

# Interim Report from IBS

January – March 1999

- Continued strong growth of revenue and volume
- Pre-tax profits increased by 67% to SEK 43m
- Revenue grew by 46%
- Internet-based commerce and Supply Chain Management continue to generate demand for software and services

(The currency used in this report is the Swedish Krona)

21 April, 1999



# Continued strong growth of revenue and volume

## The market

During the first quarter of 1999, revenue grew by 46% (last year 30%) to 578m (396m). The greatest change is within professional services, which grew by 50% (24%), while software licences grew by 36% (16%). Many of IBS' global competitors have reported a decrease in demand for business systems. IBS, however, has experienced no such decrease, and has instead continued to increase revenue. We take the continued strong demand for IBS' professional services and software to confirm that our specialisation on Distribution, Supply Chain Management and Internet-based commerce has achieved the desired results. Our business idea, to deliver complete systems comprising software, professional services and hardware to chosen market segments, has also continued to show success. Our traditional focus on quality and superior customer service has also contributed to the satisfactory results.

In February, we acquired DAC-Data A/S i Danmark, with some 100 employees and a 100m revenue. The acquisition will, however, be consolidated during the second quarter of 1999. Early 1999, IBS also acquired its Brazilian business partner. Of our 46% increase in revenue, 30% consists of own growth, 14% of acquisitions during 98/99 and 2% of exchange rate differences. During the first quarter, the number of employees increased by 518, i.e. 34%.

## Software

Costs for product development increased by 83% over the period. A new version of IBS' business systems, ASW, is subject to final testing and will be launched during the second half of 1999. This version includes extensive new functionality, for example within Supply Chain Management and after market services, areas where the market continues to show strong demand. IBS development of the next generation of business systems, based on SanFrancisco and Enterprise JavaBeans continues according to plan. This new software will be launched in the year 2000, while the current ASW software generation will continue to be developed and sold for many years to come.

## Results

Compared to the first quarter 1998, pre-tax profits increased by 67% (17%), from 26m to 43m, whereof the Swedish operations contributed 21m (19m), the rest of Europe 31m (15m), USA and the rest of the world 0 (-6m) and Headquarters -9m (-2m).

The result has been charged with goodwill depreciation to a sum of 3.6m.

Factors contributing to the positive results are:

- Improved margins for professional services, through a combination of higher fee rates and a better utilisation ratio. Revenue per consultant grew by 13.4% and direct costs by 4.6%.
- Continued strong demand for software.

- Hardware and network equipment sales have continued to show satisfactory profit development, even if the margin appears to have shrunk. The reason for this is that during the first quarter of 1998, some sales were still being made on a commission basis, where all revenue is gross profit.

Profits after tax increased from 22m to 30m, corresponding to 2.02 (1.59) krona per share, after partial dilution.

## Financial position

Group investment in machinery and equipment amounted to 15m (8m) during the period. Cash and liquid assets amount to 244m (86m). The current assets to current liabilities ratio is 133% (140%). Group equity reached 498m (294m). Adjusted equity covered 40% (41%) of total assets.

## Annual General Meeting and proposed Board of Directors

The shareholders are summoned to the AGM on 18 May, 1999. Carl Hugo Bluhme, who has been a Member of the Board since 1990, has declined re-election. Shareholders representing some 40% of the votes propose that Ms Sigrun Hjelmquist, MD of Ericsson Components AB, be elected as a new Member of the Board, and that remaining Members be re-elected.

## Future prospects

For the second quarter of 1999, a strong development is forecast. The previous forecast for continued balanced growth of both revenue and profits during 1999 has been confirmed. We estimate that our focus on Supply Chain Management and Internet based commerce will result in further strong demand for our software and services.

## Financial information

- The Annual Report and summons to the AGM are distributed with this report.
- A report from the AGM is due on 19 May, 1999.
- Interim reports are due on 16 July and 18 October.
- The year end report is scheduled for 24 January, 2000.

Solna, 21 April, 1999

Staffan Ahlberg

GROUP MANAGING DIRECTOR

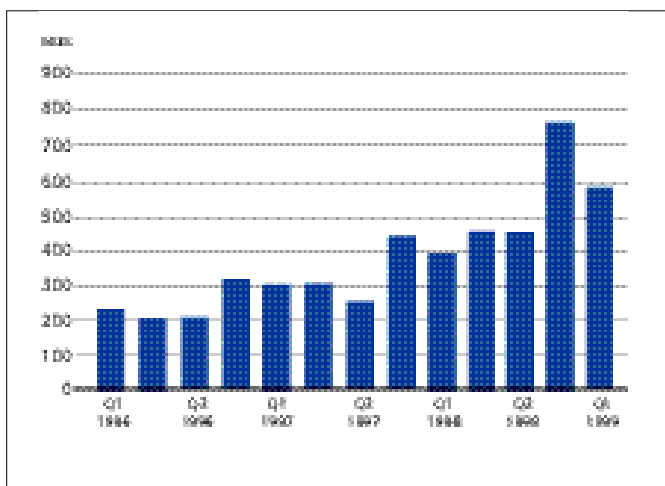
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This interim report has not been audited.

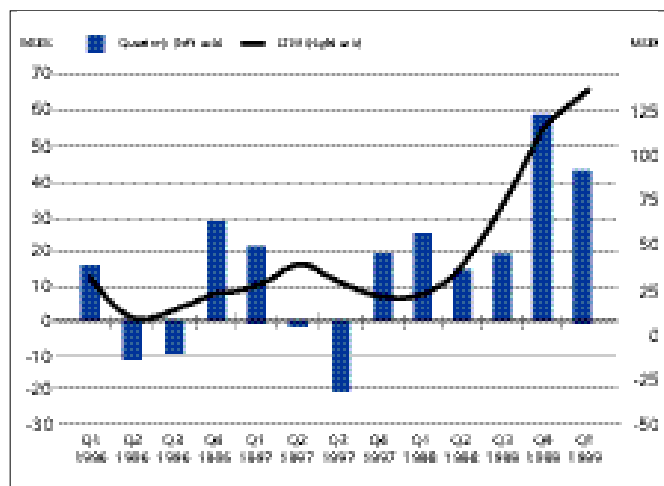
# Consolidated Statements of Income

(MSEK)	1999 Jan-Mar	1998 Jan-Mar	99/98 Change	Last 12 months	1998 Full year
Revenue					
Software licences	108.6	79.7	36%	458.9	430.0
Professional services	357.4	237.8	50%	1,237.7	1,118.1
Hardware and other revenue	112.0	78.7	42%	568.2	534.9
<b>Total revenue</b>	<b>578.0</b>	<b>396.2</b>	<b>46%</b>	<b>2,264.8</b>	<b>2,083.0</b>
Cost of revenue					
Software licences	-11.5	-13.2	-13%	-37.7	-39.4
Professional services	-263.4	-184.1	43%	-979.8	-900.5
Hardware and other costs	-84.4	-54.7	54%	-427.1	-397.4
<b>Total cost of revenue</b>	<b>-359.3</b>	<b>-252.0</b>	<b>43%</b>	<b>-1,444.6</b>	<b>-1,337.3</b>
<b>Gross profit</b>	<b>218.7</b>	<b>144.2</b>	<b>52%</b>	<b>820.2</b>	<b>745.7</b>
Operating costs					
Product development costs	-40.8	-22.3	83%	-139.5	-121.0
Sales and marketing costs	-70.6	-50.2	41%	-297.2	-276.8
General and administrative costs	-65.0	-44.5	46%	-244.5	-224.0
<b>Total operating costs</b>	<b>-176.4</b>	<b>-117.0</b>	<b>51%</b>	<b>-681.2</b>	<b>-621.8</b>
<b>Operating income</b>	<b>42.3</b>	<b>27.2</b>	<b>56%</b>	<b>139.0</b>	<b>123.9</b>
Financial items					
Interest revenue	1.8	0.6	225%	6.2	5.0
Interest costs	-3.7	-2.0	85%	-11.9	-10.2
Miscellaneous revenue (costs)	2.5	-0.1		3.7	1.1
<b>Income after financial items</b>	<b>42.9</b>	<b>25.7</b>	<b>67%</b>	<b>137.0</b>	<b>119.8</b>
Income taxes	-10.0	-2.8	258%	-53.1	-45.9
Minority interest, net	-2.5	-0.5	400%	-7.7	-5.7
<b>Net income</b>	<b>30.4</b>	<b>22.4</b>	<b>36%</b>	<b>76.2</b>	<b>68.2</b>
Net income per share (SEK)	2.05	1.62	25%	5.37	4.83
Net income per share after partial dilution (SEK)	2.02	1.59	26%	5.32	4.81
<b>Data used in net income per share calculation</b>					
Average number of shares (k)	14,823	13,867	6%	14,186	14,106
Average number of shares after partial dilution (k)	15,323	14,367	6%	14,686	14,606

REVENUE PER QUARTER



QUARTERLY AND LTM PRE-TAX PROFITS



# Consolidated Balance Sheets

(MSEK)	1999 Mar 31	1998 Mar 31	1998 Dec 31		1999 Mar 31	1998 Mar 31	1998 Dec 31
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
NON-CURRENT ASSETS				EQUITY			
Intangible assets				Restricted equity			
Capitalised software development costs	23.7	24.5	20.3	Share capital	14.8	13.9	14.8
Goodwill	187.9	38.3	182.9	Restricted reserves	327.5	214.1	325.5
	<b>211.6</b>	<b>62.8</b>	<b>203.2</b>		<b>342.3</b>	<b>228.0</b>	<b>340.3</b>
Tangible assets				Unrestricted equity			
Equipment	102.1	67.1	99.9	Free reserves	125.3	43.9	58.7
Financial leasing contracts	46.4	53.1	43.8	Net income	30.4	22.4	68.2
	<b>148.5</b>	<b>120.2</b>	<b>143.7</b>	<b>Total equity</b>	<b>498.0</b>	<b>294.3</b>	<b>467.2</b>
Financial assets				MINORITY INTERESTS	<b>11.5</b>	<b>6.4</b>	<b>11.8</b>
Investments in and adv. to assoc. comp.	0.1	0.2	0.1				
Other long-term receivables	12.9	8.4	17.5	PROVISIONS			
	<b>13.0</b>	<b>8.6</b>	<b>17.6</b>	Deferred income taxes	0.7	0.4	0.0
<b>Total non-current assets</b>	<b>373.1</b>	<b>191.6</b>	<b>364.5</b>	Millennium reserve	32.0	-	32.2
					<b>32.7</b>	<b>0.4</b>	<b>32.2</b>
CURRENT ASSETS				LIABILITIES			
Inventories	<b>1.0</b>	<b>1.9</b>	<b>2.2</b>	Long-term liabilities			
Current receivables				Long-term borrowings	47.0	41.0	31.9
Accounts receivable	532.8	342.2	610.1	Other long-term liabilities	9.8	8.9	20.2
Income tax receivable	14.5	10.1	22.1		<b>56.8</b>	<b>49.9</b>	<b>52.1</b>
Other receivables	25.3	30.1	24.4	Current liabilities			
Prepaid expenses and accrued revenue	99.3	78.6	80.3	Short-term borrowings	149.6	28.4	144.7
	<b>671.9</b>	<b>461.0</b>	<b>736.9</b>	Accounts payable	114.2	76.7	154.0
Cash and short-term investments	<b>244.2</b>	<b>85.8</b>	<b>212.8</b>	Income taxes payable	13.4	4.0	23.1
<b>Total current assets</b>	<b>917.1</b>	<b>548.7</b>	<b>951.9</b>	Other short-term liabilities	87.0	50.3	127.5
				Accrued expenses and prepaid revenue	327.0	229.9	303.8
<b>TOTAL ASSETS</b>	<b>1,290.2</b>	<b>740.3</b>	<b>1,316.4</b>	<b>Total liabilities</b>	<b>691.2</b>	<b>389.3</b>	<b>753.1</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>	<b>748.0</b>	<b>439.2</b>	<b>805.2</b>
					<b>1,290.2</b>	<b>740.3</b>	<b>1,316.4</b>

## Cash Flow Analysis

(MSEK)	1999 Mar 31	1998 Mar 31	1998 Full year
Net income	30.4	22.4	68.2
Depreciations	20.9	16.2	75.9
Change in working capital	-0.6	24.2	-4.5
<b>Cash flow before investments</b>	<b>50.7</b>	<b>62.8</b>	<b>139.6</b>
Investment in acquisitions, net	0	0	-155.4
Other investments, net	-29.5	-16.9	-94.1
<b>Cash flow after investments</b>	<b>21.2</b>	<b>45.9</b>	<b>-109.9</b>
Loans, interest bearing	20.0	-30.5	76.7
New share issues	1.5	0	111.5
Other long-term liabilities	-1.3	-4.7	59.4
<b>Change in liquid funds</b>	<b>31.4</b>	<b>10.7</b>	<b>137.7</b>

## Key figures

	1999 Jan-Mar	1998 Jan-Mar	1997 Jan-Mar	Last 12 months	1998 Full year
Revenue (m)	578	396	304	2,265	2,083
Average no. of employees	1,999	1,509	1,245	1,781	1,658
Income after fin. items (m)	42.9	25.7	22.0	137.0	119.8
Operating margin %	7.3	6.9	7.9	6.1	6.0
Return on total capital %	4	4	4	15	13
Return on capital employed %	7	9	10	28	25
Return on shareh. capital %	7	8	9	21	23
Capital turnover ratio	-	-	-	2.2	2.0
Liquidity %	133	140	119	133	126
Ratio of risk capital %	42	41	31	42	39
Solidity %	40	41	28	40	36
Profit per share after tax	2.05	1.62	1.18	5.37	4.83
Profit per share after tax after partial dilution	2.02	1.59	-	5.32	4.81
Adjusted equity (m)	500	294	168	500	469
Adjusted equity/share (SEK)	32.99	21.22	14.54	34.47	31.66
Average no. of shares (k)	14,823	13,867	11,571	14,186	14,106
Average no. of shares after partial dilution (k)	15,323	14,367	-	14,686	14,606
Total no. of shares (k)	14,823	13,867	11,571	14,425	14,823
Total no. of warrants (k)	1,500	500	-	1,167	1,500
Pro forma interest after tax on share capital for subscribed warrants (m)	0.5	0.5	-	2.0	2.0

## Analysis of 1<sup>st</sup> quarter

### ANALYSIS OF REVENUE GROWTH BETWEEN THE YEARS

%	1999/98	1998/97	1997/96
Volume growth (average number of employees)	31%	22%	23%
Price/efficiency increase	12%	0%	13%
Acquisition during the year	1%	0%	0%
<b>Growth rate generated internally</b>	<b>44%</b>	<b>22%</b>	<b>36%</b>
Effect of exchange rate differences	2%	1%	-6%
Changed IBM invoicing	-	7%	-
<b>Total growth rate (SEK)</b>	<b>46%</b>	<b>30%</b>	<b>30%</b>

### DIRECT COSTS FOR SOLD GOODS AND SERVICES, EXPRESSED AS A PERCENTAGE OF TOTAL REVENUE

%	1999	1998	1997
Software licences	2%	3%	2%
Professional services	46%	47%	52%
Hardware and other costs	15%	14%	7%
<b>Total</b>	<b>62%</b>	<b>64%</b>	<b>61%</b>

### OPERATING COSTS, EXPRESSED AS A PERCENTAGE OF TOTAL REVENUE

%	1999	1998	1997
Product development costs	7%	6%	7%
Sales and marketing costs	12%	13%	14%
General and administrative costs	11%	11%	10%
<b>Total</b>	<b>31%</b>	<b>30%</b>	<b>31%</b>

### INCOME AFTER FINANCIAL ITEMS PER AREA

(MSEK)	1999	1998	1997
Sweden	21	19	11
Europe outside Sweden	31	15	11
Rest of the world	0	-6	-3
Parent Company including Group adjustments	-9	-2	3
<b>Total</b>	<b>43</b>	<b>26</b>	<b>22</b>

### GROSS MARGIN PER TYPE OF REVENUE

%	1999	1998	1997
Software licences	89%	83%	90%
Professional services	26%	23%	18%
Hardware and other sales	25%	30%	49%
<b>Total</b>	<b>38%</b>	<b>36%</b>	<b>39%</b>

### GROSS PROFIT PER TYPE OF REVENUE

(MSEK)	1999	1998	1997
Software licences	97	66	62
Professional services	94	54	35
Hardware and other sales	28	24	21
<b>Total</b>	<b>219</b>	<b>144</b>	<b>118</b>

## Revenue

## Number of employees

Country	1999 Jan-Mar	1998 Jan-Mar	99/98 %	1998 Full year	1999 Mar 31	1998 Mar 31	99/98 %	1998 Dec 31
(MSEK)								
Sweden	180	172	5	734	548	532	3	516
Belgium	91	49	86	286	195	142	37	190
France	72	49	47	247	194	138	41	171
USA	40	30	33	205	189	116	63	167
Holland (5 mos. 1998)	54	-	-	122	169	-	-	179
Finland	36	25	44	108	131	109	20	120
Denmark	35	21	67	107	80	65	23	75
UK	34	29	17	151	143	113	27	135
Portugal	21	10	110	74	145	110	32	116
Norway	13	12	8	45	34	32	6	33
Germany	13	10	30	37	23	26	-12	22
Poland	4	2	100	15	43	30	43	40
Malaysia	4	-	-	12	9	-	-	11
Parent Comp./Eliminations	-19	-13	46	-60	121	93	30	116
<b>Total</b>	<b>578</b>	<b>396</b>	<b>46</b>	<b>2,083</b>	<b>2,024</b>	<b>1,506</b>	<b>34</b>	<b>1,891</b>

# Business Software for a Competitive Edge

IBS, International Business Systems, with headquarters in Stockholm, Sweden, is one of the leading international suppliers of business software and professional services. The IBS business idea is to develop and install IT systems which improve the competitiveness of our customers.

As a total solution vendor, we offer IT solutions with both software and hardware as well as professional services, training and methodology to ensure fast and efficient implementation. Our customers are mainly middle to large size distribution and manufacturing companies, which require advanced logistics and warehouse management systems.

Our business software, ASW, is a complete and integrated product for business management and administration. It covers all the major business processes within a company, such as purchasing, sales, distribution, customer service and manufacturing, as well as financials and business management.

ASW is developed for the international market, and is available in many local languages in more than 30 countries worldwide.



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