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# Interim Report for the First Half Year of 2002

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## Report of the Financial Results for the First Half-Year of 2002

### Resume:

- Maconomy's financial situation for the first half-year is characterized by the following factors:
  - Total revenue of DKK 83 million, a 19% decrease year-over-year
  - Missing license revenue primarily in Q2
  - A difficult market where many IT-investments are still put on hold
  - Indirect costs down from DKK 81 million in Q2 2001 to DKK 55 million in Q2 2002 (excl. one-time charges)
  - One-time charges of DKK 30 million, comprising DKK (16) million in severance and severance related costs, DKK (9) million in bad debts provision and DKK (5) million in write-offs of certain assets
  - Total loss before taxes of DKK (56) million
- Maconomy going forward:
  - Adjusted cost base to ensure break-even for the second half 2002
  - Strong cash position of DKK 80 million
  - Full year revenue forecast of around DKK 185 million and a loss before tax of around DKK (72) million or around DKK (42) million before one-time charges

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## **FINANCIAL HIGHLIGHTS AND KEY RATIOS**

(DKK '000)			Year-to-date	Year-to-date
	<u>Q2 2002</u>	<u>Q2 2001</u>	<u>Q2 2002</u>	<u>Q2 2001</u>
Net revenue	32.937	47.360	83.149	102.590
Gross profit	11.109	21.584	37.624	50.714
Income (loss) from operations	(55.781)	(39.061)	(72.939)	(75.919)
Interest income (expense), net	(281)	1.936	1.287	4.716
Income (loss) before income taxes	(56.062)	(37.125)	(71.652)	(71.203)
Net income (loss)	(56.062)	(45.853)	(71.691)	(77.280)
Fixed assets	12.822	21.084		
Receivables, etc.	65.606	82.276		
Cash and cash equivalents	<u>79.832</u>	<u>144.199</u>		
Total assets	<u>158.260</u>	<u>247.559</u>		
Common stock	38.597	38.630		
Reserves	<u>59.261</u>	<u>147.219</u>		
Total stockholders' equity	<u>97.858</u>	<u>185.849</u>		
Provisions and long-term debt	66	935		
Short-term debt	<u>60.336</u>	<u>60.775</u>		
Total liabilities and stockholders' equity	<u>158.260</u>	<u>247.559</u>		
Revenue growth (%)	-30%	-7%	-19%	4%
Revenue per employee (DKK '000)	133	138	321	316
Gross margin (%)	34%	46%	45%	49%
Operating margin (%)	-169%	-82%	-88%	-74%
Earnings per share (DKK)	(2,90)	(2,38)	(3,71)	(4,00)
Cash flow per share (DKK)	(0,69)	(2,13)	(0,91)	(3,52)
Solvency ratio (%)	62%	75%	-	0%
Number of employees (average)	247	344	259	325

### **Definitions of key ratios:**

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

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

## Report on Financial Results in the Second Quarter and First Half Year of 2002

Total revenue for Q2 2002 was DKK 33 million compared to DKK 47 million for Q2 2001 showing a 30% decline year over year. Operational expenses for Q2 2002, including one-time charges of DKK 30 million, were DKK (89) million compared to DKK (86) million for Q2 2001. The gross margin for Q2 2002 was 34% (46% in Q2 2001), and has been significantly impacted by the lack of license revenue. Loss before taxes in Q2 2002 was DKK (56) million compared to DKK (37) million in 2001. Loss before taxes and before one-time charges for Q2 2002 was DKK (26) million.

Total revenue for the first half of 2002 was DKK 83 million compared to DKK 103 million for the first half of 2001 showing a 19% decline year over year. Total operating expenses for the first half of 2002 were DKK (156) million compared to DKK (179) million for the first half of 2001. The gross margin for the first half of 2002 was 45% (49% in 2001). Loss before taxes for the first half of 2002 was DKK (72) million compared to DKK (71) million in 2001.

Of total revenue for the first half of 2002, 13% (29% in the first half of 2001) derives from software license sales, 26% (19%) from software subscriptions, 56% (49%) from services and 5% (3%) from other revenue sources.

The geographical split of total revenue for the first half of 2002 and 2001 was as follows (DKK million)

	1H 2002	1H 2001
Denmark	33	34
Other Nordic	17	23
UK	14	25
Other Europe	3	5
US	16	16
<b>Total</b>	<b>83</b>	<b>103</b>

The decrease in revenue primarily consists of missing license revenue - especially in Q2, which was DKK 13 million lower than Q2 2001. License revenue has decreased from 29% of total revenue for the first half of 2001 to 13% of total revenue for the first half of 2002. Like our competitors we face a difficult market and, even though we have not lost any orders in the last quarter nor any existing customers, the sales cycles are still very long and IT-investments are still put on hold. Our consulting revenue has declined slightly and revenue from subscriptions has increased slightly compared to last year.

The geographical split of revenue shows a decrease in revenue primarily in two regions; UK and Other Nordic as these markets have been hit especially hard by the economic downturn in the market.

Maconomy had one-time charges in Q2 of DKK (30) million comprising DKK (16) million in severance and severance related costs, a DKK (9) million in bad debts provisions and DKK (5) million in write-offs of certain assets. The bad debts provisions mainly relate to a few large receivables from 2001 from customers in the Marcom and consulting segments.

As stated by the company's new management in June this year the main goal for Maconomy is to adjust our cost base to ensure a break-even result for the second half of 2002. We have accomplished a large decrease in our costs compared to last year and although we have finalized the cost cutting upon the management change, giving a quarterly cost base at around DKK 46 million before cost of third party products, we will constantly ensure that the cost base prudently reflects revenues.

Our 'fixed' operating expenses (excluding third party cost of revenue elements) show the following reduction over the last 6 quarters (DKK million):

Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002
79	81	64	63	59	55

With the adjustments made since the change of management, Maconomy is now positioned to achieve the above goals and has at the same time tuned the organization to match the changed market conditions. Maconomy maintains its focus on selected high-end customers. Along side this strategy we have chosen to put more focus on our existing customers to further develop a solid and satisfied customer base and Maconomy will develop selected industry solutions to leverage the knowledge acquired from our customer base. Furthermore, Maconomy will start-up indirect distribution of the company's products. The new management is in the process of finalizing the strategy and business plan for the above changes and we expect to be able to announce the full strategy in September this year.

### Execution of partner strategy

In July 2002 IBM announced that they had acquired PwC Consulting. As announced in the beginning of this year Maconomy has signed an agreement with PwC Consulting in the Netherlands. We expect this agreement to continue and have had positive indications of this from both PwC Consulting and IBM in the Netherlands. Furthermore, we believe that the takeover may be an advantage for Maconomy in further penetrating the IBM network.

Maconomy will still be focusing on building partner relationships and the plan for this will be announced with the above mentioned strategy in September this year.

### R&D update

The second quarter of 2002 marked the successful release of Maconomy 7.0, which continues to build on Maconomy core strengths and the latest version of Maconomy has been well received by our customers.

Maconomy 7.0 includes a number of functional improvements that will help our customers in driving their business forward. We have strengthened our solution in all areas of service delivery, relationship management, e-commerce, finance and asset management. We have also added new technology that greatly benefits our users in their daily work. With version 7.0, Maconomy continues to be one of the strongest solutions available for global, service-centric organizations.

The organizational changes in Maconomy over the last quarter have not had any major impact on R&D resources.

## **Expectations for fiscal year 2002**

*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.*

Maconomy forecasts total revenue before taxes for the year of around DKK 185 million, a 18% decline in revenue growth for the year 2002 compared to 2001, and a loss before tax for the year of around DKK (72) million or around DKK (42) million before one-time charges. This result reflects a break-even result for the second half of 2002.

Management puts emphasis on the importance of preserving the company's cash position and we are pleased to have decreased our cost base. Maconomy has a strong cash position of DKK 80 million and no debt and this secure the operation and development of the company.

## **Presentation of financial results**

A presentation of the financial results will take place at the company's premises on Vordingborggade 18-22, 2100 Copenhagen Ø at 12pm CET today. A teleconference will be hosted at 3pm today. To receive dial-in information please contact Anette Galskjøt on +45 35 27 79 00.

## **Copenhagen August 23, 2002:**

Diederik Heyning  
Chairman of the Board

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.*

## CONSOLIDATED STATEMENT OF OPERATIONS

(DKK '000)	<u>Q2 2002</u>	<u>Q2 2001</u>	<u>Year-to-date Q2 2002</u>	<u>Year-to-date Q2 2001</u>
Revenue	32.937	47.360	83.149	102.590
Cost of revenue	<u>21.828</u>	<u>25.776</u>	<u>45.525</u>	<u>51.876</u>
<b>Gross profit</b>	<b>11.109</b>	<b>21.584</b>	<b>37.624</b>	<b>50.714</b>
Sales and marketing expenses	45.072	42.500	70.597	84.987
Research and development expenses	10.573	10.350	19.505	19.465
General and administrative expenses	<u>11.245</u>	<u>7.795</u>	<u>20.461</u>	<u>22.181</u>
<b>Income (loss) from operations</b>	<b>(55.781)</b>	<b>(39.061)</b>	<b>(72.939)</b>	<b>(75.919)</b>
Interest income (expense), net	<u>(281)</u>	<u>1.936</u>	<u>1.287</u>	<u>4.716</u>
<b>Income (loss) before income taxes</b>	<b>(56.062)</b>	<b>(37.125)</b>	<b>(71.652)</b>	<b>(71.203)</b>
Income tax (expense) benefit	<u>-</u>	<u>(8.728)</u>	<u>(39)</u>	<u>(6.077)</u>
<b>Net income (loss)</b>	<b>(56.062)</b>	<b>(45.853)</b>	<b>(71.691)</b>	<b>(77.280)</b>

## CONSOLIDATED BALANCE SHEET

(DKK '000)

	<u>Q2 2002</u>	<u>Q2 2001</u>
<b>Intangible fixed assets</b>		
Leasehold improvements	776	1.567
Goodwill	-	411
	<u>776</u>	<u>1.978</u>
<b>Tangible fixed assets</b>		
Hardware	4.084	7.851
Internal use software	515	552
Fixtures and equipment	2.841	5.950
	<u>7.440</u>	<u>14.353</u>
<b>Investments</b>		
Deposits	4.606	4.753
	<u>4.606</u>	<u>4.753</u>
<b>Total fixed assets</b>	<u><b>12.822</b></u>	<u><b>21.084</b></u>
<b>Receivables</b>		
Trade accounts receivable	36.889	67.486
Contracted work in progress	4.032	-
Other receivables	403	982
Deferred income tax assets	19.101	7.451
Prepaid expenses	5.181	6.357
	<u>65.606</u>	<u>82.276</u>
<b>Cash and cash equivalents</b>	<u>79.832</u>	<u>144.199</u>
<b>Total current assets</b>	<u><b>145.438</b></u>	<u><b>226.475</b></u>
<b>TOTAL ASSETS</b>	<u><b>158.260</b></u>	<u><b>247.559</b></u>

## CONSOLIDATED BALANCE SHEET

(DKK '000)

	<u>Q2 2002</u>	<u>Q2 2001</u>
<b>Stockholders' equity</b>		
Common stock	38.597	38.630
Additional paid-in capital	80.090	230.394
Treasury stock	-	-
Accumulated currency translation adjustments, net	(3.654)	(1.962)
Retained income (loss)	<u>(17.175)</u>	<u>(81.213)</u>
<b>Total stockholders' equity</b>	<b><u>97.858</u></b>	<b><u>185.849</u></b>
<b>Provisions</b>		
Deferred income tax liabilities	<u>-</u>	<u>296</u>
<b>Long-term debt</b>		
Capital lease obligations	<u>66</u>	<u>639</u>
<b>Short-term debt</b>		
Current installments on long-term debt	571	802
Trade accounts payable	6.638	12.834
Corporate income taxes payable	-	-
Other accounts payable	38.878	35.103
Deferred revenue	<u>14.249</u>	<u>12.036</u>
	<u>60.336</u>	<u>60.775</u>
<b>Total debt</b>	<b><u>60.402</u></b>	<b><u>61.414</u></b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b><u>158.260</u></b>	<b><u>247.559</u></b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(DKK '000)	<u>Q2 2002</u>	<u>Q2 2001</u>	<u>Year-to-date Q2 2002</u>	<u>Year-to-date Q2 2001</u>
Operating income (loss)	(55.781)	(39.061)	(72.939)	(75.919)
<i>Adjustments:</i>				
Depreciation and amortization and gain/loss on sale of intangible and tangible fixed assets	1.762	1.979	4.362	4.033
Change in allowance for uncollectibles	9.053	(874)	9.955	(651)
<i>Change in working capital:</i>				
Accounts receivable, etc.	22.543	3.861	22.790	5.210
Accounts payable, etc.	8.960	(6.477)	17.653	(967)
	<u>(13.463)</u>	<u>(40.572)</u>	<u>(18.179)</u>	<u>(68.294)</u>
Interest received (paid), net	636	1.936	1.406	4.338
Income taxes paid	(566)	(2.540)	(833)	(4.096)
<b>Cash flows from operating activities</b>	<b><u>(13.393)</u></b>	<b><u>(41.176)</u></b>	<b><u>(17.606)</u></b>	<b><u>(68.052)</u></b>
Purchase of intangible and tangible fixed assets	(345)	(2.171)	(381)	(5.514)
Proceeds from sale of intangible and tangible fixed assets	-	-	-	-
Change in other investments	32	(226)	146	(226)
<b>Cash flows from investing activities</b>	<b><u>(313)</u></b>	<b><u>(2.397)</u></b>	<b><u>(235)</u></b>	<b><u>(5.740)</u></b>
Change in lines of credit and bank overdrafts	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Repayment of long-term debt	(138)	(306)	(274)	(818)
Proceeds from issuance and sale of common stock	-	798	-	977
Repurchases of common stock	-	(260)	-	(312)
<b>Cash flows from financing activities</b>	<b><u>(138)</u></b>	<b><u>232</u></b>	<b><u>(274)</u></b>	<b><u>(153)</u></b>
Effect of currency translation adjustments on cash and cash equivalents	(204)	20	124	21
<b>Net change in cash and cash equivalents</b>	<b><u>(14.048)</u></b>	<b><u>(43.321)</u></b>	<b><u>(17.991)</u></b>	<b><u>(73.924)</u></b>
Cash and cash equivalents, beginning of period	93.880	187.520	97.823	218.123
<b>Cash and cash equivalents, end of period</b>	<b><u>79.832</u></b>	<b><u>144.199</u></b>	<b><u>79.832</u></b>	<b><u>144.199</u></b>

**STATEMENT OF STOCKHOLDERS' EQUITY**

(DKK '000)	Common stock	Additional paid-in capital	Treasury stock	Acc. curren- cy translat. adjustm., net	Retained income (loss)	Total stockholders' equity
Balance at January 1, 2002	38.597	80.090	-	(2.608)	54.516	170.595
Net income (loss)	-	-	-	-	(71.691)	(71.691)
Currency translation adjustment	-	-	-	(1.046)	-	(1.046)
Profit from sales of common stock	-	-	-	-	-	-
Gain from sale of common stock	-	-	-	-	-	-
Repurchase of common stock	-	-	-	-	-	-
Balance at March 31, 2002	<u>38.597</u>	<u>80.090</u>	<u>-</u>	<u>(3.654)</u>	<u>(17.175)</u>	<u>97.858</u>

*These interim financial statements, including comparative figures, have been prepared under the same accounting policies as the annual report for 2001.*