



IBS' interim report

2nd quarter 2001

- The operating result for the second quarter amounted to SEK -48m, compared to SEK -66m last year (the comparison excluding a one-off pension premium refund).
- The growing demand for IBS' software and services continues.
- Compared to the equivalent quarter last year, revenue increased by 18%, gross profit by 33%, while indirect operating costs increased by 15%.
- A Group program for reducing operating costs has been effectuated. Full effect is calculated at approximately SEK 10m per month. The effect on the current fiscal year is expected to total about SEK 50m.
- For the second half, a substantial improvement of the Group's operating result is expected, compared to the equivalent period last year.

16 July, 2001



IBS is a leading international supplier of Internet-enabled business software and services, with a focus on distribution, supply chain management and customer relations management. IBS has approx. 2,300 employees in 22 countries. IBS' approx. 5,000 customers include ABB, CIBA Vision, Henkel, Miele, Royal Scandinavia, Nautor Swan, and Volvo.

Improved operating result

The market

The growing demand for IBS' software and services continues. Software revenue grew by 28% during the first half of the year. Professional services utilisation, revenue and margin also continue to improve.

As a consequence of the ongoing international recession, more and more companies are issuing warnings about slower demand. Many companies have also initiated cost reduction programs. Previous uncertainty regarding international market development has thereby been replaced by concrete action aimed at improving efficiency. In turn, this has affected how companies proceed in the field of IT investment.

Major savings can be achieved through investment in business systems that replace manual processes, optimise supply chains, integrate e-business and provide improved customer service. In these and other high-priority areas, IBS offers very competitive software and solutions to the market.

During the second quarter, IBS has engaged in an increasing number of major IT projects, especially those aiming at cost reduction in the field of supply chain management. Instead of tailoring IT solutions, or integrating different systems themselves, companies are more and more prone to purchase the kind of cost-efficient, ready-to-implement, standard software and frameworks that IBS provides. However, there is some uncertainty concerning the consequences of the euro transition for investment in business systems in the EMU zone.

Exchange rate fluctuation

Not least during the second quarter, IBS' reporting currency, the Swedish krona, has suffered a gradual decrease in value, especially in relation to the US dollar. For IBS, exchange rate fluctuation has produced an ostensible 9 percentage point increase of revenue and costs during the second quarter, and 6 percentage points for the first half. For this reason among others, IBS plans to convert to euro reporting, instead of using the Swedish krona.

The second quarter 2001

The number of new business software projects involving IBS continued to grow during the second quarter. The number of deals won in competition has also grown.

Second quarter revenue grew to SEK 616m (522m), or by 18% compared to the equivalent period last year.

Software revenue increased by 22%. The positive software sales trend continues, primarily in the UK and the Nordic countries. Major second quarter deals include Cellbes, Macfarlane and CIN.

Development of the most important revenue streams – software and professional services – over a longer period of time, exchange rate fluctuations inclusive and exclusive, are shown in the table below.

As seen in this table, software revenue continues to develop well, albeit that the accelerating trend has slowed slightly during the second quarter.

Period	Software		Professional services	
	Adjusted rates		Adjusted rates	
Q4 99/98	-17%	-16%	14%	17%
Q1 00/99	-5%	-3%	2%	4%
Q2 00/99	-2%	2%	-19%	-17%
Q3 00/99	6%	6%	-21%	-21%
Q4 00/99	20%	18%	-13%	-14%
Q1 01/00	33%	27%	-1%	-5%
Q2 01/00	22%	13%	13%	4%

An effect of the increase in software sales is the continued improvement of professional services utilisation. This development is expected to continue during the second half of the year. The positive trend for professional services revenue thus continues, now showing growth after four decreasing quarters. The increasing utilisation ratio means improved professional services margin, which rose from 14% to 20%. Due to a successful IBM launch of their eServers, revenue stemming from servers and network equipment grew by 29%. Improved professional services margin and increasing revenue resulted in gross profit growing from SEK 148m to SEK 197m, i.e. by 33%.

The increase in indirect costs has slowed down, and is now 15% (or 6% in fixed exchange rates). During the second quarter 2000, a pension premium refund from Alecta (previously SPP) was booked, an item affecting comparability in the form of a one-time cost reduction amounting to SEK 53m.

The first half 2001

During the first half of the year, revenue grew by 9% to SEK 1,215m (1,114m).

Revenue streams were distributed as follows:

- Software SEK 243m (190m)
- Professional services SEK 715m (678m)
- Hardware etc SEK 258m (246m).

For the first six months, the operating result before items affecting comparability amounted to SEK -67m (-44m). Net profit per share for the period was SEK -0,58 (0,19).

Two companies have been acquired, one in Australia with some 35 employees, and one in France with some 15 employees.

The decision has been made to integrate the activities within IBS' special unit for Internet consulting with other IBS operations, for which costs have been charged to the half year result with approximately SEK 7m. Furthermore, a surplus capacity within the consulting services has been reduced. A cost reduction program targeting Group indirect costs has been introduced. These three actions combined are expected to reduce costs by 5%, or SEK 10m per month. The effect on the current fiscal year is expected to total about SEK 50m.

Development during the first half of the year has been affected by the following factors:

- A substantial increase in software sales
- Professional services profitability grew due to higher utilisation
- Volume and margin for servers and network equipment rose

towards the end of the first half due to new models being launched

- Increasing costs for future-oriented product development and marketing
- Costs increased for long-term measures to strengthen new subsidiaries in Australia, South East Asia and Italy, as well as for the reconstruction of US operations. The weak krona also contributed to the increase in costs.

Software

IBS strategy is to develop business software for sales, customer relations, supply chain management and business analysis and control. The software combines the latest technology with systems that are highly reliable and that have the capacity to handle large transaction volumes. Our long-term development partners are IBM and Microsoft, who have traditionally provided the major part of IBS' software development environment.

IBS new Virtual Enterprise software has been very well received by the market. It is based on IBM's new WebSphere technology and can be used on most types of servers. A number of contracts have been signed and many major projects are in line for signature during the second half of the year. A number of large international consultants are also interested in using Virtual Enterprise in customer projects.

Virtual Enterprise integrates different ERP systems within a group and between different business partners and portals in the supply chain. The software has inherent business logic for sales, procurement, supply chain management, financials and business control. With one of the industry's most extensive Java Business Object Frameworks, modifications and tailor-made development are easily effectuated.

During the period, capitalised R&D costs for products to be launched within twelve months exceeded depreciation by SEK 9m (14m).

Investment

Group investment in equipment amounted to SEK 36m (25m).

Liquidity and financial status

Cash flow from operating activities during the first six months amounted to SEK 16m (11m).

Cash and liquid assets including short-term investment amounted to SEK 177m (249m). In addition, we have unused credit facilities amounting to approximately SEK 240m (320m). Current assets represented 137% (165%) of current liabilities. Group equity amounted to SEK 731m (728m) and the equity to total assets ratio was 47% (51%).

The parent company

The parent company provides centrally developed software and Group services. Parent company net revenue amounted to SEK 74m (67m) and pre-tax profit was SEK -30m (-39m).

Staff

The number of employees as per 30 June was 2,288, a second quarter decrease of 38 persons. The average number of employees during the first half of the year was 2,319 (2,370), a 2% decrease.

The IBS share

The share price on 30 June was SEK 16.60 per share, which represents a 13% decrease since the end of last year.

The total number of shares per 30 June was 79.6 million. In addition, IBS has two warrants programs, 98/02 comprising 5 million warrants at a strike price of SEK 40.60 per share, and 00/04 comprising 5 million warrants at a strike price of SEK 65 per share. After full dilution, the total number of shares would be 89.6 million. During the quarter, an issue of 500,000 IBS B shares has been effectuated in conjunction with the acquisition of an Australian company.

Accounting principles

The same accounting principles have been applied in this interim report as in the latest Annual Report, i.e. recommendations made by the Swedish Financial Accounting Standards Council, including year 2001 revisions.

Future prospects

The global economy has continued to decline since the previous report. Economic indicators for the US, Japan, and now Europe, are showing weak development. As regards IBS, there are no signs indicating a weaker inflow of orders for the Group's products and services.

On condition that the coming euro transition in the EMU market does not incur any significant delay in software orders, IBS' software revenue is expected to continue its strong growth. We also expect the positive trend for professional services to continue.

Effectuated and planned cost reductions will also improve results.

During the third and fourth quarters, a significantly improved operating result is to be expected, due to increasing revenue and the cost reduction program. Taking this into account, the forecast full-year operating profit margin remains at a 1-4% interval.

Information plan

This autumn, IBS intends to hold an investors meeting for journalists and analysts.

- The next interim report will be published 17 October.
- The year-end report for 2001 will be published 24 January, 2002.

Solna, 16 July, 2001

Staffan Ahlberg
CEO

This report has not been audited.

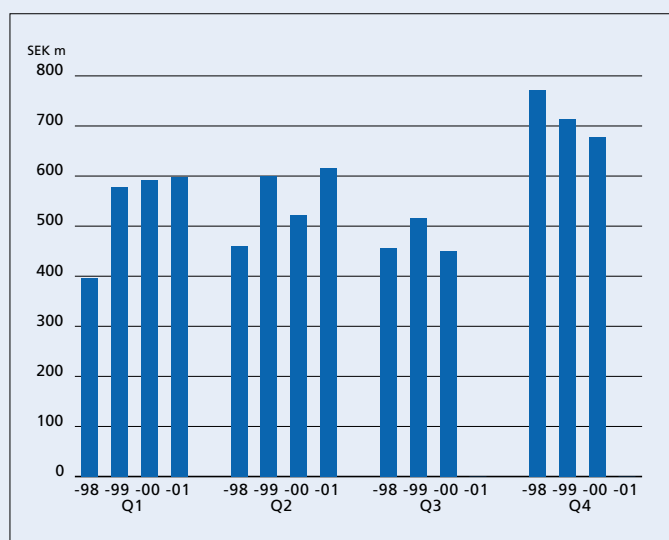
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Consolidated income statement

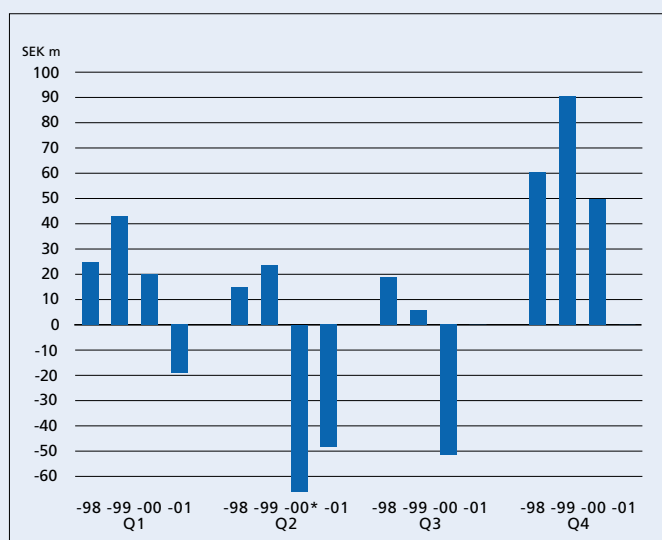
SEK million	2001 Apr-June	2000 Apr-June	01/00 %	2001 Jan-June	2000 Jan-June	01/00 %	Last 12 months	2000 Full year
Revenue								
Software licences	106.0	86.9	22%	242.7	190.0	28%	487.4	434.7
Professional services	352.0	312.3	13%	714.7	678.1	5%	1 342.0	1 305.4
Hardware and other revenue	158.3	122.9	29%	258.0	246.3	5%	514.2	502.5
Total revenue	616.3	522.1	18%	1 215.4	1 114.4	9%	2 343.6	2 242.6
Cost of revenue								
Software licences	-19.0	-13.6	40%	-37.1	-26.1	42%	-66.2	-55.2
Professional services	-281.5	-268.0	5%	-565.3	-535.2	6%	-1 040.9	-1 010.8
Hardware and other costs	-119.1	-92.8	28%	-200.1	-183.4	9%	-407.4	-390.7
Total cost of revenue	-419.6	-374.4	12%	-802.5	-744.7	8%	-1 514.5	-1 456.7
Gross profit	196.7	147.7	33%	412.9	369.7	12%	829.1	785.9
Product development costs	-53.8	-52.8	2%	-110.9	-102.2	9%	-208.7	-200.0
Sales and marketing costs	-104.8	-82.7	27%	-196.4	-159.7	23%	-378.3	-341.6
General and administrative costs	-86.2	-78.2	10%	-172.9	-151.3	14%	-313.4	-291.8
Total operating costs	-244.8	-213.7	15%	-480.2	-413.2	16%	-900.4	-833.4
Operating result before items affecting comparability	-48.1	-66.0	27%	-67.3	-43.5	-55%	-71.3	-47.5
<i>Items affecting comparability*</i>	-	52.7		-	52.7		-	52.7
Operating result after items affecting comparability	-48.1	-13.3		-67.3	9.2		-71.3	5.2
Financial items								
Interest income	1.6	2.0	-20%	3.1	3.9	-21%	7.6	8.4
Interest expenses	-3.4	-2.3	48%	-7.5	-6.6	14%	-13.2	-12.3
Other financial items	1.6	0.3		4.4	0.3		7.7	3.6
Result after financial items	-48.3	-13.3		-67.3	6.8		-69.2	4.9
Tax	10.2	12.1		20.5	7.9		9.3	-3.3
Minority holdings, net	1.1	2.2		1.2	-0.1		0.0	-1.3
Net result for the period	-37.0	1.0		-45.6	14.6		-59.9	0.3
Net profit per share				-0.58	0.19		-0.76	0.01
Net profit per share after full dilution				-0.40	0.23		-0.53	0.10
Average no. of shares (k)				79 233	75 367		79 171	77 238
Average no. of shares after full dilution (k)				89 233	82 867		87 087	83 904
Pro forma interest revenue after tax (SEK million)				9.5	4.7		14.1	8.3

* Pension premium refund from Alecta (formerly SPP)

Revenue per quarter



Quarterly profit after financial items



* Not including pension premium refund from Alecta (formerly SPP)

Consolidated balance sheet

SEK million	2001 30 June	2000 30 June	2000 31 Dec
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Capitalised product development costs	62.4	47.6	52.9
Goodwill	261.8	227.9	242.7
	324.2	275.5	295.6
<i>Tangible assets</i>			
Equipment	118.1	113.0	114.4
Financial leasing contracts	47.1	52.5	45.6
	165.2	165.5	160.0
<i>Financial assets</i>			
Participations in associated companies	1.9	1.6	1.6
Other long-term receivables	14.0	38.5	25.2
Deferred tax receivables	65.5	7.8	37.5
	81.4	47.9	64.3
Total fixed assets	570.8	488.9	519.9
Current assets			
<i>Inventories</i>	12.2	3.3	3.0
<i>Current receivables</i>			
Accounts receivable	580.1	441.2	616.9
Tax receivables	31.9	51.5	38.5
Other receivables	60.1	86.8	49.5
Prepaid expenses and accrued income	164.5	122.8	100.3
	836.6	702.3	805.2
<i>Short-term investments</i>	60.4	111.9	57.6
<i>Cash and bank</i>	116.1	137.1	125.0
	176.5	249.0	182.6
Total current assets	1 025.3	954.6	990.8
TOTAL ASSETS	1 596.1	1 443.5	1 510.7

SEK million	2001 30 June	2000 30 June	2000 31 Dec
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	15.9	15.5	15.8
Restricted reserves	628.1	527.7	616.5
	644.0	543.2	632.3
<i>Non-restricted equity</i>			
Non-restricted reserves	132.7	169.8	124.6
Net result for the period	-45.6	14.6	0.3
	87.1	184.4	124.9
Total equity	731.1	727.6	757.2
Minority holdings	12.2	13.7	14.2
Provisions			
Deferred tax	12.0	17.0	8.6
Reserve for project and guarantee costs	21.2	35.7	22.8
	33.2	52.7	31.4
Liabilities			
<i>Long-term liabilities</i>			
Liabilities to credit institutions	71.1	59.7	42.2
Other long-term liabilities	9.3	7.2	12.1
	80.4	66.9	54.3
<i>Current liabilities</i>			
Liabilities to credit institutions	168.9	86.7	116.2
Accounts payable	161.8	111.4	162.3
Income tax liability	5.7	7.4	24.0
Other current liabilities	84.1	125.4	83.4
Accrued expenses and deferred income	318.7	251.7	267.7
	739.2	582.6	653.6
Total liabilities	819.6	649.5	707.9
TOTAL EQUITY AND LIABILITIES	1 596.1	1 443.5	1 510.7

Change in Group equity

SEK million	2001 30 June	2000 30 June	2000 31 Dec
Opening balance	757.2	540.8	540.8
External dividends	-	-1.1	-1.2
New share issue, warrants and non-cash issue	10.5	183.5	214.3
Change in Group structure	-	-	-1.9
Net result for the period	-45.6	14.6	0.3
Translation differences for the period	9.0	-10.2	4.9
Closing balance	731.1	727.6	757.2

Changes in pledged assets and contingent liabilities

SEK million	2001 30 June	2001 31 Mar	Change
<i>Pledged assets</i>			
Assets charged with ownership reservation	3.8	3.3	0.5
<i>Contingent liabilities</i>			
Other contingent liabilities	27.4	26.3	1.1

Other pledged assets and contingent liabilities are the same as in March 2001.

Revenue per country

SEK million	2001 Jan-June	2000 Jan-June	01/00 %	2000 Full year
Sweden	334	343	-3%	683
Belgium	162	149	9%	282
France	153	124	23%	227
UK	109	100	9%	191
Netherlands	89	98	-9%	211
Finland	84	67	25%	136
Denmark	70	74	-5%	137
USA	67	74	-9%	159
Portugal	61	43	42%	95
Switzerland	24	27	-11%	56
Germany	21	19	11%	35
Norway	18	17	6%	34
Spain	16	9	78%	22
Australia	12	2	500%	5
Brazil	7	2	250%	9
Italy	7	2	250%	6
Poland	5	5	0%	13
Colombia	5	3	67%	10
Malaysia	4	1	300%	3
Hong Kong	1	-	-	-
Singapore	1	-	-	1
Mexico	0	-	-	-
Eliminations incl. Parent Company	-35	-45	-	-72
Total	1 215	1 114	9%	2 243

Employees per country

	2001 30 June	2000 30 June	01/00 %	2000 31 Dec
Sweden	489	562	-13%	546
Belgium	205	198	4%	205
France	195	220	-11%	199
UK	163	151	8%	162
Netherlands	198	189	5%	194
Finland	184	162	14%	174
Denmark	141	153	-8%	140
USA	125	147	-15%	129
Portugal	143	151	-5%	141
Switzerland	40	48	-17%	44
Germany	32	33	-3%	31
Norway	32	36	-11%	36
Spain	42	44	-5%	46
Australia	34	9	278%	8
Brazil	18	10	80%	21
Italy	15	8	88%	8
Poland	40	62	-35%	48
Colombia	22	21	5%	17
Malaysia	12	14	-14%	9
Hong Kong	3	-	-	1
Singapore	3	-	-	3
Mexico	1	-	-	-
Eliminations incl. Parent Company	151	148	2%	153
Total	2 288	2 366	-3%	2 315

Consolidated cash flow analysis

SEK million	2001 30 June	2000 30 June	2000 Full year
<i>Operating activities</i>			
Result after financial items	-67.3	6.8	4.9
Adjustments to reconcile result after fin. items to cash flow	53.7	9.8	52.5
Tax paid	-16.0	-25.9	-44.4
Cash flow from operating activities before changes in working capital	-29.6	-9.3	13.0
<i>Changes in working capital</i>			
Inventories	-9.0	2.6	3.0
Current receivables	2.7	36.2	-30.9
Current liabilities	52.3	-19.0	-16.9
Cash flow from operating activities	16.4	10.5	-31.8
<i>Investing activities</i>			
Acquisition of subsidiaries	-13.4	-28.9	-35.0
Change in intangible assets	-43.3	-10.9	-58.0
Change in tangible assets	-34.6	-41.2	-57.0
Change in financial assets	19.1	0.7	4.2
Cash flow from investing activities	-72.2	-80.3	-145.8
<i>Financing activities</i>			
New issue of shares and warrants	-	183.5	214.3
Net change in loans	44.0	-100.4	-96.4
Dividends paid to minority	-	-	-1.2
Cash flow from financing activities	44.0	83.1	116.7
Cash flow for the period	-11.8	13.4	-60.9
Liquid assets, beginning of period	182.6	240.5	240.5
<i>Translation differences in liquid assets</i>	5.7	-4.9	3.0
Liquid assets, end of period	176.5	249.0	182.6

Key figures and data per share

Key figures	2001 30 June	2000 30 June	1999 30 June	Last 12 months	2000 Full year
Average number of employees	2 319	2 370	2 071	2 322	2 348
Revenue per employee (SEK thousand)	524	470	569	1 009	955
Value added per employee (SEK thousand)	288	293	333	562	567
Operating margin %	-5.5	0.8	5.8	-3.0	0.2
Capital turnover ratio	-	-	-	1.5	1.5
Return on total capital %	-4	1	6	-4	1
Return on capital employed %	-6	2	11	-6	2
Return on equity %	-6	2	8	-8	0
Ratio of risk capital %	47	53	39	47	52
Liquidity %	137	165	147	137	151
Equity to total assets ratio %	47	51	39	47	51
Interest cost cover ratio	-8	2	10	-4	1
Key figures per share					
Net profit	-0.58	0.19	0.50	-0.76	0.01
Net profit after full dilution	-0.40	0.23	0.51	-0.53	0.10
Adjusted equity	9.18	9.20	6.67	9.18	9.57
Adjusted equity after full dilution	14.05	11.74	9.24	14.05	14.42
Cash flow from operating activities	0.21	0.14	1.23	-0.33	-0.41
Cash flow from operating activities after full dilution	0.18	0.13	1.11	-0.30	-0.38
Share data					
Average no. of shares (k)	79 233	75 367	74 117	79 171	77 238
Average no. of shares after full dilution (k)	89 233	82 867	81 617	87 087	83 904
Total no. of shares (k)	79 608	79 108	74 117	79 608	79 108
Total no. of warrants (k)	10 000	5 000	7 500	10 000	10 000
Pro forma interest revenue after tax (SEK million)	9.5	4.7	4.7	14.1	8.3

Analysis of the period January-June 2001

Analysis of revenue growth between the years

%	01/00	00/99	99/98
Volume increase (average no. of staff)	-5%	17%	32%
Acquisitions during the year	6%	2%	2%
Price and efficiency change	2%	-21%	2%
Growth rate, internally influenced	3%	-2%	36%
Influence of exchange rate fluctuation	6%	-3%	2%
Total growth rate	9%	-5%	38%

Result after financial items per region

SEK million	2001	2000	1999
Sweden	10	8	35
Rest of Europe	4	6	53
Rest of the world	-26	-32	-1
Parent Company incl. Group adjustments	-55	25	-20
Total	-67	7	67

Gross profit per revenue stream

SEK million	2001	2000	1999
Software licences	206	164	178
Professional services	149	143	202
Hardware and other revenue	58	63	52
Total	413	370	432

Gross margin per revenue stream

%	2001	2000	1999
Software licences	85%	86%	90%
Professional services	21%	21%	27%
Hardware and other revenue	22%	26%	22%
Total	34%	33%	37%

Type of revenue in % of total revenue

%	2001	2000	1999
Software licences	20%	17%	17%
Professional services	59%	61%	63%
Hardware and other revenue	21%	22%	20%
Total	100%	100%	100%

Direct costs for goods and services sold in % of revenue

%	2001	2000	1999
Software licences	3%	2%	2%
Professional services	47%	48%	46%
Hardware and other costs	16%	16%	15%
Total	66%	66%	63%

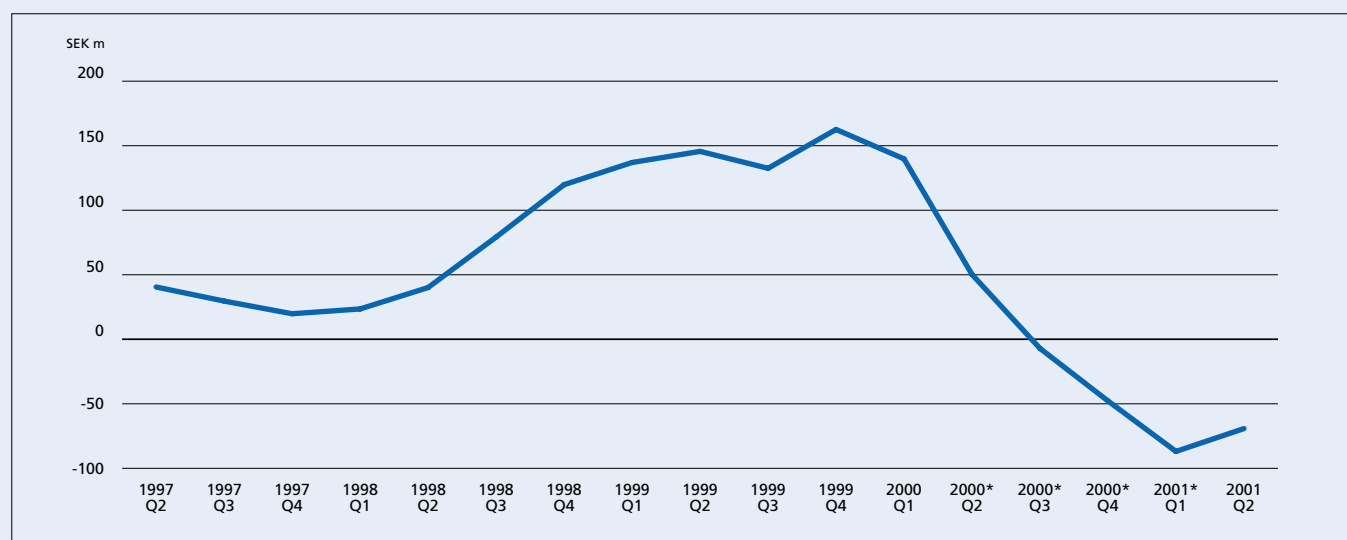
Operating costs in % of revenue

%	2001	2000	1999
Product development costs	9%	9%	7%
Sales and marketing costs	16%	14%	12%
General and administrative costs	14%	14%	11%
Total	39%	37%	30%

Depreciation

SEK million	2001	2000	1999
Goodwill	-13	-10	-8
Capitalised R&D	-15	-13	-7
Equipment and financial leasing	-37	-30	-29
Total	-65	-53	-44

LTM profit after financial items



* Not including pension premium refund from Alecta (formerly SPP)

IBS in brief

IBS, International Business Systems, is one of the world's top ten suppliers of business software and professional services. We are a world leading supplier of distribution and supply chain solutions, with integrated financial software. Our focus is on e-business, customer relations management, inventory and procurement, distribution and logistics, business analysis and control.

We develop and install robust and reliable IT systems that enhance business operations and improve the competitiveness of our customers. We take responsibility for the entire solution, providing software, hardware and services. Fast and efficient implementation empowers our customers to focus on business operations.

We look upon our customers as long-term partners. Therefore, targeting our customers' return on investment is a natural part of any IT project. And our customers continue to benefit, through the years, from the best service and support available.

We have a global network of subsidiaries and business partners, and both our software and services are available in local languages around the world.

With our industry experience, and our world leading software and services, IBS can offer the systems needed to succeed in a rapidly changing market.



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