



## Stock Exchange Release no. 9/2003

# Capital increase at Columbus IT Partner A/S

On 6th June 2003, Columbus IT Partner A/S will be issuing a Prospectus covering the previously notified rights issue. Shareholders are being offered the right to subscribe for four new shares for each existing share. The issue price has been set at DKK 3 per share. 75% of the offering is underwritten.

The purpose of the rights issue is to reconstitute Columbus IT Partner's share capital in whole or in part, mainly by reducing the Company's debt to Gaardboe Holding and Nordea Bank and hence strengthen the Company's capital base.

### Anticipated timetable

Rights issue open for trading:	16 - 27 June 2003
Rights transferred to shareholders' accounts at Danish Securities Center:	18 June 2003
Subscription period:	19 June - 2 July 2003
First listing day for new shares:	8 July 2003

This release is not an invitation to subscribe for shares but to read the Prospectus, a full version of which is being sent to all registered shareholders.

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

Carsten Dilling  
Chief Executive Officer  
Columbus IT Partner A/S

### For further details, please contact:

CEO Carsten Dilling or Business Development Executive Jan Bitterhoff. Tel.: (+ 45) 70 20 50 00.



The Board of Directors has today resolved to exercise the powers granted at the General Meeting on 24th April 2003 to issue up to DKK 40,179,975 (nom.) shares by subscription for up to 32,143,980 shares as a face value of DKK 1.25 partly by way of cash payment and partly by debt conversion.

### **Background for the capital increase**

Considerable losses in recent years have led to the need to recapitalize Columbus IT Partner. At year-end 2002, shareholders' equity was DKK -15.3m and at 31<sup>st</sup> March 2003 it was DKK -28.0m.

At the Annual General Meeting on 24th April 2003, it was resolved that the share capital should be written down from DKK 40,179,975 to DKK 10,044,993.75 to cover this deficit. This capital reduction was undertaken by reducing the face value of Columbus IT Partner's shares by 75% from DKK 5 to DKK 1.25. At the General Meeting, the Board of Directors was further authorized to undertake this rights issue so as to reconstitute the share capital in whole or in part. The Board has today decided to exercise its powers and to make a 1:4 rights issue, i.e. each share giving the right to subscribe four new shares. The subscription price is to be DKK 3 per DKK 1.25 share.

The rights issue will increase Columbus IT Partner's equity by between DKK 72.3m and DKK 96.4m (before rights issue expenses estimated at DKK 6.4 - 7.3m), of which DKK 67.3m will cover debt conversion of DKK 23.5m to Gaardboe Holding, and converting or redeeming debt of DKK 43.8m to Nordea Bank. As part of the rights issue, Gaardboe Holding has given an undertaking to add DKK 5.0m in new cash funds in a cash subscription for shares. Nordea Bank and Gaardboe Holding have undertaken to underwrite share subscriptions equivalent to proceeds of DKK 72.3m. Further proceeds for share subscription will go to the Company in new funds since Nordea Bank's underwritten guarantee will only reduce on subscription of new shares in excess of DKK 29.1m. After costs of the rights issue, the Company will accordingly receive up to DKK 21.8m in new liquidity.

### **Capital resources, etc.**

During 2002, Columbus IT Partner reduced its overall bank debt by DKK 30m net to a total of DKK 161m at year-end 2002. The total reduction was partly as a result of disposals and partly as a result of continuing improvements in dealing with accounts receivable and hence a reduction in chargeable days outstanding.

As a result of the downward adjustment made in releasing its Q1 2003 report and in order to ensure liquidity for the remainder of 2003, Columbus IT Partner has increased and changed the credit facilities offered by Nordea Bank. Credit facilities will be temporarily raised by up to DKK 2.64m (with Gaardboe Holding also making up to DKK 1.76m available to the Company as a loan). If Columbus IT Partner is not able to fully exercise its DKK 35m factoring facility, up to DKK 9.6m will be transferred to normal operating overdraft facilities. These changes to credit facilities will remain in force until year-end 2003 when the original terms will be reimposed.

Until the rights issue has been held, Nordea Bank has granted a DKK 5m facility against the surety of a cash payment of DKK 5m by Gaardboe Holding, which is the amount of the subscription undertaking given by Gaardboe Holding.

On the basis of the underwritten part of the rights issue and developments anticipated in 2003 following the downward revision made in issuing the Q1 2003 report, the Board of Directors has found that with its funding arrangements, Columbus IT Partner's capital resources are sufficient to cover ongoing capital requirements within the framework of the amended budget for 2003. If only the underwritten part of the rights issue is subscribed, liquidity will not be strengthened, which would mean that on-going capital requirements would have to be met from cash flows generated by operations. The Company's liquidity would in this case continue to be very tight.



When the results of the rights issue are available, the Company will make decisions about the extent of any disposals and other activities to ensure sufficient capital resources. Disposals and/or other activities may be required if only the underwritten part of the rights issue is taken up since the DKK 9.6m in overdraft facilities will revert to its factoring facility and the temporary DKK 4.4m in its credit line (DKK 2.64m from Nordea Bank and DKK 1.76m from Gaardboe Holding) will expire at year-end 2003. If disposals and/or other activities cannot be achieved with satisfactory results, the Company will need additional funding at the beginning of 2004 to be able to maintain sufficient capital resources to fund continuing operations.

If the most recently expressed forecasts for 2003 are only met in part, the Company could require additional funding earlier than the beginning of 2004.

The above factors mean that there is considerable uncertainty about Columbus IT Partner's capital resources. The Prospectus accordingly includes an auditor's report with supplementary information.

**Outlook for 2003 (including a specification of the forecasts for earnings before tax and minority interests given in error in the Q1 2003 report).**

In every important respect Q1 2003 was on budget. The sales pipeline and potential business was generally greater than last year but at the same time the sales cycle has become considerably longer.

So far, there has been a low level of activity in Q2. The Company feels some uncertainty about the remainder of the year and is forecasting lower revenues for the whole of 2003 than stated in the Annual Report for 2002. As stated in the Q1 2003 report, sales are expected to be of the order of DKK 550m. Adjusted for activities being terminated, 2002 revenues were approx. DKK 552m.

In 2002, Columbus IT Partner reported an EBITDA of DKK -24m for its continuing businesses. In 2003, EBITDA margin for all quarters of the year is expected to rise from 1.8% in Q1 to 7-8% in Q4 2003. The improvement in EBITDA margin will be achieved partly by improved contribution ratio and partly by way of greater efficiency which is expected to be achieved by switching fixed costs to a more variable base and by reducing the number of non-fee earning staff, i.e. administrative and senior staff. This will ensure that the forecast positive trends for revenues will not be reflected in commensurate growth in expenses and it will also ensure efficient handling of fluctuations in the level of activity over the year. EBITDA is expected to be DKK 20-25m.

The forecast for whole year earnings before tax and minorities is of the order of DKK -20m and not after tax and minorities as erroneously stated in the Q1 2003 report, compared to DKK -90.2m in 2002.

The preconditions for achieving Company targets and budgets for 2003 are based on continuing improvements to the efficiency of operations, more revenue per unit in pay, improvements in the trends for sales of business solutions and successfully turning around those subsidiaries that reported very poor results throughout 2002.

The above means that there is considerable uncertainty about the outlook for 2003 and hence about Columbus IT Partner's capital resources.

**Loss of share capital**

If only the underwritten part of the rights issue is subscribed, on the basis of the most recent projections, the Company's equity at year-end 2003 will be approx. DKK 8m meaning that more than half the Company's share capital would have been lost. Under the Companies Act, the Board of Directors would be required to give, at a general meeting held within six months of the Company's having lost half its share capital, an account of the Company's financial status and if



necessary propose measures to be undertaken, including the dissolution of the company. The date at which more than half the Company's share capital could have been lost could be before year-end 2003. The Prospectus accordingly contains an auditor's report with supplementary information about this.

### **Objectives after 2003**

Columbus IT Partner very much expects to focus on the same growth markets in which Microsoft Business Solutions invests. Revenues are accordingly forecast to rise in line with the growth in the market for business solutions; as a result of Columbus IT Partner's international profile and the impact of Microsoft's investments in the segment, Columbus IT Partner is forecasting a marginally higher rate of growth than the rest of the market. Zero growth is anticipated in 2003 with annual organic growth of 5-7% in 2004-2005.

Stripped of one-off income, Columbus IT Partner's EBITDA margin between 2000-2002 was negative. The target for 2004 and 2005 is for an EBITDA margin of the order of 8%. The improvement in EBITDA margin will be achieved partly by improved contribution ratio and partly by way of greater efficiency which is expected to be achieved by switching fixed costs to a more variable base. This will ensure that the forecast positive trends for revenues will not be reflected in commensurate growth in fixed costs and it will also ensure efficient handling of fluctuations in the level of activity over the year.

Over the past two years, Columbus IT Partner has undergone extensive restructuring in line with a specific plan. The focus is and has been on making operations more efficient. This rights issue will raise capital of vital importance to the Company's finances. Until 2005, Columbus IT Partner's strategy will be based on ever more efficient and profitable organic growth with a continuing focus on greater efficiency and earnings. Columbus IT Partner will also endeavor within its financial framework to participate actively in impending sector consolidation. Columbus IT Partner's view is that this is the optimum time for industry consolidation, thus achieving cost and sales synergies for the players in the sector and Columbus IT Partner is in on-going discussions with other companies in the sector to achieve this.

Columbus IT Partner will also be endeavoring to strengthen its market position by becoming established in new markets in a modest way, such as in Finland, Italy and Belgium. In South and Central America, Microsoft's acquisition of Navision has generated great interest in the products, which has led to local dealers in business solutions showing great interest in Columbus IT Partner's business and franchise concept in this region.

### **Latest developments**

As stated in the Q1 2003 report, the minority shareholders in the subsidiary in Baltimore have decided to exercise their right to sell their shares to Columbus IT Partner. Negotiations about the transfer are in progress. The minority shareholders have chosen to initiate legal proceedings against Columbus IT Partner A/S, despite a mutual agreement to continue negotiations. The result of any legal proceedings is not expected to be able to have a significant negative impact on the Group's financial status.

### **Offering**

The offering is for up to DKK 40,179,975 nom. new shares, equivalent to 32,143,980 shares of DKK 1.25 with prior rights for Company shareholders. The new shares are offered by way of a 1:4 rights issue to the shareholders of the Company, with shareholders being allocated four rights for every one share of DKK 1.25 held. Thus, one right will be required to subscribe for one new share of DKK 1.25 each. The right to subscribe for the new shares will be granted to the Company's shareholders registered with the Danish Securities Center after the daily update on 18<sup>th</sup> June 2003.

The new shares are being offered at a price of DKK 3 per share of DKK 1.25, free of brokerage.



## Lead Manager

The rights issue has been organized and undertaken by Nordea Securities as the lead manager for Columbus IT Partner.

## Underwriting guarantee

As part of the debt conversion agreement between the Company, Nordea Bank and Gaardboe Holding, Nordea Bank and Gaardboe Holding are underwriting subscription of 24,107,985 shares (DKK 30,134,981.25 nom.). The debt conversion agreement was changed on 3<sup>rd</sup> June 2003, with Gaardboe Holding ApS having given, in addition to the debt conversion, an undertaking to subscribe for new shares giving cash proceeds of DKK 5m; (the previous undertaking was to subscribe for new shares giving cash proceeds of DKK 1.5m and a DKK 3.5m guarantee).

Nordea Bank is underwriting the subscription of 14,607,985 shares (DKK 18,259,981.25 nom.) by way of debt conversion.

Gaardboe Holding, which currently holds 4,240,713 shares in the Company, corresponding to 52.8% of the share capital, has given an undertaking to the Company and Nordea Bank to subscribe for 7,833,333 shares (DKK 9,791,666.25 nom.) by converting debt of DKK 23,499,999, and has further given an undertaking to subscribe in cash for 1,666,667 shares (DKK 2,083,333.75 nom.).

Subscription in cash by Gaardboe Holding (in addition to Gaardboe Holding's undertaking to subscribe in cash for 1,666,667 shares) and other shareholders for more than 8,035,995 shares (DKK 10,044,993.75 nom.) will reduce Nordea Bank's guarantee on a share for share basis.

	<b>Number of shares</b>	<b>Subscription DKKm</b>
Gaardboe Holding - Conversion of debt to equity	7,833,333	23.5
Undertaking from Gaardboe Holding	1,666,667	5.0
Subscription guarantees from Nordea Bank (conversion of debt)	14,607,985	43.8
<b>Underwritten subscription - new shares</b>	<b>24,107,985</b>	<b>72.3</b>
Offering – not guaranteed	8,035,995	24.1
<b>Total offering of new shares</b>	<b>32,143,980</b>	<b>96.4</b>

## Circulation of Prospectus

The Prospectus will be circulated to all the Company's registered shareholders.

Application may be made to Nordea Bank for the Prospectus on tel.: (+45) 3333 5092, fax: (+45) 3333 3182. Nordea Bank is acting as selling agent and address for service in this rights issue.

It is expected that Copenhagen Stock Exchange will publish the Prospectus on 6th June 2003.

## Debt conversion agreement between the Company, Nordea Bank and Gaardboe Holding

On 11th March 2003, the Company reached agreement with Nordea Bank and Gaardboe Holding (as amended on 3rd June 2003) so as to reconstitute the Company's share capital. The purpose of the agreement is primarily to reconstitute Columbus IT Partner's share capital in whole or in part, by way of a rights issue with prior rights for shareholders, with a significant proportion of the proceeds being used to reduce indebtedness to Nordea Bank and Gaardboe Holding, and with up to DKK 21.8m of the net proceeds going to the Company as new cash funds. 75% of the total of 32,143,980 shares offered are covered by the guarantees from Nordea Bank and Gaardboe Holding.



The total raised in the rights issue will be at least DKK 72.3m and at most DKK 96.4m. Columbus IT Partner will receive a minimum of DKK 5m in new funding from Gaardboe Holding as partial cover for the cost of the rights issue.

The flowing terms and conditions apply to the underwriting guarantees issued by Gaardboe Holding and Nordea Bank:

- Of Gaardboe Holding's proportional right to subscribe for 16,962,852 shares, Gaardboe Holding has given a binding undertaking to subscribe:
  - 1,666,667 shares for DKK 5m in cash and
  - 7,833,333 shares by converting Company debt of DKK 23.5m to Gaardboe Holding.

Gaardboe Holding's binding prior undertaking thus comprises a total of 9,500,000 shares, equivalent to DKK 28.5m.

- Cash subscription of up to 8,035,995 shares in addition to Gaardboe Holding's binding prior undertaking for 9,500,000 (nom.) shares will not reduce Nordea Bank's underwriting guarantee of 14,607,985 shares. The Company will receive the gross proceeds of DKK 29.1m (before rights issue costs) in cash provided that shares are subscribed for in cash in excess of Gaardboe Holding's binding prior undertaking equivalent to gross proceeds of DKK 24.1m (before rights issue costs). Shares will also be subscribed by converting debt which will lead to a DKK 67.3m reduction in the Company's debt to Gaardboe Holding and Nordea Bank.

#### **Agreement with Bunadarbanki Islands hf.**

In making the debt conversion agreement, Columbus IT Partner A/S has arranged with Bunadarbanki Islands hf. that in the period up to 15<sup>th</sup> April 2004, Icelandic subsidiary AX Business Intelligence hf. will not make repayments on the company's loan of ISK 270.3m (DKK 24.1m ) at Bunadarbanki Islands hf. Management expects the Group to meet the terms and conditions of the agreement during the standstill period. AX Business Intelligence hf. will be paying monthly interest payments on the loans during the period, after which the loans are to be repaid before year-end 2008.

#### **Option agreement between Gaardboe Holding and Nordea Bank**

Gaardboe Holding currently has a 52.8% holding in Columbus IT Partner. This holding is expected to fall significantly as part of recapitalizing Columbus IT Partner since Gaardboe Holding's guarantee and undertaking to subscribe represents only about half the subscription rights which Gaardboe Holding will receive. At the same time, Nordea Bank will become the largest shareholder in the Company provided that a significant part of Nordea Bank's guarantee were to be exercised.

As part of the debt conversion agreement process, Gaardboe Holding and Nordea Bank have made an option agreement. The agreement means that Nordea Bank will grant Gaardboe Holding the right until 30th June 2004, in the event of an incipient sale of the shares to a third party in the same transaction, to purchase all the shares that Nordea Bank might subscribe for in Columbus IT Partner under its underwriting guarantee at DKK 3 per share plus a surcharge for interest to Nordea Bank. Should Gaardboe Holding exercise this right at a time when the Columbus IT Partner share price exceeds DKK 6, the excess gains would be shared between Gaardboe Holding and Nordea Bank as further agreed. As part of any transaction, the buyer would require the approval of the Company's bankers, Nordea Bank, if the intention were for the Group's banking arrangements to continue. In assessing any continuation of business relations, Nordea Bank would only apply the bank's standard credit rating criteria.

Irrespective of the option agreement, Nordea Bank has to right to sell all the shares it might acquire in Columbus IT Partner under its guarantee under certain terms and conditions associated with the Company's operations and liquidity.



Following the rights issue, Gaardboe Holding is expected to have a holding of between 34.2% and 42.7%, depending on how much of the rights issue is subscribed.