

Stock Exchange Release no. 13/2004



## Interim Report

Q1-2 2004

**PROFILE:**

*Columbus IT Partner operates as an IT consultancy in the market for integrated business solutions based on Microsoft Business Solutions primarily for small and medium-sized international companies. Columbus IT Partner is a service organization with more than 800 staff operating in 26 countries. Our customer base consists of more than 6,000 small and medium-sized enterprises and units of large companies.*

[www.columbusit.com](http://www.columbusit.com)



## Considerable improvement in operating results

- Columbus IT Partner's revenues in Q1-2/2004 totaled DKK 293m (DKK 265m in 2003).
- Earnings (EBITDA) in the period were up on Q1-2 2003 by DKK 10.3m at DKK 7.5m (DKK -2.8m in 2003).
- Pre-tax results were DKK -8.1m compared to DKK -24.1m in 2003.
- At the end of Q2, Columbus IT Partner had a headcount of 817, 48 fewer than 31<sup>st</sup> December 2003.
- On 30<sup>th</sup> June 2004, Columbus IT Partner held a directed rights issue in which a total of 1,070,401 shares in Columbus IT Partner were issued, corresponding to a 2.9% increase in share capital, which increased equity by about DKK 7.5m.
- In Q2/2004, Columbus IT Partner won a series of orders for horizontal solutions, including a CRM solution for Danish weekly Søndagsavisen and a hosting contract for SIKA.
- The Company is maintaining its forecasts for 2004 for revenues of DKK 625m and EBITDA of DKK 30m. Pre-tax results are expected to show a slight deficit, however.

Niels Heering  
Chairman of the Board  
Columbus IT Partner A/S

Carsten Dilling  
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Columbus IT Partner A/S

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## Key figures and ratios

DKKm	Q2/2003	Q2/2004	Q1-2/2003	Q1-2/2004	2003
<b>Income statement</b>					
Net revenues	131.6	159.0	265.0	293.3	543.2
Own work stated under assets	0.6	0.6	0.8	1.6	2.1
External project costs	-34.5	-44.9	-65.9	-71.3	-143.4
Gross earnings I	97.7	114.7	199.9	223.6	401.9
Staff expenses	-74.4	-81.9	-147.9	-159.5	-292.5
Gross earnings II	23.3	32.8	52.0	64.1	109.4
Other external costs	-25.3	-30.5	-51.6	-56.0	-112.2
Other operating income	0.0	0.0	0.0	0.0	17.0
Other operating costs	-3.2	0.0	-3.2	-0.6	-3.2
<b>EBITDA</b>	-5.2	2.3	-2.8	7.5	11.0
Depreciation excl. goodwill	-4.2	-3.4	-8.7	-7.1	-20.0
EBITA	-9.4	-1.1	-11.5	0.4	-9.0
Depreciation and amortization of goodwill	-2.8	-2.6	-5.7	-5.1	-11.5
EBIT	-12.2	-3.7	-17.2	-4.7	-20.5
Net financials	-3.7	-1.7	-6.9	-3.4	-10.3
<b>Earnings before tax</b>	-15.9	-5.4	-24.1	-8.1	-30.8
Tax on earnings in the period	-0.8	-2.9	-2.4	-4.7	-6.8
Minority interests	-0.5	-2.1	-1.4	-2.9	-2.7
<b>Earnings Q1-2</b>	-17.2	-10.4	-27.9	-15.7	-40.3
<b>Dividends</b>	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet</b>					
Tangible assets			114.3	119.2	124.7
Current assets			212.2	228.1	213.4
<b>Total assets</b>			326.5	347.3	338.1
Shareholders' equity			-42.8	22.9	31.9
Minority interests			15.3	15.3	21.5
Debt and other provisions			354.0	309.1	284.7
<b>Total liabilities</b>			326.5	347.3	338.1
<b>Cash flow</b>					
Cash flow from operations			4.2	-12.0	-23.9
Cash flow for investment, net including investment in tangible fixed assets of			-4.1	-4.0	-13.3
Cash flow from financing activities			-3.0	-4.5	-5.0
<b>Total cash flow</b>			7.9	23.0	31.2
			8.0	7.0	-6.0
<b>Key ratios</b>					
Gross margin II			19.6%	21.9%	20.1%
Operating profit margin			-6.5%	-1.6%	-3.8%
Return on investment III			-3.4%	0.1%	-2.8%
Return on equity			-95.9%	-57.3%	-486.7%
Equity ratio			-13.1%	6.6%	9.4%
Earnings per share (EPS)			-2.7	-0.4	-1.9
Dividend per share			0.0	0.0	0.0
Net asset value per share (BV)			-5.3	0.6	0.9
Employees, end Q2			773	817	865
Cash flow per share			0.4	-0.3	-1.1

The key figures and financial ratios above have been calculated in accordance with the Danish Society of Financial Analysts "Recommendations and Key Figures 1997". Earnings per share (EPS) and Cash flow per share derive from the rights issue at DKK 3 per share in June 2003 calculated by applying a factor of 0.80, which has been also applied to the comparative figures.

Cash flow from operations 2003 was amended with the transition to uniform classification of factoring arrangements.

### Developments in Q1-2/2004

Columbus IT Partner's revenues for Q1-2/2004 were up 11% at DKK 293m compared to DKK 265m in the same period last year. The Q1-2/2003 revenue figures included DKK 25m from Icelandic disposal AX Business Intelligence. Q1-2/2004 includes revenues from activities in Danish acquisition Hands ASA, now fully integrated in Columbus IT Partner.

Columbus IT Partner won a series of orders in Q2 2004 for the Group's horizontal solutions, including Business Intelligence, and in June 2004 Columbus IT Partner thus won three projects on delivery of Business Intelligence solutions. In the field of Customer Relationship Management, Danish weekly Søndagsavisen is to have a system for 150 users. The Group is also focusing on operating and monitoring contracts which is a new business area for Columbus IT Partner with the Group most recently having won a major hosting contract with the SIKA Group.

### Revenues Q1-2 2003 and 2004

Revenues Q1-2	2003	2004	Revenues Q1-2	2003	2004
Hardware	2%	1%	Axapta	73%	74%
Software	34%	31%	Navision	5%	8%
Services	64%	68%	XAL	17%	12%
			Other	5%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>	<b>100%</b>

Operating results (EBITDA) improved to DKK 7.5m in the first half, up DKK 10.3m from DKK -2.8m for the first half of 2003. The Q1-2/2003 figures included EBITDA of DKK 3.7m from Icelandic disposal AX Business Intelligence. Adjusted for this, EBITDA actually improved by DKK 14m. The improvement in EBITDA was mainly due to the continuing drive to improve the efficiency of the Group. The profit margin for Q1-2/2004 improved at -1.6% compared to -6.5% in Q1-2 2003.

Other operating costs totaled DKK 0.6m and derived from losses on disposing of holdings in one of the American companies. This disposal was part of the process of consolidating American business activities undertaken in Q1/2004, which saw the parent company increasing its holding in the company.

Amortization of goodwill in Q1-2 2004 totaled DKK 5.1m, corresponding to a fall of DKK 0.6m compared to the same period last year.

Net financials for the Group showed net expenses of DKK 3,4m, down DKK 3.5m on the same period last year as a result of lower bank debt.

Tax on earnings in the period was DKK 4.7m and derives from profits reported by subsidiaries.

## Regional developments

(Q1-2)	Revenues (DKKm)		EBITDA (DKKm)		Staff (at 30th June)	
	2003	2004	2003	2004	2003	2004
Nordic *	102	140	-10	4	187	268
Western Europe	62	63	1	1	153	153
Eastern Europe	44	55	3	9	259	282
Rest of World	32	35	6	5	76	86
Parent company	0	0	-7	-12	27	28
	240	293	-7	7	702	817

*The figures above have been adjusted for terminating activities as noted below.*

Total terminating activities						
*Ax Iceland	25	0	4	0	71	0
Total	25	0	4	0	71	0

Revenues for the **Nordic** region in Q1-2/2004 were up 37% at DKK 38m compared to the same period last year. The rise was primarily due to the Danish subsidiary's acquisition of the Danish business activities of Hands ASA. All the Nordic markets generally continue to be affected by intense competition and concomitant pressure on pricing. EBITDA improved from DKK -10m for the same period last year to DKK 4m, which was mainly due to positive developments in the subsidiaries in Denmark.

In **Western Europe**, revenues for Q1-2/2004 were DKK 63m, an improvement of DKK 1m compared to the same period last year. At DKK 1m, EBITDA in Western Europe was unchanged on Q1-2/2003. The subsidiaries in UK and France achieved the best results in the region in Q1-2/2004.

Revenues in **Eastern Europe** were DKK 55m in Q1-2, up 25% (DKK 11m) on the same period last year, an improvement mainly deriving from Russia and the Baltic. At DKK 9m in Q1-2, EBITDA for the region improved by DKK 6m.

In the **Rest of the World**, Q1-2 revenues totaled DKK 35m, up DKK 3m compared to the same period last year. EBITDA in the region was DKK 5m, down DKK 1m on the same period last year. Integration of the three American companies which were amalgamated on 1st January 2004 has been completed, and the company reported a satisfactory Q1-2/2004 EBITDA of DKK 4.7m.

EBITDA in **the parent company** was DKK -12m in Q1-2/2004 (DKK -7m in 2003). The reduction in EBITDA was partly due to lower billing of costs to subsidiaries in the Group as a result amongst other things to there being fewer legal units, and partly to a series of one-off costs associated with on-going restructuring throughout the Group.

### Directed rights issue

Columbus IT Partner held a fully subscribed directed rights issue on 30th June 2004, with a total of 1,070,401 shares in Columbus IT Partner being issued, corresponding to a capital increase of 2.9%, by debt conversion and non-cash consideration for shares and commercial paper. The capital increase was made in accordance with the Board's authorization and without prior rights to the Company's existing shareholders. This had a positive effect on equity of approx. DKK 7.5m and saw a DKK 6.8m reduction in Group debt.

Following the capital increase, Gaardboe Holding ApS has increased its holding from 37.1% to 37.6%; Nordea Bank has 38.4% and other shareholders have 24.0% of the share capital. For further



details, please refer to Stock Exchange Releases 10 and 12 on the directed rights issue at Columbus IT Partner.

### **Disposal of shares in ServiceHosting A/S**

In June 2004, Columbus IT Partner disposed of the Company's 25% holding in ServiceHosting A/S.

### **Outlook for 2004**

At DKK 7.5m, EBITDA for the period improved by DKK 10.3m on the first half of 2003. The first half did not however fully live up to budget, due in part to negotiations on a series of major cases, mainly in the Nordic Region and Russia, taking longer than expected to complete. The general sentiment is that trading conditions remain difficult and weak, but on the basis of developments in the first half, the Company finds no grounds for changing its outlook for 2004.

The Company is maintaining its forecasts for 2004 for revenues of DKK 625m and EBITDA of DKK 30m, although pre-tax results are expected to show a slight deficit.

The Group's growth markets are mainly in Eastern Europe and USA, where staffing is expected to rise, whilst Western Europe is expected to see a fall in headcount. Staffing in the Rest of the World is forecast to remain at its present level.

### **Accounting policies**

This Interim Report is presented in accordance with the provisions of the Company Accounts Act for Class D enterprises, Danish accounting guidelines and the requirements of Copenhagen Stock Exchange for the presentation of accounts for listed companies.

Accounting policies are unchanged from 2003.

From 2005, Columbus IT Partner will be presenting its accounts in accordance with IFRS. The financial statements for 2004 have been arranged so as to match internal processes and procedures to conform to IFRS requirements so as to enable IFRS comparative figures to be stated in the annual report for 2005. Columbus IT Partner uses Deloitte as its consultant in the transition to IFRS.

### **Cash flow from operations**

Cash flow from operations for 2003 has been changed as a result of a transition to uniform classification of Group factoring arrangements, with DKK 12m from Active Capital being reclassified from cash funds to accounts receivable from sales and services.

### **Investments**

Total investment in tangible and intangible fixed assets, excluding goodwill, was DKK 5.8m in Q1-2/2004, compared to DKK 3m in the same period in 2003. DKK 1.3m may be ascribed to investment in development project for repeat solutions, whilst the remaining DKK 4.5m related to the acquisition of tangible fixed assets.

### **Liquidity status**

Columbus IT Partner's liquidity continued to be tight during the period. However, since New Year, cash funds rose by DKK 7m to DKK 31m. Liquidity is mainly placed with a series of foreign subsidiaries with minority interests.

### **Forex**

The Group has not entered into any hedging contacts so far this year. In international contracts, exchange risks are limited by servicing operations from local companies, so that Group income and costs in foreign currencies are matched insofar as possible.

## Developments in equity

<b>Developments in equity (DKKm)</b>	<b>2003</b>	<b>2004</b>
Equity 1st January	-15.3	31.9
Capital increase	0	7.5
Tax on employee shares	2.2	-
Currency adjustments for foreign subsidiaries, etc.	-1.8	-0.8
Earnings Q1-2	-27.9	-15.7
Shareholders' equity 30th June	-42.8	22.9

Subordinated loan capital	0.0	17.8
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The DKK 1,338,001.25 (nom.) capital increase that was undertaken was made in accordance with the Board's authorization in Art 5.1 of the Articles of Association, which empowers the Board in the period to 28<sup>th</sup> April 2009 to increase the Company's share capital in one or more tranches by up to DKK 6,250,000 (nom.). DKK 4,911,998.75 of this authorization (corresponding to 3,929,599 shares) thus still remains.

Equity at 30th June 2004 was approx. 48% of the share capital. According to the present budgets, the share capital will not have been fully reconstituted by year-end 2004. As on previous occasions, the Board's authorization to issue shares is expected to be used to strengthen the Groups' capital resources.

## Safe Harbor statement

*The statements about the future made in this report reflect the management's current expectations for certain future events and financial results. By their very nature, some uncertainties attach to statements about the future and the results finally achieved could therefore vary considerably from the expectations expressed. Further, some expectations are based on assumptions for future events which may turn out to be incorrect.*

*Factors that could mean that the results achieved differ significantly from the expectations expressed include, but are not restricted to, developments in trading conditions and the financial markets and the fiscal impact of unforeseen events, changes in regulations and legislation; rising competition for business solutions in Denmark and abroad; trends for demand, product composition and pricing for business solutions; the development of Columbus IT Partner's international activities to which some political risks are attached and investment in, and disposal of, national and international companies.*

## Income Statement

<b>DKK 1000</b>	<b>1/1 – 30/6 2003</b>	<b>1/1 – 30/6 2004</b>
Net revenues	264,995	293,353
Own work stated under assets	804	1,626
External project costs	-65,905	-71,348
<b>Gross earnings</b>	<b>199,894</b>	<b>223,631</b>
Other external costs	-51,619	-56,035
Staff expenses	-147,876	-159,462
Other operating costs	-3,201	-637
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>-2,802</b>	<b>7,497</b>
Depreciation excl. goodwill	-8,705	-7,146
<b>Earnings before amortization of goodwill (EBITA)</b>	<b>-11,507</b>	<b>351</b>
Amortization and write-down of goodwill	-5,713	-5,113
<b>Operating income (EBIT)</b>	<b>-17,220</b>	<b>-4,762</b>
Financial income	5,748	5,089
Financial expenses	-12,594	-8,442
<b>Earnings before tax</b>	<b>-24,066</b>	<b>-8,115</b>
Tax on earnings in the period	-2,384	-4,688
<b>Earnings Q1-2</b>	<b>-26,450</b>	<b>-12,803</b>
Minority interests	-1,410	-2,885
<b>Columbus IT Partner's share of earnings in the period</b>	<b>-27,860</b>	<b>-15,688</b>



## Balance Sheet

DKK 1000

	<b>30/06 2003</b>	<b>30/06 2004</b>
<b>Assets</b>		
Development projects completed	3,851	6,278
Royalties	141	86
Goodwill	69,178	66,380
Development projects in progress	939	795
Intangible fixed assets	<u>74,109</u>	<u>73,539</u>
Operating equipment and fixtures	26,946	18,272
Tangible fixed assets under construction	770	0
Tangible fixed assets	<u>27,716</u>	<u>18,272</u>
Deferred tax assets	12,500	27,364
Financial fixed assets	<u>12,500</u>	<u>27,364</u>
<b>Total fixed assets</b>	<u>114,325</u>	<u>119,175</u>
Stocks of goods for sale	5,208	1,058
Inventories	<u>5,208</u>	<u>1,058</u>
Accounts receivable – sales and services	124,849	149,638
Contract work in progress	13,627	11,285
Receivables from shareholders	7,000	4,688
Corporation tax	1,567	1,535
Other receivables	12,416	18,042
Accruals	10,395	10,154
Receivables	<u>169,854</u>	<u>195,342</u>
Other securities and holdings	0	348
Securities and holdings	<u>0</u>	<u>348</u>
Cash funds	<u>37,129</u>	<u>31,357</u>
<b>Total current assets</b>	<u>212,191</u>	<u>228,105</u>
<b>Total assets</b>	<u><b>326,516</b></u>	<u><b>347,280</b></u>

## Balance Sheet

DKK 1000

	<b>30/06 2003</b>	<b>30/06 2004</b>
<b>Liabilities</b>		
Share capital	10,045	47,569
Retained profit	-52,797	-24,711
<b>Equity</b>	<b>-42,752</b>	<b>22,858</b>
<b>Minority interests</b>		
	15,312	15,295
Deferred tax	1,062	1,421
<b>Provisions</b>	<b>1,062</b>	<b>1,421</b>
Subordinated loan capital	0	17,839
Mortgage lenders	23,530	2,896
Long-term debt	23,530	20,735
Short-term part of long-term debt	9,216	1,268
Mortgage lenders	136,083	96,287
Customer prepayments	15,018	14,528
Trade accounts payable	48,549	70,651
Debt to affiliates	23,950	0
Corporation tax	6,464	3,786
Other debt	83,117	91,144
Accruals	6,967	9,307
Short-term debt	329,364	286,971
<b>Debt</b>	<b>352,894</b>	<b>307,706</b>
<b>Total liabilities</b>	<b>326,516</b>	<b>347,280</b>