance was MNOK 288, representing an equity ratio of 43 %.

Future outlook

The market outlook for TeleComputing remains very good. The general market growth is estimated at 6 – 8 %. The company expects organic growth above market growth during 2007.

Several initiatives are expected to drive revenue and profits above the market rate. In the Operations and Outsourcing business, TeleComputing sees high growth opportunities in its managed client service offering following sales to Securitas and LO, among other customers. In addition, following the acquisition of Kentor, TeleComputing sees strong opportunities to broaden its service offering to the outsourcing market, leverage Kentor's customer relationships, and upsell value-added services to its outsourcing customer base.

In the Services and Solutions business, there are significant growth opportunities within regional markets in Sweden, as well as a medium-term ambition to enter the Norwegian market with the Kentor brand and knowledge base. Finally, there is the opportunity to add cost effective service delivery capacity and recruit top IT systems talent with the expansion of the nearshoring base in St. Petersburg.

There is also a continued ambition to be a leader in the market consolidation through strategic acquisitions, such as those of Kentor AB and Netthuset AS in Q1. There is a strong belief in the synergy potential between the IT services and outsourcing businesses.

Overall, the company's long term growth and profit targets remain unchanged, and the "Best in Class" strategic target of MNOK 1,000 revenue in 2008 is still valid.



INCOME STATEMENT (MNOK)	Q1 2007	Q1 2006	Growth	2006
Revenue	167,5	111,8	49,8 %	456,7
Cost of goods sold	-46,1	-29,9	54,3 %	-120,6
Gross Margin	121,3	81,9	48,2 %	336,1
GM %	72,4 %	73,3 %		73,6 %
Personnel cost	-80,7	-52,4	53,8 %	-208,8
Other operating expenses	-18,6	-12,5	48,6 %	-53,2
Depreciation	-11,7	-11,6	1,1 %	-45,4
EBITA	10,4	5,3	94,0 %	28,8
EBITA %	6,2 %	4,8 %		6,3 %
Amortisation	-1,3	-0,5	142,7 %	-2,0
Operating profit (EBIT)	9,1	4,8	88,7 %	26,7
EBIT %	5,4 %	4,3 %		5,9 %
Net financial items	-1,3	-0,0	N/A	1,0
Profit/loss before tax	7,7	4,8	61,8 %	27,8
Tax	-0,6	-	N/A	-2,8
Net income, continuing operations	7,1	4,8	49,2 %	25,0
Net income, discontinued operations (appendix 2)	-0,3	0,2	-246,7 %	16,9
Net income	6,9	5,0	38,8 %	41,9
<u>Earnings per share (NOK)</u>				
Basic EPS	0,19	0,14		1,17
Basic EPS, continuing operations	0,20	0,14		0,76
Diluted EPS	0,19	0,14		1,15
Diluted EPS, continuing operations	0,19	0,14		0,75



BALANCE SHEET (MNOK)	31.03.2007	31.12.2006	03.03.2006
Deferred tax asset	48,4	45,6	52,0
Goodwill	256,3	56,8	62,7
Customer relationships	29,3	7,1	8,3
Trademarks	23,0		
Software licenses	15,9	17,9	17,3
Tangible fixed assets	72,2	65,7	71,5
Financial fixed assets	0,4	0,5	0,7
Total fixed assets	445,6	193,5	212,5
Inventory	1,9	1,0	1,1
Accounts receivable	85,4	49,4	41,0
Other short term receivables	27,0	16,8	15,1
Cash and cash equivalents	92,4	135,0	73,0
Total current assets	206,7	202,2	130,2
Assets discontinued operations *	11,1		
TOTAL ASSETS	663,3	395,7	342,7
Equity	288,0	285,2	230,7
Interest bearing debt	205,7	2,5	8,2
Deferred tax liability	20,4	0,3	0,5
Other long term debt	15,7	2,7	7,7
Long term debt	241,9	5,5	16,4
Accounts payable	43,4	39,1	22,9
Public duties payable	42,3	18,2	29,6
Other short term debt	37,9	47,7	43,1
Short term debt	123,6	105,0	95,6
Liabilities discontinued operations	9,9	-	-
TOTAL LIABILITIES AND EQUITY	663,3	395,7	342,7
Equity ratio	43 %	72 %	67 %

* Includes cash balance of MNOK 5,9



CASH FLOW (MNOK)	Q1 2007	Q1 2006	2006
Profit before tax	7,7	5,0	27,8
Profit from discontinued operations	-0,3		14,6
Gain on sale of discontinued operations			-13,4
Share-based compensation	0,1	0,1	2,7
Depreciation / amortization	13,6	12,7	47,5
Change in working capital	-8,4	-2,7	-14,5
Cash flow from operations	13,0	15,1	64,7
Investments in assets	-15,1	-14,9	-48,2
Investments in businesses	-232,1	-	-
Sale of assets	-	-	3,5
Sale of businesses	-	-	32,9
Cash flow from investments	-247,2	-14,9	-11,9
Issue / repayment of long term debt	200,0		-1,3
Fees to financial institutions	-1,0	-1,3	-2,2
Options exercise		1,9	12,6
Share issues / repurchase	3,2		-0,6
Cash flow from financing	202,2	0,6	8,5
Translation differences	-4,6	-0,1	1,5
NET CHANGE IN CASH	-36,7	0,7	62,8
Cash at beginning of period	135,0	72,2	72,2
Cash at end of period, total	98,3	72,9	135,0
Cash at end of period, continuing operations	92,4		

MOVEMENT IN EQUITY	31.03.2007	31.03.2006
Equity 31.12	285,2	224,5
Ordinary profit	6,9	5,0
Share issues	3,2	1,9
Share based salaries	0,1	0,1
Translation differences and other	-7,3	-0,8
Equity end of period	288,0	230,7



Appendix 1 Accounting standards

This quarterly report has been prepared in accordance with International Financial Reporting Standards, including IAS 34 – Interim Financial Reporting, and accounting policies applied for the 2006 annual financial report.

Appendix 2 Seasonality of operations

TeleComputing has seasonal variation in financial performance tied to the holiday periods. Although outsourcing revenues are generally stable throughout the year, consulting revenues are lower during the summer months, due to a reduction in invoiced hours. This has a particularly strong impact on the IT Services and Solutions segment, which generates nearly all of its revenues from consulting.

Operating expenses are lower in Sweden during the summer months, as employee vacation benefits earned during the previous year are used and reversed, in lieu of salary expenses. In Norway, the accounting policy has been to reverse accrued employee vacation benefits throughout the year, so there is not a similar seasonal effect.

Appendix 3 Discontinued operations

TeleComputing has initiated a process to sell its Stim Computing AS subsidiary in the near term, due to challenges in integrating Stim's software and applications business with TeleComputing's IT services operations. The Stim applications business is involved in the sales, development and implementation of the membership management systems FANE 2 and WinOrg.

Financial results for the Stim applications businesses are separated and presented on a separate line on the income statement, balance sheet and statement of cash flows in accordance with IFRS 5 – Discontinued Operations.

Financial results, discontinued operations

DISCONTINUED OPERATIONS			
FINANCIAL RESULTS (MNOK)	Q1 2007	Q1 2006	2006
Revenue	5,0	4,3	18,6
EBIT	-0,3	-0,3	2,4
Net cash flow	1,0	1,0	0,0



Appendix 4 Acquisition of Kentor AB

On February 8, 2007, TeleComputing acquired 100% of the share capital in Kentor AB for MSEK 290,0 in cash consideration. Kentor AB delivers IT consulting and IT-operations and outsourcing, and is a systems integrator that takes responsibility for all parts of a complete IT solutions delivery, from analysis to deployment.

In addition to the purchase price, TeleComputing incurred expenses of MSEK 7,1 directly attributable to the acquisition, so that the total acquisition cost was MSEK 297,1. The acquisition was financed through a bank loan (MNOK 200) and cash holdings.

An allocation of the acquisition cost to identifiable assets and liabilities follows:

(MSEK)	Recognized on acquisition
Cash and cash equivalents	53,5
Prepaid expenses	5,5
Accounts receivable	36,7
Other receivables	4,3
IT equipment	3,3
Other fixed assets	2,0
Trademarks	26,7
Customer relations	22,9
Deferred tax asset	3,8
Leasing debts	(1,3)
Deferred tax liability	(21,6)
Other long-term debts	(15,2)
Accounts payable	(7,7)
Public duties payable	(19,9)
Other short-term debts	(7,7)
Net identifiable assets and liabilities	85,1
Goodwill	211,9
Acquisition cost	297,1
Cash	290,0
Acquisition-related expenses	7,1
Acquisition cost	297,1
Cash payment	290,0
Cash received	(53,5)
Net Cash Outflow	236,5

The acquisition has contributed MNOK 35,4 to TeleComputing's revenues and MNOK 3,1 to the company's operating income (before restructuring expenses) during the period between the acquisition and the balance sheet date.

If the acquisition had taken place on 01.01.2007, TeleComputing's total revenues for the quarter would have been MNOK 184,5, and operating income would have been MNOK 9,4.



Appendix 5 Acquisition of Netthuset AS

On January 25, 2007, TeleComputing acquired 100% of the share capital in Netthuset AS for MNOK 17,9. Consideration was in cash and shares in TeleComputing ASA (142.298 shares at NOK 0,1334 par value, plus additional paid in capital of MNOK 3,510). Netthuset is based in Sandnes and is a local IT vendor which delivers services within operations and outsourcing, as well as products and infrastructure, to companies and organizations in the southwest of Norway.

In addition to the purchase price, TeleComputing incurred costs of MSEK 0,5 directly attributable to the acquisition, so that the total acquisition cost was MSEK 18,4.

An allocation of the acquisition cost to identifiable assets and liabilities follows:

(MNOK)	Recognized on acquisition
Cash and cash equivalents	4,1
Accounts receivable	3,6
Other receivables	0,1
Customer relations	3,6
Deferred tax asset	0,0
Deferred tax liability	(1,5)
Accounts payable	(2,1)
Public duties payable	(1,4)
Other short-term debts	(0,3)
Net identifiable assets and liabilities	6,1
Goodwill	12,3
Acquisition cost	18,4
Cash	14,4
Equity issue	3,5
Acquisition-related expenses	0,5
Acquisition cost	18,4
Cash payment	14,4
Cash received	(4,1)
Net Cash Outflow	10,3

The acquisition has contributed MNOK 4,2 to TeleComputing's revenues and MNOK 0,3 to the company's operating income during the period between the acquisition and the balance sheet date.

If the acquisition had taken place on 01.01.2007, TeleComputing's total revenues for the quarter would have been MNOK 170,1, and operating income would have been MNOK 9,0.