

## **EDB BUSINESS PARTNER ASA REPORT FOR THE THIRD QUARTER OF 1999**

### **Summary**

This report presents consolidated figures for the merger of EDB ASA and Telenor Programvare AS. The merger was approved by the Annual General Meetings of both companies held on 6 May 1999, and was legally completed on 28 August 1999. The parent company of the merged group has accordingly changed its name to EDB Business Partner ASA. Figures for the first nine 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 group's operating revenues for the first nine months of 1999 amounted to NOK 2,444 million, representing an increase of 24% from the comparable period of last year. Growth was particularly strong in Computer Operating Services and Infrastructure, but Consultancy Services also reported good growth.

Operating profit before goodwill depreciation amounted to NOK 138.1 million, representing an 11% improvement from the same period last year. Computer Operating Services and Infrastructure saw somewhat weaker profits as a whole than for the same period last year, but showed improvement in the most recent quarter. Consultancy Services and Systems reported a significant improvement in profitability.

The group's operating margin for the third quarter in isolation was 7.6%, and the quarter produced a profit before goodwill depreciation of NOK 57.2 million. This represents an improvement from the second and first quarters of this year, but is a little weaker than the third quarter of last year.

Financial items represented a net expense of NOK 3.3 million for the first nine months of the year, of which the share in results of associated companies accounted for a net charge of NOK 0.5 million. Calculated tax was NOK 33.6 million, producing a figure for profit after tax of NOK 44.8 million which is equivalent to an improvement of 69% from the same period last year.

Profit after-tax but before goodwill depreciation amounted to NOK 100.5 million, and represents NOK 1.45 per share as compared to NOK 1.86 per share for the full-year 1998.

The group's balance sheet as at 1 January 1999 includes NOK 735 million of goodwill, of which NOK 321 million relates to previous acquisitions, whilst the merger of EDB ASA and Telenor Programvare created a further NOK 414 million of goodwill. Goodwill arising from previous acquisitions is depreciated in accordance with existing arrangements over periods of 5 – 10 years. Goodwill of NOK 414 million arising from the merger will be depreciated over a 20 year period. Depreciation is included in the proforma figures with effect from 1 January 1999 for the profit and loss account, but only impacts the book value of goodwill from the acquisition date of 1 May 1999.

The group's cash flow from operational activities amounted to NOK 164 million. This is equivalent to NOK 2.36 per share as compared to NOK 5.28 per share for full year 1998. Internally financed investments so far this year amount to NOK 206 million, of which

NOK 150 million is related to the centralised computer operations function. The major part of this investment represents increases in capacity necessary to accommodate the high level of this year to be significantly greater than in 1998. The main part of other investment relates to computer equipment for the company's own use.

The group's financial condition is considered to be good, with liquid assets of NOK 366 million. The equity ratio, including goodwill, stands at 48.2% and the equivalent ratio excluding goodwill stands at 26.3%.

### **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 EDB 4tel, EDB InfoMedica and EDB Dolphin, as well as the group's 50% interest in Ephorma and part of the activities carried out by EDB Fundator (previously EDB ASA), EDB MaXware, EDB Intech and EDB Novit.

'Infrastructure and Computer Operating Services' comprises the EDB Teamco company (previously Telenor Dataservice) in its entirety, as well as part of the activities carried out by EDB Fundator, EDB MaXware, EDB Intech and EDB Novit.

### **Consultancy Services and Systems**

This business area comprises services related to project management, consultancy advice, 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 1,265 million for the first nine months, representing an increase of 18% over the same period in 1998. Growth was strongest in sales of services and systems to the banking and finance and telecommunications markets.

Operating profit for first three quarters of 1999 totalled NOK 55.1 million, representing a NOK 36.9 million improvement from the same period last year. The year on year increase in profit for the first nine months reflects the fact that 1998's accounts were burdened by costs related to significant development projects for both the banking and health markets which have since been concluded. In addition software sales have performed well this year. The third quarter in isolation produced a profit of NOK 14.4 million, which was lower than the preceding quarter. This reflects the normal pattern for a lower level of invoicing in the third quarter as a result of the holiday season restricting the working time available. The third quarter also saw the start of work on a major telecommunications application project to convert a comprehensive existing system to a new technology platform. This project burdened the third quarter results by NOK 7 million, and the conversion project is expected to reduce fourth quarter results by a further NOK 17 million.

### **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 1,248 million for the first nine months of 1999, representing an increase of 31% over the same period last year. Around 10 percentage points of the increase reflects the impact of an extraordinarily high level of PC sales in connection with deliveries of home PCs in the second quarter. In addition revenues from operating services have shown a general increase.

The business area's operating profit before goodwill depreciation for the first nine months amounted to NOK 93.5 million, which is in line with the results produced in the same quarter last year despite downward pressure on prices for some areas of our computer operating services. This positive performance reflects a combination of higher production volumes for existing customers and savings achieved in a number of cost categories. Bringing together the computer centres of EDB Teamco and EDB Fundator will create synergy benefits in many areas of cost. The full effect of this will first be seen in the second quarter of year 2000, but savings have already been produced in some areas. The integration process involved in bringing together the operations of the two computer centres is already underway.

### **Other matters**

The holding company EDB Business Partner ASA reports as a separate business area titled 'Administration'. The holding company had no operating revenues, and its operating expenses for the first nine months amounted to NOK 8.2 million.

The new group employed approximately 2,116 staff in its wholly-owned companies at the end of the third quarter of 1999. This represents an increase of 38 employees over the most recent quarter, and total staff numbers are 11% higher than at 30 September 1998.

The group operates a share option agreement for some of its employees. As at 30 September 1999 options over a total of 2.1 million shares were outstanding, and can be exercised in May 2000. An amount of NOK 3.3 million has been expensed in the first nine months in respect of employer's taxation related to these options

### **Future prospects**

The start of the fourth quarter has been accompanied by indications in the market of a somewhat lower level of activity in respect of the implementation of new systems. This reflects a situation in which many organisations and companies have introduced a standstill period for the development of their IT functions as the year 2000 transition approaches. This effect is expected to continue into the first quarter of next year. On the basis of this development, together with the start of the conversion project mentioned above, it is expected that profit margins for consultancy services and systems will be somewhat lower in the last quarter of the year. It is however also expected that a continuing high level of production volumes for computer operating services will compensate for this. In addition continuing work on system development and maintenance assignments for our customers is not expected to be affected to the same extent by the year 2000 effect described above.

The work of bringing together the group's two computer centres is well under way. This process is expected to create significant synergy effects starting from the end of the first quarter of 2000.

The outcome of the offer already announced for the shares of the American company Telesciences will be known in mid-November. If the offer is accepted, the acquisition will have accounting effect from this time.

Oslo, 27 October 1999

The Board of Directors of EDB Business Partner ASA

EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.09.99

*Presented on a comparable proforma basis*

PROFIT AND LOSS ACCOUNT	YTD 30.09	1999			YTD 30.09	1998		
		Q 3	Q 2	Q 1		Q 3	YTD 30.06	1998
<b>OPERATING REVENUES</b>	<b>2,444.3</b>	<b>754.2</b>	<b>914.7</b>	<b>775.5</b>	<b>1,978.0</b>	<b>659.3</b>	<b>1,318.7</b>	<b>2,772.3</b>
Cost of goods sold	857.4	286.5	328.7	242.3	687.5	130.5	557.0	923.9
Other operating costs	1,325.7	372.9	485.7	467.1	1,069.9	434.8	635.1	1,519.9
<b>OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)</b>	<b>261.2</b>	<b>94.8</b>	<b>100.3</b>	<b>66.1</b>	<b>220.6</b>	<b>94.0</b>	<b>126.6</b>	<b>328.6</b>
Ordinary depreciation	123.1	37.7	46.3	39.1	96.5	32.0	64.5	139.8
<b>OPERATING PROFIT BEFORE GOODWILL DEPRECIATION</b>	<b>138.1</b>	<b>57.1</b>	<b>54.0</b>	<b>27.0</b>	<b>124.1</b>	<b>62.0</b>	<b>62.1</b>	<b>188.8</b>
Goodwill depreciation	55.7	20.5	18.4	16.8	62.8	19.2	43.7	86.2
<b>OPERATING PROFIT AFTER GOODWILL DEPRECIATION</b>	<b>82.5</b>	<b>36.6</b>	<b>35.6</b>	<b>10.3</b>	<b>61.3</b>	<b>42.9</b>	<b>18.5</b>	<b>102.6</b>
Net financial items	-3.3	-2.2	1.1	-2.1	-0.9	-0.7	-0.2	-4.2
<b>PROFIT BEFORE TAX AND MINORITY INTERESTS</b>	<b>79.2</b>	<b>34.4</b>	<b>36.7</b>	<b>8.1</b>	<b>60.4</b>	<b>42.2</b>	<b>18.3</b>	<b>98.4</b>
Tax	-33.5	-18.9	-10.9	-3.7	-33.0	-22.0	-11.0	-54.7
Minority interests	-0.9	-0.2	-0.1	-0.5	-0.9	-0.6	-0.3	-0.7
<b>PROFIT AFTER TAX</b>	<b>44.8</b>	<b>15.2</b>	<b>25.6</b>	<b>3.9</b>	<b>26.5</b>	<b>19.6</b>	<b>7.0</b>	<b>43.0</b>

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.09.99***Presented on a comparable proforma basis*

<b>BALANCE SHEET</b>	<b>30.09.99</b>	<b>30.09.98</b>	<b>31.12.98</b>
Deferred tax allowances	30.8	29.3	29.3
Goodwill	687.3	752.2	735.1
Fixed assets	466.5	463.7	327.5
<b>TOTAL FIXED ASSETS</b>	<b>1,184.7</b>	<b>1,245.2</b>	<b>1,091.9</b>
Inventories	13.9	9.9	24.5
Other short term receivables	749.4	758.9	577.1
Liquid assets	365.5	183.9	438.5
<b>TOTAL CURRENT ASSETS</b>	<b>1,128.8</b>	<b>952.7</b>	<b>1,040.1</b>
<b>TOTAL ASSETS</b>	<b>2,313.5</b>	<b>2,197.9</b>	<b>2,132.0</b>
Share capital	121.4	121.4	121.5
Other equity capital	949.1	919.1	917.1
Current year profit	44.8	26.5	
<b>TOTAL EQUITY</b>	<b>1,115.3</b>	<b>1,067.0</b>	<b>1,038.6</b>
Minority interests	1.9	1.0	0.9
Non-interest bearing liabilities	82.4	145.9	63.7
Interest bearing liabilities	312.1	344.7	430.9
<b>TOTAL LONG TERM LIABILITIES</b>	<b>394.5</b>	<b>490.6</b>	<b>494.6</b>
Non-interest bearing liabilities	798.6	638.1	591.1
Interest bearing liabilities	3.1	0.9	6.8
<b>TOTAL CURRENT LIABILITIES</b>	<b>801.7</b>	<b>639.0</b>	<b>597.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,313.5</b>	<b>2,197.6</b>	<b>2,132.0</b>

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.09.99***Presented on a comparable proforma basis*

<b>CASH FLOW ANALYSIS</b>	<b>30.09.99</b>	<b>30.09.98</b>	<b>31.12.98</b>
Net cash from/for operational activities	163.8	83.1	366.5
Net cash from/for investments	-205.5	-102.5	-131.0
Net cash from/for financing	-31.3	-10.0	-10.0
Net change in liquid assets	-73.0	-29.4	225.5
Liquid assets 01.01.	438.5	213.3	213.0
Liquid assets at end of period	365.5	183.9	438.5

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.09.99***Presented on a comparable proforma basis*

<b>KEY FIGURES</b>	<b>30.09.99</b>	<b>30.09.98</b>	<b>31.12.98</b>
Earnings per share (post-tax, before goodwill depreciation)	1.45	1.29	1.86
EBITDA per share	3.76	3.18	4.74
Cash flow per share	2.36	1.20	5.28
Equity ratio inc. goodwill	48.2 %	48.5 %	48.7 %
Equity ratio exc. goodwill	26.3 %	21.8 %	21.7 %
Book equity per share inc. goodwill	16.1	15.4	15.0
Book equity per share exc. goodwill	6.2	4.5	4.4
Current ratio	1.4	1.5	1.7
Operating margin before goodwill depreciation	5.7 %	6.3 %	6.8 %
No. of shares	69,387,113	69,387,113	69,387,113

**EDB-GROUP**

BY BUSINESS AREA (NOK mill.)

*Presented on a comparable proforma basis*

	1999				1998				
<b>OPERATING REVENUES:</b>	<b>YTD 30.09</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>YTD 30.09</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>1998</b>
CONSULTANCY SERVICES AND SYSTEMS	1,264.5	394.1	451.2	419.1	1,069.7	368.0	359.2	342.6	1 494.7
INFRASTRUCTURE AND COMPUTER OPERATING SERVICES	1,248.3	390.8	489.2	368.3	949.4	329.0	306.5	313.9	1 313.8
NETTING	-68.5	-30.8	-25.7	-12.0	-41.1	-37.6	-1.7	-1.8	-36.2
<b>EDB-GROUP</b>	<b>2,444.3</b>	<b>754.1</b>	<b>914.7</b>	<b>775.5</b>	<b>1,978.0</b>	<b>659.3</b>	<b>663.9</b>	<b>654.7</b>	<b>2,772.3</b>
<b>OPERATING PROFIT BEFORE GOODWILL DEPRECIATION:</b>									
	1999				1998				
<b>GOODWILL DEPRECIATION:</b>	<b>YTD 30.09</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>YTD 30.09</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>1998</b>
CONSULTANCY SERVICES AND SYSTEMS	55.1	14.4	27.7	13.0	18.2	16.3	7.0	-5.1	38.3
INFRASTRUCTURE AND COMPUTER OPERATING SERVICES	93.5	47.0	29.5	16.9	111.2	47.5	35.6	28.1	158.8
ADMINISTRATION	-8.2	-2.9	-3.1	-2.2	-5.7	-2.3	-1.7	-1.7	-8.7
NETTING	-2.1	-1.3	-0.1	-0.7	0.5	0.5	-0.1	0.1	0.3
<b>EDB-GROUP</b>	<b>138.2</b>	<b>57.2</b>	<b>53.9</b>	<b>27.0</b>	<b>124.1</b>	<b>62.0</b>	<b>40.7</b>	<b>21.4</b>	<b>188.8</b>
<b>OPERATING MARGIN BEFORE GOODWILL DEPRECIATION:</b>									
	1999				1998				
<b>GOODWILL DEPRECIATION:</b>	<b>YTD 30.09</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>YTD 30.09</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>1998</b>
CONSULTANCY SERVICES AND SYSTEMS	4.4 %	3.7 %	6.1 %	3.1 %	1.7 %	4.4 %	1.9 %	-1.5 %	2.6 %
INFRASTRUCTURE AND COMPUTER OPERATING SERVICES	7.5 %	12.0 %	6.0 %	4.6 %	11.7 %	14.4 %	11.6 %	8.9 %	12.1 %
<b>EDB-GROUP</b>	<b>5.7 %</b>	<b>7.6 %</b>	<b>5.9 %</b>	<b>3.5 %</b>	<b>6.3 %</b>	<b>9.4 %</b>	<b>6.1 %</b>	<b>3.3 %</b>	<b>6.8 %</b>

**EDB ASA - CONSOLIDATED ACCOUNTS AS AT 30.09.99***Presented on the past equity basis*

<b>PROFIT AND LOSS ACCOUNT</b>	<b>To 30.09.99</b>	<b>To 30.09.98</b>	<b>1998</b>
<b>OPERATING REVENUES</b>	<b>2,214.3</b>	<b>1,978.0</b>	<b>2,068.5</b>
Cost of goods sold	783.1	687.5	700.9
Other operating costs	1,175.2	1,069.9	1,076.2
<b>OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)</b>	<b>256.0</b>	<b>220.6</b>	<b>291.4</b>
Ordinary depreciation	110.5	96.5	125.8
<b>OPERATING PROFIT BEFORE GOODWILL DEPRECIATION</b>	<b>145.4</b>	<b>124.1</b>	<b>165.6</b>
Goodwill depreciation	55.7	62.8	65.5
<b>OPERATING PROFIT AFTER GOODWILL DEPRECIATION</b>	<b>89.7</b>	<b>61.3</b>	<b>100.1</b>
Net financial items	-3.5	-0.9	-3.1
<b>PROFIT BEFORE TAX AND MINORITY INTERESTS</b>	<b>86.3</b>	<b>60.4</b>	<b>97.0</b>
Tax	-33.5	-18.0	-29.1
Minority interests	-0.4	0.0	0.0
<b>PROFIT AFTER TAX</b>	<b>52.4</b>	<b>42.4</b>	<b>67.9</b>
<b>BALANCE SHEET</b>	<b>30.09.99</b>	<b>30.09.98</b>	<b>31.12.98</b>
Deferred tax allowances	30.8	25.2	25.2
Goodwill	687.3	332.2	309.0
Fixed assets	466.5	386.2	275.5
<b>TOTAL FIXED ASSETS</b>	<b>1,184.7</b>	<b>743.6</b>	<b>609.7</b>
Inventories	13.9	2.8	15.6
Other short term receivables	749.4	613.3	523.6
Liquid assets	365.5	143.0	344.8
<b>TOTAL CURRENT ASSETS</b>	<b>1 128.8</b>	<b>759.1</b>	<b>884.0</b>
<b>TOTAL ASSETS</b>	<b>2,313.5</b>	<b>1,502.7</b>	<b>1,493.7</b>
Share capital	121.4	75.0	75.0
Other equity capital	942.2	169.2	306.7
Current year profit	52.4	42.4	
<b>TOTAL EQUITY</b>	<b>1,116.0</b>	<b>286.6</b>	<b>381.7</b>
Minority interests	1.9	0.0	0.0
Non-interest bearing liabilities	82.4	146.1	63.3
Interest bearing liabilities	312.1	560.8	611.8
<b>TOTAL LONG TERM LIABILITIES</b>	<b>394.5</b>	<b>706.9</b>	<b>675.1</b>
Non-interest bearing liabilities	797.9	508.8	433.3
Interest bearing liabilities	3.1	0.0	3.6
<b>TOTAL CURRENT LIABILITIES</b>	<b>801.0</b>	<b>508.8</b>	<b>436.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,313.5</b>	<b>1,502.3</b>	<b>1,493.7</b>