

## **EDB ASA - REPORT FOR THE SECOND QUARTER OF 1999**

### **Summary**

The merger between EDB ASA and Telenor Programvare AS was approved by the Annual General Meetings of both companies held on 6 May 1999, and the merger will be legally completed at the end of August 1999. Figures for the first six months of 1999 are presented on both a proforma comparable basis, as if the merger had taken place at 1 January 1998, and in accordance with the past equity method with the EDB ASA group consolidated into the figures with effect from 1 May 1999. The following commentary is based on the comparable proforma figures.

The new group's proforma opening balance sheet as at 1 January 1999 includes NOK 735 million of goodwill, of which NOK 320 million relates to previous acquisitions. The accounts presented include depreciation of goodwill arising from previous acquisitions in accordance with existing plans, i.e. over periods between 5 to 10 years. The new accounting legislation required the merger to be accounted for on the basis of actual values, and this created NOK 415 million of goodwill. This latter goodwill amount is not yet subject to depreciation since the Board intends to give further consideration to how this should be done before reaching a final decision in the third quarter. Figures for the 50% interest in Ephorma AS are now presented in accordance with the proportional consolidation method, and all comparable historic figures have been re-presented accordingly.

The new group's operating revenues for the first six months of 1999 amounted to NOK 1,690 million as compared to NOK 1,319 million for the same period last year, representing an increase of 28%. All the most important business activities in the group report strong growth in turnover.

Operating profit before goodwill depreciation amounted to NOK 81.0 million for the first six months of 1999 as compared to NOK 62.1 million for the same period last year, representing a 30% improvement. Consultancy Services and Systems reported a sound improvement in profits, whilst Infrastructure and Computer Operating Services saw a fall in profits. The group's operating profit before goodwill depreciation for the second quarter alone was NOK 54 million, which represents a 100% increase from the first quarter figure. Tax due is calculated to be NOK 14.6 million as at 30 June 1999, and profit due to minority interests amounts to NOK 0.6 million.

Profit after tax but before goodwill depreciation amounted to NOK 64.7 million for the first six months. This is equivalent to NOK 0.91 per share as compared to NOK 1.81 per share for 1998 as a whole. This calculation is based on 71,403,524 shares outstanding. The increase of 3,055,169 shares from the previous quarter is the result of an issue of shares in May to employees of EDB ASA, as well as an adjustment to the merger consideration on the basis of the new number of shares outstanding.

The group's financial condition is considered to be good, with liquid assets of NOK 437.3 million. The equity ratio, including goodwill, stands at 49.5% and the equivalent ratio excluding goodwill stands at 25.7%.

## **The group's business areas**

The group's business activities are arranged as two major business areas.

'Consultancy Services and Systems' comprises all of the activities of Telenor 4tel, Telenor InfoMedica and Telenor Dolphin, as well as the group's 50% interest in Ephorma and part of the activities carried out by EDB ASA, EDB MaXware, EDB Intech and Telenor Novit.

'Infrastructure and Computer Operating Services' comprises the entire Telenor Dataservice operation as well as elements of the activities carried out by EDB ASA, EDB MaXware, EDB Intech and Telenor Novit.

### **Consultancy Services and Systems**

This business area comprises services related to consultancy advice, project management, system development and the administration of computer systems, as well as the development and sale of software. The latter activity is concentrated on applications for banking and finance, the health care sector, telecommunications and public sector administration. The group's computer training business also forms part of this business area.

Operating revenues for this business area amounted to NOK 870 million for the first six months, representing an increase of NOK 156 million which is equivalent to growth of 24% over the same period in 1998. Growth has principally been seen in sales of services to the banking and finance and telecommunications markets, but sales of consultancy services in general have performed well.

Operating profit for the six months to 30 June 1999 totalled NOK 40.7 million, representing a NOK 38.8 million improvement from the same period last year. This was achieved despite significant cost over-runs on projects related to trade and industry which are currently in progress. The reported improvement in profits reflects the fact that the 1998 figures were burdened by costs related to significant development projects for the banking and health care sectors. These projects have since been completed. The good level of demand seen for general consultancy services has also contributed to the improvement in profits, and software sales have also produced better results.

### **Infrastructure and Computer Operating Services**

This business area comprises both the centralised and remote operation of computer systems, computer communications and services related to backup and printing. This business area is also involved in equipment sales and providing services related to its sales of PCs and networks.

Operating revenues for this business area amounted to NOK 858 million for the first six months of 1999, representing an increase of NOK 238 million over the same period in 1998 which is equivalent to growth of 38%. The main reason for the reported increase in turnover is a high level of hardware sales in the second quarter in connection with the supply of home PCs for employees of the Norwegian Defence

authorities. In addition to this there has been a general increase in turnover from computer operating services.

The business area's operating profit for the first six months amounted to NOK 46.4 million, which represents a drop of NOK 17.2 million from the same period last year. The high level of hardware sales in the second quarter did not fully compensate for the weakness in operating profit seen in the first quarter since the margins involved were slim. In addition the prices which can be charged for computer centre operations have fallen significantly relative to last year for some of the activities of this business area. The integration of the computer centre operations of Telenor Dataservice and EDB ASA will create significant synergy savings in a number of areas of costs, but no significant effects will be seen until the first quarter of year 2000. The integration process involved in bringing together the operations of the two computer centres is already underway.

### **Other matters**

The holding company reports as a separate business area, titled 'Administration'. The holding company has no operating revenues, and its operating expenses amounted to NOK 5.3 million for the first six months.

The new group employed approximately 2,077 staff in its wholly-owned companies at the end of the second quarter of 1999. This represents an increase of 14% on a comparable basis.

The group operates a share option agreement for some of its employees. As at 30 June 1999 options over a total of 2.1 million shares were outstanding, and can be exercised in May 2000. An amount of NOK 2.4 million was expensed in the first six months in respect of employer's taxation related to these options.

### **Future prospects**

The strong demand seen for consultancy services is expected to continue in the third quarter. It should however be noted that the group traditionally experiences lower turnover from consultancy hours billed in this quarter as a result of the summer holiday season. We do not see any signs of a slowdown in the strong sales performance for in-house developed software, and we are also experiencing increased demand in relation to outsourcing assignments.

The work required to bring together the group's two computer centres is already underway, and some elements of the physical relocation will start to take place in the third quarter. This process is expected to create significant synergy gains from the first quarter of year 2000 onwards.

Oslo, 11 August 1999

The Board of Directors of EDB – Elektronisk Databehandling ASA

## EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.06.99

*Presented on a comparable proforma basis*

PROFIT AND LOSS ACCOUNT	1999			1998	
	H 1	Q 2	Q 1	H 1	Full year
OPERATING REVENUES	1,690.2	914.7	775.5	1,318.7	2,772.3
Cost of goods sold	428.2	185.9	242.3	405.5	923.9
Other operating costs	1,095.6	628.5	467.1	786.6	1,519.9
Ordinary depreciation	85.4	46.3	39.1	64.5	139.8
TOTAL OPERATING COSTS	1,609.2	860.7	748.5	1,256.6	2,583.5
<b>OPERATING PROFIT BEFORE GOODWILL DEPRECIATION</b>	<b>81.0</b>	<b>54.0</b>	<b>27.0</b>	<b>62.1</b>	<b>188.8</b>
Goodwill depreciation	24.8	13.2	11.6	33.3	65.5
<b>OPERATING PROFIT AFTER GOODWILL DEPRECIATION</b>	<b>56.2</b>	<b>40.8</b>	<b>15.4</b>	<b>28.8</b>	<b>123.3</b>
Net financial items	-1.1	1.1	-2.1	-0.2	-4.2
<b>PROFIT BEFORE TAX AND MINORITY INTERESTS</b>	<b>55.2</b>	<b>41.8</b>	<b>13.3</b>	<b>28.6</b>	<b>119.1</b>
Tax	-14.6	-10.9	-3.7	-11.0	-54.7
Minority interests	-0.6	-0.1	-0.5	-0.3	-0.7
<b>PROFIT AFTER TAX</b>	<b>39.9</b>	<b>30.8</b>	<b>9.1</b>	<b>17.3</b>	<b>63.7</b>

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.06.99***Presented on a comparable proforma basis*

	1 9 9 9		
BALANCE SHEET	30.06.99	31.03.99	31.12.98
Deferred tax allowances	18.4	26.8	29.3
Goodwill	709.4	711.0	735.1
Fixed assets	427.8	388.3	327.5
<b>TOTAL FIXED ASSETS</b>	<b>1,155.6</b>	<b>1,126.1</b>	<b>1,091.9</b>
Inventories	10.5	11.0	24.5
Other short term receivables	610.8	626.6	577.1
Liquid assets	437.3	340.3	438.5
<b>TOTAL CURRENT ASSETS</b>	<b>1 058.6</b>	<b>977.9</b>	<b>1,040.1</b>
<b>TOTAL ASSETS</b>	<b>2,214.3</b>	<b>2,104.0</b>	<b>2,132.0</b>
Share capital	125.0	125.0	125.0
Other equity capital	931.0	912.8	913.6
Current year profit	39.9	9.1	
<b>TOTAL EQUITY</b>	<b>1,095.9</b>	<b>1,046.9</b>	<b>1,038.6</b>
Minority interests	0.6	1.5	0.9
Non-interest bearing liabilities	69.3	75.2	63.7
Interest bearing liabilities	302.9	300.1	430.9
<b>TOTAL LONG TERM LIABILITIES</b>	<b>372.2</b>	<b>375.4</b>	<b>494.6</b>
Non-interest bearing liabilities	693.5	646.0	591.1
Interest bearing liabilities	52.1	34.2	6.8
<b>TOTAL CURRENT LIABILITIES</b>	<b>745.6</b>	<b>680.2</b>	<b>597.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,214.3</b>	<b>2,104.0</b>	<b>2,132.0</b>

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.06.99***Presented on a comparable proforma basis*

<b>KEY FIGURES</b>	<b>1 9 9 9</b>		
	<b>30.06.99</b>	<b>31.03.99</b>	<b>31.12.98</b>
Earnings per share (before tax and goodwill depreciation)	0.91	0.29	1.81
Operating profit per share (before ordinary depreciation and goodwill depreciation)	2.33	0.93	4.60
Cash flow per share	2.99	1.10	5.47
Equity ratio inc. goodwill	49.5 %	49.8 %	48.7 %
Equity ratio exc. goodwill	25.7 %	24.1 %	21.7 %
Book equity per share inc. goodwill	15.3	14.7	14.5
Book equity per share exc. goodwill	5.4	4.7	4.3
Current ratio	1.4	1.4	1.7
Operating margin before goodwill depreciation.	4.8 %	3.5 %	6.8 %
No. of shares	71,403,524	71,403,524	71,403,524

## EDB-GROUP

BY BUSINESS AREA (NOK mill.)

Operating revenues:	1999			1998			
	H 1	Q 2	Q 1	H 1	Q 2	Q 1	Full year
Consultancy services and systems	870.3	451.2	419.1	701.7	359.2	342.6	1 494.7
Infrastructure and computer operating services	857.5	489.2	368.3	620.4	306.5	313.9	1 313.8
Netting	-37.6	-25.7	-12.0	-3.5	-1.7	-1.8	-36.2
<b>EDB-Group</b>	<b>1,690.2</b>	<b>914.7</b>	<b>775.5</b>	<b>1,318.7</b>	<b>663.9</b>	<b>654.7</b>	<b>2,772.3</b>

Operating profit before Goodwill depreciation:	1999			1998			
	H 1	Q2	Q1	H 1	Q2	Q1	Full year
Consultancy services and systems	40.7	27.7	13.0	1.9	7.0	-5.1	38.3
Infrastructure and computer operating services	46.4	29.5	16.9	63.6	35.6	28.1	158.8
Administration	-5.3	-3.1	-2.2	-3.4	-1.7	-1.7	-8.7
Netting	-0.9	-0.1	-0.7	-	-0.1	0.1	0.3
<b>EDB-GROUP</b>	<b>81.0</b>	<b>53.9</b>	<b>27.0</b>	<b>62.1</b>	<b>40.7</b>	<b>21.4</b>	<b>188.8</b>

Operating margin	1999			1998			
	H 1	Q 2	Q 1	H 1	Q 2	Q 1	Full year
Consultancy services and systems	4.7 %	6.1 %	3.1 %	0.3 %	1.9 %	-1.5 %	2.6 %
Infrastructure and computer operating services	5.4 %	6.0 %	4.6 %	10.3 %	11.6 %	8.9 %	12.1 %
<b>EDB-GROUP</b>	<b>4.8 %</b>	<b>5.9 %</b>	<b>3.5 %</b>	<b>4.7 %</b>	<b>6.1 %</b>	<b>3.3 %</b>	<b>6.8 %</b>

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.06.99***Presented on the past equity basis*

<b>PROFIT AND LOSS ACCOUNT</b>	<b>1 9 9 9</b>			<b>1 9 9 8</b>
	<b>H 1</b>	<b>Q 2</b>	<b>Q 1</b>	<b>Full year</b>
OPERATING REVENUES	1,450.5	852.8	597.7	2,068.5
Cost of goods sold	353.8	167.0	186.8	700.9
Other operating costs	935.6	584.9	350.6	1,076.2
Ordinary depreciation	79.8	44.5	35.3	125.8
<b>TOTAL OPERATING COSTS</b>	<b>1,369.1</b>	<b>796.4</b>	<b>572.7</b>	<b>1,902.9</b>
<b>OPERATING PROFIT BEFORE GOODWILL DEPRECIATION</b>	<b>81.4</b>	<b>56.4</b>	<b>25.0</b>	<b>165.6</b>
Goodwill depreciation	24.8	13.2	11.6	65.5
<b>OPERATING PROFIT AFTER GOODWILL DEPRECIATION</b>	<b>56.6</b>	<b>43.2</b>	<b>13.4</b>	<b>100.1</b>
Net financial items	-1.2	1.1	-2.3	-3.1
<b>PROFIT BEFORE TAX AND MINORITY INTERESTS</b>	<b>55.4</b>	<b>44.3</b>	<b>11.1</b>	<b>97.0</b>
Tax	-14.6	-10.9	-3.8	-29.1
Minority interests	-0.1	-0.1	0.0	0.0
<b>PROFIT AFTER TAX</b>	<b>40.6</b>	<b>33.3</b>	<b>7.3</b>	<b>67.9</b>

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.06.99***Presented on the past equity basis*

	<b>1 9 9 9</b>		
<b>BALANCE SHEET</b>	<b>30.06.99</b>	<b>31.03.99</b>	<b>31.12.98</b>
Deferred tax allowances	18.4	21.4	25.2
Goodwill	709.4	285.6	309.0
Fixed assets	427.8	309.6	275.5
<b>TOTAL FIXED ASSETS</b>	<b>1,155.6</b>	<b>616.6</b>	<b>609.7</b>
Inventories	10.5	2.2	15.6
Other short term receivables	610.8	462.0	523.6
Liquid assets	437.3	307.1	344.8
<b>TOTAL CURRENT ASSETS</b>	<b>1 058.6</b>	<b>771.3</b>	<b>884.0</b>
<b>TOTAL ASSETS</b>	<b>2,214.3</b>	<b>1,387.9</b>	<b>1,493.7</b>
Share capital	125.0	75.0	75.0
Other equity capital	930.3	430.8	306.7
Current year profit	40.6	7.3	
<b>TOTAL EQUITY</b>	<b>1,095.9</b>	<b>513.1</b>	<b>381.7</b>
Minority interests	0.6	0.0	0.0
Non-interest bearing liabilities	69.3	68.1	63.3
Interest bearing liabilities	302.9	299.4	611.8
<b>TOTAL LONG TERM LIABILITIES</b>	<b>372.2</b>	<b>367.5</b>	<b>675.1</b>
Non-interest bearing liabilities	693.5	473.1	433.3
Interest bearing liabilities	52.1	34.2	3.6
<b>TOTAL CURRENT LIABILITIES</b>	<b>745.6</b>	<b>507.3</b>	<b>436.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,214.3</b>	<b>1,387.9</b>	<b>1,493.7</b>