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The Copenhagen Stock Exchange

Announcement No. 19/2001

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Announcement of Interim Report for the first half year of 2001

This announcement 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.

Summary

- Maconomy's revenue for Q2 2001 was DKK 47 million compared to DKK 51 million for Q2 2000, showing a 7% decline. Total revenue for the first half of 2001 was DKK 103 million compared to DKK 99 million in the first half of 2000 showing 4% growth.

- Total operating loss for Q2 2001was DKK (39) million compared to DKK (8) million for Q2 2000 giving a total loss before tax for Q2 2001 of DKK (37) million compared to DKK (8) million in Q2 2000. Total operating loss for the first half year 2001was DKK (76) million compared to DKK (12) million in 2000 giving a total loss before tax of DKK (71) million for the first half year of 2001.

- As announced to the Copenhagen Stock Exchange on July 18, 2001, the low growth in total revenue, and license revenue, results primarily from the US reorganization, the adjustment of the Maconomy organization to the new competitive landscape and a delay of customers' IT investments in current markets. As part of the company's new strategy, Maconomy is now using its international foothold as basis for its direct sales force to move into the high-end market for integrated business software, targeting large service enterprises and Fortune 1000 project based divisions across industry verticals globally.

- We have adjusted our organization to the new business setting. This has primarily involved changing the sales and marketing organization, secondly changing consulting and support functions, while the research and development organization has not been affected. The net effect of the organizational changes has been a reduction of total head count of approximately 15%. As a result of these changes, total recurring costs* excluding purchase of third party products for re-sale, e.g. Oracle database licenses, have been reduced to approximately DKK 65 million per quarter for Q3 and Q4 2001, showing a 20% decrease of quarterly costs compared to Q2 2001. For Q3, Maconomy will report a significant one-time charge of approximately DKK 10 million.

  We believe that aiming at larger orders offer better opportunity for growth for the company. However, in the short-term the quarterly revenue fluctuation may increase due to the difficulty in anticipating the duration of sales and implementation cycles for large individual orders in each individual financial period. Consequently, we have carefully reviewed our pipeline for the second half of 2001 and we now expect revenue of approximately DKK 120 million and a loss of DKK 15-20 million before the one time charge mentioned above, while we still expect to be profitable in Q4. For 2002 we expect a growth rate of 20-30% and a positive net result.

*Total recurring costs include cost of revenue and operating expenses

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Financial Highlights and Key Ratios

Financial highlights and key ratios

(DKK '000)	Q2 2001	Q2 2000	Year-to-date Q2 2001	Year-to-date Q2 2000
Net revenue	47.360	51.079	102.590	98.845
Gross profit	21.584	30.596	50.714	62.432
Income (loss) from operations	(39.061)	(8.177)	(75.919)	(11.718)
Income (loss) before income taxes	(37.125)	(8.228)	(71.203)	(10.543)
Net income (loss)	(45.853)	(6.158)	(77.280)	(8.976)
Fixed assets	21.084	16.360		
Accounts receivable and other current assets	82.276	62.101		
Cash and cash equivalents	144.199	39.025		
Total assets	247.559	117.486		
Common stock	38.630	30.040		
Reserves	147.216	31.048		
Total stockholders' equity	185.846	61.088		
Provisions and long-term debt	935	1.613		
Short-term debt	60.778	54.785		
Total liabilities and stockholders' equity	247.559	117.486		
Revenue growth (%)	-7%	28%	4%	34%
Revenue per employee (DKK '000)	138	205	316	405
Gross margin (%)	46%	60%	49%	63%
Operating margin (%)	-82%	-16%	-74%	-12%
Earnings per share (DKK)	(2,38)	(0,41)	(4,00)	(0,60)
Cash flow per share (DKK)	(2,13)	(0,29)	(3,52)	0,25
Solvency ratio (%)	75%	52%	-	-
Number of employees (average)	344	249	325	244

Definitions of key ratios:

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 per share	=	Net income (loss) / Average number of shares
Cash flow per share	=	Cash flow from operating activities / 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 the second quarter and first half-year of 2001

Total revenue for Q2 2001 was DKK 47 million compared to DKK 51 million for Q2 2000, showing a 7% decline. Total operating loss for Q2 was DKK (39) million compared to DKK (8) million for Q2 2000, giving a total loss for Q2 2001 of DKK (37) million compared to DKK (8) million in Q2 2000. The gross margin for Q2 was 46% compared to 60% for Q2 2000.

Maconomy's total revenue for the first half of 2001 was DKK 103 million compared to DKK 99 million in the first half of 2000 showing 4% growth. The gross margin realized in the first half of 2001 was 49% compared to 63% in the first half of 2000, resulting in a gross profit of DKK 51 million and DKK 62 million, respectively. The increased number of consultants combined with a lower utilization during the first half of 2001, due to the decrease in implementing new licenses, are the main factors explaining the lower gross margin.

Total operating expenditure for the first half of 2001 was DKK 127 million compared to DKK 74 million in the first half of 2000, increasing the half-year operating loss from DKK (12) million in 2000 to DKK (76) million in 2001. Operating expenditure includes one-time charges of restructuring etc. of approximately DKK 7 million this half-year compared to zero in the first six months of 2000.

Since the closing of the quarter, the trade accounts receivables have been reduced from DKK 67 million to DKK 50 million.

The group's result before tax for the first half of 2001 was DKK (71) million compared to DKK (11) million in the same period last year. As a consequence of the result of the first half of 2001 the group's deferred tax assets have been written down from DKK 14 million at December 31, 2000 to DKK 7 million at June 30, 2001. This is the main explanation of the tax charge of DKK (6) million recorded for the first half of 2001. Maconomy's net loss for the half-year was thus DKK (77) million compared to DKK (9) million in the first six months of 2000.

Of total revenue, 29% (36% in the first half 2000) derives from software license fees, 19% from software subscriptions (15%), 49% from services (43%) and 3% (6%) from other revenue sources.

The geographical split of total revenue for the first half of 2000 and 2001was as follows (DKK million):

	First half 2001	**First half 2000**
Denmark	34	32
Norway	9	7
Sweden	14	23
UK	25	11
US	16	23
Other	5	3
Total	**103**	**99**

As announced to the Copenhagen Stock Exchange on July 18, 2001, the low growth in total revenue and license revenue result primarily from the US reorganization, adjustment of the Maconomy organization to the new competitive landscape, and a delay of customers' IT investments in current markets.

When Maconomy went public in December 2000, the primary competition was seen to be the Professional Services Automation (PSA) point solutions targeting selected niche markets. The enterprise software for large project organizations and service enterprises, a fast growing market estimated to USD 1.7 billion in recent market surveys, has now gained attention from the large ERP software houses. This has changed the competitive landscape from an early, niche-oriented market into a mainstream market, and while PSA players and niche players suffer, Maconomy now faces traditional ERP players as the company's main competition. Maconomy has therefore adjusted its strategy and organization to this new competitive landscape:

Rather than continuing a niche-by-niche market strategy, Maconomy is now using its international foothold to move into the high-end market for integrated business software, aiming at large service enterprises and Fortune 1000 project-based divisions across all industry verticals globally. As a result, Maconomy's direct sales force targets a smaller number of customers but with larger average order size. In parallel, the Maconomy partner strategy has been broadened and refined. Maconomy has introduced an indirect channel strategy for ASP partners to target small and midsize customers, and Maconomy now works side-by-side with implementation partners to target high-end customers to expand its offering and market coverage.

During Q2, Maconomy has seen initial success of the strategy shift in the UK and signed a number of high-end customers outside its traditional market niches. Large international customer references are the key to the success of the strategy shift. When implementing the strategy shift during the spring, Maconomy focused on the US and UK markets, and this required redirecting management resources from Scandinavia to support the international activities. During Q2, Maconomy has also seen longer sales cycles as customers have delayed decisions regarding IT investments both in the Market Communications - and in the Consulting market niches. This affected revenue growth negatively in Q2 in the Scandinavian market, especially in Sweden, and total revenue in the Scandinavian market was approximately 8% lower in the first half of 2001 than for the first half of 2000. The strategy shift is currently being implemented, and growth in Scandinavia is expected to start picking up during the second half of 2001.

Maconomy's presence in other European markets is still small but we have seen a 58% revenue growth from the first half of 2000 to 2001 in this region. We expect to see further growth in the rest of Europe in the second half of 2001, especially due to Maconomy's establishment of a German subsidiary and the partnership agreement with the Swiss consulting firm LS Consulting.

In Maconomy's Q1 release, the reorganization of the US activities was announced. In parallel the strategy shift has been implemented. While initial results of these changes look positive, US revenue in Q2 has been affected both by the organizational changes and the strategy shift. In the US, Maconomy has now built a solid list of customer prospects, but this has not materialized into Q2 revenue. US revenue for the first half of 2001 is almost 30% lower than for the first half of 2000. We expect to see positive effects of the organizational changes and the strategy shift during the second half of 2001, and our US operation has signed important orders in July 2001.

Execution of partnering strategy

Maconomy signed two new strategic partner agreements in Q2 2001.

On June 21, 2001 we announced the opening of the Swiss market by signing a strategic partner agreement with LS Consulting - a consulting firm offering business and technology services for large organizations and enterprises in Switzerland. LS Consulting is now working side-by-side with Maconomy, offering Maconomy business software and implementation services to large Swiss corporations. Existing customers of LS Consulting include Credit Suisse, Swiss Re, Siemens Switzerland, British American Tobacco and Glencore.

On July 4, 2001 we announced the strategic partner agreement with Runit A/S - a large Norwegian IT and business consulting organization and service provider. Runit will work along side with Maconomy and offer Maconomy business software and implementation services for large project organizations and professional services firms in Norway. At the same time, Runit is now in the process of setting up Maconomy software at their existing customers and will offer Maconomy as a hosted service. This will be the first Maconomy ASP solution and introduces a new channel strategy for Maconomy. Runit's customers include SINTEF, Veidekke ASA, Raufoss ASA, PTL Løken AS, Clustra AS and Nordic VSLI AS.

R&D update

Companies are increasingly embracing portal technologies as a way to consolidate business data into a single, one-stop shop accessible through a Web browser.

Until now, portals have merely served as static repositories of news and information essentially serving as a corporate Intranet. However, everyone agrees that companies across multiple service verticals will benefit immensely from deploying solutions that would allow employees, suppliers and customers to access crucial back-office systems for information regarding projects, resource allocation, and service delivery.

With the launch of the Maconomy Portal in Q2 2001, Maconomy has taken automation of services a major step further by providing role-based functionality through personalized user-dashboards, which are based on the user's own unique workflow and work processes.

The Maconomy portal provides professional service organizations and in-house project organization of large enterprises with a powerful tool that deals with every element of the supply chain and is a natural extension of the Maconomy application that works as the "backbone" of their business.

We strongly believe that the Maconomy Portal will change the way companies organize their workflow by allowing employees to concentrate on their core competencies and reduce the amount of time spent on administrative tasks.

In brief the Maconomy Portal will:

- Increase productivity
- Enhance collaboration
- Improve transparency across the enterprise
- Provide greater job satisfaction

For an in-depth analysis of the Maconomy Portal, we have published an executive white paper, entitled "How Maconomy is reshaping the market for business solutions for the service industries." To order, please email to info@maconomy.com.

Expectations for fiscal year 2001

We are satisfied to see the solid growth of our UK activities in the first half of 2001. In this period, the UK counted for 29% of total revenue. In the rest of Europe we have not yet seen the strategy shift materialize into accelerated growth, but we do not expect to see a further decline of the revenue level either. As a result of the reorganization and strategy shift in the US, US revenue was only DKK 16 million in the first half of 2001 and very few new customer orders were signed. In Q3, Maconomy has so far signed new customer orders in the US of approximately DKK 10 million, which is a first positive result of the reorganization and strategy shift in the US. We have used management resources first to implement the strategy shift in the UK and in the US, whereas we are focusing on the rest of Europe for the coming quarters.

We have adjusted our organization to the new business setting. This has primarily involved changing the sales and marketing organization, secondly changing consulting and support functions, while the research and development organization has not been affected. The net effect of the organizational changes has been a reduction of total head count of approximately 15%. As a result of these changes total recurring costs excluding purchase of third party products for re-sale, e.g. Oracle database licenses, have been reduced to approximately DKK 65 million per quarter for Q3 and Q4 2001 showing a 20% decrease of quarterly costs compared to Q2 2001. For Q3, Maconomy will report a significant one-time charge of approximately DKK 10 million.

We believe that aiming at larger orders offer better opportunity for growth for the company. However, in the short-term the quarterly revenue fluctuation may increase due to the difficulty in anticipating the duration of sales and implementation cycles for large individual orders in each individual financial period. Consequently, we have carefully reviewed our pipeline for the second half of 2001 and we now expect revenue of approximately DKK 120 million and a loss of DKK 15-20 million before the one time charge mentioned above, while we still expect to be profitable in Q4. For 2002 we expect a growth rate of 20-30% and a positive net result.

Copenhagen, August 24, 2001

Bent Larsen	Per Tejs Knudsen
Chairman	CEO

Consolidated statement of operations

(DKK '000)	Q2 2001	Q2 2000	Year-to-date Q2 2001	Year-to-date Q2 2000
Revenue	47.360	51.079	102.590	98.845
Cost of revenue	25.776	20.483	51.876	36.413
Gross profit	**21.584**	**30.596**	**50.714**	**62.432**
Sales and marketing expenses	42.500	20.504	84.987	43.544
Research and development expenses	10.350	8.677	19.465	16.644
General and administrative expenses	7.795	9.592	22.181	13.962
Income (loss) from operations	**(39.061)**	**(8.177)**	**(75.919)**	**(11.718)**
Interest income (expense), net	1.936	(51)	4.716	1.175
Income (loss) before income taxes	**(37.125)**	**(8.228)**	**(71.203)**	**(10.543)**
Income tax (expense) benefit	(8.728)	2.070	(6.077)	1.567
Net income (loss)	**(45.853)**	**(6.158)**	**(77.280)**	**(8.976)**

Statement of stockholder's equity

(DKK '000)	Common stock	Additional paid-in capital	Treasury stock	Acc. currency translat. adjustm., net	Retained income (loss)	Total stockholders' equity
Balance at January 1, 2001	38.596	229.764	-	(3.167)	(3.933)	261.260
Net income (loss)	0	0	0	0	(77.280)	(77.280)
Currency translation adjustment	0	0	0	1.205	0	1.205
Profit from sales of common stock	34	318	0	0	0	352
Gain from sale of common stock	0	312	312	0	0	624
Repurchase of common stock	0	0	(312)	0	0	(312)
Balance at June 30, 2001	38.630	230.394	-	(1.962)	(81.213)	185.849

Consolidated balance sheet
(DKK '000)

	Q2 2001	**Q2 2000**
Intangible fixed assets:		
Leasehold improvements	1.567	1.569
Goodwill	411	891
	1.978	2.460
Tangible fixed assets:		
Hardware	7.851	5.424
Internal use software	552	105
Fixtures and equipment	5.950	3.949
	14.353	9.478
Investments:		
Deposits	4.753	4.422
	4.753	4.422
TOTAL FIXED ASSETS	**21.084**	**16.360**
Receivables:		
Trade accounts receivable	67.486	43.288
Other receivables	982	1.051
Deferred income tax assets	7.451	13.389
Prepaid expenses	6.357	4.373
	82.276	62.101
Cash and cash equivalents	144.199	39.025
TOTAL CURRENT ASSETS	**226.475**	**101.126**
TOTAL ASSETS	**247.559**	**117.486**

Consolidated balance sheet

(DKK '000)	Q2 2001	Q2 2000
Stockholders' equity:		
Common stock	38.630	30.040
Additional paid-in capital	230.394	19.409
Treasury stock	0	(26)
Accumulated currency translation adjustments, net	(1.962)	(2.805)
Retained income (loss)	(81.213)	14.470
TOTAL STOCKHOLDERS EQUITY	**185.849**	**61.088**
Deferred income tax liabilities	296	440
TOTAL PROVISIONS	**296**	**440**
Capital lease obligations	639	1.173
Long-term debt	639	1.173
Current installments on long-term debt	802	587
Trade accounts payable	12.834	10.975
Corporate income taxes	0	3.081
Other accounts payable	35.103	28.719
Deferred revenue	12.036	11.423
	60.775	54.785
TOTAL DEBT	**61.414**	**55.958**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**247.559**	**117.486**

Consolidated statement of cash flows

(DKK '000)	Q2 2001	Q2 2000	Year-to-date Q2 2001	Year-to-date Q2 2000
Operating income (loss)	(39.061)	(8.177)	(75.919)	(11.718)
Adjustments:				
Depreciation and amortization and gain/loss on sale of	1.979	1.732	4.033	2.727
Change in allowance for uncollectibles	(874)	1.019	(651)	19
Change in working capital:				
Accounts receivable, etc.	3.861	(3.212)	5.210	6.342
Accounts payable, etc.	(6.477)	4.282	(967)	5.123
	(40.572)	(4.356)	(68.294)	2.493
Interest received (paid), net	1.936	(17)	4.338	1.209
Income taxes paid	(2.540)	0	(4.096)	0
Cash flows from operating activities	**(41.176)**	**(4.373)**	**(68.052)**	**3.702**
Purchase of intangible and tangible fixed assets	(2.171)	(3.462)	(5.514)	(4.484)
Proceeds from sale of intangible and tangible fixed assets	0	48	0	48
Change in other investments	(226)	(13)	(226)	(237)
Cash flows from investing activities	**(2.397)**	**(3.427)**	**(5.740)**	**(4.673)**
Change in lines of credit and bank overdrafts	0	0	0	(407)
Proceeds from long-term debt	0	0	0	0
Repayment of long-term debt	(306)	(201)	(818)	(365)
Proceeds from issuance and sale of common stock	798	0	977	0
Repurchases of common stock	(260)	(26)	(312)	(26)
Cash flows from financing activities	**232**	**(227)**	**(153)**	**(798)**
Effect of currency translation adjustments on cash and cash equivalents	20	(26)	21	(56)
Net change in cash and cash equivalents	**(43.321)**	**(8.053)**	**(73.924)**	**(1.825)**
Cash and cash equivalents, beginning of period	187.520	47.078	218.123	40.850
Cash and cash equivalents, end of period	**144.199**	**39.025**	**144.199**	**39.025**

These interim financial statements, including comparative figures, have been prepared under the same accounting policies as the annual report for 2000.