

# 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

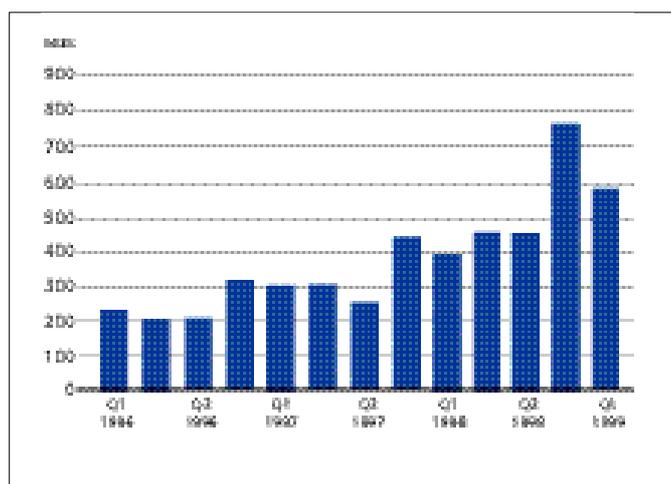
Questions concerning this report should be directed to Group MD Staffan Ahlberg, tel +46-8-627 2420, [staffan.ahlberg@ibs.se](mailto:staffan.ahlberg@ibs.se) or Christina Wågström, Head of Investor Relations, tel +46-8-627 2460, [christina.wagstrom@ibs.se](mailto:christina.wagstrom@ibs.se)

This interim report has not been audited.

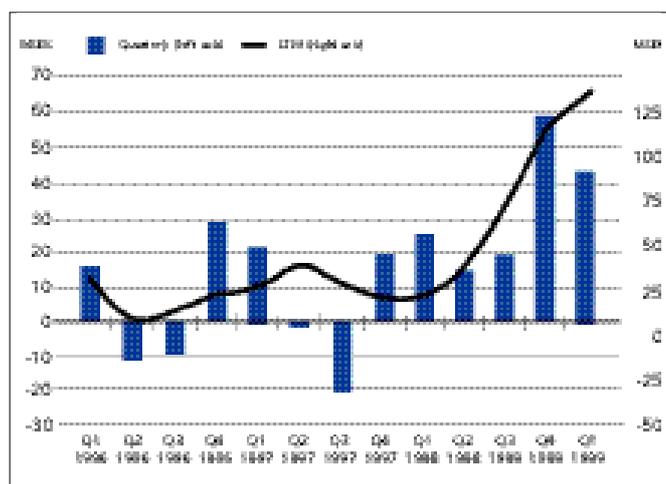
# Consolidated Statements of Income

| (MSEK)   | 1999<br>Jan-Mar | 1998<br>Jan-Mar | 99/98<br>Change | Last<br>12 months | 1998<br>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<br>Mar 31 | 1998<br>Mar 31 | 1998<br>Dec 31 |                                      | 1999<br>Mar 31 | 1998<br>Mar 31 | 1998<br>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            | PROVISIONS                           |                |                |                |
| Other long-term receivables             | 12.9           | 8.4            | 17.5           | Deferred income taxes                | 0.7            | 0.4            | 0.0            |
|   | <b>13.0</b>    | <b>8.6</b>     | <b>17.6</b>    | Millennium reserve                   | 32.0           | -              | 32.2           |
| <b>Total non-current assets</b>         | <b>373.1</b>   | <b>191.6</b>   | <b>364.5</b>   |                                      | <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>748.0</b>   | <b>439.2</b>   | <b>805.2</b>   |
|   |                |                |                | <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>1,290.2</b> | <b>740.3</b>   | <b>1,316.4</b> |

# Cash Flow Analysis

| (MSEK)                              | 1999<br>Mar 31 | 1998<br>Mar 31 | 1998<br>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<br>Jan-Mar | 1998<br>Jan-Mar | 1997<br>Jan-Mar | Last<br>12<br>months | 1998<br>Full<br>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> |

### 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> |

### 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> |

### Revenue

### Number of employees

| Country                               | 1999<br>Jan-<br>Mar | 1998<br>Jan-<br>Mar | 99/98<br>% | 1998<br>Full<br>year | 1999<br>Mar<br>31 | 1998<br>Mar<br>31 | 99/98<br>% | 1998<br>Dec<br>31 |
|---------------------------------------|---------------------|---------------------|------------|----------------------|-------------------|-------------------|------------|-------------------|
| 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<br>(5 mos.<br>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<br>Comp./<br>Elimina-<br>tions | -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.



IBS AB (publ.)

P.O. Box 1350, SE-171 26 Solna, Sweden. Visitors: Hemvärnsgatan 8, Solna

Tel: +46-8-627 23 00 Fax: +46-8-764 59 65

Email: [infoibs@ibs.se](mailto:infoibs@ibs.se) Internet: [www.ibs.se](http://www.ibs.se)