

Stock Exchange Release No. 27/2005



## Quarterly Report

Q3/2005

**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 a headcount of 800 operating in 25 countries. Our customer base consists of more than 5000 small and medium-sized enterprises and units of large companies.*

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



## Focus on performance and expansion of business

The company is maintaining its forecast for 2005 for total Group revenues of the order of DKK 615-625m. and EBITDA of the order of DKK 25-30 m.

Columbus IT Partner enjoyed generally positive developments in Q3/2005. The program to get all the companies on course has been successful and apart from five countries, all companies reported profits for Q1-3/2005. Succeeding in gaining full control and ownership of the Russian entity, short term extraordinary costs for the company have been incurred.

In order to revitalize the Columbus group, replacements in Group management and extensive restructuring have been undertaken. As a consequence, one-off costs/investments for the parent company have occurred.

Developments can be summed up as follows:

### *Performance*

- Columbus IT Partner's revenues in Q1-3/2005 totaled DKK 443m (DKK 416m in 2004).
- The US market that is so important for Columbus IT Partner is reporting rapid growth: revenues 77% and EBITDA 88% up on the same period last year. Growth is exclusively organic.
- The Danish subsidiary has experienced a growth in EBITDA of 239% compared to the same period last year. The growth is a result of efficiency drives, including improved customer agreements and optimized sales mix.
- Operating profits (EBITDA) before one-off costs for Q1-3 were DKK 16.2m, an improvement of 59% compared to 2004. Including one-off costs, EBITDA was DKK 9.4m (DKK 10.2m in 2004).
- Results before tax for Q1-3 amounted to DKK -4.0m (DKK -10.2m in 2004).
- At the end of the quarter, Columbus IT Partner had a headcount of 834, a net increase of 42 since the beginning of the year.
- Group equity was DKK 123.4m, giving a solvency ratio of 36% (5% in 2004).
- The report for Q3 has been drawn up in line with the provisions for recognition and measurement in IFRS (International Financial Reporting Standards).

### *Acquisitions*

- On 4 November 2005, Columbus IT Partner acquired all the share capital of the Dutch software development company To-Increase BV. Please see Stock Exchange Release No. 26 of 4 November 2005. The acquisition reflects Columbus IT Partner's strategy of expanding into the software development business. This transaction will significantly strengthen Columbus IT Partner's industry solutions development unit and centralize all Columbus IP rights and R&D efforts across 22



countries. It is a part of Columbus IT Partner's strategy to develop a global ISV (Independent Software Vendor) company, which will function together with the company's core consulting business. Acquisition of the Dutch company will make Columbus IT the biggest development house for Microsoft Dynamics worldwide providing customers with high quality global industry solutions based on Microsoft Dynamics AX. By this acquisition Columbus IT Partner has bought a profitable software development business. The buy includes the transfer to Columbus IT Partner of IP rights for all To-Increase industry, add-on and other solutions, partners channel, customer base, and professional team and expertise in building a software house.

- In Q3, Columbus IT Partner's Austrian subsidiary acquired all the shares of Austrian Navision partner NaviDat Software Produkt U. Handels GmbH. Please see Stock Exchange Release No. 22 of 11 August 2005. The acquisition is part of Columbus IT Partner's strategy of strengthening its market position for Navision products in the German-speaking countries so as to improve earnings in the Western European region.
- In Asia, Columbus IT Partner has signed an agreement to acquire a 50% stake in CITP Pvt Ltd., Singapore, which also owns Columbus IT South East Asia, Indonesia. Please see Stock Exchange Release No. 19 of 30 May 2005. The acquisition reflects Columbus IT Partner's strategy of expanding into new geographical areas.

#### *Business developments*

- The Russian subsidiary has received Cognos Platinum status for the Eastern European region. Cognos is the world's leading provider of enterprise planning and consolidation, business intelligence (BI), and corporate performance management software. Congos is currently being implemented at Russia's major gas company, which promises to become one of the largest Cognos implementations in Russia. This development is part of Columbus IT Partner's strategy of expanding into the BI business.

Ib Kunøe  
Chairman  
Columbus IT Partner A/S

Vladislav Martynov  
CEO  
Columbus IT Partner A/S

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## Key figures and ratios

DKKm	Q3/2004	Q3/2005	Q1-3/2004	Q1-3/2005	2004
<b>Income Statement</b>					
Net revenues	122.9	137.2	416.2	443.0	581.3
Own work recognized under assets	0.5	1.0	2.1	2.0	3.3
External project costs	-26.2	-37.5	-97.5	-114.7	-136.7
Gross earnings I	97.2	100.7	320.8	330.3	447.9
Staff expenses	-67.1	-76.4	-226.6	-238.5	-305.3
Gross earnings II	30.1	24.3	94.2	91.8	142.6
Other external costs	-27.4	-25.6	-83.4	-82.3	-115.2
Other operating income	0.0	0.0	0.0	0.1	2.3
Other operating costs	0.0	0.0	-0.6	-0.2	-4.7
<b>EBITDA</b>	2.7	-1.3	10.2	9.4	25.0
Depreciation	-3.3	-3.1	-10.4	-8.6	-13.4
EBITA	-0.6	-4.4	-0.2	0.8	11.6
Write down of goodwill	-4.8	0.0	-4.8	-4.0	-14.7
EBIT	-5.4	-4.4	-5.0	-3.2	-3.1
Net financials	-1.8	-0.7	-5.2	-0.8	-8.9
<b>Pre-tax earnings</b>	-7.2	-5.1	-10.2	-4.0	-12.0
Tax on earnings for the period	-1.4	-0.8	-6.1	-7.1	-6.2
<b>Earnings for the period</b>	-8.6	-5.9	-16.3	-11.1	-18.2
Allocated thus:					
Shareholders of Columbus IT Partner A/S	-10.1	-6.6	-20.7	-13.0	-23.8
Minority interests	1.5	0.7	4.4	1.9	5.6
	-8.6	-5.9	-16.3	-11.1	-18.2
<b>Balance Sheet</b>					
Long-term assets			118.6	151.3	113.4
Short-term assets			197.2	189.0	229.1
<b>Total assets</b>			315.8	340.3	342.5
Group equity			16.7	123.4	10.7
Minority interests			16.5	10.1	19.5
Debt			282.6	206.8	312.3
<b>Total liabilities</b>			315.8	340.3	342.5
<b>Cash flow</b>					
Cash inflow from operations			-18.3	5.7	-15.3
Net cash outflow for investments			-6.4	-61.0	-9.2
of which for investment in tangible fixed assets			-6.1	-5.2	-7.0
Cash flow from financing activities			24.0	45.9	36.8
<b>Total cash flow</b>			-0.7	-9.4	12.3
<b>Key ratios</b>					
Gross margin II			22.6%	20.7%	24.5%
Operating profit margin			-1.2%	-0.7%	-0.5%
Return on investment III			0.5%	1.0%	1.3%
Return on equity			-100.4%	-17.2%	-111.5%
Equity ratio			5.3%	36.3%	3.1%
Earnings per share (EPS)			-0.6	-0.2	-0.6
Dividend per share			0.0	0.0	0.0
Net asset value per share (BV)			0.4	1.8	0.3
Headcount end of period			790	834	792
Cash flow per share			-0.5	0.1	-0.4

The key figures and financial ratios above have been calculated in accordance with the Danish Society of Financial Analysts "Recommendations and Key Figures 1997", except for Return on Investment and Equity Ratio.

The quarterly report has not been audited.

### Developments in Q1-3/2005

Columbus IT Partner's revenues for Q1-3/2005 amounted to DKK 443m compared to DKK 416m in the same period last year.

Solutions based on Axapta continued to account for the majority of revenues and the proportion rose by three percentage points, whereas solutions based on Navision rose by four percentage points.

Revenues Q1-3	2005	2004	Revenues Q1-3	2005	2004
Hardware	3%	2%	Axapta	76%	73%
Software	30%	30%	Navision	11%	7%
Service	67%	68%	XAL	7%	12%
			Other	6%	8%
<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 (Solutiones Casee S.A. in Costa Rica)

Q1-3/2005 operating profits (EBITDA) were DKK 9.4m (DKK 10.2m in 2004).

Group financials showed net expenses of DKK 0.8m, corresponding to a decrease of DKK 4.4m compared to the same period last year. This was due to stronger finances as a result of holding the rights issue.

Write down of goodwill for Q1-3/2005 was DKK 4m, down from DKK 4.8m for the same period last year. Write down in Q1-3/2005 was solely related to the subsidiary in Austria.

The tax charge on earnings for the period is calculated at DKK 7.1m and relates to various profitable subsidiaries.

### Regional developments

(Q1-3)	Revenues (DKKm)		EBITDA (DKKm)		Headcount (at 30 September)	
	2005	2004	2005	2004	2005	2004
Nordic	169	187	6	3	214	246
Western Europe	100	95	2	3	149	154
Eastern Europe	83	80	7	10	347	285
Rest of the World*	90	52	15	8	111	80
Parent company	1	0	-21	-14	13	25
	443	414	9	10	834	790
Total terminating activities						
* Solutiones Casee S.A.	0	2	0	0	0	11

Note: The figures above have been adjusted for terminating activities (Solutiones Casee S.A. in Costa Rica)

Q1-3 revenues for the **Nordic Region** were down 10% or DKK 18m on the same period last year. The fall was primarily due to reorganization of the Danish activities following the acquisition of Hands International A/S in Q4/ 2003. All the Nordic markets continue generally to be affected by intense competition with concomitant pressure on prices. Compared to the same period last year, EBITDA rose from DKK 3m to DKK 6m. The



improvement was mainly due to changes and efficiency drives in the Danish and Norwegian companies.

In **Western Europe**, Q1-3 revenues were DKK 100m, up 5% or DKK 5m on the same period last year. EBITDA in Western Europe was down from DKK 3m in Q1-3/2004 to DKK 2m. The fall was primarily due to the French subsidiary where there have been investments in personnel and the organization as a result of their growth strategy. The subsidiaries in Britain, Netherlands and Germany all improved their EBITDA compared to 2004. As part of the debt conversion program in the Austrian subsidiary, Columbus IT Partner's holding has been raised to 98%. The goodwill of DKK 4m associated with this has been fully written down.

Revenues in **Eastern Europe** were DKK 83m in Q1-3, up 4% or DKK 3m on the same period last year. This improvement in revenues was ascribable to the subsidiary in Latvia. Q1-3 EBITDA for the region was DKK 7m, down DKK 3m on the same period last year. The fall was mainly due to the Russian subsidiary where the previous management incurred significant additional costs and where the company did not deliver the budgeted growth in revenues and hence earnings.

In the **Rest of the World** region, Q1-3 revenues totaled DKK 90m, up 73% or DKK 38m on Q1-3/2004. EBITDA in the region was DKK 12m, which was an improvement of DKK 7m compared to the same period last year. This was primarily attributable to the US subsidiary which is in an expansionist phase. Columbus IT Partner has signed a contract to buy out a former franchise partner in Asia with a headcount of ten, mainly based in Jakarta, Indonesian.

After billing subsidiaries for costs, EBITDA in the **parent company** for Q1-3/2005 was DKK -21m, up DKK 7m on the same period last year. EBITDA was affected by one-off costs associated with the Hands ASA agreement, additional license costs linked to individual customer projects of approx. DKK 1.6m and writing down accounts receivable of DKK 2.5m. Managerial replacements, restructuring and the introduction of an incentive scheme have also meant additional costs. Please refer to Stock Exchange Releases No. 22 of 11 August and No. 8 of 25 February 2005. Apart from these, IT operational costs rose while the level of internal costs cover for the Group declined.

#### **Rights issue and directed rights issue**

Between 5-18 April 2005, Columbus IT Partner A/S offered 2005 26,858,601 new DKK 1.25 (nom.) shares at a price of DKK 3 per share. Consolidated Holdings A/S guaranteed the entire rights issue, which thus raised DKK 80.6m in capital for the Company, before issue costs and loan repayments. Following redemption of debt and the costs of the rights issue, the Company gained DKK 21m in new liquidity. Please see Stock Exchange releases Nos. 12 of 18th March, 16 of 20 April and 18 of 12 May 2005.

In January, Columbus IT Partner paid off the debts of Columbus IT Partner GmbH, Austria, by issuing 178,100 shares in Columbus IT Partner A/S as reported in Stock Exchange release No. 2 of 12 January 2005. In January and February, Columbus IT Partner acquired the minority holdings in the American and "Russian" subsidiaries with settlement in shares. The most significant subsidiaries in the Group are now wholly-owned, cf. Stock Exchange Releases No. 4 of 24 January 2005, No. 9 of 28 February and No 24 of 19 September 2005. Shares were also issued to CDi Consult ApS and Chief Financial Officer Torben Bartels.



Accordingly, a total of 30,427,692 shares were issued in Q1-3/2005 which had a positive impact on equity of approx. DKK 121m.

### Accounting policies

This quarterly report has been drawn up in accordance with the provisions of the Interim Reporting Notice and Copenhagen Stock Exchange requirements for interim reporting.

The annual report for 2005 will be drawn up in accordance with International Financial Reporting Standards (IFRS) and other Danish reporting requirements, etc., pursuant to the Order on the use of international financial reporting standards, etc., for companies subject to the Company Accounts Act. This quarterly report has been drawn up using the provisions for recognition and measurement laid down in IFRS.

With the transition to using IFRS when presenting financial statements, in one single area which has had an impact on results, accounting policies have been amended in that it is no longer possible to amortize goodwill. Goodwill is now tested annually for impairment and is then written down insofar as the value for accounting purposes exceeds residual value. Amortization of goodwill made in 2004 according to the Danish rules has been reversed and impairments tests were made at the date of the opening balance at 1st January 2004 and at 31st December 2004. The effect of these has been included in the comparative figures in this quarterly report.

In 2005, the comparative figures for 2004 have been adjusted by a total of DKK 6.8m. The breakdown for the individual quarters is as follows:

DKKm	Reversal of amortization/write down	Write down according to IFRS	Total adjustment
1. Q4/2004	2.5	0.0	2.5
2. Q4/2004	2.6	0.0	2.6
3. Q4/2004	5.5	4.8	0.7
4. Q4/2004	10.9	9.9	1.0
Total 2004	21.5	14.7	6.8

The transition to IFRS also means more stringent reporting standards than those currently applicable and presentational changes which will be incorporated in the annual report for 2005.

### Investments

Total investment in Q1-3/2005 in tangible and intangible fixed assets with the exception of goodwill amounted to DKK 8.5m compared to DKK 8.3m in the same period 2004. DKK 1.9m was attributable to investments in development projects designed for repeatable solutions whilst the remaining DKK 6.6m was for the acquisition of tangible fixed assets.

### Liquidity status

At the close of Q3, Columbus IT Partner held DKK 27m in cash funds compared to DKK 35m at the beginning of the year. Cash funds are mainly held at various foreign subsidiaries.

## Forex

The Group did not enter into any hedging contacts in 2005. 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.

## Development in shareholders' equity

<b>Development in shareholders' equity (DKKm)</b>	<b>Q1-3/2005</b>	<b>2004</b>
Equity 1/1	10.7	31.9
Capital increases	121.2	4.5
Adjustment of minority interests with negative equity	2.0	0.2
Forex adjustments for foreign subsidiaries, etc.	2.5	-2.1
Result for the period	-13.0	-30.6
Adjustment of goodwill in transition to IFRS	0	6.8
Group equity 30/9 – 31/12	123.4	10.7
Minority interests	10.1	19.5
Total equity 30/9 – 31/12	133.5	30.2

## 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 Danish regulations and legislation and EU regulations; 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..*





## Management Report

The Boards of Directors and Management have today considered and approved the Q3 report for the period 1 January - 30 September 2005 for Columbus IT Partner Group.

The quarterly report, which is unaudited, has been drawn up in accordance with the provisions in International Financial Reporting Standards (IFRS) for recognition and measurement and additional Danish reporting requirements for the presentation of financial statements by listed companies. We regard the accounting policies applied as appropriate and that the quarterly report gives a true picture of the Group's assets and liabilities, financial position at 30 September 2005, and the results of the Group's activities and cash flow for the period 1 January – 30 September 2005.

Copenhagen 10 November 2005

## Board of Management

Vladislav Martynov  
CEO

Sven Madsen  
CFO

## Board of Directors

Ib Kunøe  
Chairman

Michael Gaardboe  
Deputy Chairman

Claus Hougesen

Jørgen Cadovius

## Income Statement

DKK 1000	1/1 – 30/9 2005	1/1 – 30/9 2004
Net revenues	442,988	416,207
Own work recognized under assets	2,021	2,088
External project costs	-114,726	-97,497
<b>Gross earnings</b>	<b>330,283</b>	<b>320,798</b>
Other external costs	-82,330	-83,350
Staff expenses	-238,477	-226,633
Other operating income	147	0
Other operating costs	-207	-637
<b>Earnings before depreciation/amortization (EBITDA)</b>	<b>9,416</b>	<b>10,178</b>
Depreciation	-8,607	-10,380
<b>Earnings before amortization (EBITA)</b>	<b>809</b>	<b>-202</b>
Write down of goodwill	-4,028	-4,843
<b>Operating profit (EBIT)</b>	<b>-3,219</b>	<b>-5,045</b>
Financial income	6,819	6,531
Financial expenses	-7,599	-11,704
<b>Pre-tax earnings</b>	<b>-3,999</b>	<b>-10,218</b>
Tax on Q1-3 earnings	-7,141	-6,051
<b>Earnings Q1-3</b>	<b>-11,140</b>	<b>-16,269</b>
Allocated thus:		
Shareholders of Columbus IT Partner A/S	-12,995	-20,748
Minority interests	1,855	4,479
	<b>-11,140</b>	<b>-16,269</b>

## Balance Sheet

DKK 1000

	30/09 2005	30/09 2004
<b>Assets</b>		
Development projects completed	8,302	6,259
Royalties	726	642
Goodwill	98,076	66,715
Development projects in progress	0	795
<b>Intangible assets</b>	<b>107,104</b>	<b>74,411</b>
Plant and operating equipment	13,496	16,896
<b>Tangible assets</b>	<b>13,496</b>	<b>16,896</b>
Deferred tax assets	30,724	27,313
Financial assets	30,724	27,313
<b>Total long-term assets</b>	<b>151,324</b>	<b>118,620</b>
Stocks of goods for sale	1,998	1,441
Inventories	1,998	1,441
Accounts receivable – sales and services	115,582	119,125
Contract work in progress	12,192	12,093
Receivables from shareholders	442	4,789
Corporation tax	3,890	1,450
Other receivables	13,181	21,274
Accruals	14,406	13,210
<b>Receivables</b>	<b>159,693</b>	<b>171,941</b>
Holdings in associated companies	0	360
Securities and capital holdings	0	360
Cash funds	27,286	23,458
<b>Total short-term assets</b>	<b>188,977</b>	<b>197,200</b>
<b>Total assets</b>	<b>340,301</b>	<b>315,820</b>



## Balance Sheet

DKK 1000

	30/09 2005	30/09 2004
<b>Liabilities</b>		
Share capital	85,604	47,569
Retained profit	37,793	-30,901
Columbus IT Partner A/S' shareholders - share of equity	123,397	16,668
Minority interests	10,142	16,463
<b>Equity</b>	<b>133,539</b>	<b>33,131</b>
Deferred tax	1,010	1,430
Subordinated loan capital	15,000	17,841
Mortgage lenders	1,219	3,227
Long-term debt	17,229	22,498
Short-term part of long-term debt	307	960
Mortgage lenders	68,749	97,460
Client prepayments	17,779	8,176
Trade accounts payable	27,230	57,090
Corporation tax	3,929	4,521
Other debt	65,450	86,118
Accruals	6,089	5,866
Short-term debt	189,533	260,191
<b>Debt</b>	<b>206,762</b>	<b>281,689</b>
<b>Total liabilities</b>	<b>340,301</b>	<b>315,820</b>