

Stock Exchange Announcement No. 16/2003

Copenhagen, August 22, 2003

# Interim Report for the First Half of 2003

## Resume:

Today, Maconomy's Board of Directors has discussed and approved the interim report for the first half of 2003. The interim report shows the following highlights:

- The financial performance in the first half of 2003 has been satisfactory. In the second quarter of the year, Maconomy recorded net revenue of DKK 39 million (DKK 33 million in Q2 2002) and profit before tax of DKK 1 million (pretax loss of DKK 56 million in Q2 2002). For the first half of 2003, net revenue matched the company's expectations of DKK 70 million while a loss before tax of DKK 4 million is an improvement of DKK 2 million on the expected loss. In H1 2002, the pretax loss was DKK 72 million.
- Cash and cash equivalents increased from DKK 80 million as of June 30, 2002, to DKK 83 million as of June 30, 2003. The company continues to have no interest-bearing debt.
- The market has given Maconomy's three pre-configured industry solutions a favorable reception. They were released on March 31, 2003 as Maconomy Consulting Solution, Maconomy Audit & Tax Consulting Solution and Maconomy Agency Solution. Eight customers have chosen these solutions.
- Maconomy's eProcurement solution is under implementation at NRK (Norwegian Broadcasting Corporation AS), and Post Danmark has just entered into a four-year framework contract that will extend the use of Maconomy's eProcurement solution.
- The task of positioning Maconomy in 2003 in preparation for stronger growth in 2004 is going ahead as planned. This will enable Maconomy to play a more significant role both in the market for "Professional Services Automation – PSA" and in the emerging market for "Project Portfolio Management – PPM" software.
- Expectations for total 2003 revenue are at DKK 153 million. This is unchanged after a DKK 7 million effect of changes in currency exchange rates. The profit before tax is still expected at about DKK 5 million.

### Further information:

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## Financial Highlights and Key Ratios

(DKK '000)			Year-to-date	Year-to-date
	<u>Q2 2003</u>	<u>Q2 2002</u>	<u>Q2 2003</u>	<u>Q2 2002</u>
Net revenue	38.575	32.937	70.440	83.149
Gross profit	25.144	11.109	43.711	37.624
Earnings (loss) from operations	383	(55.781)	(4.474)	(72.939)
Interest income (expense), net	466	(281)	231	1.287
Earnings (loss) before income taxes	949	(56.062)	(3.937)	(71.652)
Fixed assets	6.317	12.822		
Accounts receivable	52.600	65.606		
Cash and cash equivalents	83.214	79.832		
Total assets	<u>142.131</u>	<u>158.260</u>		
Common stock	38.597	38.597		
Reserves	52.394	59.261		
Total stockholders' equity	<u>90.991</u>	<u>97.858</u>		
Provisions and long-term debt	-	66		
Short-term debt	51.140	60.336		
Total liabilities and stockholders' equity	<u>142.131</u>	<u>158.260</u>		
Revenue growth (%)	17%		-15%	
Revenue per employee (DKK '000)	203	133	371	321
Gross margin (%)	65%	34%	62%	45%
Operating margin (%)	1%	-169%	-6%	-88%
Earnings before taxes per share (DKK)	0,05	(2,90)	(0,20)	(3,71)
Cash flow per share (DKK)	(0,28)	(0,69)	0,63	(0,91)
Solvency ratio (%)	64%	62%		
Number of employees (average)	190	247	190	259

Revenue growth	=	(Revenue in period in current year - Revenue in period last year) x 100 / Revenue in period last year
Revenue per employee	=	Revenue / Average number of employees
Gross margin	=	(Revenue - cost of revenue) x 100 / Revenue
Operating margin	=	Income (loss) from operations x 100 / Net revenue
Earnings before taxes per share	=	Net earnings (loss) before taxes / Average number of shares
Cash flow per share	=	Cash flow from operations / Average number of shares
Dividend per share	=	Dividend / Number of shares at year-end
Solvency ratio	=	Stockholders' equity at year-end x 100 / Total assets at year-end

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

## Report on Financial Results in Q2 and H1 2003

The financial performance in the first half of 2003 has been satisfactory. Net revenue of DKK 70 million matched the company's expectations as stated in the 2002 Annual Report. Loss before tax of DKK 4 million was an improvement of DKK 2 million on a expected loss of DKK 6 million.

In the second quarter of the year, Maconomy recorded net revenue of DKK 39 million and profit before tax of DKK 1 million. In Q2 2002, net revenue amounted to DKK 33 million and pretax loss was at DKK 26 million adjusted for non-recurring costs of DKK 30 million.

Net revenue for the first half of 2003 was DKK 13 million below the H1 2002 net revenue. This decline is due to the divestment of the activities in Maconomy Media Services A/S (now Reklamedata A/S), accounting for a DKK 5 million reduction; a DKK 4 million decrease on the US market (from DKK 16 million in 2002 to DKK 12 million in 2003), and a DKK 4 million decrease in Denmark, cf. the table below. The change on the US market is solely due to a weakening of the US dollar compared to the Danish krone. Counted in USD, the revenue in the United States was at the same level as last year.

### Revenue distributed by geographic segments

(DKK million)	H1 2003	H1 2002	Change %
Denmark excl. MMS	24	28	-14%
Other Nordic	17	17	0%
UK	12	14	-14%
Other Europe	5	3	67%
US	12	16	-25%
Maconomy Media Systems A/S	-	5	-100%
<b>Total Net revenue</b>	<b>70</b>	<b>83</b>	<b>-16%</b>

Throughout the first half of 2003, the Danish krone has gained strength compared with the currencies in which Maconomy operates – particularly USD, GBP and NOK. If the corporation's net revenue were converted to the currency exchange rates as of December 31, 2002, net revenue would amount to DKK 72 million, or nearly DKK 2 million higher.

The table 'Revenue distributed by products' demonstrates that the decline in revenue is attributable to consultancy revenue (services). A significant staff reduction has been implemented in this area. License revenue, on the other hand, shows an increase of DKK 2 million.

### Revenue distributed by products

(DKK million)	H1 2003	H1 2002	Change %
Software licenses	13	11	18%
Software subscriptions	20	19	5%
Services	35	44	-20%
Other	2	4	-50%
Maconomy Media Systems A/S	-	5	-100%
<b>Total Net revenue</b>	<b>70</b>	<b>83</b>	<b>-16%</b>

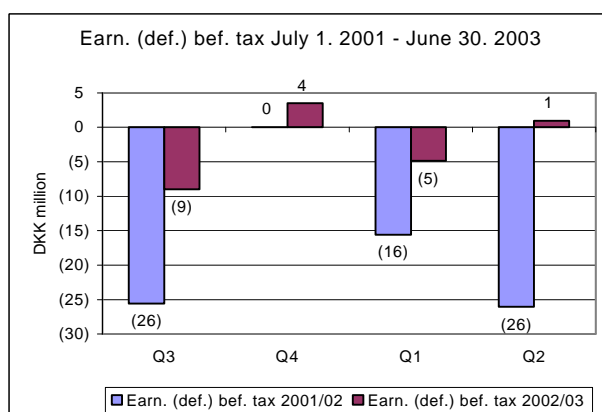
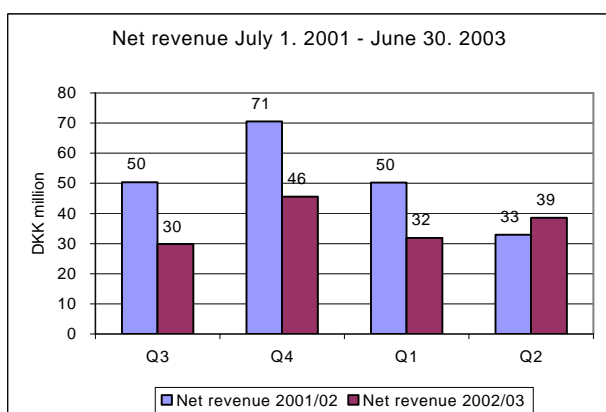
License backlog amounted to DKK 6 million as of June 30, 2003, compared with DKK 7 million at the end of the first quarter of 2003, and DKK 4 million as of June 30, 2002. Maconomy expects to deliver and recognise most of the revenue from the outstanding orders in the second half of 2003.

The balance shows a favorable development compared with June 30, 2002. Maconomy's cash increased from DKK 80 million as of June 30, 2002, to DKK 83 million as of the same date 2003. The equity ratio increased from 62% to 64%.

In the first half of 2003, Maconomy generated a DKK 12 million cash flow from operations. This should be compared with a negative cash flow from operations of DKK 18 in the same period 2002. Cash generation from investment includes DKK 2 million from released rent deposits.

### Development in the past four quarters

The development in the past four quarters compared with the corresponding periods the year before is reflected in the graphs below. The Q2 2002 pretax loss has been adjusted for non-recurrent costs of DKK 30 million.



## Product update

Maconomy's products consists of four main elements: A multi-dimensional finance system that helps to manage all aspects of company projects; Pre-configured solutions for selected industries; eProcurement solution for purchasing management in large companies in various locations; and tools covering customization and reporting. The following results were achieved in these areas in the first half of 2003:

### Pre-configured solutions

All our pre-configured industry solutions, released according to plan on March 31, 2003, are based on Maconomy version 8.0. Many of our current customers have already implemented this version.

*Maconomy Consulting Solution:* The solution has been favorably received by the market, and we have signed agreements with Technia AB (SE), Elision Group Ltd. (UK), The Motor Insurance Repair Research Centre Ltd. (UK) and Agilis Management, Inc. (US).

*Maconomy Audit & Tax Consulting Solution:* The solution has been installed at PricewaterhouseCoopers in Denmark (Audit and Tax) with 1,500 users and is under installation at KPMG Meijburg & Co. B.V. in the Netherlands (Tax).

*Maconomy Agency Solution:* An agreement has been made with two agencies in the United States: COLLE + McVOY and Crispin Porter + Bogusky. Both agencies are part of the Toronto based Maxxcom Group.

WPP, one of the world's largest agency networks, has signed a three year extension of the agreement with Maconomy as a preferred supplier to WPP. A company in the WPP Group, Hive Management Services Ltd., now offers Maconomy as an ASP solution and has added a list of new accounts to their portfolio of companies using Maconomy.

*General modules, relevant for all the solutions:* As a natural, further development of the industry solutions, Maconomy has initiated development projects aimed at the solution of employee-related issues. An example is the "Human Resource – HR" module and off-line time registration. These modules are expected to be released in the second half of 2003.

A *pre-configured solution to companies with research projects* (Maconomy Research Solution) is also planned to be released in H2 2003.

### **eProcurement**

A further development of Maconomy's eProcurement module has been carried out as part of the implementation of an eProcurement solution for purchasing management at NRK. The new functionality will be generally available during the second half of 2003.

As the result of an EU tender, Maconomy has made a framework agreement with Post Danmark for consultancy services. The agreement, signed in June, is binding for Maconomy for up to four years.

### **Customization and reporting tools**

Maconomy's reporting options have been strongly improved with the development of our new reporting tools. They consist of a list of standard reports with "drill-down" options, a report designer for preparing new reports, and a number of tools for further development of the reporting options (including reporting from other data sources than Maconomy).

The customization tools give customers and partners an opportunity, alone or in cooperation with Maconomy, to develop their solutions in a way that also supports a simple upgrade to new versions. To an even greater extent, the tools will enable integration with other applications.

The customization and reporting tools for Maconomy version 8.0 will be released in the third quarter of 2003.

With these product initiatives, Maconomy is appropriately positioned both in the market for "Professional Services Automation – PSA" and in the emerging market for "Project Portfolio Management – PPM" software (see below).

As the release of the customization and reporting tools takes place in Q3 2003, the efforts to recruit new sales-oriented partners will be intensified.

## **Assessment of market opportunities**

Many of the accounting scandals seen in recent years reveal a major, uncovered need for finance systems that can handle more dimensions in the management of companies' diverse projects across departments, subsidiaries and countries.

The Gartner Group has summarized this need in a new concept: "Project Portfolio Management – PPM". See Gartner's report "PSA, SPO and Project Management Becoming Project Portfolio Management" of March 27, 2003. This market is expected to increase strongly over the next few years. Maconomy's product strategy fits the PPM market, for internal departments as well as for the industry segments we have targeted.

At the same time, in their considerations on software investment, decision-makers have increased focus on "Return on Investment – ROI". Maconomy aims to supply software with a payback time of maximum two-three years. That implies specific requirements to the product strategy:

- Pre-configured solutions
- Short implementation time
- Minimum customization
- Option to integrate with other applications
- Easy to use – easy to maintain
- Simple upgrade to new versions

As previously announced, the plans are to position Maconomy in 2003 in preparation for stronger growth in 2004. These efforts are progressing as planned and can be summarized as follows:

- ROI-based product strategy
- Pre-configured industry solutions with process support (workflow)
- New modules with employee-related areas such as “Human Resource – HR” and off-line time registration.
- Customization and reporting tools
- A global distribution network for direct and indirect sales.

This strategy will enable Maconomy to play a significant role in the market for “Professional Services Automation – PSA” and the market for “Project Portfolio Management – PPM” software.

## Organization

Employee-elected member of the Board of Directors, Morten Wieth, has accepted a position outside Maconomy A/S and has resigned from the board as of August 22, 2003. Deputy member of the board, Christian Mossin, has been appointed new employee-elected member of the Board of Directors.

## Expectations for fiscal year 2003

*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.*

Management believes that Maconomy currently has the appropriate cost structure and a strong financial position with sound cash flow and high solvency. The work to balance revenue and expenditure is proceeding as planned.

The expectations for the activity level for 2003 is being maintained as described in the Annual Report for 2002.

However, the strengthening of DKK over key currencies such as USD, GBP and NOK has the accounting consequence that the income statements of subsidiaries who carries their accounts in these currencies will be converted at a lower rate than expected. As previously mentioned, the corporation’s net revenue for the first half of 2003, if converted at currency exchange rates as of December 31, 2002, would have been nearly DKK 2 million higher than the reported revenue. The corresponding effect for the second half of 2003 at the

June 30, 2003 exchange rates would be around DKK 5 million with a negative effect on pretax profit of slightly below DKK 2 million.

The company expects revenue for the whole of 2003 at a total of DKK 153 million. This reflects the exchange rate effect of DKK 7 million. A profit before tax of about DKK 5 million is still expected for the year. In the second half of 2003, Maconomy expects revenue of DKK 83 million with profit before tax of DKK 9 million.

## Shareholder information

Maconomy A/S is today included in the Copenhagen Stock Exchange's KVM-index for growth companies. This index will be terminated by the Stock Exchange at September 1, 2003. As a consequence Maconomy A/S has decided to file for admission to the new SmallCap+ index and has with effect from September 1, 2003 entered into a market making agreement with Gudme Raaschou Bankaktieselskab.

The SmallCap+ index is updated two times yearly, next time December 1, 2003.

## Presentation of interim report for H1 2003

An investor presentation of the H1 report will be held at 9.30 am on August 25, 2003, at Gudme Raaschou Bankaktieselskab, Kalvebod Brygge 39-41, 1560 Copenhagen V. For admission to the investor presentation please contact Maiken Steen Hummelshøj, tel. +45 3344 9080 or e-mail [msh@gr.dk](mailto:msh@gr.dk).

A telephone conference will be held at 3.00 pm on August 22, 2003. Dial-in information is available from Charlotte Dawids, tel: +45 3527 7900 or e-mail [ir@maconomy.com](mailto:ir@maconomy.com).

**Copenhagen, August 22, 2003**

Steen Lohse

Chairman of the Board of Directors

Bent Larsen

CEO

*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.*

# Statements of Operations and Stockholders Equity

## CONSOLIDATED STATEMENT OF OPERATIONS

(DKK '000)	<u>Q2 2003</u>	<u>Q2 2002</u>	<u>Year-to-date Q2 2003</u>	<u>Year-to-date Q2 2002</u>
Net revenue	38.575	32.937	70.440	83.149
Cost of revenue	13.431	21.828	26.729	45.525
<b>Gross profit</b>	<b>25.144</b>	<b>11.109</b>	<b>43.711</b>	<b>37.624</b>
Sales and marketing expenses	12.710	45.072	23.680	70.597
Research and development expenses	7.580	10.573	15.457	19.505
General and administrative expenses	4.471	11.245	9.048	20.461
<b>Earnings (loss) from operations</b>	<b>383</b>	<b>(55.781)</b>	<b>(4.474)</b>	<b>(72.939)</b>
Other income	100	-	306	-
Interest income (expense), net	466	(281)	231	1.287
<b>Earnings (loss) before income taxes</b>	<b>949</b>	<b>(56.062)</b>	<b>(3.937)</b>	<b>(71.652)</b>

## STATEMENT OF STOCKHOLDERS' EQUITY

(DKK '000)	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Acc. cur. translat. adj., net</u>	<u>Retained earnings (loss)</u>	<u>Total</u>
Balance at January 1, 2003	38.597	59.704	(2.988)	-	95.313
Net earnings (loss)	-	-	-	(3.943)	(3.943)
Currency translation adj.	-	-	(733)	-	(733)
Tax effect from curr. transl.	-	-	354	-	354
<b>Balance at June 30, 2003</b>	<b>38.597</b>	<b>59.704</b>	<b>(3.367)</b>	<b>(3.943)</b>	<b>90.991</b>

## Balance sheet

### ASSETS

(DKK '000)	June 30, 2003	December 31, 2003	June 30, 2002
<b>Tangible fixed assets</b>			
Leasehold improvements	7	449	776
Hardware	1.497	2.310	4.084
Internal use software	136	235	515
Fixtures and equipment	1.060	1.775	2.841
	<u>2.700</u>	<u>4.769</u>	<u>8.216</u>
<b>Investments</b>			
Deposits	3.617	5.754	4.606
	<u>3.617</u>	<u>5.754</u>	<u>4.606</u>
<b>Total fixed assets</b>	<u><b>6.317</b></u>	<u><b>10.523</b></u>	<u><b>12.822</b></u>
<b>Receivables</b>			
Trade accounts receivable	23.838	29.187	36.889
Contracted work in progress	2.676	3.435	4.032
Other receivables	1.150	1.302	403
Deferred income tax assets	21.255	21.173	19.101
Prepaid expenses	3.681	3.187	5.181
	<u>52.600</u>	<u>58.284</u>	<u>65.606</u>
<b>Cash and cash equivalents</b>	<u>83.214</u>	<u>70.240</u>	<u>79.832</u>
<b>Total current assets</b>	<u><b>135.814</b></u>	<u><b>128.524</b></u>	<u><b>145.438</b></u>
<b>TOTAL ASSETS</b>	<u><b>142.131</b></u>	<u><b>139.047</b></u>	<u><b>158.260</b></u>

## LIABILITIES AND STOCKHOLDERS' EQUITY

(DKK '000)	June 30, 2003	December 31, 2003	June 30, 2002
<b>Stockholders' equity</b>			
Common stock	38.597	38.597	38.597
Additional paid-in capital	59.704	59.704	80.090
Retained earnings (deficit)	(3.943)	-	(17.175)
<b>Total stockholders' equity</b>	<b>90.991</b>	<b>95.313</b>	<b>97.858</b>
<b>Long-term debt</b>			
Capital lease obligations	-	-	66
<b>Short-term debt</b>			
Current installments on long-term debt	66	355	571
Trade accounts payable	6.239	4.093	6.638
Contracted work in progress	6.352	7.151	-
Other accounts payable	22.309	32.135	38.878
Deferred revenue	16.174	-	14.249
	<u>51.140</u>	<u>43.734</u>	<u>60.336</u>
<b>Total debt</b>	<b>51.140</b>	<b>43.734</b>	<b>60.402</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>142.131</b>	<b>139.047</b>	<b>158.260</b>

## Statement of Cash Flow

(DKK '000)			Year-to-date	Year-to-date
	Q2 2003	Q2 2002	Q2 2003	Q2 2002
Operating earnings (loss)	383	(55.781)	(4.474)	(72.939)
<i>Adjustments:</i>				
Depreciation and amortization and gain/loss on sale of tangible fixed assets	873	1.762	1.799	4.362
Change in allowance for uncollectibles	(598)	9.053	(2.918)	9.955
<i>Change in working capital:</i>				
Accounts receivable, etc.	(2.932)	22.543	6.486	22.790
Accounts payable, etc.	(3.838)	8.960	10.414	17.653
	<u>(6.112)</u>	<u>(13.463)</u>	<u>11.307</u>	<u>(18.179)</u>
Other income received	100	-	306	-
Interest received, net	560	636	595	1.406
Income taxes paid	-	(566)	-	(833)
<b>Cash flow from (to) operating activities</b>	<b><u>(5.452)</u></b>	<b><u>(13.393)</u></b>	<b><u>12.208</u></b>	<b><u>(17.606)</u></b>
Purchase of tangible fixed assets	(352)	(345)	(665)	(381)
Proceeds from sale of tangible fixed assets	116	-	491	-
Change in other investments	2.028	32	2.117	146
<b>Cash flow from (to) investing activities</b>	<b><u>1.792</u></b>	<b><u>(313)</u></b>	<b><u>1.943</u></b>	<b><u>(235)</u></b>
Repayment of long-term debt	-	(138)	-	(274)
<b>Cash flow from (to) financing activities</b>	<b><u>-</u></b>	<b><u>(138)</u></b>	<b><u>-</u></b>	<b><u>(274)</u></b>
Effect of currency translation adjustments on cash and cash equivalents	(571)	(204)	(1.177)	124
<b>Net change in cash and cash equivalents</b>	<b><u>(4.231)</u></b>	<b><u>(14.048)</u></b>	<b><u>12.974</u></b>	<b><u>(17.991)</u></b>
Cash and cash equivalents, beginning of period	87.445	93.880	70.240	97.823
<b>Cash and cash equivalents, end of period</b>	<b><u>83.214</u></b>	<b><u>79.832</u></b>	<b><u>83.214</u></b>	<b><u>79.832</u></b>

*These interim financial statements, including comparative figures, have been prepared under the same accounting policies as the annual report for 2002.*