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# Interim Report for the third quarter of 2002

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## Report on the Financial Results for the Third Quarter of 2002

### Resume:

- Total revenue for Q3 of DKK 30 million, operating expenses of DKK (39) million and a loss before tax of DKK (9) million.
- Days of sales outstanding (DSO) improved from 130 days end of June 2002 to 84 days at the end of September 2002, reflecting increased customer satisfaction.
- Cash position September 30, 2002 of DKK 75 million.
- Quarterly cost base reduced to DKK 45 million.
- Important new orders concluded in October.
- Development of industry specific solutions and portal components progresses as planned.
- We are revising our expectations to sales for the second half of 2002 to DKK 75 million (DKK 158 million for the full financial year 2002, 27 million lower than estimated in our halfyear report 2002). We are revising our expectations to the result before tax for the full financial year 2002 with DKK 9 million to DKK (81) million, from DKK (72) million stated in our half-year report 2002.
- Break-even result before tax expected for Q4 2002.

### Further information:

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## FINANCIAL HIGHLIGHTS AND KEY RATIOS

(DKK '000)			Year-to-date	Year-to-date
	Q3 2002	Q3 2001	Q3 2002	Q3 2001
Net revenue	29.804	50.397	112.953	152.986
Gross profit	14.664	26.999	52.288	77.712
Income (loss) from operations	(8.309)	(26.039)	(81.248)	(101.959)
Interest income (expense), net	(670)	477	617	5.193
Income (loss) before income taxes	(8.979)	(25.562)	(80.631)	(96.766)
Net income (loss)	(8.792)	(25.442)	(80.483)	(102.726)
Fixed assets	12.948	19.101		
Receivables, etc.	46.747	76.242		
Cash and cash equivalents	75.179	113.034		
Total assets	<u>134.874</u>	<u>208.377</u>		
Common stock	38.597	38.634		
Reserves	51.113	120.946		
Total stockholders' equity	<u>89.710</u>	<u>159.580</u>		
Provisions and long-term debt	47	625		
Short-term debt	<u>45.117</u>	<u>48.172</u>		
Total liabilities and stockholders' equity	<u>134.874</u>	<u>208.377</u>		
Revenue growth (%)	-41%	-8%	-26%	0%
Revenue per employee (DKK '000)	133	168	450	472
Gross margin (%)	49%	54%	46%	51%
Operating margin (%)	-28%	-52%	-72%	-67%
Earnings per share (DKK)	(0,46)	(1,32)	(4,17)	(5,32)
Cash flow per share (DKK)	(0,17)	(1,47)	(1,08)	(4,99)
Solvency ratio (%)	67%	77%	-	0%
Number of employees (average)	224	300	251	324

### 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 Third Quarter of 2002

Total revenue for Q3 2002 was DKK 30 million compared to DKK 50 million for Q3 2001 showing a 40% decline year over year. Operational expenses for Q3 2002 were DKK (39) million compared to DKK (66) million for Q3 2001<sup>1</sup> showing a 41% decline in expenses year over year. The gross margin for Q3 2002 was 49% (54% in Q3 2001). Loss before taxes in Q3 2002 was DKK (9) million compared to DKK (26) million in Q3 2001 showing a decrease in the loss before tax of 65% year over year.

Of total revenue for Q3 2002, 11% (33% in Q3 2001) derives from software license sales, 37% (20%) from software subscriptions, 49% (44%) from services and 3% (3%) from other revenue sources.

The geographical split of total revenue for Q3 2002 and 2001 was as follows (DKK million):

	Q3 2002	Q3 2001
Denmark	12	14
Other Nordic	8	9
UK	4	8
Other Europe	2	4
US	4	15
<b>Total</b>	<b>30</b>	<b>50</b>

Revenue for the third quarter is lower than what we expected due to license sales only slowly returning. July and August were weak months whereas September ended in a break-even result.

Our cash position remains stable, as the only cash outflow in Q3 2002 was 5 million from the restructuring done in Q2. Our cash position by the end of September 2002 was DKK 75 million. We have managed to reduce our trade accounts receivables from DKK 50 million in Q3 2001 to DKK 20 million in Q3 2002. In Q3 we have managed to reduce our days of sales outstanding (DSO) from 130 days end of June 2002 to 84 days end of September 2002, reflecting increased customer satisfaction.

Due to satisfactory execution of action plans, restructuring costs within sales and marketing from Q2 2002 have been reduced in Q3 2002 by DKK 4 million. In Q3 2001 sales and marketing expenses were affected by one-time charges of DKK 9 million. We have managed to reduce our costs further than contemplated in our half-year estimate. This partially compensates for the lower than expected revenue. Our total quarterly costs are now at a level of DKK 45 million.

We are now seeing license sales coming back and in Q4 we have so far concluded important new license sales. All commercial points have been agreed upon but we are finalizing legal issues and thus we expect to announce these orders during November this year.

In the future we will only announce new orders if they either have a total value of minimum DKK 10 million or have a strategic value for Maconomy.

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<sup>1</sup> Adjusted for one-time charges of DKK 10 million in Q3 2001.

## **Product update**

During Q3 we have in close cooperation with our industry leading customers developed significant new portal components as a continuation of our development of industry specific solutions. These components will be released in Q4 as an upgrade path for our more than 40,000 users worldwide. We are also on track with our industry leading tools, which will be available in Q1 2003.

In continuation of our accounting policies, no development costs have been capitalized; all such costs have been expensed.

Maconomy is featured in the latest report "Professional Services Automation" July 2002 from the American research organization Aberdeen Group that makes the following conclusions of our software:

"Maconomy has a solid vision of where the PSA market is heading and it delivers next-generation solutions right now." Further: "Aberdeen has been impressed with the breadth and depth of Maconomy's solution. Aberdeen considers the company one of the emerging leaders in the PSA market:"

The full report may be purchased at [Aberdeen.com](http://Aberdeen.com).

## **Organizational changes**

Bo Johansson, Chief Operating Officer has been appointed country manager in Sweden and will dedicate his time to the Swedish operation. The COO position will not be replaced and the COO roles and responsibilities will hereafter reside in the CEO office.

Ms Valery Rahmani, has decided to resign from the Maconomy Board of Directors as she is unable to attend future board meetings in Copenhagen.

## **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 is still experiencing tough market conditions but we see some progress in the license sales. However, it is very difficult to predict how fast we can close orders and implement our new industry solutions and in general, business is progressing somewhat slower than what we expected. Thus we have decided to adjust our expectations to sales and result for the year. We now expect to reach a revenue level of around DKK 75 million for the second half of 2002 (DKK 158 million for the full year 2002, 27 million lower than estimated in our half-year report 2002). However, due to our endeavors in controlling and reducing our cost base, we are only adjusting our target for our result before tax with DKK 9 million and we expect to reach a break-even result for Q4 2002. For the full financial year 2002 we now expect a loss before tax of DKK (81) million from DKK (72) million stated in our halfyear report 2002.

## **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 October 31, 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>Q3 2002</u>	<u>Q3 2001</u>	<u>Year-to-date Q3 2002</u>	<u>Year-to-date Q3 2001</u>
Revenue	29.804	50.397	112.953	152.986
Cost of revenue	<u>15.140</u>	<u>23.398</u>	<u>60.665</u>	<u>75.274</u>
<b>Gross profit</b>	<b>14.664</b>	<b>26.999</b>	<b>52.288</b>	<b>77.712</b>
Sales and marketing expenses	7.344	34.624	80.141	119.611
Research and development expenses	7.836	9.753	27.341	29.218
General and administrative expenses	<u>7.793</u>	<u>8.661</u>	<u>26.054</u>	<u>30.842</u>
<b>Income (loss) from operations</b>	<b>(8.309)</b>	<b>(26.039)</b>	<b>(81.248)</b>	<b>(101.959)</b>
Interest income (expense), net	<u>(670)</u>	<u>477</u>	<u>617</u>	<u>5.193</u>
<b>Income (loss) before income taxes</b>	<b>(8.979)</b>	<b>(25.562)</b>	<b>(80.631)</b>	<b>(96.766)</b>
Income tax (expense) benefit	<u>187</u>	<u>120</u>	<u>148</u>	<u>(5.960)</u>
<b>Net income (loss)</b>	<b>(8.792)</b>	<b>(25.442)</b>	<b>(80.483)</b>	<b>(102.726)</b>

## STATEMENT OF STOCKHOLDERS' EQUITY

(DKK '000)	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Treasury stock</u>	<u>Acc. curren- cy translat. adjustm., net</u>	<u>Retained income (loss)</u>	<u>Total stockholders' equity</u>
Balance at January 1, 2002	38.597	80.090	-	(2.608)	54.516	170.595
Net income (loss)	-	-	-	-	(80.483)	(80.483)
Currency translation adjustment	-	-	-	(402)	-	(402)
Profit from sales of common stock	-	-	-	-	-	-
Gain from sale of common stock	-	-	-	-	-	-
Repurchase of common stock	-	-	-	-	-	-
Balance at September 30, 2002	<u>38.597</u>	<u>80.090</u>	<u>-</u>	<u>(3.010)</u>	<u>(25.967)</u>	<u>89.710</u>

**CONSOLIDATED BALANCE SHEET**

(DKK '000)

	<b><u>Q3 2002</u></b>	<b><u>Q3 2001</u></b>
<b>Intangible fixed assets</b>		
Leasehold improvements	634	1.388
	<u>634</u>	<u>1.388</u>
<b>Tangible fixed assets</b>		
Hardware	3.426	6.498
Internal use software	439	1.232
Fixtures and equipment	2.705	5.255
	<u>6.570</u>	<u>12.985</u>
<b>Investments</b>		
Deposits	5.744	4.728
	<u>5.744</u>	<u>4.728</u>
<b>Total fixed assets</b>	<b><u>12.948</u></b>	<b><u>19.101</u></b>
<b>Receivables</b>		
Trade accounts receivable	20.327	49.988
Contracted work in progress	778	9.960
Other receivables	366	429
Deferred income tax assets	19.109	7.627
Prepaid expenses	6.167	8.238
	<u>46.747</u>	<u>76.242</u>
<b>Cash and cash equivalents</b>	<u>75.179</u>	<u>113.034</u>
<b>Total current assets</b>	<b><u>121.926</u></b>	<b><u>189.276</u></b>
<b>TOTAL ASSETS</b>	<b><u>134.874</u></b>	<b><u>208.377</u></b>

**CONSOLIDATED BALANCE SHEET**

(DKK '000)

	<b><u>Q3 2002</u></b>	<b><u>Q3 2001</u></b>
<b>Stockholders' equity</b>		
Common stock	38.597	38.634
Additional paid-in capital	80.090	80.438
Treasury stock	-	-
Accumulated currency translation adjustments, net	(3.010)	(2.833)
Retained income (loss)	<u>(25.967)</u>	<u>43.341</u>
<b>Total stockholders' equity</b>	<b><u>89.710</u></b>	<b><u>159.580</u></b>
<b>Provisions</b>		
Deferred income tax liabilities	<u>-</u>	<u>128</u>
<b>Long-term debt</b>		
Capital lease obligations	<u>47</u>	<u>497</u>
<b>Short-term debt</b>		
Current installments on long-term debt	450	548
Trade accounts payable	7.133	21.724
Other accounts payable	28.848	18.163
Deferred revenue	<u>8.686</u>	<u>7.737</u>
	<u>45.117</u>	<u>48.172</u>
<b>Total debt</b>	<b><u>45.164</u></b>	<b><u>48.669</u></b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b><u>134.874</u></b>	<b><u>208.377</u></b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(DKK '000)	<u>Q3 2002</u>	<u>Q3 2001</u>	<u>Year-to-date Q3 2002</u>	<u>Year-to-date Q3 2001</u>
Operating income (loss)	(8.309)	(26.039)	(81.248)	(101.959)
<i>Adjustments:</i>				
Depreciation and amortization and gain/loss on sale of intangible and tangible fixed assets	1.463	3.633	5.825	7.666
Change in allowance for uncollectibles	(1.369)	414	8.586	(237)
<i>Change in working capital:</i>				
Accounts receivable, etc.	19.370	5.034	42.160	10.244
Accounts payable, etc.	<u>(15.530)</u>	<u>(12.353)</u>	<u>2.123</u>	<u>(13.320)</u>
	(4.375)	(29.311)	(22.554)	(97.606)
Interest received (paid), net	523	1.098	1.929	5.436
Income taxes paid	<u>576</u>	<u>(118)</u>	<u>(257)</u>	<u>(4.213)</u>
<b>Cash flows from operating activities</b>	<b><u>(3.276)</u></b>	<b><u>(28.331)</u></b>	<b><u>(20.882)</u></b>	<b><u>(96.383)</u></b>
Purchase of intangible and tangible fixed assets	(354)	(2.207)	(735)	(7.721)
Proceeds from sale of intangible and tangible fixed assets	-	-	-	-
Change in other investments	<u>(1.145)</u>	<u>(20)</u>	<u>(999)</u>	<u>(246)</u>
<b>Cash flows from investing activities</b>	<b><u>(1.499)</u></b>	<b><u>(2.227)</u></b>	<b><u>(1.734)</u></b>	<b><u>(7.967)</u></b>
Change in lines of credit and bank overdrafts	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Repayment of long-term debt	(140)	(396)	(414)	(1.214)
Proceeds from issuance and sale of common stock	-	86	-	1.063
Repurchases of common stock	-	(39)	-	(351)
<b>Cash flows from financing activities</b>	<b><u>(140)</u></b>	<b><u>(349)</u></b>	<b><u>(414)</u></b>	<b><u>(502)</u></b>
Effect of currency translation adjustments on cash and cash equivalents	<u>262</u>	<u>(258)</u>	<u>386</u>	<u>(237)</u>
<b>Net change in cash and cash equivalents</b>	<b><u>(4.653)</u></b>	<b><u>(31.165)</u></b>	<b><u>(22.644)</u></b>	<b><u>(105.089)</u></b>
Cash and cash equivalents, beginning of period	<u>79.832</u>	<u>144.199</u>	<u>97.823</u>	<u>218.123</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>75.179</u></b>	<b><u>113.034</u></b>	<b><u>75.179</u></b>	<b><u>113.034</u></b>

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