

The Copenhagen Stock Exchange
Announcement No. 5/2003

Announcement of Annual Report 2002.

Copenhagen March 10, 2003: Today the Board of Directors of Maconomy A/S has approved the annual report for 2002. The Board of Directors is satisfied with the development in Q3 and, particularly in Q4 when Maconomy met expectations. However, the result for the total year is unsatisfactory. The complete annual report will follow this statement in pdf format. The annual report may also be downloaded at www.maconomy.com.

The annual report will be presented at a press conference on March 11 at 12.00 at Maconomy's address, Vordingborggade 18. Same day at 15.00 Maconomy will host a telephone conference. The dial-in number for the conference can be obtained by calling Charlotte Horn Andersen, +45 35 27 23 51.

Diederik W. Heyning
Chairman of the Board

Bent Larsen
CEO

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Annual Report 2002

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This Annual Report has been prepared in Danish and English. The Danish version is to be considered the original version for official purpose and in case of any discrepancies between the two versions the Danish version shall prevail.

Financial Highlights and Key Ratios for Maconomy

(DKK' 000)

	1998	1999	2000	2001	2002
Revenue	95,663	175,152	223,764	223,600	158,507
Gross profit	70,977	123,175	142,175	120,785	81,407
Income (loss) from operations	(34,373)	(8,497)	(27,457)	(103,666)	(78,516)
Interest income (expense), net	(2,816)	5,268	258	6,935	80
Income (loss) before income taxes	(36,260)	(2,423)	(27,199)	(96,731)	(77,120)
Net income (loss)	(26,520)	(7,717)	(27,379)	(91,551)	(74,869)
Cash flow from operations	(29,213)	(3,932)	(28,182)	(111,163)	(26,383)
Investments in intang. and tang. fixed assets	(7,184)	(4,655)	(11,473)	(8,086)	(1,153)
Fixed assets	18,035	14,331	18,897	17,205	10,523
Accounts receivable	64,740	67,815	91,581	99,791	58,284
Cash and cash equivalents	7,436	40,850	218,123	97,823	70,240
Total assets	90,211	122,996	328,601	214,819	139,047
Common stock	22,817	30,040	38,596	38,597	38,597
Reserves	(3,754)	40,430	222,664	131,998	56,716
Total stockholders' equity	19,063	70,470	261,260	170,595	95,313
Provisions and long-term debt	2,125	1,617	1,727	373	-
Short-term debt	69,023	50,909	65,614	43,851	43,734
Total liabilities and stockholders' equity	90,211	122,996	328,601	214,819	139,047
Common stock at January 1	21,597	22,817	30,040	38,596	38,597
Capital increase	1,220	7,223	8,556	1	-
Common stock at December 31	22,817	30,040	38,596	38,597	38,597

	1998	1999	2000	2001	2002
Revenue growth (%)	-	83%	28%	0%	-29%
Revenue per employee (DKK '000)	587	842	881	709	666
Gross margin (%)	74%	70%	64%	54%	51%
Operating margin (%)	-36%	-5%	-12%	-46%	-50%
Earnings per share (DKK)	(2.42)	(0.54)	(1.78)	(4.74)	(3.88)
Cash flow per share (DKK)	(2.67)	(0.27)	(1.83)	(5.76)	(1.37)
Net asset value per share (DKK)	1.67	4.69	13.54	8.84	4.94
Dividend per share (DKK)	-	-	-	-	-
Solvency ratio (%)	21%	57%	80%	79%	69%
Return on equity (%)	-106%	-12%	-41%	-44%	-56%
Number of employees (average)	163	208	254	315	238

Definitions of key ratios:

Revenue growth	=	$(\text{Revenue current year} - \text{Revenue last year}) \times 100 / \text{Revenue period last year}$
Revenue per employee	=	$\text{Revenue} / \text{Average number of employees}$
Gross margin	=	$(\text{Revenue} - \text{cost of revenue}) \times 100 / \text{Revenue}$
Operating margin	=	$\text{Income (loss) from operations} \times 100 / \text{Revenue}$
Earnings per share	=	$\text{Net income (loss)} / \text{Average number of shares}$
Cash flow per share	=	$\text{Cash flow from operations} / \text{Average number of shares}$
Net asset value per share	=	$\text{Stockholders' equity at year-end} / \text{Number of shares at year-end}$
Dividend per share	=	$\text{Dividend} / \text{Number of shares at year-end}$
Solvency ratio	=	$\text{Stockholders' equity at year-end} \times 100 / \text{Total assets at year-end}$
Return on equity	=	$\text{Net income (loss)} / \text{Average stockholders' equity}$

The key ratios have been calculated in accordance with the 1997 guidelines of the Danish Society of Financial Analysts.

Report of the Board of Directors and Management

In many ways, 2002 was a watershed year for Maconomy. One of the more significant changes was the replacement of the chief executive officer announced on June 7, 2002. In September, Maconomy published a new business plan with a distinct focus on the following elements:

- Concentration on the segments in which Maconomy has been successful
- Development of web-based segment solutions
- Commercialization of development tools
- Application of indirect sales channels through the development of Maconomy Business Partner Network

About Maconomy

Maconomy develops and sells a fully integrated solution for business management, directly and through partners. The product is marketed all over the world and is aimed at project-based companies and divisions of large, multinational corporations. The solution enables full automation of business processes across company divisions. Based on comprehensive functionality and advanced technology, Maconomy offers the most complete solution for project-based companies and companies whose value is “knowledge and time”. Maconomy supports the customer’s development in the entire value chain and supplies the reporting facilities that are important in order to control the development of the company.

Development in 2002

On the basis of expected market developments, Maconomy’s marketing strategy was shifted at the end of 2001 and efforts concentrated on the world’s largest companies. The organizational adjustments meant that Maconomy refrained from working with the companies which had until then provided Maconomy’s typical accounts: companies of between 100 and 5,000 users. However, in the course of the first half of 2002, it became clear that the shift in focus was unable to provide the necessary revenue. At the same time, the global economy developed in a way that did not promote the investment motivation of large multinationals. Accordingly, there was in 2002, and is in 2003, a much smaller sales potential in this type of corporation than originally anticipated. In June 2002, it was decided to resume the work with Maconomy’s traditional markets while at the same time continuing to work on selected large accounts. As a result, the planned, future earning ability of Maconomy has been made less dependent on single, large orders. Q3 saw a thorough revision of the organization, and capacity and potential were balanced against each other. The primary goal was to return Maconomy to profitability as quickly as possible in order to secure the continued sound financial position and liquid funds, which are a prerequisite for future development and growth. Unfortunately, the new business plan meant that Maconomy had to lay off a number of employees. At the end of 2002, the number of employees totalled 193, corresponding to a 32% reduction. Based on the new business plan, measures were implemented all over the organization with a view to making it more efficient. A new department entitled Segment Management was established, and a number of development resources have been transferred there, since Segment Management has been given the responsibility for developing competitive segment solutions. The 193 employees are distributed as follows:

Research & Development	43
Segment Management	15
Customer Services Callcenter	15
Sales & Consultants, Denmark	20
Finance, Administration & Management	25
Subsidiaries	75
Total	193

In addition to the continuing work of securing a satisfied customer base, Maconomy has developed specific solutions for selected segments. The development is based on the comprehensive knowledge the company has gathered in cooperation with its customers. Development of these segment solutions was initiated in Q3, and it is expected that the first four solutions, the Agency solution, Consulting solution, Audit & tax consulting solution and Research solution will be ready for implementation with customers as of Q2 of 2003. All solutions are based on the Maconomy proprietary technology that has been developed over the past 13 years.

The results for 2002

Not surprisingly, the Board of Directors finds the result for the year unsatisfactory. The Board of Directors, however, is satisfied with the development in Q3 and, particularly, in Q4 when Maconomy met expectations.

DKK million	Q1 2002	Q2 2002	Q3 2002	Q4 2002	2002	2001
Revenue	50	33	30	46	159	224
Income (loss) before income taxes	(16)	(56)	(9)	4	(77)	(97)

Balance sheet as of December 31, 2002

Stockholders' equity fell from DKK 171 million at the end of 2001 to DKK 95 million at year-end 2002. In the same period, Maconomy's liquid funds only decreased by DKK 28 million. Accounts receivable from sales were reduced by DKK 40 million compared with the previous year, which is a relatively larger reduction than the decrease in revenue from Q4 of 2001 to Q4 of 2002. Among other factors, the improved invoicing procedures of work in progress contributed to limiting the decrease in liquid funds by DKK 8 million.

Milestones in 2002

In January 2002, Maconomy signed a partnership agreement with IBM, Global Services in the Netherlands. It marked the first implementation partnership agreement with one of the world's leading consultancy houses.

In April, Maconomy launched version 7.0 of its product and received an important order from Edelman, UK. The agreement with Edelman included the possibility for extending the application of Maconomy to several European countries, and Edelman chose to take this step in December 2002. Implementation is currently in progress in Edelman subsidiaries in Germany, France, Spain, Ireland, Sweden, Italy, Belgium and the Netherlands.

In June, Maconomy announced a partnership agreement with PricewaterhouseCoopers Global Risk Management Solutions in Denmark. The partnership strengthens Maconomy's position in the home market and is an important supplement to the other partnership agreements.

In the course of June and Q3, Maconomy implemented a comprehensive organizational transformation.

In July, a contract was signed with the Norwegian University of Technology and Science (NTNU) that marked Maconomy's first entrance into the university world.

In September, Maconomy presented its new plan for controlled growth. This plan contained a renewed focus as described above. September also marked the signing of the first strategic agreements with IBM - a Teaming Agreement in the Netherlands, where IBM and Maconomy are to collaborate on the sale and implementation of Maconomy projects, and an agreement on the development and marketing of IBM's DB2 software.

In October, Maconomy chose to divest Maconomy Media Systems A/S. The activities of this company were not directly in line with Maconomy's strategy. The revenue of Maconomy Media Systems A/S is until October 1, 2002 included in the 2002 accounts with DKK 8 million. The divestment has no direct consequence for revenue in 2002 and 2003.

The last important event of the year was the signing of a contract with PricewaterhouseCoopers in Denmark regarding the purchase of Maconomy licenses for 1,500 users. This order has major strategic significance since it is Maconomy's first contract with PricewaterhouseCoopers. The system was commissioned with the first 50 users on January 1, 2003.

Management Discussion and Analysis

Net revenue

Maconomy's geographical market segments are Denmark, Other Nordic, UK, Other Europe and USA.

Distribution of group revenue:

Geographic segment / DKK million	2001	2002
Denmark	110	88
Other Nordic	44	36
UK	39	27
Other Europe	12	6
USA	43	27
Eliminations	(24)	(25)
Total revenue	224	159

Product segment / DKK million	2001	2002
License revenue	74	27
Subscriptions	39	44
Service	99	81
Other	12	7
Total revenue	224	159

In 2002, total revenue decreased by DKK 65 million, or 29%, compared with 2001. At DKK 22 million, Denmark recorded the largest decrease, while the US segment declined by DKK 16 million and the UK by DKK 12 million. The decrease was primarily due to declining license revenue of a total of DKK 47 million, of which DKK 16 million came from Denmark, DKK 14 million from the US and DKK 11 million from the UK. This also had an impact on service revenue, which decreased by a total of DKK 18 million. Of this amount, DKK 2 million represents ceased revenue from Maconomy Media Systems A/S.

The reduced license revenue was a direct consequence of the attempt to implement a "go high" strategy in early 2002. In Q1 already pending contract negotiations counted for license revenue of DKK 10 million. In Q2, this revenue was below DKK 1 million. In June, the work with Maconomy's traditional markets was resumed. At a sales cycle of between 3 and 9 months, license revenue rose moderately in Q3 to DKK 3 million and grew further to DKK 14 million in Q4.

Revenue from maintenance subscriptions on software grew to DKK 44 million from DKK 39 million in 2001, reflecting the fact that Maconomy largely has been able to retain its existing customer base.

Non-recurring costs

As a consequence of the organizational changes, Maconomy in 2002 defrayed non-recurring costs of DKK 26 million. These were distributed with DKK 12 million for salaries and salary-related costs, DKK 9 million for loss on trade account receivable, and DKK 5 million for depreciation of special assets. The costs are entered in the accounts as production costs of DKK 3 million, sales and marketing costs of DKK 20 million, research and development costs of DKK 1 million, and administration costs of DKK 2 million.

Gross margin

The gross margin decreased by 3% points to 51% compared with 2001. Taking non-recurring costs into account, the gross margin is basically unchanged from year to year. In 2002, Maconomy succeeded in increasing the gross margin on services from 15% to 20% despite an overcapacity in the first three quarters as a result of decreasing license sales. Services to existing customers developed satisfactorily.

Sales and marketing costs

Sales and marketing costs decreased from DKK 148 million in 2001 to DKK 92 million in 2002. This group has been particularly affected by a total of DKK 20 million in non-recurring costs. For the second half of the year, Segment Management is included in sales and marketing costs. The most important task of Segment Management is the development and maintenance of segment solutions in cooperation with Research and Development.

Research and development costs

Development costs decreased by DKK 4 million from DKK 39 million in 2001 to DKK 35 million in 2002. Of this, direct salaries decreased by DKK 2 million. Other external costs also fell by DKK 2 million. Development activities were more efficient in the second half of 2002. The interaction with Segment Management, in particular, turned out to increase productivity.

Other income and net interest income

Other income derived from the sale of the activities in Maconomy Media Systems A/S. Net interest income was DKK 0.1 million compared with DKK 7 million in 2001. As a result of lower levels of cash in hand and interest rates in 2002, interest income decreased by DKK 4 million compared with 2001 and totalled DKK 3 million for 2002. Foreign currency adjustments were in 2002 DKK (2.6) million compared with DKK 0.4 million in 2001.

Accounts receivable

Accounts receivable from sales declined by DKK 40 million from DKK 69 million at year-end 2001 to DKK 29 million at year-end 2002. This significant decrease partly reflects a somewhat lower level of activity in Q4 of 2002, when Maconomy realized an income of DKK 46 million compared with corresponding revenue of DKK 71 million the year before. In addition, it is a declared policy to protect Maconomy's solid financial position through efficient and fast collection of customer debt. This has resulted in a significant reduction of the weighted age of outstanding receivables.

Stockholders' equity

Stockholders' equity decreased from DKK 171 million at the start of the year to DKK 95 million by year-end. The DKK 76 million decrease is mainly due to the transfer of the year's loss of DKK 75 million.

Cash flows and financial position

At the end of the fiscal year, cash and cash equivalents were DKK 70 million, corresponding to a decrease of DKK 28 million compared with year-end 2001. At the end of June, cash reserves had decreased by DKK 18 to DKK 80 million as a result of a DKK 72 million loss. At that period in time, the non-recurring costs charged to profit and loss account, DKK 26 million, had not yet affected liquidity. Dedicated efforts to build up and retain an efficient liquidity management meant that the negative cash flow from operations in all of 2002 was limited to DKK 26 million. A focused effort in the debtor area ensured that the average debtor days were reduced from 96 days at year-end 2001 to 57 days at year-end 2002. DKK 4 million of the non-recurring costs will have a liquidity effect in 2003.

Risk Management

Maconomy acknowledges the importance of actively evaluating and recognizing the potential risks that may have an impact on the company's business and success. Management believes that the following risk factors are material to the Group:

General risks

The main operating risks of Maconomy are related to the ability to sign contracts with a sufficient number of customers and partners. In order to reach our growth target, it is critical that several orders are signed with new customers in the mid-market and that existing customers continue to be satisfied users. New global partners are a long-term requirement for a larger growth than the development expected in 2003.

Maconomy has no physical production, and the environmental impact is therefore indirect and limited to the consumption of power and heating.

Employee dependency

Maconomy is a highly knowledge-intensive organization and the company's continued success is dependent on human resources. Maconomy seeks to be an attractive place to work through employee incentive programs, attractive working conditions, and a strong emphasis on corporate culture.

Financial risks

Foreign currency risks

The Group's foreign currency policy is to let subsidiaries operate in their local currency if at all possible. This strategy means that the majority of the Group's currency risks relate to known or estimated cash flows between the foreign subsidiaries and the parent company.

The parent company invoices the licenses to subsidiaries in the subsidiaries' local currency in order to concentrate the group's foreign currency risk exposure in the parent company. Assessment and potential hedging of the Group's foreign currency risk is thus solely handled by the parent company, primarily by entering into foreign currency forward contracts on sale of currencies.

For 2002, the Group's revenue distributed on currencies are 39% in DKK, 14% in SEK, 9% in NOK, 16% in GBP, 16% in US\$, 4% in € and 2% in other currencies.

In case the value of Danish crowns changes by 1% in relation to other currencies, this will affect the budgeted result of the year 2003 with +/- DKK 0.6 million.

In addition to short-term trade accounts payable, several subsidiaries have taken out loans with the parent company denominated in the currency of the subsidiary. The foreign currency risk exposure on such loans is included in the Group's total assessment and hedging of foreign currency risks to the extent that these loans were not granted on equity-like conditions.

No contracts were made in 2001 and 2002 with a view to hedging currency risks, and at December 31, 2002, Maconomy had no open forward contracts on sale or buy of currencies.

Interest rate risks

The Group's cash and cash equivalents and bank debts are mainly at interest rates corresponding to the current market rate. A potential change in the current market interest rate of 1% is not estimated to have any material financial impact on the Group or the parent company.

Credit risks

Financial assets consist mainly of accounts receivable from sales and of cash equivalents.

Accounts receivable are primarily with customers in Europe and the United States. Group companies currently credit rate their customers.

Group companies make only cash deposits with respected banks. The risk of loss on cash deposits is considered to be insignificant.

Knowledge Resources

Any Maconomy employee is an important contributor to the process, from developing a Maconomy solution to implementing it at the customer, and is instrumental in ensuring its success. Particularly important, however, are the R&D function and the consultants since they possess in-depth Maconomy product competence.

R&D is instrumental in adding new functionality to Maconomy products and improving existing areas of functionality.

Maconomy consultants have major experience in analyzing customer business processes and systems and are able to optimize them through efforts covering both the system and the business side. The company's fast and cost-effective implementation method has been developed on the basis of know-how resulting from many years of using the method.

Maconomy continuously seeks to develop its fundamental technologies, improve and expand the functionality of Maconomy's integrated software and carry out ongoing development of the implementation processes. This is primarily done through in-house development, secondarily through strategic partnership agreements.

Maconomy employees have a high average seniority, and it is corporate policy to continuously make sure that the company is able to attract new, qualified employees in all business areas.

Traditionally, Maconomy has maintained close relations with Denmark's Technical University (DTU). Maconomy has sponsored a computer room – Maconomy Village – for students of DTU, and regularly participates in various job events. A steady presence of Maconomy in the technological study environment is considered vital in order for the company to attract highly qualified employees, particularly for R&D.

Number of knowledge years as of Dec. 31, 2002	R&D	Consultants
Number of employees	43	70
Average age	34 yrs	33,5 yrs
Maconomy experience	240 yrs	293 yrs
• average per employee	5.6 yrs	4.2 yrs
Total experience in IT/software	352 yrs	543 yrs
• average per employee	8.2 yrs	7.8 yrs

On December 31, 2002, Maconomy had 193 employees in its offices in Europe and the United States. Copenhagen had 118 employees while the European offices in Amsterdam, London, Oslo and Stockholm had a total of 53 employees. In the United States, 22 employees worked at the offices in Boston and San Francisco.

Most Maconomy employees have a master's degree. In R&D more than 95% have a master's degree (civil engineer/computer science) and 23% of these also have a Ph.D. Regarding the consultants, 60% have a master's degree and the remaining 40% have bachelor-level education.

The total experience with Maconomy among R&D employees and consultants is 533 years. The total experience in the IT/software business is 895 years.

Information for Stockholders

Stock price trends

The Maconomy stock closed the year at a price of 5.20 showing a decline of 60% in 2002. In comparison, the Danish KVM index dropped by 55%. The Nasdaq index has in the period up to December 31, 2002 dropped by 33%.

Since the turn of the year and until March 7, 2003, the Maconomy stock has increased by 35% to 7 while KVM fell by 7% and Nasdaq by 6%.

Sale of stock

In 2002, the weekly sale of stocks averaged DKK 441,000. The company's market value was DKK 100 million at the end of the year.

Maconomy has been listed on the Copenhagen Stock Exchange since December 8, 2000 under the securities ID DK 0010274174 (MACO). The shares are negotiable instruments without any limitations as to negotiability, and are issued to registered holders.

Stock capital and ownership

The stock capital consists of 19,298,600 shares of DKK 2.00 each, or nom. DKK 38,597,200.

The following stockholders controlled a minimum of 5% of the company's stock capital on December 31, 2002:

Dansk Udviklingsfinansiering (Vertex Venture Holdings), Copenhagen	15.50%
Vertex Venture Holdings (Group), Singapore	10.10%
PPU Software A/S, Copenhagen	17.60%
Gilde IT Fund B.V, The Netherlands	14.00%
J & W Seligman & Co., USA	9.70%
3i Group Plc, UK	5.20%
Paul Capital Partners (Group), USA	5.10%

The ten largest stockholders owned 85% of the stock capital. All Maconomy shares must be registered by name in accordance with the Articles of Association.

The foreign ownership holdings are estimated to represent app. 53%, the same level as at the end of 2001.

On December 31, 2002, 99.4% of the share value and 2,278 shareholders were registered in the shareholders' register.

The Board of Directors and Management hold less than 0.5% of the company's stock. Maconomy does not hold any of its own shares.

At the General Meeting, the Board will recommend an extension of the authorization granted at the General Meeting on March 30, 2000 for issuance of warrants for a nominal value of DKK 950,000 corresponding to options granted earlier. These options were annulled due to employee retirement in the period January 1-December 31, 2002.

Board recommendations

Maconomy's Annual General Meeting will be held at 3:00 p.m. on April 30, 2003 at Maconomy's premises, Vordingborggade 18, 2100 Copenhagen Ø. The printed Annual Report for 2002 will be available on March 24, and notice of the General Meeting will be given no later than March 26, 2003.

The Board recommends to the General Meeting that no dividend be paid for 2002. Furthermore, the following proposals are recommended for adoption:

- amendment of the Articles' provisions regarding notice of General Meetings
- amendment of the Articles' provisions regarding the Annual Report
- amendment of the Articles' provisions regarding authorization granted to the Board for issuance of subscription options

Election to the Board of Directors: The Board proposes election of John Andersen for a 3-year period as a new member of the board.

Appointment of auditors: The Board proposes re-appointment of PricewaterhouseCoopers and KPMG C. Jespersen as Maconomy's auditors.

The full wording of the proposals will appear from the notice of the General Meeting.

Important announcements to the Copenhagen Stock Exchange 2002/2003

January 7, 2002	No. 1/2002	Maconomy and PwC Consulting in the Netherlands sign partner agreement
February 14, 2002	No. 2/2002	Q 4 2001 results in line with expectations
March 22, 2002	No. 4/2002	Announcement of Annual Report 2001
April 2, 2002	No. 5/2002	Edelman PR signs contract with Maconomy
April 30, 2002	No. 8/2002	Announcement of Interim Report for Q 1 2002
May 16, 2002	No. 9/2002	Maconomy wins gatetrade.net race
May 30, 2002	No. 11/2002	Strategic cooperation between Post Danmark and Maconomy
June 7, 2002	No. 12/2002	Change of Management in Maconomy A/S
June 13, 2002	No. 13/2002	PwC Danmark and Maconomy sign cooperation agreement
July 10, 2002	No. 14/2002	Maconomy further strengthens foothold within the university world
August 23, 2002	No. 16/2002	Interim Report for the First Half Year of 2002
September 10, 2002	No. 17/2002	Maconomy announces plan for growth
September 24, 2002	No. 18/2002	Maconomy extends business with new software and service agreements. Maconomy and IBM strengthen cooperation.
October 18, 2002	No. 19/2002	Maconomy sells Maconomy Media Systems A/S to employees
October 31, 2002	No. 20/2002	Interim Report for Q 3 of 2002
November 20, 2002	No. 21/2002	Maconomy signs order contract with PricewaterhouseCoopers in Denmark
February 5, 2003	No. 3/2003	KPMG Meijburg implements Maconomy for internal use

Financial calendar for 2003/2004

March 10, 2003	Annual Report for 2002
March 24, 2003	Printed Annual Report and Accounts expected to be available
March 25, 2003	Notice convening the General Meeting
April 30, 2003	Submission of the Interim Report for Q 1
April 30, 2003	Annual General Meeting at Maconomy, Vordingborggade 18, 2100 Copenhagen Ø
August 22, 2003	Submission of the Interim Report for the first half of the year
November 4, 2003	Submission of the Interim Report for Q 3
March 2004	Annual Report for 2003

Board of Directors, Management and Company Information

Management

Bent Larsen, began as Chief Executive Officer in 2002 and at the same time resigned as chairman of the Board.

Mr. Larsen serves on the Boards of Directors of NESAs A/S, Franck & Tobiesen A/S and Larsen & Boserup A/S.

Board of Directors

Chairman of the Board: Diederik W. Heyning, Vice Chairman since 1997. Mr. Heyning was elected for a three-year period by the Annual General Meeting in 2002.

Vice Chairman: Steen Lohse was elected for a three-year period by the Annual General Meeting in 2002. Mr. Lohse serves on the Boards of Directors of Dansk Udviklingsfinansiering A/S, Hymite A/S, UpFront Chromatography A/S, Saxotech A/S and is Chairman of the Board of InnoScan Industrial Computers A/S.

Bent Larsen, CEO, Member of the Board since 1990. Bent Larsen was elected for a three-year period by the Annual General Meeting on April 30, 2001.

Morten Wieth, Member of the Board since 2001. Elected by the employees.

Annette McKenzie, Member of the Board since 2001. Elected by the employees.

In the period since the last Annual General Meeting, Valery Rahmani and Jan Johannessen have both wished to resign from their posts as board members

Company information

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Statement of the Board of Directors and the Management

The Board of Directors and the Management have today discussed and adopted the annual report of Maconomy A/S for the fiscal year January 1 - December 31, 2002.

The annual report has been prepared in accordance with the Danish Company Accounts Act, Danish accounting standards and the requirements of the Copenhagen Stock Exchange with respect to year-end financial reporting of listed companies.

We consider the accounting policies applied appropriate, and in our opinion, the annual report gives a true and fair view of the assets, liabilities, financial position, results and cash flows of the group and of the parent company.

The annual report is presented for approval at the General Meeting.

Copenhagen, March 10, 2003

Management:

Bent Larsen (CEO)

Board of Directors:

Diederik W. Heyning (chairman)

Steen Lohse

Annette McKenzie

Bent Larsen

Morten Wieth

Auditors' Report

To the Shareholders of Maconomy A/S

We have audited the annual report of Maconomy A/S for the financial year January 1 – December 31, 2002.

The annual report is the responsibility of the Company's Board of Directors and Board of Executives. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish and International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Board of Executives, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Parent Company's financial position at December 31, 2002 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year January 1 - December 31, 2002 in accordance with the Danish Financial Statements Act, Danish Accounting Standards and additional requirements of the Danish Stock Exchange for the financial reporting of listed companies.

Copenhagen, March 10, 2003

KPMG C. Jespersen

PricewaterhouseCoopers

Flemming Brokhattingen Lars Bo Jørgensen

Allan Vestergaard Niels Henrik B.
Andersen Mikkelsen

State Auth. Publ. Acc. State Auth. Publ. Acc.

State Auth. Publ. Acc. State Auth. Publ. Acc.

Accounting Policies

The annual report has been prepared on the basis of the accounting policies below, which are in accordance with the Danish Company Accounts Act's regulations for category D companies, current Danish accounting standards and the requirements of the Copenhagen Stock Exchange with respect to the financial reporting of listed companies.

The wording of a few accounting policies has been updated, and the presentation of a few items has been changed. The comparative figures for prior years have been adjusted to the changed presentation. The accounting policies remain unchanged from last year.

Recognition and measurement

Assets are recognized in the balance sheet, when it is likely that it will add financial benefits to the group, and when it can be measured reliably. Liabilities are recognized, when their impact is considered likely and are measurable.

At the initial recognition of assets and liabilities they are measured at cost, whereas the measurement subsequently follows the detailed principles stated in the following sections.

Income items are recognized in the statement of operations as they are earned, and the corresponding expenses as they are incurred. Expenses include depreciation, amortization and write-downs, provisions and effects of changes in accounting estimates made in prior fiscal years.

Basis of consolidation

The consolidated financial statements include the parent company and subsidiaries in which Maconomy A/S directly or indirectly controls more than 50% of the voting rights or in any way exercises a controlling influence.

The consolidated financial statements have been prepared on the basis of the financial statements of the parent company and the subsidiaries, adjusted to group accounting policies. Accounting items of a uniform nature have been aggregated and elimination has been made for stockholdings, intra-group balances, transactions and non-realized gains on software licenses etc.

In the consolidated financial statements, the activities of subsidiaries are recognized in full. Any minority interests' proportionate share of the subsidiaries' income (loss) and stockholders' equity is recorded separately in the consolidated statement of operations and the consolidated balance sheet.

In connection with acquisition of ownership shares or increase of ownership shares in subsidiaries, the purchase method is applied, according to which identifiable acquired assets and liabilities are recorded at the fair value at the time of acquisition. Any tax effects of the fair value restatement are recognized. If the purchase price exceeds the fair value of the acquired assets and liabilities, the difference is recorded in the balance sheet as goodwill and amortized on a straight-line basis over the estimated useful life, typically 5 years and not exceeding 20 years. If the purchase price is less than the fair value of the acquired assets and liabilities, the difference is set off against intangible and tangible fixed assets acquired. Any remaining excess is classified as a deferred credit and amortized ratably to income over the period benefited. Should the recognition and measurement of acquired assets and liabilities change within the fiscal year following the acquisition, goodwill and deferred credits are subject to a corresponding adjustment.

Acquired equity interests in subsidiaries are recorded in the consolidated financial statements from the time of acquisition, while equity interests disposed of are recognized until the time of sale. Gains or losses on disposal or liquidation of equity interests in subsidiaries is computed as the sales - or liquidation value less the net book value of the equity interest and estimated costs associated with the sale or liquidation.

Comparative figures are not restated to adjust for the effects of acquisitions, disposals or liquidations of equity interests.

Foreign currency

Transactions in foreign currencies are recorded at transaction-day exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Realized and unrealized gains and losses arising from such translations are included in the statement of operations as financial items.

Statements of operations from foreign subsidiaries are translated at transaction-day exchange rates while balance sheets are translated at year-end exchange rates. Currency translation adjustments generated in the translation of stockholders' equity accounts from opening-year rates, and the statements of operations at year-end rates are recorded to stockholders' equity. At a potential sale of a foreign subsidiary, the cumulative translation adjustments in respect of the investment are reversed from stockholders' equity and recorded in the statement of operations.

Long-term loans have been granted to certain subsidiaries and such loans are considered an addition to the net investment in the subsidiary. The loans have been granted in the local currency of the subsidiary, and currency translation adjustments generated by translation to year-end exchange rates are recorded directly to stockholders' equity, net of tax. Upon amortization or payment of the loan, the cumulative translation adjustments are reversed from stockholders' equity and recorded in the statement of operations.

Derivative financial instruments

The group acquires derivative financial instruments to hedge foreign currency exposure. The group may also choose to hedge interest rate risks using derivative financial instruments. In order to optimize the hedging, the group currently assesses the continued effectiveness of the derivative financial instruments acquired.

All acquired financial instruments are initially recognized at cost and subsequently measured in the balance sheet at fair value. The treatment of the current fair value adjustment of the instruments depends on the hedging effectiveness of the instruments and the accounting policies in respect of the hedged financial asset or liability. For instruments, or parts thereof, which are no longer considered effective from a hedging perspective, the fair value adjustment is incorporated in the statement of operations. This also applies for fair value adjustments of instruments deemed effective from a hedging perspective, for which the revaluation of the financial assets or liabilities hedged (e.g. monetary balance sheet items in foreign currency) is incorporated in the statement of operations.

If the revaluation of hedged financial assets or liabilities (e.g. anticipated future cash flows in foreign currencies) is not recorded in the statement of operations, the fair value adjustment of the derivative financial instruments is recorded, net of tax, directly to stockholders' equity. The cumulative adjustment is reversed from stockholders' equity and incorporated in the statement of operations once the financial assets or liabilities hedged are realized.

Revenue recognition

Revenues, comprise the licensing of software and sale of related services and products, reduced by directly related discounts, including the enhancement of functionality, installation, integration, training, sales of computer hardware and third-party software as well as maintenance and support on subscription terms.

Software revenue is recognized when a contract with a customer has been executed, delivery is complete, the purchase price has been fixed and the collection of the related receivables has been deemed probable by management. Service revenue from services which are usually not essential to the customer's requirements of software functionality is recognized as the services are performed, provided that a contract exists with the customer and the purchase price is fixed or determinable and deemed collectible.

For agreements that require customer acceptance, except for those that include significant customization or modification, license and service revenues are recognized when obligations under the license and services agreements have been fulfilled and acceptance by the customer has occurred.

The group recognizes revenue for multiple element arrangements based upon the residual value method, which entails that services and maintenance fees are recognized at market rates that are supported by vendor specific objective evidence, while the software license fees are recognized as the residual of the total fee less consulting and maintenance fees.

Where the group enters into larger arrangements, including those where agreements are made to make significant modifications to the software that are essential to the customer's requirements of the functionality of the software, the calculated total sales price for software and services is recognized using the percentage-of-completion method.

Maintenance and support revenue paid in advance for ongoing customer support and unspecified bi-annual upgrades is non-refundable and is recognized ratably over the term of the agreement, typically twelve months, once all of the other revenue recognition criteria for license and services revenues have been met.

Cost of revenue

Cost of revenue comprises expenses incurred directly in reaching the revenue of the fiscal year, including external expenses for hardware, third-party software and external consultants and in-house expenses, mainly consisting of compensation of in-house consultants and supporters.

Research and development expenses

In line with the chosen product strategy, the company's software is developed and marketed as a standard product, comprising a number of segment solutions, in one current version, being updated every 6 months. The company only supports the current version and the preceding 3 ones, i.e. a released version will be supported for 24 months only. Due to this relatively short life cycle of new releases, all costs incurred in the development of the next release are expensed.

Expenses incurred during the research, design and development stages of new software products are charged to research and development expenses as incurred until the technological feasibility of the new product has been established, which generally occurs in connection with the completion of a working model. Direct and indirect development expenses incurred from the time of completion of a working model until the date the new product is available for general release to customers, are capitalized and amortized over the shorter of the estimated useful life of the new product and 5 years. Borrowing costs are not recognized as part of the cost.

Financial items

Financial items include interests accrued for the fiscal year as well as financial charges related to capital leases, financial items related to on account payments of corporate taxes, write-downs of investments and realized and unrealized gains and losses from financial instrument revaluations and foreign currency assets and liability translations.

Intangible and tangible fixed assets

Goodwill acquired from a third-party and allocated according to the principles described in the Basis of consolidation section, is recorded at cost less accumulated amortization and write-downs. Amortization is made on a straight-line basis over the estimated useful life, typically 5 years and not exceeding 20 years.

Tangible fixed assets are recorded at cost less accumulated depreciation and write-downs. Effective from the first day of utilization, depreciation is provided on a straight-line basis over the estimated product life or, if shorter, the estimated useful life. For hardware and software for internal use, the asset cost less the estimated residual value is depreciated over 3 years, and for fixtures and equipment over 3-5 years. Assets with a cost of less than DKK 10,000 as well as maintenance and repair expenses are charged directly to the statement of operations. Borrowing costs are not recognized as part of the cost. Leasehold improvements are recorded at cost less accumulated amortization and write-downs. Amortization is provided on a straight-line basis over the lease term (a maximum of 5 years) or, if shorter, over the estimated useful life.

Intangible and tangible fixed assets that are sold or scrapped are excluded from the accumulated cost and accumulated amortizations, depreciation and write-downs. Gains and losses computed as the difference between the sales price and the carrying value are recorded in the statement of operations. Fully amortized intangible fixed assets are eliminated from accumulated cost and accumulated amortization and write-downs.

Tangible fixed assets which are leased and meet at least one of the terms of capital lease specified below, are treated according to the same principles as assets acquired: 1) ownership passes at expiry of the lease term; 2) the lease agreement provides a favorable option to purchase the asset; 3) the lease term comprises at least 75% of the estimated useful life of the asset; or 4) the net present value of the lease agreement's minimum payments totals at least 90% of the fair value of the leased asset. The corresponding lease obligation, computed as the net present value of future minimum payments under the lease agreement, is recorded as debt and is amortized over the lease term.

On a current basis the company compares the carrying value of acquired intangible and tangible fixed assets with the estimated recoverable value. The value of an asset is considered to be impaired if the value (undiscounted) of future net

cash flows estimated to be generated by the asset, is lower than its carrying value. A write-down is made to a lower recoverable value, estimated as the net present value of future net cash flows or any higher net realizable value, if the impairment is not considered temporary. Impairment write-downs are charged to the statement of operations under the same items as the corresponding amortization and depreciation. If the recoverable value can not be assessed for the individual asset, the impairment write-down is measured for the smallest group of assets, where the recoverable value can be assessed.

Investments

Equity interests in subsidiaries are valued according to the equity method. Thus, a proportionate share of the companies' results and equity is incorporated in the statement of operations and in the balance sheet corresponding to the ownership share, and according to the parent company's accounting policies. Unrealized intra-group profits are eliminated fully. The share of the companies' estimated tax charge is included in the income tax (expense) benefit.

The parent company's share of subsidiaries' undistributed net income or loss is allocated to the Revaluation reserve under the equity method in stockholders' equity.

Subsidiaries with a negative net asset value are carried at zero value, while amounts owed by these subsidiaries are written down by the parent company's share of the negative net asset value. Where the share of the negative net asset value exceeds the amount owed by subsidiaries, the excess amount is recorded under provisions to the extent, that the parent company is legally or otherwise liable for recapitalization of the subsidiary.

Contracted work in progress

Larger contracts, including those for which significant modifications or enhancements are made to the software and which are essential for the customer's requirements in respect of functionality, are treated as contracted work in progress. The contracts are valued at incurred direct expenses for labor, software and other external expenses with the addition of a share of the income based on the percentage of completion. The percentage of completion is computed by comparison of time spent to estimated total time for each such contract at the balance sheet date.

Provisions are made for estimated losses on work in progress. The provision comprises an individual valuation of the estimated loss until the completion of the work.

Advance billings are offset against the value of the individual contract to the extent that they do not exceed the capitalized amount. If the value of advance billings exceeds the value of the capitalized amount, the net item is included in Prepayments from customers.

Trade accounts receivable

Trade accounts receivable are recorded at amortized cost less any provisions for losses based on an analysis of collectibility.

Shareholders' equity

Capital increases are recognized in the year, where the company and the group receive the net proceeds. Dividends are recorded as liabilities upon approval by the annual stockholders' meeting.

The cost of acquired treasury stock is deducted at the time of acquisition from stockholders' equity through the Treasury stock account. When selling treasury stock, the cost price - under the FIFO method - is added back to stockholders' equity through the Treasury stock account. Gains are added to stockholders' equity in Additional paid-in capital, while losses, if any, are deducted from stockholders' equity in Retained earnings (deficit).

Compensation programme

The company grants warrants as part of the compensation of management and employees in the group. The majority of warrants vest over a four-year period effective from the date of grant and have individual expiration dates ranging up to ten years. According to the Articles of Association, the company may grant warrants to management and employees at a discount issue price. However there are currently no intentions of doing so. The warrants programme is considered as an equity instrument and effects of exercise of warrants are adjusted over the equity.

Financial liabilities

Bank loans are initially recorded at the proceeds received, net of transaction costs. In subsequent years the loans are recorded at amortized cost equal to the net present value computed at the internal rate of interest, whereby the difference between the proceeds and the principal is recognized over the term of the loan. Other financial liabilities, that include capital lease commitments, trade accounts payable, amounts owed to affiliated companies and other accounts payable, are measured at amortized cost.

Corporate income taxes

Tax recorded in the statement of operations is computed on the basis of the expected taxable income and changes in the value of deferred income tax assets and liabilities. The recorded tax comprises the parent company as well as the part of the tax expense (benefit) in subsidiaries corresponding to the ownership shares.

The total of current taxes computed for jointly taxed Danish companies in the group is allocated proportionately among these based on the taxable results.

The value of taxes paid on account is deducted from tax payable at the end of the year.

Deferred income tax assets and liabilities are computed on the basis of tax loss carry-forwards as well as all temporary differences between the book and the tax values of the assets and liabilities at the balance sheet date except for temporary differences on goodwill where amortization for such goodwill is disallowed for tax purposes.

Deferred income tax assets and liabilities are recorded on the basis of the tax rates etc. that are expected to be enforced during the years in which the loss carried forward or the temporary differences are expected to be recovered or realized.

If deferred income tax assets, including tax loss carry-forwards, are not likely to be utilized in full, the deferred income tax assets are written down to their expected realizable value.

Cash flow statement

The cash flow statement shows the group's cash flows for the year as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are presented indirectly and computed on the basis of the operating income (loss) for the year adjusted for non-cash operating items, changes in the working capital as well as income taxes paid and interest received (paid).

Cash flows from investing activities include purchase and sale of intangible and tangible fixed assets and investments.

Cash flows from financing activities include the raising of long-term debt and bank loans, repayment and installments on debt and loans, capital increases as well as purchase and sale of treasury stock.

Cash and cash equivalents include cash as well as bank deposits at call or short fixed-term deposits.

Segment information

Segment disclosure is given on geographical markets (primary dimension) and product groups (secondary dimension). Segment information follows the accounting policies, risks, earnings and the internal financial metrics as laid down from early 2000.

Gross profit shows net revenue less direct cost of revenue per segment, including compensation of in-house consultants and supporters. Fixed assets comprise intangible and tangible fixed assets, as well as investments which are utilized during operations of the segments. Current assets include trade accounts receivable, contracted work in progress, other receivables, deferred income tax assets, prepaid expenses and cash and cash equivalents related to the segments' current operations.

Provisions and liabilities include trade accounts payable, other accounts payable and other liabilities derived from the operations.

Cash flow from operations shows the segments' net operating cash flows.

Statement of Operations

(DKK' 000)

	Note	Consolidated		Parent Company	
		2002	2001	2002	2001
Revenue	1	158,507	223,600	80,650	95,253
Cost of revenue	2	77,100	102,815	29,096	30,424
Gross profit		81,407	120,785	51,554	64,829
Sales and marketing expenses	2, 4	92,104	148,103	22,835	36,270
Research and development expenses	2, 4	34,868	39,290	34,868	39,290
General and administrative expenses	2, 4	32,951	37,058	30,819	37,469
Earnings (deficit) from operations		(78,516)	(103,666)	(36,968)	(48,200)
Other income	3	1,316	-	925	1,076
Earnings (deficit) before income tax from subsidiaries	9	-	-	(40,845)	(56,624)
Interest income (expense), net	5	80	6,935	(232)	7,017
Earnings (deficit) before income taxes		(77,120)	(96,731)	(77,120)	(96,731)
Income tax (expense) benefit	6	2,251	5,180	2,251	5,180
Net earnings (deficit)		(74,869)	(91,551)	(74,869)	(91,551)
which is allocated as follows:					
Retained earnings (deficit)				(74,869)	(91,551)

Balance Sheet

(DKK' 000)

Assets	Note	Consolidated		Parent Company	
		2002	2001	2002	2001
Tangible fixed assets	7				
Leasehold improvements		449	1,207	9	208
Hardware		2,310	5,637	1,111	2,038
Software for internal use		235	1,150	184	1,069
Fixtures and equipment		1,775	4,417	868	1,613
		<u>4,769</u>	<u>12,411</u>	<u>2,172</u>	<u>4,928</u>
Investments	8				
Equity interests in subsidiaries		-	-	5,790	5,112
Amounts owed by subsidiaries		-	-	1,711	18,016
Deposits		5,754	4,794	4,247	4,237
		<u>5,754</u>	<u>4,794</u>	<u>11,748</u>	<u>27,365</u>
Total fixed assets		10,523	17,205	13,920	32,293
Receivables					
Trade accounts receivable	9	29,187	69,391	17,080	28,296
Contracted work in progress	10	3,435	4,527	200	361
Amounts owed by subsidiaries		-	-	23,292	36,126
Other receivables		1,302	378	105	-
Deferred income tax assets	6	21,173	18,539	16,232	13,181
Prepaid expenses	11	3,187	6,956	1,326	2,422
		<u>58,284</u>	<u>99,791</u>	<u>58,235</u>	<u>80,386</u>
Cash and cash equivalents		<u>70,240</u>	<u>97,823</u>	<u>48,881</u>	<u>81,473</u>
Total current assets		<u>128,524</u>	<u>197,614</u>	<u>107,116</u>	<u>161,859</u>
Total assets		139,047	214,819	121,036	194,152

Liabilities and stockholders' equity

	Note	Consolidated		Parent Company	
		2002	2001	2002	2001
Stockholders' equity					
Common stock	12	38,597	38,597	38,597	38,597
Additional paid-in capital		59,704	80,090	59,704	80,090
Accumulated currency translation adjustments, net		(2,988)	(2,608)	(2,988)	(2,608)
Retained earnings (deficit)		-	54,516	-	54,516
Total stockholders' equity		95,313	170,595	95,313	170,595
Provisions					
Deferred income tax liabilities	6	-	18	-	-
Long-term debt					
Capital lease obligations	13	-	355	-	355
Short-term debt					
Current installments on long-term debt	13	355	556	355	556
Prepayments from customers	10	7,151	-	3,839	-
Trade accounts payable		4,093	12,239	1,690	6,470
Amounts owed to subsidiaries		-	-	475	-
Other accounts payable	14	32,135	27,468	19,364	15,898
Deferred revenue	15	-	3,588	-	278
		43,734	43,851	25,723	23,202
Total debt		43,734	44,206	25,723	23,557
Total liabilities and stockholders' equity		139,047	214,819	121,036	194,152

Other notes without reference:

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Statement of Stockholders Equity

(DKK' 000)

	Common stock	Additional paid-in capital	Treasury stock	Acc. curr. transl. adj., net	Retained earnings (deficit)	Total Stockhol- ders' equity
Balance at January 1, 2001	38,596	229,764	-	(3,167)	(3,933)	261,260
Net earnings (deficit)	-	-	-	-	(91,551)	(91,551)
Currency translation adjustments	-	-	-	559	-	559
Proceeds from issue of common stock	1	12	-	-	-	13
Proceeds from sales of common stock	-	314	351	-	-	665
Repurchases of common stock	-	-	(351)	-	-	(351)
Transfer	-	(150,000)	-	-	150,000	-
Balance at December 31, 2001	38,597	80,090	-	(2,608)	54,516	170,595
Net earnings (deficit)	-	-	-	-	(74,869)	(74,869)
Currency translation adjustments	-	-	-	(1,254)	-	(1,254)
Tax effect from currency translation adj. of intercompany balances	-	-	-	874	-	874
Other	-	-	-	-	(33)	(33)
Transfer	-	(20,386)	-	-	20,386	-
Balance at December 31, 2002	38,597	59,704	-	(2,988)	-	95,313

The development of the common stock during the last 5 years can be seen from the Financial highlights overview.

Statement of Cash Flow

(DKK' 000)

	Note	Consolidated	
		2002	2001
Earnings (deficit) from operations		(78,516)	(103,666)
<i>Adjustments:</i>			
Depreciation and amortization and gain/loss on sale of tangible fixed assets		7,791	10,121
Change in allowance for uncollectibles		(867)	340
<i>Change in working capital:</i>			
Accounts receivable, etc.		48,708	(1,871)
Accounts payable, etc.		(3,679)	(17,650)
		<u>(26,563)</u>	<u>(112,726)</u>
Other income received		100	-
Interest received (paid), net		80	6,133
Income taxes paid		-	(4,570)
Cash flow from operations		<u>(26,383)</u>	<u>(111,163)</u>
Purchase of tangible fixed assets		(1,153)	(8,086)
Proceeds from sale of tangible fixed assets		1,006	172
Sale of activity	18	316	-
Change in other investments		(961)	(266)
Cash flows from investing activities		<u>(792)</u>	<u>(8,180)</u>
Repayment of long-term debt		(355)	(1,348)
Proceeds from issuance and sale of common stock		-	678
Repurchases of common stock		-	(351)
Cash flows from financing activities		<u>(355)</u>	<u>(1,021)</u>
Effect of currency translation adjustments on cash and cash equivalents		(53)	64
Net change in cash and cash equivalents		<u>(27,583)</u>	<u>(120,300)</u>
Cash and cash equivalents, January 1		97,823	218,123
Cash and cash equivalents, December 31		<u>70,240</u>	<u>97,823</u>

Segment Information

(DKK' 000)

Effective from fiscal year 2000 the group's internal reporting has been based on a business model focusing on the geographical segmentation of the market, in practice by the established subsidiaries/divisions within the group. Among other things, this entailed that the Maconomy Denmark division in the internal reporting was separated from the corporate functions, including R&D, customer support, etc. From a reporting perspective the geographic segmentation is viewed as the primary reporting dimension. As a software company, Maconomy has focused on the development and marketing of its software, while services, third-party products, etc. more has been seen as complementary products, as these offerings mainly are sold in connection with the delivery of the software. From a reporting perspective, the product segmentation is the secondary dimension. The table below summarizes the financial key figures and ratios for the defined geographic segments:

	Den- mark *)	Other Nordic	UK	Other Europe	US	Elimina- tions	Consoli- dated
2002:							
Revenue	88,233	36,144	27,193	5,455	26,605	(25,123)	158,507
Gross profit	56,196	8,927	8,719	1,038	6,527	-	81,407
Earnings (deficit) from operations	(35,656)	(11,172)	(3,036)	(8,423)	(20,229)	-	(78,516)
Fixed assets	14,479	836	702	630	727	(6,851)	10,523
Current assets	107,219	19,411	14,675	4,437	4,363	(21,581)	128,524
Provisions and long-term debt	25,754	29,046	48,828	17,037	7,656	(84,587)	43,734
Cash flow from operations	(19,092)	1,898	(178)	(3,556)	(6,151)	696	(26,383)
Gross margin (%)	64%	25%	32%	19%	25%	-	51%
Operating margin (%)	-40%	-31%	-11%	-154%	-76%	-	-50%
Number of employees (average)	142	37	23	9	28	-	238
2001:							
Revenue	110,283	43,528	38,676	12,113	43,095	(24,095)	223,600
Gross profit	76,120	16,808	14,951	5,265	7,641	-	120,785
Earnings (deficit) from operations	(43,918)	(4,528)	(7,137)	(5,461)	(43,698)	1,076	(103,666)
Fixed assets	33,603	2,177	1,347	1,266	2,873	(24,061)	17,205
Current assets	168,399	17,809	16,145	8,396	20,006	(33,141)	197,614
Provisions and long-term debt	28,833	25,240	46,590	14,475	53,838	(124,770)	44,206
Cash flow from operations	(53,304)	(8,896)	(7,666)	(6,114)	(35,112)	(71)	(111,163)
Gross margin (%)	69%	39%	39%	43%	18%	-	54%
Operating margin (%)	-40%	-10%	-18%	-45%	-101%	-	-46%
Number of employees (average)	167	53	32	14	49	-	315

*) Denmark includes R&D, customer support, corporate general and administrative functions, etc. and certain non-allocated fixed assets and related depreciation.

The following financial key figures and ratios, with all intra-group transactions eliminated, are derived from the defined product segments:

	Software licenses	Software subscr.	Services	Other	Con- solidated
2002:					
Revenue	27,269	43,232	80,805	7,201	158,507
Gross profit	26,634	38,500	16,047	226	81,407
Gross margin (%)	98%	89%	20%	3%	51%
2001:					
Revenue	74,036	39,214	98,825	11,525	223,600
Gross profit	69,817	37,135	15,036	(1,203)	120,785
Gross margin (%)	94%	95%	15%	-	54%

Notes to the Financial Statements

(DKK' 000)

1. Revenue

	Consolidated		Parent Company	
	2002	2001	2002	2001
Revenue includes contracts recognized according to the percentage-of-completion method as follows	12,035	8,829	3,796	-

2. Staff Expenses

	Consolidated		Parent Company	
	2002	2001	2002	2001
Wages, salaries and remuneration	132,414	176,292	75,637	87,136
Pension schemes	1,463	1,941	213	170
Social security expenses	11,017	13,631	484	510
Other staff expenses	1,628	73	106	45
	<u>146,522</u>	<u>191,937</u>	<u>76,440</u>	<u>87,861</u>

which is allocated as follows:

Cost of revenue	61,511	77,250	19,942	22,070
Sales and marketing expenses	37,475	64,638	8,962	15,742
Research and development expenses	29,068	30,697	29,068	30,697
General and administrative expenses	18,468	19,352	18,468	19,352
	<u>146,522</u>	<u>191,937</u>	<u>76,440</u>	<u>87,861</u>

Remuneration of the board of directors and the management:

Board of directors			1,025	584
Management			4,270	2,070

Remuneration of the board of directors and the management includes remuneration to the resigned management.

Average number of staff during the year	238	315	134	156
Average number of staff, end of year	193	284	118	143

3. Other income

For the period ending September 2002, the item relates to rent from the subsidiary, Maconomy Media Systems A/S for a partial sublease of Maconomy A/S' office premises at Vordingborggade 18 - 22, Copenhagen. From October 2002, the subsidiary's operations have been divested to a third-party, which also has entered sublease for office premises. In 2002 the item also includes net gains realized on the transaction mentioned.

4. Depreciation, Amortization and write-downs

Depreciation, amortization and write-downs of tangible fixed assets can be specified as follows:

	Consolidated		Parent Company	
	2002	2001	2002	2001
Sales and marketing expenses	4,394	6,288	837	505
Research and development expenses	812	1,532	812	1,532
General and administrative expenses	2,585	2,301	1,901	1,650
	<u>7,791</u>	<u>10,121</u>	<u>3,550</u>	<u>3,687</u>

5. Interest Income (Expense), net

	Consolidated		Parent Company	
	2002	2001	2002	2001
Other interest income	2,772	6,933	2,287	6,511
Interest expenses, subsidiaries	-	-	-	(119)
Other interest expenses	(118)	(406)	(48)	(167)
Currency translation adjustments	(2,574)	408	(2,471)	792
	<u>80</u>	<u>6,935</u>	<u>(232)</u>	<u>7,017</u>

6. Corporate Income Taxes

	Consolidated		Parent Company	
	2002	2001	2002	2001
Income tax expense (benefit) on income by tax jurisdiction				
Current tax	147	(143)	-	307
Deferred tax	2,104	5,323	2,628	3,805
Tax in subsidiaries and ass. companies	-	-	(377)	1,068
	<u>2,251</u>	<u>5,180</u>	<u>2,251</u>	<u>5,180</u>

The group's effective tax (expense) benefit differs from the computed tax, cf. the analysis below:

computed at 30%	23,249	29,019		
<i>Effect as follows:</i>				
Change in valuation allowance regarding deferred tax	(17,394)	(35,026)		
Differences in foreign tax rates	(792)	12,411		
Changes in tax rates	-	(65)		
Other	(2,812)	(1,159)		
	<u>2,251</u>	<u>5,180</u>		

6. Corporate Income Taxes (Continued)

Deferred income tax assets and liabilities are related to:

Tangible fixed assets	25,499	23,400	22,112	21,115
Allowance for doubtful collectibles	1,169	815	400	278
Net operating loss carry-forwards	57,432	42,210	9,845	4,656
Other deductible temporary differences	107	273	107	274
Other taxable temporary differences	-	(185)	-	-
Deferred income tax assets, gross	84,207	66,513	32,464	26,323
Valuation allowance	(63,034)	(47,992)	(16,232)	(13,142)
Deferred income tax assets, net	21,173	18,521	16,232	13,181

which is allocated as follows:

Deferred income tax assets	21,173	18,539	16,232	13,181
Deferred income tax liabilities	-	(18)	-	-
	21,173	18,521	16,232	13,181

Realization of the deferred income tax assets of the group companies depends upon the generation of future taxable income in each of the tax jurisdictions during the periods when the temporary differences become deductible. In assessing the possibilities of realizing the deferred income tax assets of the group and the parent company, the management considers both the projected future taxable income of the group and the parent company and any deferred income tax liabilities. Based on this assessment, the tax loss carry-forwards, etc., of certain group companies have been written down, as the management considers the realization of these before expiry unlikely. Overall, management has not changed its assessment of the possibilities of realization of the group's deferred income tax assets at December 31, 2002, compared with the assessments made at December 31, 2001.

7. Tangible Fixed assets

	Consolidated				Parent Company			
	Lease- hold improve- ments	Hard- ware	Software for internal use	Fixtures and equip- ment	Lease- hold improve- ments	Hard- ware	Software for internal use	Fixtures and equip- ment
Cost prices								
Balance at January 1, 2002	2,861	19,720	1,902	13,697	740	9,529	1,808	6,360
Currency translation adjustments	(249)	(435)	6	(597)	-	-	-	-
Additions during the year	-	513	127	513	-	277	127	485
Disposals during the year	(60)	(6,398)	-	(816)	-	(3,961)	-	(59)
Balance at December 31, 2002	2,552	13,400	2,035	12,797	740	5,845	1,935	6,786
Amortization and write-downs								
Balance at January 1, 2002	1,654	14,083	752	9,280	532	7,491	739	4,747
Currency translation adjustments	(199)	(350)	2	(475)	-	-	-	-
Amortization	680	3,358	419	2,707	199	1,158	385	1,181
Write-downs	-	-	627	-	-	-	627	-
Reversal at disposals	(32)	(6,001)	-	(490)	-	(3,915)	-	(10)
Balance at December 31, 2002	2,103	11,090	1,800	11,022	731	4,734	1,751	5,918
Net book value								
Balance at December 31, 2002	449	2,310	235	1,775	9	1,111	184	868
Depreciated over	< 5 years	3 years	3 years	3-5 years	< 5 years	3 years	3 years	3-5 years

7. Tangible fixed assets, continued

The net book value of fixtures and equipment for the group and parent company comprises capital leases at December 31, 2001, in the amount of 377 DKK '000. The net book value of these is 0 at December 31, 2002.

8. Investments

	Consolid.	Parent Company			
	Deposits	Equity int. in sub- sidiaries	Amounts owed by subs.	Deposits	Alt
Cost prices					
Balance at January 1, 2002	4,794	45,780	89,568	4,237	139,585
Additions during the year	960	58,016	8,100	10	66,126
Disposals during the year	-	-	(48,371)	-	(48,371)
Balance at December 31, 2002	5,754	103,796	49,297	4,247	157,340
Revaluation					
Balance at January 1, 2002	-	(118,365)	1,645	-	(116,720)
Revaluation	-	(33,373)	(5,817)	-	(39,190)
Balance at December 31, 2002	-	(151,738)	(4,172)	-	(155,910)
Set-off of amounts owed					
Balance at December 31, 2002	-	53,732	(43,414)	-	10,318
Net book value					
Balance at December 31, 2002	5,754	5,790	1,711	4,247	11,748

The subsidiaries of the group include:

Company name	Domicile	Purchased/ Incorp. In	Currency	Common stock	Owner ship
Maconomy Norge AS	Oslo	1992	NOK	3,100	100%
Maconomy Sverige AB	Solna	1995	SEK	1,000	100%
Maconomy (UK) Ltd.	Middlesex	1995	GBP	200	100%
Maconomy Benelux B.V.	Amsterdam	1998	EUR	18	100%
Maconomy GmbH	Bad Homburg	2001	EUR	145	100%
Maconomy Inc.	Marlborough	1997	USD	10,249	100%
Maconomy Media Systems A/S	København	1999	DKK	2,015	100%

9. Trade accounts receivable

	Consolidated	
	2002	2001
Trade accounts receivable, gross	33,249	74,320
Allowances	(4,062)	(4,929)
	29,187	69,391

10. Contracted work in progress

	Consolidated		Parent Company	
	2002	2001	2002	2001
Work in progress at sales value	10,387	18,169	2,977	394
Advance billings	(14,103)	(13,642)	(6,616)	(33)
Work in progress, net	(3,716)	4,527	(3,639)	361
Balance sheets allocation:				
Contracted work in progress, Assets	3,435	4,527	200	361
Prepayments from customers, Liabilities	(7,151)	-	(3,839)	-
	(3,716)	4,527	(3,639)	361

11. Prepaid expenses

This account mainly includes prepayments of leases of office premises, cars, etc., prepaid insurance premiums and prepaid third-party software subscriptions.

12. Common stock

Since its foundation the company has currently issued new common stock shares. Purchase and sale of treasury stock are accounted for as a reduction, respectively an increase of stockholders' equity. The company has not issued stocks or sold or purchased treasury stocks in 2002. The transactions of the recent two years can be summarized as follows (in '000 shares of DKK 2 each):

	Common stock B-shares		Treasury stock	
	Number thou- sands	Avg. issue price	Number thou- sands	Avg. transact. price
Balance at January 1, 2001	19,298	20.87	-	-
Issued/purchased	1	26.00	14	26.00
Sold	-	-	(14)	49.00
Balance at December 31, 2001	19,299	20.87	-	-
Balance at December 31, 2002	19,299	20.87	-	-
Number of shares owned at December 31, 2002, by:				
Board of directors		7		
Management		82		

The company grants warrants as part of the compensation of management and employees in the group. The majority of warrants vest over a four-year period effective from the date of grant and have individual expiration dates ranging up to ten years. According to the Articles of Association, the company may grant warrants to management and employees at a discount issue price. However there are currently no intentions of doing so. The outline below shows transactions made until December 31, 2002 (in warrants of 2 each):

12. Common stock, continued

In '000 warrants of DKK 2 each	Number B. of dir.	Number mgt.	Number oth. mgt.	Number oth. empl.	Number Total	Issue price per share	Vesting From	Vesting To
Balance at January 1, 2002	63	601	629	831	2,124	25.36		
Granted March 11, 2002	-	-	-	4	4	26.00	Mar 03	Mar 06
Granted March 21, 2002	-	100	-	-	100	26.00	Mar 03	Mar 06
Granted June 30, 2002	-	-	-	11	11	26.00	Jun 03	Jun 06
Granted December 31, 2002	-	300	380	350	1,030	5.25	Dec 03	Dec 06
Exercised	-	-	-	-	-	-		
Cancelled / Expired	-	(231)	(379)	(343)	(953)	25.75		
Transfer	(25)	(426)	-	451	-			
Balance at December 31, 2002	38	344	630	1,304	2,316	16.29		

which is allocated as follows:

Granted November 15, 1998	-	19	162	50	231	15.00	Jan 00	Jan 03
Granted May 28, 1999	-	-	75	-	75	20.00	Jan 00	Jan 03
Granted August 17, 1999	-	-	-	25	25	20.00	Jan 00	Jan 03
Granted April 4, 2000	25	-	-	-	25	26.00	Apr 01	Apr 04
Granted April 4, 2000	-	-	-	451	451	26.00	Apr 01	Apr 04
Granted June 15, 2000	13	-	13	270	296	26.00	Jun 01	Jun 04
Granted September 25, 2000	-	-	-	13	13	26.00	Jun 01	Jun 04
Granted October 30, 2000	-	-	-	39	39	26.00	Oct 01	Oct 04
Granted October 30, 2000	-	-	-	1	1	26.00	Jan 02	Jan 05
Granted May 31, 2001	-	-	-	53	53	60.00	Mar 02	Mar 05
Granted June 21, 2001	-	-	-	9	9	51.00	Apr 02	Apr 05
Granted October 17, 2001	-	-	-	29	29	26.00	Aug 02	Aug 05
Granted December 27, 2001	-	-	-	2	2	26.00	Nov 02	Nov 05
Granted March 11, 2002	-	-	-	2	2	26.00	Feb 03	Feb 06
Granted March 21, 2002	-	25	-	-	25	26.00	Mar 03	Mar 06
Granted June 30, 2002	-	-	-	11	11	26.00	May 03	May 06
Granted December 31, 2002	-	300	380	350	1,030	5.25	Dec 03	Dec 06
Balance at December 31, 2002	38	344	630	1,304	2,316	16.29		

Value, December 31, 2002	2	665	834	804	2,305
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Remaining authorization as of December 31, 2002	150
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The value of granted warrants is calculated using the Black-Scholes formula. The most important calculation variables are the interest rate which is based on risk free bonds with an equal duration, and the volatility of the stock which is set at 50%. In addition it is calculation-wise not expected that Maconomy will pay out dividend.

13. Long-term debt

	Consolidated		Parent Company	
	2002	2001	2002	2001
Capital lease obligations:				
Minimum lease payments	362	939	362	939
Computed interest element	(7)	(28)	(7)	(28)
	<u>355</u>	<u>911</u>	<u>355</u>	<u>911</u>
maturing as follows:				
2002	-	556	-	556
2003	355	355	355	355
	<u>355</u>	<u>911</u>	<u>355</u>	<u>911</u>

At December 31, 2001 and 2002 capital leases had carrying values corresponding to their fair values as the capital leases are either at variable rates or at fixed rates, representing current market rates in each jurisdiction. The effective rate of interest on the group's capital leases is in the range of 5.75% p.a. for the group and the parent company.

14. Other accounts payable

	Consolidated		Parent Company	
	2002	2001	2002	2001
Value added taxes	7,986	4,124	3,529	1,610
Payroll related taxes, etc	1,704	5,405	209	2,874
Holiday allowances	10,373	12,509	8,513	8,791
Owed salaries and bonuses	6,034	1,023	4,279	1,023
Provisions regarding termination of office leases	2,138	-	-	-
Other	3,900	4,407	2,834	1,600
	<u>32,135</u>	<u>27,468</u>	<u>19,364</u>	<u>15,898</u>

15. Deferred revenue

This account includes primarily prepaid maintenance and support fees, and revenue deferred until the fulfillment of all necessary revenue recognition criteria.

16. Commitments and liabilities**Business disputes and lawsuits**

The group is involved in ordinary business disputes. Even though the final outcome of these disputes cannot be predicted, the management does not believe that the outcome of the disputes will have a significant, adverse effect on the group's or the parent company's income or financial position.

16. Commitments and liabilities, continued

Rent and operating lease contracts

The group is committed by various rent and lease contracts in respect of office premises, cars, fixtures and equipment. The amounts in the interminable part of the rent and lease terms can be specified as follows:

	Consolidated		Parent Company	
	2002	2001	2002	2001
2002	-	15,828	-	6,129
2003	12,777	8,206	5,430	1,546
2004	9,688	4,722	5,273	628
2005	8,228	2,435	5,262	568
2006	2,105	568	1,079	568
2007	697	568	697	568
2008 and later	697	-	697	-
	<u>34,192</u>	<u>32,327</u>	<u>18,438</u>	<u>10,007</u>

17. Related party transactions

The company has no related parties that may exercise a controlling influence. Related parties with significant influence on the company comprise the major stockholders (see listing on page 12), subsidiary companies (see overview on page 31), the board of directors and management and these persons' close relatives.

Transactions with related parties are, subject to approval by the chairman of the board of directors, made on market conditions. Apart from intra-group transactions which are eliminated and ordinary remuneration of the board of directors and management, no related party transactions have occurred during 2001 – 2002.

18. Disposal of companies

In October 2002, the group sold the operations of Maconomy Media Systems A/S to a third-party. The disposal has had the following effect on the group's assets and liabilities as well as on cash and cash equivalents:

	Consolidated	
	2002	2001
Sale of:		
Tangible fixed assets	172	-
Accounts receivable, etc.	428	-
Short-term debt	(652)	-
Assets, net	<u>(52)</u>	-
Sales price	1,164	-
Gain from sale	<u>1,216</u>	-

Out of the total sales price 316 t.kr. is acquired per December 31, 2002

The sold activities are included in the consolidated Statement of operations with a revenue of 7.6 mio. DKK and a profit of 0.5 mio. DKK

19. Auditors' Remuneration

Remuneration for the auditors appointed by the stockholders' meeting totals:

	Consolidated		Parent Company	
	2002	2001	2002	2001
Audit:				
KPMG	701	703	350	338
PricewaterhouseCoopers	474	664	350	476
	<u>1,175</u>	<u>1,367</u>	<u>700</u>	<u>814</u>
Other Services:				
KPMG			137	372
PricewaterhouseCoopers			48	465
			<u>185</u>	<u>837</u>