

Stock Exchange Release No. 18/2006



COLUMBUS IT

Quarterly Report

Q1-3/2006

PROFILE:

Columbus IT 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 is a service organization with a headcount of 1000 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

Growth in revenues – results forecasts maintained

- Columbus IT's revenues for Q1-3/2006 were up 16% at DKK 516m (DKK 443m in 2005).
- Operating profit (EBITDA) for Q1-3/2006 was DKK 13.2m (DKK 9.4m in 2005). Taken by itself, Q3/2006 contributed DKK 7.9m, with DKK 5.3m from the first half year.
- The 28% rise in software revenues compared to the same period last year was mainly due to sales of own developed software. To-Increase also strongly increased its partner channel in both North America and Europe.
- The Danish subsidiary reported 49% growth in EBITDA compared to the same period last year. Growth was due in part to considerable new sales, and in part the continuing efficiency drive, including improved client contracts and optimization of revenue mix. New Dynamics Nav (formerly Navision) sales have been particularly successful, with the company reporting growth up 33% on Q1-3/2005.
- As part of Columbus IT's strategy of strengthening its market position in Poland, the Polish subsidiary has acquired two Polish consultant firms that have been merged with Columbus IT's Polish subsidiary. This will make Columbus IT the largest provider of Microsoft Dynamics-based ERP systems in Poland with a total headcount of 45. As part of the transactions, the owners of the acquired companies have become shareholders in Columbus IT's Polish subsidiary, leaving Columbus IT with a 51% holding.
- As part of Columbus IT's strategy of boosting its market position in France, Columbus IT has decided to take in a number of internal and external partners. They will acquire 49% of Columbus IT's French subsidiary. Columbus IT does, however, have a call option as part of the agreement and can accordingly buy back the shares after two years.
- Group equity at the end of Q3/2006 amounted to DKK 172m, giving a solvency ratio of 37% (39% in 2005).
- Considerable challenges associated with legalization and clearing up in Columbus IT's Russian subsidiary led to a loss of DKK 10.6m in Q1-3/2006 at the Russian subsidiary, whereas expectations were for significant profits. The improvement/re-establishment activities that have been implemented have turned out to be significantly more time consuming and extensive than originally expected. Meanwhile, the Russian subsidiary is expected to report a profit in Q4.
- Previously expressed forecasts for 2006 are being maintained, with total Group revenues on a level of DKK 720-750m and EBITDA of the order of DKK 30-35m.

Ib Kunøe
Chairman
Columbus IT Partner A/S

Michael Gaardboe
CEO
Columbus IT Partner A/S

For further details, please contact:

CEO Michael Gaardboe or Executive Vice President Sven Madsen, T: (+45) 7020 5000.

Key figures and ratios

DKKm	Q3/ 2006	Q3 2005	Q1-3/2006	Q1-3/2005	2005
Income Statement					
Net revenues	151.2	137.2	515.9	443.0	649.8
External project costs	-34.6	-37.5	-135.4	-114.7	-184.5
Gross earnings I	116.6	99.7	380.5	328.3	465.3
Staff expenses	-88.6	-75.4	-272.5	-236.5	-318.0
Gross earnings II	28.0	24.3	108.0	91.8	147.3
Other external costs	-33.4	-25.6	-107.7	-82.3	-124.1
Other operating income	13.3	0.0	13.3	0.1	0.6
Other operating costs	0.0	0.0	-0.4	-0.2	-0.2
EBITDA	7.9	-1.3	13.2	9.4	23.6
Depreciation excl. goodwill	-3.8	-3.1	-10.6	-8.6	-12.2
EBITA	4.1	-4.4	2.6	0.8	11.4
Write-down of goodwill	0.0	0.0	0.0	-4.0	-7.3
EBIT	4.1	-4.4	2.6	-3.2	4.1
Net financials	0.1	-0.7	-3.0	-0.8	-2.9
Pre-tax earnings	4.2	-5.1	-0.4	-4.0	1.2
Tax on Q1-3 earnings	-0.1	-0.8	-2.1	-7.1	-7.3
Earnings Q1-3	4.1	-5.9	-2.5	-11.1	-6.1
Allocated thus:					
Shareholders of Columbus IT Partner A/S	4.6	-6.6	-2.9	-13.0	-10.0
Minority interests	-0.5	0.7	0.4	1.9	3.9
	4.1	-5.9	-2.5	-11.1	-6.1
Balance Sheet					
Long-term assets			234.4	151.3	229.7
Short-term assets			228.0	189.0	256.6
Total assets			462.4	340.3	486.3
Group shareholders' equity			161.5	123.4	147.3
Minority interests			10.6	10.1	11.9
Debt			290.3	206.8	327.1
Total liabilities			462.4	340.3	486.3
Cash flow					
Cash inflow from operations			-9.8	5.7	28.9
Net cash outflow for investments			-29.0	-61.0	-100.3
- of which for investment in tangible fixed assets			-4.1	-5.2	-6.9
Cash flow from financing activities			27.0	45.9	70.2
Total cash flow			-11.8	-9.4	-1.2
Key ratios					
Gross margin II			20.9%	20.7%	22.7%
Operating profit margin			0.5%	-0.7%	0.6%
Return on investment III			1.8%	1.0%	3.6%
Return on equity			-2.0%	-17.2%	-9.6%
Solvency ratio			37.2%	39.2%	32.7%
Earnings per share (EPS)			0.0	-0.2	-0.2
Dividend per share			0.0	0.0	0.0
Net asset value per share (BV)			2.2	1.8	2.1
Headcount end of period			1,012	834	943
Cash flow per share			-0.1	0.1	2.2

The key figures and financial ratios above have been calculated in accordance with the Danish Society of Financial Analysts "Recommendations and Key Figures 2005", except for Return on Investment and Solvency Ratio.

The quarterly report has not been audited

Developments in Q1-3/2006

Columbus IT reported net revenues in Q1-3/2006 of DKK 516m, up from DKK 443m for the same period last year.

Revenues Q1-3	2006	2005	Revenues Q1-3	2006		2005	
	%	%		DKKm	%	DKKm	%
Hardware	3%	4%	Dynamics AX (formerly Axapta)	347	67%	338	76%
Software	34%	31%	Dynamics Nav (formerly Navision)	102	20%	48	11%
Service	63%	65%	XAL	33	6%	32	7%
			Other	34	7%	25	6%
Total	100%	100%	Total	516	100%	443	100%

The table above shows that software sales have increased as a result of Columbus IT's focused strategy of becoming a global software development house. Solutions based on Dynamics AX continue to account for most of revenues but the Group's Dynamics Nav business has seen extremely strong growth, up 113% on Q1-3/2005. Sales of solutions based on XAL reflect an ever declining relative share of revenues following the conversion of XAL solutions to Dynamics AX solutions.

Sales of own developed software - mainly by the Group's software development company To-Increase – amounted to DKK 21m of revenues, an increase of 87% compared to the same period last year. Especially in the first three quarters, Columbus made significant investments in readying an extensive range of software products for sale via other dealers.

Group EBITDA for Q1-3/ 2006 was DKK 13.2m compared to DKK 9.4m in 2005. The contribution in Q3 was DKK 7.9m and total EBITDA for the period was in line with company expectations. Results were affected by unsatisfactory results at Columbus IT's Russian subsidiary where the considerable challenges associated with legalization and clearing up at the company led to a loss of DKK -10.6m in Q1-3/2006.

Group financials showed net expenses of DKK 3m, up from DKK 0.8m for the same period last year.

Corporation tax for foreign companies reporting profits means that the total calculated tax charge for Columbus IT for the period was DKK -2.1m. The result for the period was a deficit of DKK -2.5m, which was an improvement of DKK 8.6m compared to the same period last year.

Regional developments

(Q1-3)	Revenues		EBITDA		Headcount	
	(DKKm)		(DKKm)		(at 30 September)	
	2006	2005	2006	2005	2006	2005
Nordic	198	169	21	10	261	214
Western Europe	139	100	8	5	220	149
Eastern Europe	85	83	-8	8	353	347
Rest of the World	94	90	3	16	160	111
Parent company	0	1	-11	-30	18	13
	516	443	13	9	1,012	834

Note: The parent company's figures do not include costs billed to subsidiaries. Subsidiaries' figures are also reported exclusive of costs billed by the parent company.

Q1-3/2006 revenues for the **Nordic Region** were 17% or DKK 29m up on Q1-3 last year. The increase was mainly due to the greater level of activity in the Danish subsidiary, where revenues were up DKK 17m (12%), especially for Navision business where revenues rose 33%. The two Norwegian subsidiaries also reported growth in revenues, amongst other things as a result of the successful turnaround undergone by the company in Oslo. The Finnish subsidiary acquired this year further contributed DKK 2m to revenues. The Nordic Region accounted for 38% of Group revenues. EBITDA rose from DKK 10m in Q3/2005 to DKK 21m this year. The reason for the improvement in EBITDA in 2006 was generally better earnings at the Danish subsidiary, which saw EBITDA grow by DKK 6m compared to last year. Growth was due to considerable new sales and the continuing efficiency drive, as well as improved client contracts and optimization of revenue mix. The restructuring process previously initiated for the Norwegian company in Oslo has significantly improved its profitability, with EBITDA at DKK 0.5m for the period, which was DKK 2.5m up on last year.

In **Western Europe**, Q1-3/2006 revenues totaled DKK 139m, up DKK 39m (39%) on the same period last year. The region accounted for 27% of total revenues. Compared to Q1-3/2005, EBITDA in Western Europe rose from DKK 5m to DKK 8m, with most of the countries in the region reporting positive EBITDA. The Austrian and French subsidiaries were exceptions to this, with unsatisfactory contributions of DKK -3.7m and DKK -1.1m respectively. The Group's software development company contributed DKK 14m of the increase in revenues in Western Europe. The company achieved EBITDA of DKK 7m which was in line with expectations.

Revenues in **Eastern Europe** were DKK 85m in Q1-3/2006, which was in line with the same period in 2005. Q1-3/2006 revenues were stable in practically all the countries in the region compared to last year. The region accounted for 17% of total revenues. EBITDA for the region was DKK -8m in 2006, which was DKK 16m less than for Q1-3/2005. The decrease was mainly due to the Russian subsidiary which reported EBITDA of DKK -10.6m. This was as a result of considerable challenges associated with legalization and clearing up. The improvement and re-establishment activities that have been implemented have turned out to be more time consuming and extensive than originally forecast and the company has not proved able to achieve revenues on budget and hence earnings in 2006. The turnaround activities that have been initiated are expected to improve profitability in the company and on this basis, significantly better results are being forecast. Developments in the company during Q4 will be closely monitored and if the company's results do not live up to expectations, goodwill for the Russian company will be written down. The company in Estonia also reported unsatisfactory results and focused action has been taken there so as to boost profitability in the company. The Czech subsidiary has reported deficits for some years and the company is being wound up. Activities on Czech market will in future be undertaken by a newly established company in which the Columbus IT Group has a 51% holding.

In the **Rest of the World Region**, total Q1-3/2006 revenues were DKK 94m, which was DKK 4m (4%) up on same period last year. The region accounted for 18% of total revenues. EBITDA in the region was DKK 3m, down DKK 13m on last year. The decrease was mainly due to the American subsidiary where Q1-3/2005 earnings reflected three major client contracts which it has not proved possible to repeat in 2006 in a US market characterized by heavy competition. Further, sale of a client that had accounted for 30% of the US company's revenues in 2005 saw it switching to the new owner's IT platform. Columbus IT set up an associated company in 2006 in the Middle East and has also established companies in Brazil, Mexico and Chile so as to boost its presence in Latin America.

EBITDA in the **Parent Company** in Q1-3/2006 amounted to DKK -11m before invoicing subsidiaries for expenses. This was DKK 19m less than for the same period in 2005. EBITDA was affected by lower payroll costs of the order of DKK 5m as a result of reorganization and efficiency drives, and the disposal of a 49% holding in the French subsidiary which taken by itself made a DKK 12.7m contribution. Several central projects have been implemented, amongst other things to enhance the IT platform and to develop strategic tools, and these have led to higher costs for IT operations.

Expectations for 2006

Whereas the company reported lower growth than expected for a couple of the traditionally large subsidiaries, this was offset by strong growth in the Danish subsidiary and generally increased sales of own developed software solutions. This means that revenue forecasts for the whole of 2006 are still being maintained in the DKK 720-750m range. The considerable challenges associated with legalization and clearing up in Columbus IT's Russian subsidiary combined with the decline in the US, Austrian and Estonian companies means that for the first nine months of the year EBITDA was not up to budget. However, the company is still maintaining its forecast for EBITDA for the whole of 2006 of the order of DKK 30-35m.

Directed rights issues

In January 2006, Columbus IT used shares in Columbus IT Partner A/S to settle the residual purchase price for the Austrian company NaviDat, the first tranche of the purchase price of the US company VerticalSoft, the entire purchase price for the Austrian company, Martin Becker GmbH and the first tranche of the purchase price of the Polish company Creative Innovation Group. Please see Stock Exchange Releases No. 2 of 12 January, No. 4 of 18 January, No. 6 of 30 January and No. 17 of 7 September 2006.

Shares were also issued in March to a senior executive in part settlement of his incentive scheme. Please see Stock Exchange Release No. 8 of 22. March 2006.

A total of 1,971,257 shares were issued in the first 3 quarters of 2006 which had a positive net impact on equity of approx. DKK 18.6m.

Accounting policies

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

Investments

Total investments in tangible and intangible assets (except for goodwill) in Q1-3 totaled DKK 17.8m compared to 8.5m for the same period in 2005. DKK 13.8m was attributable to investments in development projects for repeatable solutions whilst the remaining DKK 4m was for acquisition of tangible assets.

Liquidity status

Columbus IT held cash funds of DKK 23m at 30 September 2006 compared to DKK 27m last year. Cash funds are mainly held at various foreign subsidiaries.

Forex

The Group did not enter into any hedging contacts in the first 3 quarters of 2006. 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

Development in shareholders' equity (DKKm)	2005	Q1-3/2006
Equity 1/1	6.5	147.3
Forex adjustments for foreign subsidiaries, etc.	2.3	-2.0
Earnings Q1-3	-10.1	-2.9
Adjustment of minority interests with negative equity	2.0	0
Warrant scheme exercised	0.8	0.5
Capital increases	145.8	18.6
Group equity 31 December – 30 September	147.3	161.5
Minority interests	11.9	10.6
Total equity 31 December - 30 September	159.2	172.1

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 considered and approved the Q3 Report for the period 1 January - 30 September 2006 for the Columbus IT Partner Group.

The quarterly report 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 quarterly reports laid down in the Company Accounts Act, associated statutory instruments and Copenhagen Stock Exchange. 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 2006, and the results of the Group's activities and cash flow for the period 1 January – 30 September 2006.

Brøndby, 9 November 2006

Board of Management

Michael Gaardboe
CEO

Sven Madsen
Executive Vice President

Board of Directors

Ib Kunøe
Chairman

Michael Gaardboe

Claus Hougesen

Jørgen Cadovius

Income Statement

DKK 1000	<u>1/1 – 30/9 2006</u>	<u>1/1 – 30/9 2005</u>
Net revenues	515,934	442,988
External project costs	-135,392	-114,726
Gross earnings	380,542	328,262
Other external costs	-107,749	-82,330
Staff expenses	-272,575	-236,456
Other operating income	13,349	147
Other operating costs	-363	-207
Earnings before depreciation/amortization (EBITDA)	13,204	9,416
Depreciation	-10,566	-8,607
Earnings before write down of goodwill (EBITA)	2,638	809
Write down of goodwill	-41	-4,028
Operating profit (EBIT)	2,597	-3,219
Results of associated companies	-243	0
Financial income	5,785	6,819
Financial expenses	-8,552	-7,599
Pre-tax earnings	-413	-3,999
Tax on Q1-3 earnings	-2,128	-7,141
Earnings Q1-3	-2,541	-11,140
Allocated thus:		
Shareholders of Columbus IT Partner A/S	-2,938	-12,995
Minority interests	397	1,855
	-2,541	-11,140

Balance Sheet

DKK 1000

	30/09 2006	30/09 2005
Assets		
Development projects completed	33,262	8,302
Royalties	372	726
Goodwill	163,424	98,076
Development projects in progress	3,729	0
Intangible assets	200,787	107,104
Plant and operating equipment	12,630	13,496
Tangible assets	213,417	13,496
Holdings in associated companies	925	0
Deferred tax assets	20,052	30,724
Financial assets	20,977	30,724
Total long-term assets	234,394	151,324
Inventories	3,868	1,998
Accounts receivable – sales and services	137,583	115,582
Contract work in progress	23,978	12,192
Receivables from shareholders	408	442
Corporation tax	4,568	3,890
Other receivables	23,166	13,181
Accruals	11,745	14,406
Receivables	201,448	159,693
Cash funds	22,739	27,286
Total short-term assets	228,055	188,977
Total assets	462,449	340,301

Balance Sheet

DKK 1000

	30/09 2006	30/09 2005
Liabilities		
Share capital	91,241	85,604
Retained profit	70,262	37,793
Equity attributable to parent company shareholders	161,503	123,397
Minority interests	10,603	10,142
Equity	172,106	133,539
Deferred tax	1,256	1,010
Loans from shareholders	9,035	0
Subordinated loan capital	0	15,000
Mortgage lenders	1,056	1,219
Other debt	2,605	0
Long-term debt	13,952	17,229
Short-term part of long-term debt	404	307
Mortgage lenders	88,797	68,749
Client prepayments	17,963	17,779
Trade accounts payable	39,644	27,230
Corporation tax	4,262	3,929
Payable purchase sum re. acquired companies	21,918	0
Other debt	90,825	65,450
Accruals	12,578	6,089
Short-term debt	276,391	189,533
Debt	290,343	206,762
Total liabilities	462,449	340,301