

Stock Exchange Announcement no. 25/2005
Copenhagen, November 2, 2005

Interim Report for the 3rd Quarter of 2005

Resume:

Today, Maconomy's Board of Directors has discussed and approved the Group's interim report for the 3rd Quarter of 2005. Highlights of the period include:

- For the 3rd Quarter of 2005, Maconomy entered into several larger contracts on new sales which contributed to positive revenue development and total revenue of DKK 33.3 million. This is a small increase on Q3, 2004 where revenues were DKK 31.9 million.
- The sale of software licenses increased from DKK 6.5 million in the 3rd Quarter of 2004 to DKK 10.9 million in Q3, 2005.
- The Q3 pre-tax performance was a loss of DKK 2.1 million compared with a loss of DKK 0.2 million in the same period of 2004.
- As of September 30, 2005, cash and cash equivalents constituted DKK 68.6 million and have decreased by DKK 8.0 million over the past year. Stockholders' equity was DKK 93.9 million as of September 30, 2005 compared with DKK 101.8 million on the same date in 2004. The company has no interest-bearing debt.
- The general financial expectations for 2005 are maintained with forecast revenue at a par with 2004 and a loss before tax of about DKK 20 million.
- The Danish Securities Council has in a ruling demanded that Maconomy writes down its deferred tax asset to DKK 0. Maconomy's Management disagrees with the ruling and has appealed. The ruling and a possible compliance with this does not have any effect on the company's liquidity, cash flow or on Maconomy's expectations to the result before tax for 2005, but will affect the Shareholders' equity and Net earnings (loss)

The 2005 interim reports are the first reports in which Maconomy uses all the recognition criteria and measurement rules of the International Financial Reporting Standards (IFRS). The most significant change is that the value of warrants issued to employees has been included in the Statement of Operations as a cost. The comparatives have been adapted accordingly.

Further information:

Anette Snedgaard Galskjøt
Director, Corporate Relations
Telephone +45 35 27 23 64
Email: ir@maconomy.com

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

Statement of the Board of Directors and the Management

The Board of Directors and the Management have today presented and approved the Interim Report of Maconomy A/S for the 3rd. Quarter of 2005.

The Interim Report has been prepared in accordance with the Danish Financial Statements Act and such additional requirements that the Danish Stock Exchange makes for the financial reporting of listed companies. Furthermore the Interim Report has been prepared under the recognition and measurement rules of the International Financial Reporting Standards, IFRS.

We consider the accounting policies applied appropriate, and the performed estimates reasonable. Furthermore, we consider the overall interim report presentation true and fair. Therefore, in our opinion, the Interim Report gives a true and fair view of the financial position of the Group and of the results of the Group operations and consolidated cash flows.

The Danish Securities Council has made a ruling according to which Maconomy must write down its deferred tax asset to DKK 0. Maconomy's Management disagrees with the ruling and has appealed this. For further details please refer to the section Securities Councils audit control.

The Interim Report has not been audited or reviewed by the auditors of Maconomy A/S.

Copenhagen, November 2, 2005

Management:

Hugo Dorph (CEO)

Board of Directors:

Thomas Hartwig (chairman)

John Andersen (deputy chairman)

Søren Hougaard

Annette McKenzie

Christian Mossin

Financial Highlights and Key Ratios

(DKK '000)	<u>Q3 2005</u>	<u>Q3 2004</u>	<u>Year-to-date Q3 2005</u>	<u>Year-to-date Q3 2004</u>
Net revenue	33,188	31,915	97,728	102,429
Earnings (loss) from operations	(2,698)	(994)	(23,539)	(5,634)
Interest income (expense), net	585	817	869	2,016
Earnings (loss) before income taxes	(2,113)	(177)	(22,670)	(3,618)
Net earnings (loss)	(1,870)	(220)	(18,964)	(2,555)
Non-current assets	40,231	32,503		
Receivable	31,024	23,658		
Cash and cash equivalents	68,646	76,596		
Total assets	<u>139,901</u>	<u>132,757</u>		
Common stock	38,810	38,642		
Reserves	55,070	63,118		
Total stockholders' equity	<u>93,880</u>	<u>101,760</u>		
Short-term debt	46,021	30,997		
Total liabilities and stockholders' equity	<u>139,901</u>	<u>132,757</u>		
Change in revenue (%)	4%		(5)%	
Revenue per employee (DKK '000)	189	172	547	551
Operating margin (%)	(8)%	(3)%	(24)%	(6)%
Earnings per share (DKK)	(0.11)	(0.01)	(1.17)	(0.19)
Diluted earnings per share (DKK)	(0.11)	(0.01)	(1.17)	(0.19)
Cash flow per share (DKK)	(0.68)	(0.60)	(0.20)	0.38
Solvency ratio (%)	67%	77%		
Number of employees (average)	176	186	179	186

The key ratios have been calculated in accordance with the 2005 guidelines of the Danish Society of Financial Analysts.

Management report

Revenue and Statement of Operations

In the 3rd Quarter of 2005, Maconomy entered into several large contracts on new sales which contributed to a positive revenue development and total revenue of DKK 33.3 million. This is a small increase on Q3, 2004 where revenues were DKK 31.9 million. The progress is mainly due to a rise in the sale of software licenses which from DKK 6.5 million in the 3rd Quarter of 2004 to DKK 10.9 million in Q3, 2005. Maconomy has thus succeeded in making up for the revenue decline in 1st Half of 2005 since software license revenue for the first three quarters of 2005 is DKK 22.7 million. This is at level with revenue for the corresponding period of 2004.

Total revenue for the first three quarters constitutes DKK 97.8 million, still below the year-to-date revenue in September 2004. The reason is that service revenue has declined by DKK 6.5 million, including DKK 3.6 million in the 3rd Quarter of 2005. The lower service revenue is related to the decrease in the sale of software licenses in the 1st Half of 2005, but is also, to a lesser extent, a result of the delivery of two large fixed-price projects which were more time-consuming than anticipated.

Revenue from Software Subscriptions for existing customers still shows progress and has increased from DKK 10.5 million in the 3rd Quarter of 2004 to DKK 11.3 million in Q3 2005. The 7% increase is primarily due to an increase in Maconomy's total customer base.

Revenue by product

(DKK million)				Year-to-date	Year-to-date	
	Q3 2005	Q3 2004	Change %	Q3 2005	Q3 2004	Change %
Software licenses	10.9	6.5	68%	22.7	22.5	1%
Software subscriptions	11.2	10.5	7%	33.2	30.4	9%
Services	10.4	14.0	(26)%	39.5	46.0	(14)%
Other	0.7	0.9	(22)%	2.3	3.5	(34)%
Total Net revenue	33.2	31.9	4%	97.7	102.4	(5)%

The third-quarter new sales mentioned above occurred in the U.K., Norway and Sweden. This is reflected in the chart on revenue distribution by geographic segments, which shows Q3 revenue growth year on year of 41% in the U.K. and 21% in other Nordic. Maconomy's revenue in North America fell by 48% to DKK 3.0 million in Q3 2005, and 15% year-to-date.

Revenue distributed by geographic segments

(DKK million)				Year-to-date	Year-to-date	
	Q3 2005	Q3 2004	Change %	Q3 2005	Q3 2004	Change %
Danmark	7.8	8.1	(4)%	29.4	28.7	2%
Other Nordic	9.9	8.2	21%	26.3	27.1	(3)%
UK	10.6	7.5	41%	24.1	28.1	(14)%
Other Europe	1.9	2.3	(17)%	7.0	5.7	23%
US	3.0	5.8	(48)%	10.9	12.8	(15)%
Total Net revenue	33.2	31.9	4%	97.7	102.4	(5)%

Other external costs were DKK 10.9 million in Q3 2005, constituting an increase of DKK 3.0 million, or 39%, compared with Q3 2004 when this item was DKK 7.9 million. An increase in external marketing costs of DKK

1.4 million accounted for nearly half of the total increase that was due in part to having Maconomy's first global customer event in early September. The remaining increase in other external costs is mainly due to growth in employee-related costs, including recruitment and training costs, and to a lesser degree loss on customer receivables.

Staff costs were DKK 22.9 million and are thus on par with staff costs of DKK 22.7 million in the 3rd quarter of 2004. The average number of employees was 176 in Q3 2005, a 5% decline compared with Q3 2004 where the average number of employees was 186.

Tax for the period, which concerns a change in deferred tax, constituted an income of DKK 0.2 million in Q3 2005.

The Q3 pre-tax performance was a loss of DKK 2.1 million compared with a loss of DKK 0.2 million in the same period the year before. The year-to-date pre-tax loss was at DKK 22.7 million compared with a loss of DKK 3.6 million in the same period 2004. Among other factors, H1 2005 was affected by non-recurring costs in connection with a change of management, cf. the interim report for H1 2005 for a detailed account.

Balance Sheet and Statement of Cash Flow

As of September 30, 2005 the total balance was DKK 139.9 million, or basically unchanged compared with the same date in 2004 when the balance was DKK 132.8 million.

Of the total balance, cash and cash equivalents constituted DKK 68.8 million as of September 30, 2005 compared with DKK 76.6 million the year before and have thus declined by DKK 8.0 million over the year.

As of September 30, 2005, stockholders' equity was DKK 93.9 million compared with DKK 109.9 million at the beginning of the year and DKK 101.8 million as per September 30 2004.

In addition to the financial result of the period and currency rate adjustments that are entered directly to stockholders' equity, stockholders' equity is affected by DKK 0.4 million from a capital stock increase as a result of the exercise of previously issued employee warrants; cf. Board decisions. It should be noted that the value of warrants, at DKK 1.8 million in the income statement, is offset by a corresponding entry in stockholders' equity and the net equity is therefore unaffected; cf. Statement of Stockholders' Equity.

Maconomy has no interest-bearing debt.

For the 3rd Quarter 2005, cash flows from operating activities constituted a cash out-flow of DKK 13.3 million compared with DKK 11.7 million in Q3 2004. Despite a smaller operating loss, cash flows from operating activities constitute a larger cash out-flow since a majority of the support and software subscriptions follow the calendar year and are invoiced with a due date in the 1st quarter of the year.

The holding of securities has been reduced to DKK 8.9 million in the 3rd Quarter of 2005 which means that cash flows from financing activities constitute a total of DKK 8.6 million.

There has been no significant development in the case with KPMG Meijburg bv in the recent period. KPMG Meijburg bv has been granted 4 weeks postponement and is to submit their written statement on November 9, 2005. In principle, the court can be expected to hand down its judgment sometime in the first half of 2006. This judgment may be final but the court may also order the parties to submit further statements or evidence. In the latter event, final judgment may not be expected until the end of 2006.

Customer and market update

In the 3rd Quarter of 2005, Maconomy entered into a number of new customer contracts thus making progress in new sales, in comparison with the two preceding quarters of 2005 as well as compared to Q3 2004. The new contracts include a large number of licenses sold by Maconomy's Swedish subsidiary to Cybercom Group in Sweden. Cybercom Group, a high-tech consulting house, is specialized in business solutions to the telecommunications sector. Maconomy's British subsidiary sold 500 licenses to a large and expanding market communication firm. In addition, close to 700 licenses were sold to a major British advertising agency in the U.K. and 180 licenses to Generic Sweden AB in Sweden, as mentioned in the H1 2005 report. Finally, Maconomy's Norwegian subsidiary has entered into an agreement with ErgoGroup in the Nordic region for the purchase of 800 licenses and 400 licenses in 2006. The sale has been made in co-operation with Maconomy's partner ErgoRunit in Norway, who will be responsible for the implementation. ErgoRunit currently has 200 licenses, thus the total number of licenses to the ErgoGroup in the Nordic countries will be 1,400. It is a pleasure to note that all new customers are in Maconomy's focus industries distributed with 60% in the main areas: Consulting and Market Communication, and 40% are in the two other Maconomy focus industries: Audit & Tax and Research.

As an element in Maconomy's growth plan for 2006-2008, the Maconomy development organisation has been changed to support the industry approach. A majority of the Development Department has been divided into teams which are solely to focus on either Consulting or Market Communication. All elements of product development and product packaging have been gathered to leverage synergies and strengthen the build up of industry knowledge. This process and the entire work to achieve industry focus and depth have been called "Maconomy Solution Innovation Process – M-SIP". One of the first significant results is the "Statement of Direction" plan for solution development in Maconomy in the next three years. The plan is expected by December 1, 2005.

Board decisions

Capital increase

As per August 29, 2005 the Board decided to exercise parts of the authorization in the Articles of Association, Article 18, to increase the company's capital stock by 3,750 shares at DKK 2 each, nominally DKK 7,500. The exercise was a response to a request by Maconomy employees to exercise previously issued warrants. The exercise price was DKK 5.25 per share, and the total increase of stockholders' equity was DKK 19,688. The capital increase has been registered with the Danish Commerce and Companies Agency, and the stock has been included in the listing at Copenhagen Stock Exchange.

Audit control from the Danish Securities Council

The Danish Securities Council being an independent authority, with one of the main objectives to conduct Audit control with listed companies, has completed an audit control of the Maconomy Annual report for 2004 and the Interim report for 1st. half of 2005. The Council has informed in a letter dated the 24th of October that they have reached the following decision:

"It is the Danish Securities Council's judgment, that the company, in accordance with the Annual Accounts Act and the provisions of IAS 12, has not provided convincing evidence of the likelihood that the company,

within the first coming years, will be able to generate sufficient future taxable profits to use the recognized deferred income tax assets included in the annual report for 2004 and in the half-year report for the first half of 2005 of DKKT 28,657 as of December 31, 2004, and DKKT 32,449 as of June 30, 2005".

As a consequence, the Danish Securities Council has demanded that Maconomy recognizes the deferred income tax asset with DKK 0 in the annual report 2004 as well as in the half-year report for the first half-year of 2005, and reflect these changes in the profit and loss statements of the respective periods. Maconomy's Management disagrees with the ruling and has appealed this to the relevant appeal authorities (Erhvervsankenævnet). Furthermore, Management would like to stress the following:

- The ruling and the possible compliance with this does not have any effect on the company's liquidity, cash flow or on Maconomy's expectations to the result before tax for 2005, but will affect the Shareholders' equity and Net earnings (loss)
- Maconomy's accounting principles in this area have been consistently followed and Maconomy has, since the company's listing on the Copenhagen Stock Exchange, capitalized deferred income tax assets. Management has regularly assessed the possibilities of realizing the deferred income tax assets and made write-downs, where the realization has been considered to be uncertain. As of December 31, 2004 deferred income tax, gross were DKK 69.9 million with a write-down of DKK 41.2 million and deferred income tax assets, net were accordingly DKK 28.7 million.
- Since the listing Maconomy has been audited by two state authorized public accounting firms who have rendered their audit opinions without qualifications.

The Danish Securities Council has estimated that the financial statement consequences of their decision will be:

(DKK '000)	<u>Pub- lished</u>	<u>Securities Council</u>
Interim Report 1st. half of 2005		
Net earnings (loss)	(17,094)	(20,886)
Stockholders' equity	95,420	62,971
Total assets	149,913	117,464
Solvency ratio	64%	54%
Annual Report 2004		
Net earnings (loss)	6,828	(21,829)
Stockholders' equity	109,886	81,229
Total assets	178,469	149,812
Solvency ratio	62%	54%

Expectations for fiscal year 2005

The following section contains information on Maconomy's plans, forecasts and future activities. Such activities may involve risks and uncertainties and the Group's results may vary significantly from the expectations expressed here.

Activity levels developed as expected in the 3rd Quarter of 2005, and expectations to revenue and earnings for 2005 are maintained. This means that 2005 revenue is expected to be at level with the revenue for 2004 when total revenue was at DKK 146 million. Earnings before tax is expected to be a loss in the region of DKK 20 million in 2005.

Significant accounting policies

Summary of significant accounting policies

The Interim Financial Report has been prepared in accordance with the requirements of the Danish Financial Statements Act and the Copenhagen Stock Exchange relating to interim reporting of listed companies.

As of the current fiscal year, 2005, Maconomy presents its Annual Report under the International Financial Reporting Standards, IFRS. Therefore, this Interim Financial Report has been prepared under the recognition and measurement rules of IFRS. As of Q1 2007, Interim Reports will be presented under IFRS, including IAS 34 Interim Financial Reporting.

The IFRS standards and IFRIC interpretations that will be applicable as at December 31, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this Interim Financial Report. The accounting policies that Maconomy applies to its first Annual Report under IFRS for the year ended December 31, 2005 may therefore differ from those applied in this Interim Financial Report.

The changes to the accounting policies have been set out below. Furthermore, reference is made to the financial report for Q1 2005 for a more thorough description of significant accounting policies.

Changes to significant accounting policies

The financial reporting requirements of the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange relating to listed companies are, as regards accounting areas material to Maconomy, very similar to those of IFRS. Consequently, the transition to financial reporting under IFRS only has major impact in few areas. The only change with an income statement effect is the recognition in the income statement of a value upon granting of warrants in accordance with IFRS 2 Share-based Payment.

In relation to Maconomy's warrant program, IFRS 2 implies that the fair value of warrants granted measured at the time of granting should be recognized as an expense in the income statement over the vesting period. The expense should be set off against equity, and no subsequent adjustments should be made as a result of stock price changes.

In addition to affecting the item Staff expenses in the income statement, the recognition of stock-based compensation in the income statement also affects income-related ratios but has no effect on the balance sheet, equity or cash flow statement. Moreover, the recognition does not affect tax on the income for the period.

In 2005 comparative figures for 2004 will be adjusted by DKK 1.2 mill. broken down as follows on the individual quarters:

Recognition of warrants (DKK '000)

Q1 2004	-
Q2 2004	302
Q3 2004	458
Q4 2004	483
2004	<u>1,243</u>

The transition to financial reporting under IFRS does not affect the balance sheet and equity.

In the cash flow statement, securities portfolio is reclassified from cash and cash equivalents to investing activities. The reclassification increases/decreases cash flows from investing activities and cash flows for 2004 by DKK 7.8 mill. broken down as follows on the individual quarters:

Q1 2004	(10,992)
Q2 2004	138
Q3 2004	(959)
Q4 2004	<u>19,580</u>
2004	<u><u>7,767</u></u>

Furthermore, IFRS has certain additional disclosure requirements as compared to the existing requirements. The most important such requirements to Maconomy will be:

- Disclosure of diluted earnings per share
- Additional disclosures on financial instruments
- Additional segment reporting disclosures

Statement of Operations

(DKK '000)	<u>Q3 2005</u>	<u>Q3 2004</u>	<u>Year-to-date Q3 2005</u>	<u>Year-to-date Q3 2004</u>
Revenue	33,188	31,915	97,728	102,429
Capitalized development costs	-	-	-	771
External project costs	1,383	1,988	5,388	6,227
Gross profit	<u>31,805</u>	<u>29,927</u>	<u>92,340</u>	<u>96,973</u>
Other external costs	11,139	7,860	32,998	26,267
Staff costs	22,852	22,687	81,323	75,037
Earnings before depreciation - EBITDA	<u>(2,186)</u>	<u>(620)</u>	<u>(21,981)</u>	<u>(4,331)</u>
Depreciation	512	374	1,558	1,303
Earnings before interests - EBIT	<u>(2,698)</u>	<u>(994)</u>	<u>(23,539)</u>	<u>(5,634)</u>
Interest income (expense), net	585	817	869	2,016
Earnings (loss) before income tax	<u>(2,113)</u>	<u>(177)</u>	<u>(22,670)</u>	<u>(3,618)</u>
Income tax (expense) benefit	243	(43)	3,706	1,063
Net earnings (loss)	<u>(1,870)</u>	<u>(220)</u>	<u>(18,964)</u>	<u>(2,555)</u>
Earnings per share (DKK)	(0.11)	(0.01)		
Diluted earnings per share (DKK)	(0.11)	(0.01)		

Balance sheet

ASSETS

(DKK '000)	Sep. 30 2005	Dec. 31 2004	Sep. 30 2004
Intangible fixed assets			
Software development costs	450	642	707
Tangible fixed assets			
Leasehold improvements			
Hardware	952	1,243	1,218
Software for internal use	123	152	86
Fixtures and equipment	2,567	1,593	1,347
	<u>3,642</u>	<u>2,988</u>	<u>2,651</u>
Investments			
Deposits	3,487	3,313	3,528
Deferred income tax assets	32,652	28,657	25,617
	<u>36,139</u>	<u>31,970</u>	<u>29,145</u>
Non-current assets	40,231	35,600	32,503
Receivable			
Trade accounts receivable	18,464	60,429	15,748
Contracted work in progress	8,153	4,024	3,826
Other receivable	1,252	2,088	1,675
Prepaid expenses	3,155	2,192	2,409
	<u>31,024</u>	<u>68,733</u>	<u>23,658</u>
Bonds	<u>40,077</u>	<u>41,316</u>	<u>60,896</u>
Cash and cash equivalents	<u>28,569</u>	<u>32,820</u>	<u>15,700</u>
Total current assets	99,670	142,869	100,254
Total assets	139,901	178,469	132,757

LIABILITIES AND STOCKHOLDERS' EQUITY

(DKK '000)	Sep. 30 2005	Dec. 31 2004	Sep. 30 2004
Stockholders' equity			
Common stock	38,810	38,642	38,642
Additional paid-in capital	242	-	21
Accumulated currency translation adjustments, net	(3,192)	(3,898)	(3,408)
Retained earnings (deficit)	58,020	75,142	66,505
Total stockholders' equity	93,880	109,886	101,760
Short-term debt			
Trade accounts payable	5,026	6,941	3,615
Contracted work in progress	6,424	2,265	1,029
Other accounts payable	19,347	25,737	16,337
Deferred revenue	15,224	33,640	10,016
	46,021	68,583	30,997
Total debt	46,021	68,583	30,997
Total liabilities & stockholders' equity	139,901	178,469	132,757

Statement Of Stockholders' Equity

(DKK '000)	Common stock	Additional paid-in capital	Acc. cur. translat. adj., net	Retained earnings (deficit)	Total
Balance at January 1, 2005	38,642	-	(3,898)	75,142	109,886
Net earnings (deficit)	-	-	-	(18,964)	(18,964)
Costs related to warrants	-	-	-	1,842	1,842
Share capital increase	168	242	-	-	410
Currency translation adjustments	-	-	848	-	848
Tax effect from currency translations	-	-	(142)	-	(142)
Balance at Sep. 30, 2005	38,810	242	(3,192)	58,020	93,880

Statement of Cash Flow

(DKK '000)	<u>Q3 2005</u>	<u>Q3 2004</u>	<u>Year-to-date Q3 2005</u>	<u>Year-to-date Q3 2004</u>
Earnings before depreciation - EBITDA	(2,186)	(620)	(21,981)	(4,331)
<i>Adjustments:</i>				
Change in allowance for uncollectibles	414	(138)	883	27
Costs related to warrants	194	458	1,843	760
<i>Change in working capital:</i>				
Accounts receivable, etc.	(1,726)	777	41,208	36,622
Debt and deferred revenue	(10,640)	(14,034)	(27,441)	(28,745)
	<u>(13,944)</u>	<u>(13,557)</u>	<u>(5,488)</u>	<u>4,333</u>
Interest received (paid), net	434	1,894	1,391	3,093
Income taxes paid	397	(31)	237	(66)
Cash flow from (to) operating activities	<u>(13,113)</u>	<u>(11,694)</u>	<u>(3,860)</u>	<u>7,360</u>
Capitalized development costs	-	-	-	(707)
Purchase of tangible fixed assets	(228)	(583)	(2,379)	(2,037)
Proceeds from sale of tangible fixed assets	(35)	-	7	369
Investment in bonds	8,852	(959)	1,239	-
Change in other investments	11	64	(135)	240
Cash flow from (to) investing activities	<u>8,600</u>	<u>(1,478)</u>	<u>(1,268)</u>	<u>(2,135)</u>
Proceeds from issue of common stock	10	-	410	66
Cash flow from (to) financing activities	<u>10</u>	<u>-</u>	<u>410</u>	<u>66</u>
Effect of currency translation adj. on cash and equivalents	44	(68)	467	162
Net change in cash and cash equivalents	<u>(4,459)</u>	<u>(13,240)</u>	<u>(4,251)</u>	<u>5,453</u>
Cash and cash equivalents, beginning of period	33,027	28,940	467	71,143
Cash and cash equivalents, end of period	<u>28,569</u>	<u>15,700</u>	<u>28,569</u>	<u>76,596</u>