



Copenhagen Stock Exchange

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**Interim report for  
Columbus IT Partner A/S for the period  
1 January – 30 June 2002**



The Columbus IT Partner net sales for the first half of 2002 amounted to DKK 339 million, and earnings before tax, depreciation and amortization (EBITDA) amounted to DKK 25 million.

- ?? The Group's net sales were DKK 339 million (DKK 299 million in the first half of 2001). Disregarding the sale of the Danish municipal activities and the 2001 sale of the distribution activities, net sales equal those of last year.
- ?? EBITDA which was DKK 25 million (DKK –25 million in 2001) is affected by the divestment of the municipal activities and the re-purchase of a number of Columbus-developed products and the reversal of development costs, etc. When disregarding the EBITDA contribution (DKK 34 million), EBITDA has improved by DKK 23 million compared with 2001 (minus DKK 7.5 million for the sale of the distribution activities).
- ?? Since 30 June 2001 the number of employees has been reduced by 195 to 849 employees corresponding to a reduction of 19 percent. In the same period, net sales per employee at the end of the period increased by 25 percent compared with the 1<sup>st</sup> half of 2001.
- ?? The Company's receivables have dropped and the debtor days thus fell from 91 at the end of 2001 to approximately 72 days by 30 June 2002.
- ?? Earnings before tax for the period improved by DKK 47 million to DKK -5 million compared with DKK -52 million in the same period last year. Earnings after tax came to a loss of DKK -9 million against DKK -43 million in the first half of 2001.
- ?? For the entire year 2002, net sales are expected to be in the lower end of the spectrum reported earlier, namely at around DKK 650 million. Because of the uncertainty surrounding the earn-out payment from the sale of the municipal activities and the noted lower margin in 1<sup>st</sup> half of 2002, as described below, an EBITDA between DKK 35-40 million is expected.

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

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Columbus IT Partner A/S

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## Financial highlights

Profit and loss account (DKK m)	Q2	Q2	1st half	1st half
	2001	2002	2001	2002
Net sales	166.4	183.8	299.4	338.5
Development costs for own resources	0.0	1.0	0.0	3.0
External project costs	-32.2	-45.5	-56.6	-81.2
Gross profit I	134.2	139.3	242.8	260.3
Staff costs	-93.4	-85.5	-185.5	-166.3
Gross profit II	40.8	53.8	57.3	94.0
Other operating income	0.0	3.1	0.0	3.1
Other external costs	-43.2	-37.3	-82.3	-72.3
EBITDA	-2.4	19.6	-25.0	24.8
Depreciations excl. goodwill	-4.5	-5.2	-10.0	-10.6
EBITA	-6.9	14.4	-35.0	14.2
Depreciation and write-down of goodwill	-6.0	-5.0	-11.5	-10.5
EBIT	-12.9	9.4	-46.5	3.7
Net financials	-3.3	-5.0	-5.1	-8.5
Earnings before tax	-16.2	4.4	-51.6	-4.8
Tax on earnings for the period	10.0	-1.0	9.2	-2.4
Minority interests	-0.5	-0.2	-0.7	-2.0
<b>The Columbus IT Partner share of net earnings</b>	<b>-6.7</b>	<b>3.2</b>	<b>-43.1</b>	<b>-9.2</b>
		<b>1st half</b>	<b>2001</b>	<b>1st half</b>
<b>Balance sheet (DKK m)</b>		<b>2001</b>	<b>2001</b>	<b>2002</b>
Fixed assets		212.5	191.6	163.5
Current assets		305.2	326.1	260.4
<b>Total assets</b>		<b>517.7</b>	<b>517.7</b>	<b>423.9</b>
Capital and reserves		161.7	86.1	76.2
Minority interests		6.1	15.8	16.4
Liabilities and provisions		349.9	415.8	331.3
<b>Total liabilities</b>		<b>517.7</b>	<b>517.7</b>	<b>423.9</b>
<b>Cash flow (DKK m)</b>				
Cash flow from operations		-24.7	-0.7	21.5
Cash flow from investments, net		-23.6	-51.8	-6.2
For investments in tangible fixed assets		-8.7	-19.6	-0.4
Cash flow from financing		50.4	73.3	-25.2
<b>Total cash flow</b>		<b>2.1</b>	<b>20.8</b>	<b>-9.9</b>
<b>Key financial figures and ratios</b>				
Gross margin II		19.2%	23.7%	27.8%
Operating profit margin		-15.5%	-13.6%	1.1%
Return on investment III		-7.6%	-14.3%	2.5%
Return on equity		-32.9%	-98.0%	-11.4%
Equity ratio		31.2%	16.6%	18.0%
Earnings per share (EPS)		-6.6	-16.3	-1.2
Net asset value per share (BV)		20.1	10.7	9.5
Number of employees, end of period		1,044	932	849
Cash flow per share		-3.8	-0.1	2.7

*The key figures are calculated according to the*

*instructions of The Danish Society of Financial Analysts.*

### Developments in 1st half 2002

Net sales for 1st half total DKK 339 million against DKK 299 million in the same period in 2001, corresponding to an increase of 13 percent. Adjusted for the effect of the sale of the municipal activities in 2002 and the sale of the distribution activities in 2001, net sales on ordinary activities in 1st half of 2002 were at the same level as 1st half of 2001: DKK 292 million.

Half-year net earnings per employee at the end of the year have risen by circa DKK 0.28 million in the 1st half of 2001 to circa DKK 0.35 million by 30 June 2002, which corresponds to an increase of 25 percent.

Sales are distributed with 32 percent on software, 66 percent on consultancy services and 2 percent on hardware. In line with the Company's focus on Axapta, the solutions based on this product make up circa 66 percent of net sales, corresponding to circa DKK 190 million.

Net sales 1st half	2001	2002	Net sales 1st half	2001	2002
Hardware	2%	2%	Axapta	45%	66%
Software	31%	32%	Attain	4%	4%
Consultancy services	67%	66%	XAL	30%	21%
			Others	21%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>	<b>100%</b>

*Note: These percentages are calculated excluding the sale of distribution and municipal activities.*

EBITDA makes up DKK 25 million in the 1st half, which is an improvement of 50 million compared with the same period last year. When disregarding the sale of the distribution activities in 2001 and the municipal activities in 2002, the improvement is DKK 23.2 million.

The improvement is a consequence of the restructuring process, where the total number of employees has been reduced by 195.

The net effect for the 1<sup>st</sup> half of 2002 is an improvement of DKK 19 million. Other savings including rent reduction, external consultations, etc. amounted to DKK 10 million in the period. In the course of the last 12 months, the fixed costs of the Group have been reduced by no less than 40 million on a semi-annual basis.

On 31 May 2002 Columbus IT Partner entered an agreement for sale of the activities in the division working with the municipal market in Denmark to KMD (the former Kommunedata A/S). The sale of the activities was part of the Columbus IT Partner strategy of an increased focus on internationally scaled Columbus-developed solutions based on Navision (hereafter referred to as Microsoft Business Solution) products aimed specifically at targeted sectors.

Columbus IT Partner has handed over to KMD the Axapta-based standard municipal solution consisting of 27 modules, customer contracts, and work in progress on the solution. On the date of transfer, 31 May 2002, a one-time amount of DKK 50 million was received by Columbus IT Partner. Beyond that, the companies have entered into a 5-year agreement with Columbus IT Partner as KMD's Axapta technology partner. The agreement will ensure that Columbus IT Partner receives royalties from the sale of the Axapta-based municipal solution and distribution of Axapta software to



KMD customers in the municipal sector. Only the guaranteed part of the earn-out is booked as income in the period. The agreement also covers a number of circumstances surrounding the pending dispute with the municipality of Farum, where KMD and Columbus IT Partner have a common interest in resolution.

In connection with this sale, Columbus IT Partner among other things has re-purchased products from Gaardboe Holding ApS for DKK 8.5 million, reversed development costs for DKK 12.1 million, and made other balance sheet adjustments related to the municipal activities. The net effect on net sales in the 1st half is circa DKK 46 million, and the net effect on EBITDA is circa DKK 34 million. Contrary to expectations, the activities had a negative EBITDA effect of no less than DKK 5 million in the first five months of this year.

### Developments in the regions

(1st half)	Net sales (DKK m)		EBITDA (DKK m)		No. of employees (at 30 June)	
	2001	2002	2001	2002	2001	2002
Nordic countries	164	190	-32	22	482	344
Western europe	64	62	3	-6	198	164
Eastern europe	36	46	7	3	239	238
Rest of the world	35	41	-3	6	125	103
Total	299	339	-25	25	1,044	849

### Nordic countries

Adjusted for the effect of the sale of the municipal activities and the distribution activities, the Group has experienced a fall in net sales of 8 percent in the 1st half of 2002 in the Nordic countries compared with the same period last year. This is due to a fall in net sales in Denmark, Sweden and Iceland, primarily due to the reduction in employees and a generally tough market for the sale of Business Solutions. Collectively, the number of employees fell by 138 compared with the same period last year and by 30 June 2002 totaled 344 employees.

The Nordic companies including the effect of the sale of the municipal activities, contributed with 56 percent of the Group's total net sales against 55 percent in the same period last year. Excluding the effect of the sale of the municipal and distribution activities, their share in 1st half of 2002 made up 49 percent against 54 percent in the same period last year.

The normalized EBITDA in the Nordic countries (excluding the sale of the municipal activities in 2002) amounted to DKK -12 million in the 1st half of 2002, which is an improvement of DKK 28 million compared with the same period last year (minus the sale of the distribution activities in 2001). The Swedish company in the 1<sup>st</sup> half of 2002 showed very poor operating earnings. The Group management now focuses on resolving the structural challenges in the company and has set up a collaboration with another dealer. The increase in EBITDA in the 1st half of 2002 is mainly attributable to an increase in net sales per employee and more focus on earnings capacity.

The Danish company, Columbus IT Partner International A/S, experienced an increase in net sales per employee of 27 percent compared with the 1st half of 2001 to DKK 0.5 million. Even though the number of employees has been reduced from 245 to 158 employees, the restructuring process appears a success. The improvement is due to focus on international projects and customer agreements with Hummel, TK Development and LM Glasfiber, among others. The deal with Hummel entails that Columbus IT Partner in the first phase of the project will implement Attain in Denmark,



then in Hummel's companies in Germany and USA. LM Glasfiber will have the Axapta solution implemented in the Danish company with 180 concurrent users. The agreement for delivery of Axapta to TK Development includes roll out to all the company's offices in Denmark, Poland, Finland, Sweden, the Czech Republic and Slovakia with circa 200 users.

Columbus IT Partner's focus on the retail market in the 1st half has resulted among other things in sales of the Columbus-developed retail solution based on Axapta to DK Benzin, Holland&Holland in the US, Fanaal (building materials) in Latvia, and Mambo (producer of surf and street wear) in England and Australia.

### **Western Europe**

In the 1st half of 2002, the Group's Western European companies experienced a slight fall in net sales of 3 percent compared with the same period last year. The decline in net sales is due to a fall in net sales in most of the region's companies except for Holland, Switzerland and France, which had increasing net sales of 41 percent, 15 percent and 46 percent, respectively. Western Europe's share of the Group's total net sales amounted to 18 percent against 21 percent in the same period last year.

EBITDA in Western Europe made up DKK -6 million against DKK 3 million in the same period last year. The results are affected by very unsatisfactory results in England, Spain and France.

The total number of employees in Western Europe is 164, which is a reduction of 34 employees compared with 30 June 2001. The reductions occurred primarily in England and Austria.

In England, the company made an agreement for the implementation of an Axapta solution with Plexian (European IT consultancy recruitment company). The Swiss subsidiary of Columbus IT Partner entered an agreement for initially supplying a 20-user Axapta solution to the parent company Bron Elektronik Group who have offices in more than 60 countries. In the Netherlands, an agreement was made with VEGE-motoren for the delivery of a 150-user Axapta solution. Initially, this solution is to be implemented in eight countries: Holland, England, Germany, France, Spain, Sweden, Italy and Tunisia.

It is clear that the Group's strategy concerning international customers has shown an impact. International deals are being generated in countries other than Denmark, where this type of business has been initiated previously.

### **Eastern Europe**

The Group's Eastern European companies experienced an increase in net sales of 28 percent in the 1<sup>st</sup> half of 2002 compared with the same period last year, which is very satisfactory. It is mainly attributable to the companies in Russia, Estonia, Latvia and Lithuania. Eastern Europe's share of the Group's total net sales made up 14 percent against 12 percent in the same period last year. Considering that the companies in the 1st half of 2001 still were distributors of Axapta and XAL, and that the earnings included sale of licenses to other suppliers. In connection with the sale of the distribution activities, the sales to other distributors disappeared in 2002. On 30 June 2002 the earn-out agreement with Microsoft Business Solutions expired. Columbus IT Partner does not expect any material changes to the amount already recognized. The agreement will be finalized this year.

Disregarding the sale of the distribution activities, EBITDA in Eastern Europe is DKK 3 million, which is at the same level as last year.



The number of employees by 30 June 2002 is 239, which is at the same level as the same period last year, however, it covers the fact that circa 55 employees went over to Microsoft Business Solutions in connection with the sale of the distribution activities. Therefore, the actual increase was circa 30 percent.

### **Rest of the world (USA, Latin and South America, South Africa and Singapore)**

The Group's companies in the rest of the world experienced in the 1st half of 2002 an increase in net sales of 17 percent compared with the same period last year. The rest of the world's share of the Group's total net sales was 12 percent.

EBITDA in the rest of the world amounted to DKK 6 million in the 1st half of 2002, which is an improvement of DKK 9 million compared with the same period last year. The increase in EBITDA in the 1st half of 2002 is the result of a material improvement of EBITDA in all the region's companies due to increased net sales and an adaptation of the cost structure. Furthermore, the improvement must be seen in the light of the falling dollar rate, which has reduced EBITDA for the American activities by circa DKK 1 million. By 30 June 2002, Columbus IT Partner had 36 employees in the USA and an estimated market share on Axapta of circa 18 percent.

The number of employees in the region fell by 22 compared with the same period last year, making up 103 employees by 30 June 2002.

### **Expectations for 2002**

Being in a very difficult market with continuous price pressure, in the first half of this year the Group has retrieved its position as Microsoft Business Solutions' largest partner in a number of markets, including Denmark. On a global plan, Columbus IT Partner has obtained more than 100 new customers.

The Columbus IT Partner strategy towards industry-oriented solutions and project deliveries for cross-border customers is paying off, and still more companies with these needs are choosing Columbus IT Partner as their preferred collaborator.

The Microsoft Business solution takeover of Navision is expected to have a positive influence on the development of Columbus IT Partner in the years to come. However, no short-term effects are expected since a certain transition period for the merging companies is expected. In the long run, Axapta and Attain are expected to be marketed through a more international sales and marketing organization with a stronger brand. Being represented in 27 countries and having more than 40 offices worldwide, Columbus IT Partner is well positioned to benefit from this.

Since Q3 traditionally is the Group's weakest quarter, net sales are budgeted for the level of DKK 125 million. The reduction of the cost base continues in this period. As before, Q4 is expected to be this year's strongest quarter.

The new collaboration with KMD is being carried out but is surrounded by uncertainty about KMD's future product strategy and thereby the value for the Columbus IT Partner agreement's extensive earn-out potential. This can have considerable influence on the net earnings for the year. Only the guaranteed part of the earn-out is booked as income in the 1<sup>st</sup> half of 2002.

For the full year, net sales in the lower end of the earlier reported spectrum, namely about DKK 650 million, are expected, and an EBITDA between DKK 35-40 million.

## **Other comments on the consolidated accounts**

In Q1 2002, the Company capitalized the development costs for the Municipal solution for DKK 2 million. These have been reversed in connection with the liquidation of the municipal activities. In Q2 2002 the development costs are capitalized for DKK 3 million concerning the development of industry solutions and tools.

External project costs have increased by DKK 25 million compared with the same period last year. The item among other things is affected by the re-purchase of a number of Columbus-developed products.

Staff costs have decreased by DKK 19 million compared with the same period last year, mainly caused by a reduction in the number of employees, which dropped from 1,044 at 30 June 2001 to 849 at 30 June 2002.

Other external costs have dropped by DKK 10 million, which is attributable to the cost savings caused by the improved efficiency and closing down of units.

Tax on earnings for the period is DKK -2 million. Compared with the same period last year it should be noted that there have been changes in the applied accounting policies, so that deferred tax assets from 2001 are now recognized in the balance sheet. The operational effect of the recognition of deferred tax assets was DKK 10 million for the 1<sup>st</sup> half of 2001 compared with DKK 1 million in the 1<sup>st</sup> half of 2002. The tax costs for the period involve the profitable subsidiaries that do not have fiscal losses, etc., that can be utilized from previous years.

The minority interests' share of earnings of the affiliated companies makes up DKK 2 million of the Group's earnings of DKK -7 million.

## **Applied accounting policies**

The interim report has been prepared in accordance with the Danish Company Accounts Act provision for class D companies, the Danish accounting standards, and the Copenhagen Stock Exchange requirements for the presentation of accounts by listed companies.

The accounting policies remain unchanged, except that treasury stock is no longer recognized as a separate item in the balance sheet but is booked directly under capital and reserves. The earnings for the period are positively affected by the change in the treatment of treasury stock by DKK 0.2 million. The balance sheet total and the capital and reserves have been positively affected by the change by DKK 0.2 million in the 1<sup>st</sup> half of 2002 and DKK 0.1 million in the 1<sup>st</sup> half of 2001, respectively. Comparative figures are adjusted.

The above change has been made in order to adjust the accounting policies according to the new Danish accounting standards.

## **Developments in liquidity**

Since the turn of the year, the Group's cash and cash equivalents have been reduced by DKK 10 million and made up DKK 33 million on 30 June 2002. The liquidity from operations has contributed positively by net DKK 22 million, which among other things was affected by the sale of the municipal





activities by DKK 50 million. In the period, liquidity was reduced by cash flows from financing activities of DKK 25 million, which primarily is attributable to a reduction in the debts to financial institutions.



<b>Developments in capital and reserves (DKK m)</b>	<b>2001</b>	<b>2002</b>
Capital and reserves 1 January	149.8	86.2
Effect of changes in accounting policies	-0.4	-0.1
Corrected capital and reserves 1 January	149.4	86.1
Capital increase	62.7	0.0
Capital increase costs	-6.5	0.0
Exchange equalization of foreign subsidiaries etc.	-0.8	-0.7
Earnings for the period	-43.1	-9.2
Capital and reserves 30 June	161.7	76.2

### **Safe Harbor declaration**

*The statements regarding the future that are included in this announcement reflect the management's current expectations for these future events and financial results. The statements about the future are naturally subject to some uncertainty, and the realized results therefore may differ greatly from the stated expectations. Furthermore, certain expectations are based on suppositions about future events that can prove to be incorrect.*

*Conditions that can lead to the realized results differing greatly from the stated expectations could be caused by (though not limited to), among other things, developments in the state of the IT market and the financial markets together with economic influences from unforeseen events; changes in Danish rules and laws and in the European Union rules; developments in the competition between ERP solutions in Denmark and foreign countries; developments in demand, product packaging, and pricing of ERP solutions; developments in Columbus IT Partner's foreign activities to which there also are connections with certain political risks, together with investments in and sales of domestic and foreign companies.*

**Disclaimer:** *This document has been translated from Danish to English. The Danish text shall be the governing text for all purposes; in case of any discrepancy, the Danish wording shall be applicable.*

## Profit and loss account 1 January – 30 June 2002

	Group	
	1/1 - 30/6 2001	1/1 - 30/6 2002
<b>DKK '000</b>		
Net sales	299,359	338,528
Development projects for own account	0	2,949
External project costs	-56,536	-81,161
<b>Gross margin</b>	242,823	260,316
Other operating income	0	3,140
Staff costs	-185,452	-166,355
Other external costs	-82,373	-72,332
<b>EBITDA</b>	-25,002	24,769
Depreciations excl. goodwill	-9,974	-10,646
<b>EBITA</b>	-34,976	14,123
Amortization and write down of goodwill	-11,516	-10,458
<b>EBIT</b>	-46,492	3,665
Financial income	8,918	7,999
Financial costs	-13,992	-16,513
<b>Earnings before tax</b>	-51,566	-4,849
Taxes for the period	9,198	-2,376
<b>Net earnings</b>	-42,368	-7,225
Minority interests	-729	-2,025
<b>Columbus IT Partner share of net earnings</b>	<b>-43,097</b>	<b>-9,250</b>

**Balance sheet 30 June 2002**

	<b>Group</b>	
<b>DKK '000</b>	<b>30/6 2001</b>	<b>30/6 2002</b>
<b>Assets</b>		
Completed development costs	0	733
Licensing rights	6,219	898
Goodwill	164,287	124,945
Development projects in progress	0	2,949
	<hr/>	<hr/>
Intangible fixed assets	170,506	129,525
	<hr/>	<hr/>
Fixtures and equipment	41,049	33,963
	<hr/>	<hr/>
Tangible fixed assets	41,049	33,963
	<hr/>	<hr/>
Investments in associated companies	894	0
	<hr/>	<hr/>
Financial fixed assets	894	0
	<hr/>	<hr/>
<b>Fixed assets</b>	<hr/>	<hr/>
	212,449	163,488
	<hr/>	<hr/>
Commodity	19,664	9,962
	<hr/>	<hr/>
Inventory	19,664	9,962
	<hr/>	<hr/>
Trade accounts receivable	183,934	141,065
Projects in progress for third parties	19,271	13,428
Corporate income tax	6,896	1,148
Deferred tax assets	11,838	21,311
Other receivables	29,134	34,176
Prepaid expenses	8,187	6,411
	<hr/>	<hr/>
Receivables	259,260	217,539
	<hr/>	<hr/>
Cash and cash equivalents	26,286	32,913
	<hr/>	<hr/>
<b>Current assets</b>	<hr/>	<hr/>
	305,210	260,414
	<hr/>	<hr/>
<b>Assets</b>	<hr/>	<hr/>
	517,659	423,902

**Balance sheet 30 June 2002**

	<b>Group</b>	
<b>DKK '000</b>	<b>30/6 2001</b>	<b>30/6 2002</b>
<b>Liabilities and stockholders' equity</b>		
Capital stock	40,180	40,180
Paid-in surplus	121,460	36,024
<b>Stockholders' equity</b>	<b>161,640</b>	<b>76,204</b>
<b>Minority interests</b>	<b>6,122</b>	<b>16,458</b>
Deferred tax	260	9,548
<b>Liabilities provided for</b>	<b>260</b>	<b>9,548</b>
Financial institutions	39,659	29,283
Long-term liabilities	39,659	29,283
Short-term portion of long-term liabilities	12,548	12,507
Financial institutions	123,518	123,570
Advanced payments from customers	4,759	6,373
Trade accounts payable	62,688	37,702
Liabilities to affiliated companies	8,678	14,972
Corporate income tax	1,788	5,869
Other liabilities	80,574	79,769
Accrued liabilities	15,425	11,647
Current liabilities	309,978	292,409
<b>Liabilities</b>	<b>349,637</b>	<b>321,692</b>
<b>Liabilities and stockholders' equity</b>	<b>517,659</b>	<b>423,902</b>