

Stock Exchange Release no. 09/2004



## Interim report

Q1/ 2004

**PROFILE:**

*Columbus IT Partner operates as an international system integrator in the market for integrated IT solutions based on Microsoft Business Solutions – primarily for small and medium-sized international enterprises. Columbus IT Partner is an international service organization with 850 staff with operations in 26 countries. It has an overall customer base of more than 5,000 small and mid-sized companies and units of large companies worldwide.*

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



## Improvement in EBITDA for Q1/ 2004

- Columbus IT Partner's revenues in Q1/2004 totaled DKK 134.3m (DKK 133.4m in 2003).
- Operating profit (EBITDA) for the period was DKK 5.2m (DKK 2.4m in 2003).
- Results before tax were a deficit of DKK -2.7m compared to DKK -8.2 in 2003.
- At the end of the quarter, Columbus IT Partner had a staff of 825, up 17 on the same period in 2003.
- Columbus IT Partner won a series of new orders in Q1 for such companies as GEA, SIKA and Linak as well as a sizeable supplementary order for Georg Jensen, which serves to confirm the policy of concentrating on international customers.
- The forecast for 2004 continues to be for revenues of approx. DKK 625m, EBITDA of DKK 30m and modest pretax profits.

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

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## Key figures and ratios

DKKm	2003	Q1 2003	Q1 2004
<b>Income statement</b>			
Net revenues	543.2	133.4	134.3
Capitalized development costs stated under assets	2.1	0.2	1.0
External project costs	-143.4	-31.4	-26.4
Gross profit I	401.9	102.2	108.9
Employment costs	-292.5	-73.5	-77.6
Gross profit II	109.4	28.7	31.3
Other external costs	-112.2	-26.3	-25.5
Other operating income	17.0	0.0	0.0
Other operating costs	-3.2	0.0	-0.6
<b>EBITDA</b>	11.0	2.4	5.2
Depreciation excl. goodwill	-20.0	-4.5	-3.7
EBITA	-9.0	-2.1	1.5
Amortization and write-down of goodwill	-11.5	-2.9	-2.5
EBIT	-20.5	-5.0	-1.0
Net financials	-10.3	-3.2	-1.7
<b>Earnings before tax</b>	-30.8	-8.2	-2.7
Tax on Q1 earnings	-6.8	-1.6	-1.8
Minorities	-2.7	-0.9	-0.8
<b>Net earnings Q1</b>	-40.3	-10.7	-5.3
<b>Dividend</b>	0.0	0.0	0.0
<b>Balance sheet</b>			
Fixed assets	124.7	119.9	121.3
Current assets	213.4	208.7	207.2
<b>Total assets</b>	338.1	328.6	328.5
Shareholders' equity	31.9	-28.0	26.5
Minorities	21.5	16.5	18.5
Debt and other provisions	284.7	340.1	283.5
<b>Total liabilities</b>	338.1	328.6	328.5
<b>Cash flow</b>			
Cash flow from operations	-23.9	-8.3	-0.5
Net cash flow to investment	-13.3	-1.6	-3.2
of which invested in fixed assets	-5.0	-1.2	-2.6
Cash flow from financing operations	31.2	8.4	9.7
<b>Total cash flow</b>	-6.0	-1.5	6.0
<b>Key ratios</b>			
Gross margin II	20.1%	21.5%	23.3%
Operating profit margin	-3.8%	-3.7%	-0.7%
Return on investment III	-2.8%	-0.4%	-0.4%
Return on equity	-486.7%	-49.2%	-18.0%
Equity ratio	9.4%	-8.5%	8.1%
Earnings per share (EPS)	-1.9	-1.0	-0.1
Dividend per share	0.0	0.0	0.0
Net asset value per share (BV)	0.9	-3.5	0.7
Employees, end of period	865	808	825
Cash flow per share	-1.1	-0.8	0

The key figures and ratios given above have been calculated in accordance with the Danish Financial Analysts Association's "Recommendations and key figures 1997". The figures for Earnings per Share (EPS) and Cash Flow per Share are from the adjusted rights issue made at a rate of DKK 3 per share in June 2003 and are derived by applying an adjusting factor of 0.80. The comparative figures have been adjusted accordingly.

Cash flow from operations for 2003 has been amended as a result of switching to a uniform classification for factoring agreements.



## Report for Q1/ 2004

Columbus IT Partner's revenues in Q1/ 2004 totaled DKK 134m compared to DKK 133m in the same period last year. Q1/ 2003 included revenues from former Icelandic subsidiary AX Business Intelligence (now sold) equivalent to DKK 15m, whilst Q1/ 2004 includes revenues from the acquisition of Hands Danmark A/S, which has now been fully integrated in Columbus IT Partner.

Columbus IT Partner won a series of international orders in Q1 for such companies as GEA, SIKA and Linak as well as a sizeable supplementary order for Georg Jensen. Over the next three years, Columbus IT Partner will be delivering Microsoft Business Solutions' Axapta solutions for construction materials suppliers Sika Group worldwide. The solution is expected to cover up to 20 companies and 1,400 users. Linak has been one the Group's large XAL customers for about ten years. They have decided to invest in an AXAPTA solution to replace a whole range of older systems in the parent company and 19 subsidiaries worldwide, which will be used by up to 400 simultaneous users. Solutions for Georg Jensen and GEA are expected to be implemented in 12 and 24 countries, with up to 225 and 750 users respectively.

## Revenue distribution Q1 2003 - 2004

Revenues Q1	2003	2004	Revenues Q1	2003	2004
Hardware	2%	2%	Axapta	73%	74%
Software	32%	26%	Navision	4%	8%
Service	66%	72%	XAL	17%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>	<b>100%</b>

Note: The figures above have been adjusted for terminating activities.

In Q1/ 2004, EBITDA was DKK 5.2m compared to DKK 2.4m in the same period last year, corresponding to an increase of DKK 2.8m. Q1/ 2003 figures include EBITDA equivalent to DKK 2.6m from Icelandic disposal AX Business Intelligence. The increase in EBITDA was primarily the result of more hours being sold with a higher margin than from software sales and to the ongoing efficiency drive in the Group. In Q1/ 2004, the profit margin improved to -0.7% compared to -3.7% in Q1/ 2003.

Other operating costs amounting to DKK 0.6m derived from losses on disposing of holdings in one of the American companies. The disposal was part of the process of consolidating American activities in Q1 which saw bigger overall holdings for Columbus IT Partner.

Amortization of goodwill in Q1/ 2004 amounted to DKK 2.5m, down DKK 0.4m on the same period last year.

Group financials showed a net expense of DKK 1.7m, equivalent to a decrease of DKK 1.5m compared to Q1/ 2003, as a result of lower bank debt.

Tax on net Q1 earnings was DKK 1.8m and derived from profit-making subsidiaries.

## Regional developments

(Q1)	Revenues (DKKm)		EBITDA (DKKm)		Employees (at 31March)	
	2003	2004	2003	2004	2003	2004
	Nordic countries *	50	65	-3	2	202
Western Europe	29	30	0	1	159	159
Eastern Europe	20	24	1	3	254	282
Rest of world**	19	15	4	3	81	82
Parent company	0	0	-2	-4	32	29
	118	134	0	5	728	825

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

Total terminating activities:						
* Ax Iceland	15	0	2	0	73	0
** Columbus IT Partner S. Africa	0	0	0	0	7	0
Total	15	0	2	0	80	0

Revenues for the **Nordic countries** in Q1 rose by DKK 15m, which was 30% up on Q1/2003. The increase was primarily due to the acquisition of Hands Danmark A/S by the Danish subsidiary. In general, all the Nordic markets continue to be subject to heavy competition and associated pressure on pricing. Compared to Q1/ 2003, EBITDA improved from DKK -3m to DKK 2m, which was mainly due to positive developments in the subsidiaries in Denmark.

In **Western Europe**, revenues amounted to DKK 30m in Q1/ 2004, an improvement of DKK 1m compared to the same period last year. At approximately DKK 1m, EBITDA for Western Europe was up DKK 1m on Q1/ 2003. The subsidiaries in UK and France achieved the best results in the region in Q1.

Revenues in **Eastern Europe** were DKK 24m in Q1, an improvement of DKK 4m or 20% compared to the same period last year. This improvement in revenues was mainly due to Russia and the Baltic countries. EBITDA was up DKK 2m at DKK 3m for the region in Q1, mainly as a result of Russia, Czech republic and the Baltic, but all companies in the region reported positive results in Q1, with EBITDA margins ranging from 4 - 14%.

Total revenues in Q1 for the **Rest of the world** were down DKK 4m at DKK 15m compared to the same period last year. EBITDA for the region was down DKK 1m on Q1/ 2003 at DKK 3m. American activities were amalgamated on 1 January 2004 and integration of the three companies is expected to have been completed next month. Despite this, the company reported satisfactory EBITDA of DKK 2.5m in Q1 2004.

EBITDA in the **Parent Company** amounted to DKK -4m in Q1/ 2004, up DKK -2m on the same period last year, mainly due to a reduction in the services provided to subsidiaries, and hence a reduction in the level of internal cost allocations in the Group.

## Outlook

The beginning of Q2 has not been in line with budget, due in part to negotiations for various large contracts mainly in the Nordic countries taking longer than expected to complete, but this will not affect the Company's previously expressed expectations for 2004.

Total revenue forecasts for the Group are of the order of DKK 625m, EBITDA of DKK 30m, and modest pre-tax earnings.

### **Accounting policies**

This Q1 report has been presented in accordance with the provisions of the Company Accounts Act for Class D companies, Danish accounting guidelines and Copenhagen Stock Exchange requirements for listed companies.

Accounting policies remain the same as in 2003.

For Fiscal 2005, Columbus IT Partner will be presenting its accounts in accordance with IFRS. Accounts for 2004 are being adjusted with internal procedures and processes being adapted in compliance with IFRS rules so as to enable IFRS comparative figures to be prepared for the Annual Report for 2005. Columbus IT Partner is using Deloitte to provide consulting services for the transition to IFRS.

### **Cash flow from operations**

Cash flow from operations for 2003 was amended as a result of switching to a uniform classification of the Group's factoring agreements, and so DKK 12m relating to Aktiv Kapital has been reclassified from cash funds to receivables from sales and services.

### **Investments**

Total investments in tangible and intangible fixed assets excl. goodwill amounted to DKK 2.6m in Q1/ 2004 compared to DKK 1m in Q1/ 2003. DKK 1m was attributable to investment in development projects for customers whilst the remaining DKK 1.6m related to the acquisition of tangible fixed assets.

### **Developments in liquidity**

Cash funds at Columbus IT Partner remained tight during the period, although since the beginning of the year liquid assets improved by DKK 6m to DKK 30m. Cash funds are mainly placed with various foreign subsidiaries with significant minority holdings.

### **Forex**

The Group did not undertake any hedging operations in Q1. Currency risks for international contracts are limited by servicing them from the local companies so as to match insofar as possible Columbus IT Partner's income and expenses in foreign currencies.

## Equity - trends

Equity - trends (DKKm)	2003	Q1 2004
Equity 31 December	-15.3	31.9
Capital increases	90.8	-
Adjustment for minorities with negative equity	-2.2	-
Tax charge - employee stock options	2.2	-
Currency adjustment for foreign subsidiaries, etc.	-3.3	-0.1
Q1 earnings	-99.9	-5.3
Equity 31 March	31.9	26.5

With the present budgets, at year-end 2004 the share capital will not have been fully reconstituted. The Board is empowered to issue shares for a nominal value of DKK 6,250,000, or 5,000,000 shares of DKK 1.25 and as previously, it is expected that this will be used to provide the funding required by the Group.

## 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 about 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

DKK 1000	Q1 2003	Q1 2004
Net revenues	133,375	134,244
Capitalized development expenses stated under assets	182	1,047
External project costs	-31,337	-26,388
<b>Gross earnings</b>	102,220	108,903
Other external costs	-26,277	-25,458
Employment costs	-73,529	-77,569
Other operating costs	0	-637
<b>EBITDA</b>	2,414	5,239
Depreciation excl. goodwill	-4,535	-3,768
<b>EBITA</b>	-2,121	1,471
Depreciation and amortization of goodwill	-2,854	-2,543
<b>Operating profit (EBIT)</b>	-4,975	-1,072
Financial income	3,659	2,207
Financial expenses	-6,871	-3,831
<b>Earnings before tax</b>	-8,187	-2,696
Tax on Q1 earnings	-1,569	-1,746
<b>Net earnings Q1</b>	-9,756	-4,442
Minorities	-912	-814
<b>Columbus IT Partner's share of Q1 earnings</b>	<b>-10,668</b>	<b>-5,256</b>



## Balance Sheet

DKK 1000

	31/03 2003	31/03 2004
<b>Assets</b>		
Development projects completed	4,129	6,358
Royalties	220	92
Goodwill	71,876	68,451
Development projects in progress	690	795
Intangible fixed assets	<u>76,915</u>	<u>75,696</u>
Plant and operating equipment	29,680	18,294
Tangible fixed assets under construction	770	0
Tangible fixed assets	<u>30,450</u>	<u>18,294</u>
Deferred tax assets	12,500	27,283
Financial fixed assets	<u>12,500</u>	<u>27,283</u>
<b>Total fixed assets</b>	<u>119,865</u>	<u>121,273</u>
Stocks of goods for sale	7,044	3,441
Inventories	<u>7,044</u>	<u>3,441</u>
Trade accounts receivable, goods and services	126,293	132,290
Contract work in progress	16,666	7,358
Receivables, shareholders	7,000	4,596
Corporation tax	1,040	1,835
Other receivables	13,020	13,457
Accruals	9,352	8,564
Receivables	<u>173,371</u>	<u>168,100</u>
Holdings in associated companies	0	5,334
Securities and holdings	<u>0</u>	<u>5,334</u>
Cash funds	<u>28,355</u>	<u>30,332</u>
<b>Total current assets</b>	<u>208,770</u>	<u>207,207</u>
<b>Total assets</b>	<u><b>328,635</b></u>	<u><b>328,480</b></u>

## Balance Sheet

DKK 1000

	<b>31/03 2003</b>	<b>31/03 2004</b>
<b>Liabilities</b>		
Share capital	40,180	46,231
Retained profit	-68,223	-19,682
<b>Shareholders' equity</b>	<b>-28,043</b>	<b>26,549</b>
<b>Minorities</b>		
	16,533	18,499
Deferred tax	1,211	1,533
<b>Provisions</b>	<b>1,211</b>	<b>1,533</b>
Subordinated loan capital	0	17,840
Mortgage lenders	25,303	2,564
Long-term debt	25,303	20,404
Subordinated loan capital	0	4,000
Short-term part of long-term debt	9,857	1,886
Mortgage lenders	134,168	82,712
Customer pre-payments	12,833	14,665
Trade accounts payable	35,837	59,343
Debt to affiliated companies	23,597	0
Corporation tax	9,208	3,306
Other debt	80,262	85,263
Accruals	7,869	10,320
Short-term debt	313,631	261,495
<b>Total debt</b>	<b>338,934</b>	<b>281,899</b>
<b>Total liabilities</b>	<b>328,635</b>	<b>328,480</b>