

Annual Report 1999



www.



Annual General Meeting

The Annual General Meeting will be held on Thursday, 27 April 2000, at Operaterrassen, Karl XII Torg, Stockholm, Sweden. Shareholders wishing to participate must give prior notice to IBS AB, P.O. Box 1350, SE-171 26 Solna, Sweden, or telephone +46-8-627 2375 or email sara.karvonen@ibs.se, no later than Tuesday, 25 April 2000. Such notice shall include the shareholder's name and the number of shares held. To be entitled to vote at the Annual General Meeting, the shareholder must be registered in the Swedish Central Securities Depository (VPC) on Monday, 17 April 2000. Shares registered in the name of an agent must be registered in the owner's name by this date to qualify for voting. Proceedings will be conducted in the Swedish language.

Financial information

Information from IBS is planned to be published as follows:

- Quarterly Report on 27 April 2000
- Information from the Annual General Meeting on 28 April 2000
- Quarterly Reports on 17 July and 17 October 2000
- The Year End Report for 2000 on 24 January 2001

All communication with shareholders, media or other interested parties should be conducted via the Managing Director, Staffan Ahlberg, or Head of Investor Relations, Christina Wågström.

Reports and other printed material can be obtained by writing to IBS AB, Investor Relations, P.O. Box 1350, SE-171 26 Solna, Sweden

Information is also available on the IBS website, www.ibs.se

Annual Report 1999

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The currency used in the Annual Report is the Swedish krona (SEK).

A good year for IBS

Results

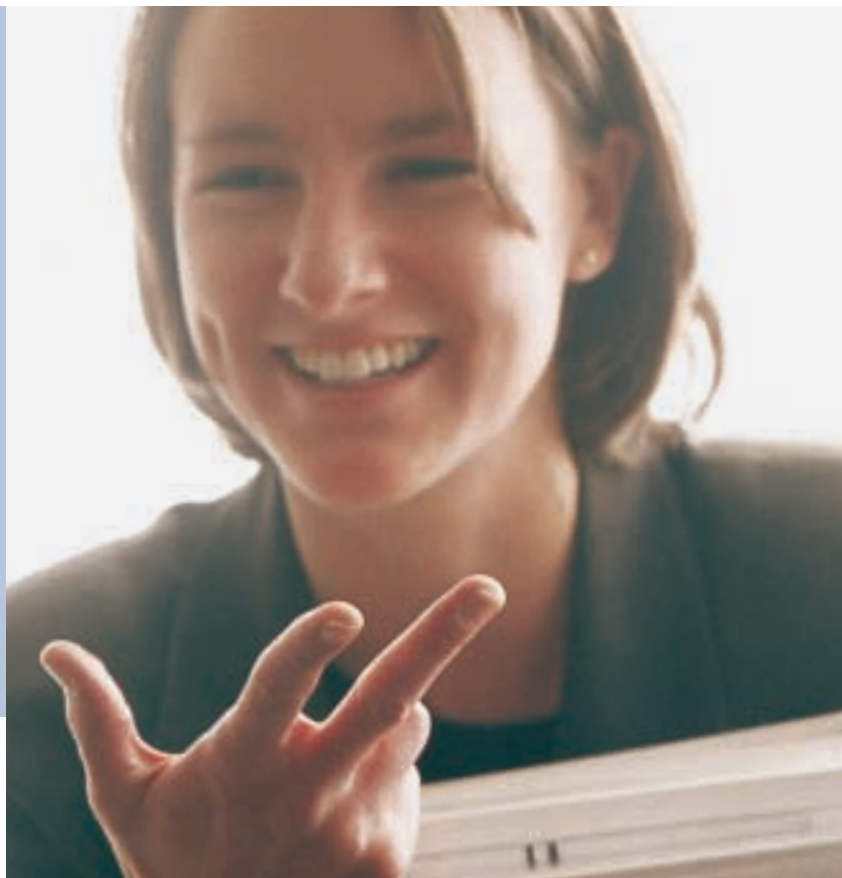
- Group profit grew by 36% to 163m.
- Profit per share rose from 4.95 to 5.69.

Growth

- Revenue grew by 16% to 2,408m (2,083m).
- During the year, IBS acquired or established units in Brazil, Denmark, Colombia, Italy, Spain, Finland, Australia and Singapore.
- The number of employees at the end of the year was 2,340 (+24%).

During 1999, the overall market for business systems decreased due to customer concerns regarding changes in their business systems facing the new millennium. Among the approximately 30% of companies who opted to renovate older systems, there is now a pent-up need to replace them. Many also wish to exploit the opportunities that electronic commerce offers.

- During the year, IBS has given priority to profits before growth. Many of the major international software suppliers have suffered serious profit difficulties. IBS is one of the few to maintain both profits and growth.
- IBS has been top-ranked by US market research institute AMR, as being the world's leading supplier of supply chain execution software.
- During 1999, IBS has further focused on Internet business to business solutions. IBS NetCommerce is a new business unit established in 1999. Resources for strategic advice, graphical design, e-business systems, Internet communication and outsourcing are now gathered in this unit.



SUMMARY	1999	1998	Change
Revenue (MSEK)	2,408	2,083	16%
No. of employees on 31 December	2,340	1,891	24%
Pre-tax profit (MSEK)	163	120	36%
Solidity %	39	37	2 p.p.
Profit per share	5.69	4.95	15%

- IBS' new product release, ASW4, with new functionality for e-business and extended functionality for handling customer relations and business logistics, was launched in September 1999.

Integrated business solutions from one single supplier

IBS' mission

Our mission is to supply complete, Internet-integrated IT solutions that enhance our customers' competitiveness.

IBS takes responsibility for a complete functional solution including software, services and IT equipment. Such integration offers great benefits to our customers in terms of accountability as well as fast and secure installations.

IBS' vision

Our vision is to strengthen our position as the world's leading supplier of complete IT solutions to distribution and supply chain management companies. At the same time, we intend to maintain the highest customer satisfaction ratings in the industry.

Our goals for 2003 are:

- Revenue: USD 1 billion
- No. of employees: 6,000

IBS' line of business

As we supply complete information systems, we can ensure that our customers' investments are profitable. Customer projects cover anything from complete solutions to delivering various components, depending on the customers' needs and wishes. The flexible structure of our software allows many customer installations to be performed without modification or additional programming.

Financial targets

The Board of Directors has set the following financial targets for business operations:

Growth:	On average 35% per year, of which a smaller portion is to be derived from acquisitions.
Operating margin:	5-8% on total revenue during the phase of rapid expansion, then 15-20%.
Capital turnover ratio:	A yearly average of 1.8–2.0 times.
Solidity:	30-40%
Return on equity:	15-25% during the phase of rapid growth.

A new era of Internet-based IT solutions



Millennium

When writing this, I look back at an unusual business year. 1999 was never as difficult as many had predicted. The infamous turn of the millennium went by, leaving no spectacular trail. Life went on as usual, without disruption caused by computer chronology now calling for a four-digit year to function properly. Neither have IBS' customers suffered disruptions. Our systems went on working in the same reliable manner as before.

However, the concern and uncertainty that prevailed facing the unknown influenced most decision-makers. The further into the year, the greater the inclination to postpone major investments, especially in IT.

Revenue

Therefore, towards the end of the year, IBS' largest customer segment – mid-size companies – elected to postpone investments in new business systems. Following a strong first quarter, we noticed how revenue growth became weaker. This was further accentuated during the second half of the year by our giving priority to profit before volume. During this period, we abstained from business deals with poor margins. This caused a decrease in licence revenue for packaged software by 5%. Hardware sales decreased by 6%.

The revenue stream that has remained dynamic and grown substantially over the year is professional services, mainly to existing customers. Due to the IBS business model, with three different revenue streams, total revenue still showed an increase of 16%. This is lower than our target average growth of 35%, but, on the other hand, it is higher than mar-

ket growth in general. This is illustrated by the fact that the largest business software suppliers have had an average yearly growth of some 10% over the last twelve months.

As stated in the 1998 Annual Report, we planned for "continued growth of revenue and profits". All in all, we achieved this goal, despite the negative effects of the millennium issue.

Results

Thus, 1999 could from an IBS point of view be described as a year with lower revenue growth than usual, but also as a year where millennium-related costs stayed low. Profit-wise, it was a poor year for the industry as a whole, but it saw IBS prosper. Our pre-tax profit increased by 36%, from 120m to 163m. This means that of the world's twelve largest public business software suppliers, IBS is the third most profitable. Increasing volumes and margins for professional services are main contributors to this result, especially as regards after-market service to existing customers. Service revenue, which amounted to 62% of total revenue, increased by 34%. At the same time, operating margins for professional services grew from 20% to 28%.

The strong development of professional services more than compensated the decrease in profitable licence revenue. At the same time, costs for aggressive product development increased by 45%. Both marketing and sales costs, as well as general and administrative costs, have been kept at a moderate level. 31m of the 1998 32m millennium reserve have been dissolved, while actual millennium costs were limited to some 20m. Thus, overprovision amounted to some 11m, which is included in this year's results. For costs that may arise at a later stage, reserves per each individual project have been made in a customary reserve for project and guarantee costs.



International expansion

The development of revenue and profit has been positive both in Sweden and in the rest of Europe, representing 26% (l.y. 32%) and 65% (57%) of Group revenue respectively.

As for pre-tax profit, Swedish operations contributed 52m (26m), the rest of Europe 147m (154m). The rest of the world showed negative results to an amount of -11m (19m) and HQ to an amount of -25m (-79m). When analysing 1999, with its very special market conditions, it is obvious that IBS units with a long history and a large customer base have been favoured at the expense of units with a smaller customer base and greater dependence on new licence sales.

In May, DAC Data A/S was acquired with some 100 employees, whereby IBS' Danish operations more than doubled. In August, we acquired our business partner operations in Colombia, with some 20 employees. IBS Colombia markets and installs IBS software in Spanish-speaking South America. Furthermore, IBS has acquired 75% of the shares in GTM SA in Spain, with some 20 employees, and the remaining shares in IBS Brazil. Units acquired during the year increased Group revenue by some 4%. At the end of the year, we acquired Progma Oy in Finland, with some 20 employees. This company focuses mainly on outsourcing and ASP. The IBS Group has also established new subsidiaries in Italy, Australia and Singapore.

In January 2000, i.e. after the year-end, we acquired our Swiss business partner Hostettler Informatik, with its 53 employees. The IBS Group now operates through subsidiaries in twenty different countries, and through business partners in a further twelve.

Market position

Over the last year, IBS has strengthened its position among the world's twelve leading public business software suppliers. Both revenue and profit are showing steeper growth than the competition's average. The table below presents a compilation based on official information from those companies. By targeting the rapidly expanding market segment consisting of large and mid-size businesses, our main competitors are companies such as JD Edwards, Intentia, IFS, Baan, and, to some extent, SAP. Many of these suppliers have experienced major difficulties. In 1999, following serious financial problems, the British supplier JBA was taken over by the Canadian firm Geac.

The ERP Market		
(Major public vendors, LTM as of 25 Feb 2000, in MUSD)		
Company	Operating profit	Revenue
1 SAP	840.6	5,389.3
2 Geac	114.7	588.8
3 IBS	18.8	289.5
4 Mapics	14.0	126.8
5 QAD	-15.3	233.7
6 Infinium	-15.9	115.4
7 IFS	-16.5	236.0
8 Intentia	-31.2	368.2
9 SSA	-52.0	315.7
10 JD Edwards	-78.1	953.0
11 Peoplesoft	-238.6	1,429.1
12 Baan	-281.0	634.7

For Oracle, there are no separated figures.
Source: Official published results.

As the table shows, several of our competitors have suffered heavy losses over the last twelve months. This may be to IBS' advantage, because customers are very aware of the importance of buying their business systems from a long-term, reliable supplier.

Product development

IBS' product development has always been very efficient. We have developed a technologically advanced product line with extensive functionality and high performance, especially as regards reliability and short response times, even when handling very large transaction volumes. During the year, we successfully launched Release 4 of the Group's ASW product line. ASW4 has a fully Java-based user interface, which makes the system even easier to use. The system has extended functionality in areas such as Internet-based commerce, customer relations management and after-market service, as well as for supply chain management. ASW will continue to be developed and will be the Group's main product for many years to come.

In addition, considerable resources have been put into the development of a new component-based technology in the Java programming language. The technical environment for this project is IBM's development platform, WebSphere.

Internet

Internet offers IBS customers completely new ways of globally marketing and selling products and services, and of promoting efficiency in business and work processes.

For companies that sell to other companies, i.e. IBS' largest market, the process is often more complicated than for consumer-oriented businesses. For business to business, a number of different price and discount terms, often customer-specific, need to be handled. This requires profound integration between the Internet connections and the underlying business systems. The whole flow of transactions between suppliers, business partners and customers must be handled. Information from purchasing and replenishment, logistics, sales, delivery planning, after-market service and customer relations, has to flow freely between Internet and the business systems. Today, few of these applications are fully integrated with the Internet.

This entails an enormous efficiency improvement potential for our customers, and to be able to offer them even better opportunities, we have now gathered competence in the field of electronic commerce into one unit, IBS NetCommerce. This organisational model is to be introduced in most IBS countries worldwide.

As yet, the media focus has been on consumer-oriented



Internet commerce. However, business to business is some 4-5 times more extensive. It is in this gigantic market IBS successfully delivers integrated Internet solutions to customers, present and future.

Human resources

For a knowledge-intensive company such as IBS, it is important to focus on intellectual capital, i.e. both human resources in the form of employees and structural capital in the form of software, office networks, processes and methodology. Over the past year, we have further invested in competence development through our education centre, IBS University. We have also carried out a Human Resource Survey at Group level. The results show that IBS is considered to be a good employer and that the work environment is characterised by co-operation and great confidence in the company.

We have further developed and improved our internal processes and methodology to enhance quality and internal efficiency.

Environment policies

IBS has undertaken to actively further environmental issues. Environmental concerns are an important factor when developing new products. Our internal global communication network contributes to less travel, reduced shipping and lower paper consumption. We also contribute to our customers' environmental commitments in that our software supports environmentally friendly routines and workflow.

Ownership

It is satisfying to note that more private investors have invested in the IBS share over the year. Larger institutional investors include 6:e AP-fonden, Handelsbanken fonder and SEB fonder. During the year, Roburs Miljöfond and SPP have been added to the list. At the end of the year, we had some 11,000 shareholders, a 23% increase. During the year the IBS share price rose by 45%.

The future

After weaker demand for business systems as experienced during 1999, there are now strong signs that the market is picking up. However, the decision-

making process for investing in business systems is long. We therefore do not expect to be able to take advantage of this market potential, generated by pent-up need for replacing obsolete systems, until the second half of 2000.

During 2000, we are going to actively exploit IBS' modern and competitive product range and our extensive global coverage. We expect the Group to meet the set profit target, but due to a slow start to the year, we will probably fall slightly short of the 35% growth target. I do not expect to see the market turn properly until the summer, which would imply a slower market development during the first quarter and a more powerful development during the second half of the year.

Finally, I would like to express the Board's and my own gratitude to all IBS staff for their good work during 1999, and to extend a special welcome to the more than 700 new colleagues who joined the Group over the last year.

Staffan Ahlberg
Managing Director





Global business solutions for worldwide operations

IBS is a global supplier of software, services and IT equipment. Through our global network of subsidiaries and business partners, we successfully deliver complete information systems for worldwide operations as well as local businesses. The multi-language, multi-currency and multi-company functionality that is an intrinsic part of our software, is also part of the recipe for success on an international scale. So are our world-leading e-business solutions, which enable business transactions 24 hours a day, worldwide.

The longstanding partnership between IBS and IBM worldwide is another factor ensuring that IBS' international customers benefit from state-of-the-art systems that are robust and reliable, with the added benefit of low cost of ownership.

IBS has subsidiaries in twenty countries and business partners in further twelve. This global network ensures problem-free worldwide installations and local support for IBS' international customers.

Entering new markets

IBS intends to continue the geographical expansion. At all times there are ongoing discussions with potential business partners. At the same time, established business partners are being integrated with IBS operations. In this process, we focus on securing a high level of competence. We thereby bring to our customers the benefits of efficient local marketing and sales organisations, powered by the experience from our international operations.

Competence Centres

To broaden competence and facilitate the flow of information throughout our network, IBS has a number of Competence Centres. At the present time they are based in Malaysia, Colombia, Portugal, and in Sweden. Through these Competence Centres, we develop a greater understanding of local business traditions, which ensures that our customers are getting the best possible service suited to the market they are acting in. The Competence Centres also supply local resources for education and training.

International sales



The International Sales Division has an international background and a thorough knowledge of IBS offerings, with a focus on meeting international companies' demands for new supply chain systems.

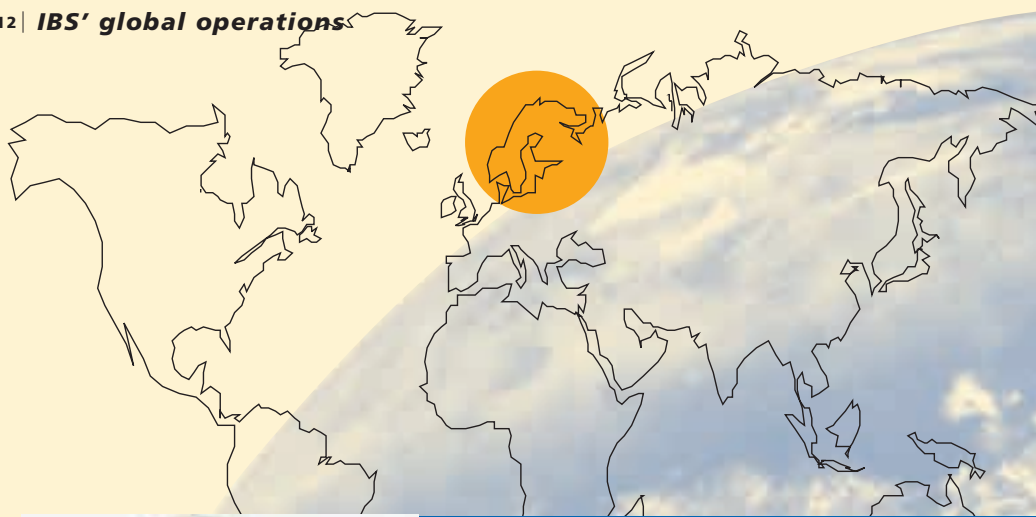
The international sales process is often very intense. Different organisations from various countries and cultural backgrounds are involved. Customer decisions are taken at high level and rigorous demands are made on the IBS sales team. The whole IBS network needs to present a coordinated solution, serving the overall goal of the customer organisation. We have a well-established set of rules governing how the international organisation co-operates in major sales. The sharing of revenue and setting-up of joint project organisations are well defined and the processes have been refined during the years, enabling us to meet exacting customer requirements.

Our business partners

In establishing a new partnership, IBS focuses on training and developing the business partner, following an agreed three-year plan. The aim of this process is for the business partner to independently handle sales and implementation of ASW, while providing the appropriate services and hardware to complete the installation.

As the business partner becomes successful in the local market, closer ties are established. Many major IBS units started out as business partners, like the IBS units in Portugal, Germany, and Poland. In early 2000, Hostettler Informatik in Switzerland became the latest partner to join the IBS Group.

Sweden, Denmark, Finland, Norway	12
UK, Belgium, Poland, Germany, Netherlands	14
France, Portugal, Italy, Spain	16
USA, Colombia, Brazil, Malaysia, Singapore, Australia	18



Peter Hörwing,
MD IBS Sweden

Revenue (MSEK)	498	-8%
No. of employees 31/12	377	+4%
Revenue/employee	1,310	-9%
IBS ownership	100%	

Sweden

In Sweden we have two successful business areas. IBS Sweden, the largest unit in the IBS Group, focuses on ASW and Area Technology on tailor-made systems. To meet the demand for advanced and integrated e-business solutions, IBS NetCommerce has been launched. Significant growth is expected in this field.

- IBS Sweden has received major orders from e.g. Volvo Construction Equipment with a global support contract, and Plannja AB for installing the complete range of ASW4.
- ASW4 has been successfully launched on the Swedish market, generating several new orders.
- There has been considerable demand for customer-unique e-business solutions for e.g. real estate, car sales, laboratories and quality control systems.
- Customer-unique software development for e.g. Volvo, SKF, the OM Group and Skandia.
- IBS Sweden has been certified as an IBM "Centre of excellence" partner, with distinction.



Kjell Sandström,
MD Area Technology

Revenue (MSEK)	199	+2%
No. of employees 31/12	179	+15%
Revenue/employee	1,206	-7%
IBS ownership	100%	

Denmark

In its market segments, IBS Denmark is now the largest IT solution provider. The synergies of the May acquisition of DAC Data, including 100 highly skilled employees in the fields of financials, logistics, payroll and Lotus Notes, are evident in the very promising pipeline for licence sales.

- The focus on the automotive industry has resulted in 14 new customers in the auto-dealer segment and one large distributor – Hoyer Autoparts.
- A dedicated group has been set up to specially target e-business and Lotus Notes solutions.
- In 1999, IBS Denmark was one of the first Danish IBM partners to be certified as "Centre of Excellence", and the first Nordic partner to receive certification with distinction.



Allan Rotheisen, MD

Revenue (MSEK)	182	+70%
No. of employees 31/12	185	+147%
Revenue/employee	1,247	-21%
IBS ownership	100%	

Finland

IBS Finland is well-positioned to meet the demands of the advanced Finnish IT market. With the acquisition of Progma Oy, IBS is in the process of penetrating the outsourcing and ASP market, which is expected to rise by some 20% over the next year. The newly-established IBS Consulting unit also targets the growing demand for business systems.

- Major customer deals include payroll systems for Volvo, a manufacturing solution for Berendsen, ASW Distribution and ASW Financials for Hahle and a supply chain system for Aspokem.
- The demand for integrated business software is generating high volumes for workflow applications as well as e-business and Internet solutions.
- IBS Finland's very successful Rainbow software for a Lotus environment has now been integrated with the standard ASW offering.



Kari Merenheimo, MD

Revenue (MSEK)	136	+26%
No. of employees 31/12	156	+30%
Revenue/employee	1,005	+4%
IBS ownership	100%	



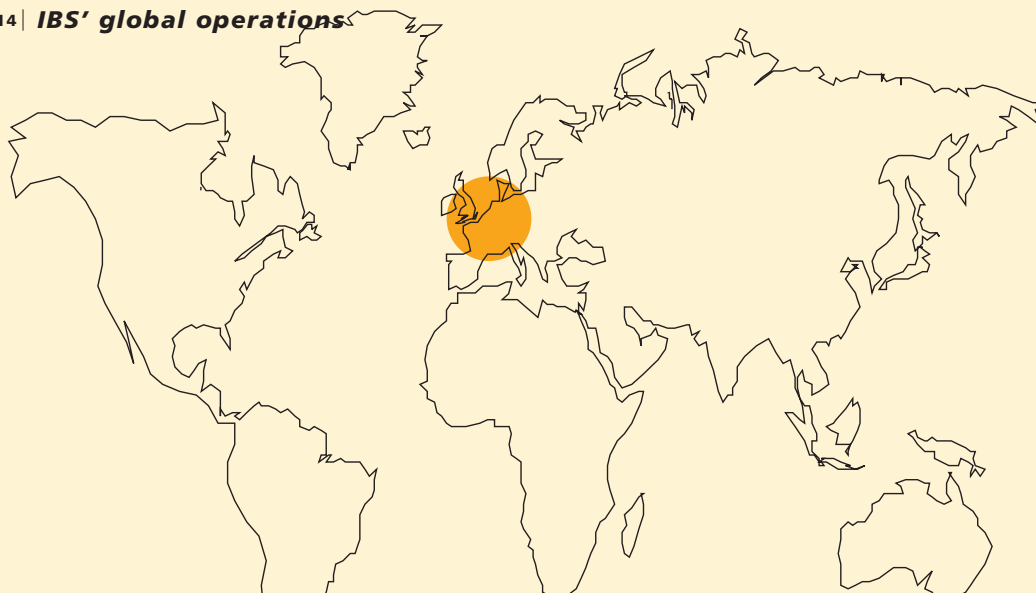
Georg Just, MD

Revenue (MSEK)	45	0%
No. of employees 31/12	36	+9%
Revenue/employee	1,275	-6%
IBS ownership	100%	

Norway

IBS Norway focuses on e-business and supply chain solutions for midsize to large wholesale and distribution companies, especially those handling high-volume products and large transaction volumes.

- A large ASW deal was signed with W. Giertsen A/S, one of Norway's largest marine store dealers to the merchant, cruise and offshore fleets.
- e-business has been in focus during 1999. Together with IBM, IBS Norway arranged a very successful seminar presenting the e-business module, ASW Internet Connection.



UK

Despite limited demand for new software globally, IBS UK topped IBS Group sales, adding such names as Maxell Tapes, CK Tools and Minit to the customer base. In all, 1999 brought home some 30 major contracts. During the year, major investments have been made in marketing and sales, training and skill-building, software development and new premises.

- With the new offices in Borehamwood, which have extensive facilities for product demos and training, the deepened relationship with IBM, and a very successful ASW4 launch, IBS is set to break new ground and exploit the growing market potential.
- IBS Public Services strengthened its position in the Revenue and Housing Software markets and is now among the top three vendors in these business sectors.



Kieron Walker
MD, IBS Ltd.



Malcolm Carter
MD, IBS Public Services Ltd.

Revenue (MSEK)	165	+9%
No. of employees 31/12	146	+8%
Revenue/employee	1,130	-8%
IBS ownership	100%	

Belgium

1999 was one of the most successful years ever for IBS Belgium, despite the tough market situation. On 21 October, IBS Belgium celebrated its 15th anniversary together with customers and the press. This was combined with a successful launch of ASW4.

- Major customer deals include Huyghebaert, a major wholesale and distribution company with 700 independent outlets. AviaPartner chose ASW Financials to support operations in four European countries. Atlas Copco relies on IBS Belgium for outsourcing their pan-European CRM applications and Havelange placed a very important order for AS/400 hardware and related services.
- During the year, the first project based on Lotus Notes Release 5 went live. This was the first step in the strategy to target development of system management and networking services, with a focus on e-business.
- In the wake of Belgian expansion, IBS organised a "Job Happening" to recruit juniors for different career opportunities with IBS.



Jos Vanhoutte, MD, (second from the right) and his management team

Revenue (MSEK)	314	+10%
No. of employees 31/12	209	+10%
Revenue/employee	1,572	-14%
IBS ownership	100%	

Poland

Over the last few years, IBS Poland has been one of the fastest growing Polish IT companies. In 1999, the company maintained a yearly growth rate in terms of turnover of almost 100%. Successful sales of ASW to Polish branches of foreign companies have boosted results. IBS Poland achieved early e-business success due to innovative software solutions and beneficial IBM cooperation.

- Apart from the Internet sales solution for MCC Car, an exclusive Mitsubishi dealer, contracts have been signed with among others AutoArt, a major spare parts wholesaler, and Pharmag, a leading pharmaceuticals wholesaler.
- Cooperation with Internet providers Taide Polska and Internet Designer, advertising and direct mail campaigns have further boosted e-business success.
- Continued IBS cooperation with Polish logistics competence centres, such as the Institute of Logistics and Warehousing, universities and other knowledge centres.



Regina Bisikiewicz, MD

Andrzej Krupa
VP Marketing
and Sales

Revenue (MSEK)	29	+93%
No. of employees 31/12	53	+33%
Revenue/employee	611	+36%
IBS ownership	75%	



Andre Grigjanis, MD

Revenue (MSEK)	42	+14%
No. of employees 31/12	28	+27%
Revenue/employee	1,619	+4%
IBS ownership	75%	

Germany

IBS Germany has a successful focus on international customers, with a special interest in pharmaceuticals, chemicals and electronics companies. IBS Germany's customers include CIBA Vision with ASW installations in 11 countries, Galenica in Switzerland, Miele and Nintendo.

- A centre of competence for supply chain execution targeting the pharmaceutical and chemical industries has been established by IBS Germany.
- e-business projects have been started for all major customers.
- The GUCCI project includes a central AS/400 in Switzerland for ASW users in France, Italy and Germany.
- IBS' extensive marketing campaigns in 1999 are expected to generate an increased demand for IBS software and services in 2000, with a focus on SCM, CRM and e-business solutions.
- Main niche areas are pharmaceutical, chemical and technical wholesalers, as well as pre-wholesale companies running logistics and distribution for manufacturing companies.

Netherlands

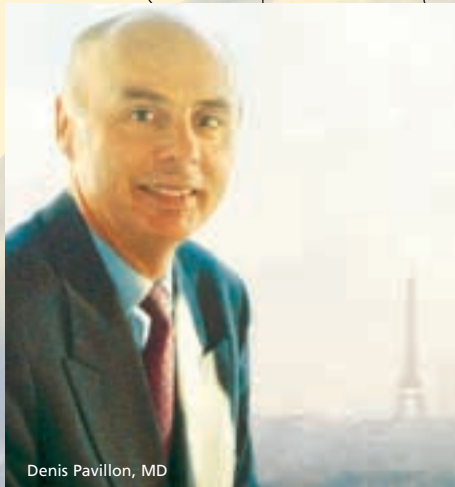
IBS Consist is one of the largest business system suppliers in the Netherlands, and a major player in the Dutch financial and Human Resource markets. For IBS Consist, 1999 was the year of ASW introduction in the Netherlands.

- 'Knowledgenet', an e-business solution for sharing product know-how among consultants, was implemented, as was the Extranet, specially developed for customers and with more than 300 subscriptions already.
- For a Dutch university project, IBS Consist's financial product has been Internet-enabled.
- Global implementation deals for financials software include DSM Engineering in the Netherlands, Germany, France and the UK, and DKV insurances in the Netherlands, Norway, Germany, Belgium and Luxembourg.
- A major deal has been signed with HAGO, one of the largest Dutch cleaning services company.



Jan Oord, MD, and Harrie Gooskens, Director

Revenue (MSEK)	232	+90%
No. of employees 31/12	187	+4%
Revenue/employee	1,320	+3%
IBS ownership	100%	



Denis Pavillon, MD

Revenue (MSEK)	307	+24%
No. of employees 31/12	223	+20%
Revenue/employee	1,503	-5%
IBS ownership	89%	

France

All the French IBS units focus on Internet-based marketing and sales operations software, offering e-business solutions. IBS France has a particularly strong consultancy organisation, showing excellent performance through all of 1999.

- Major 1999 deals include ASW Financials and ASW Distribution for Cartier's foreign subsidiaries, a new supply chain management system for 15 Moulinex plants and financials software for the prestigious American Hospital in Paris.
- Growing demand is being met by an intensive recruitment program. Consultants and e-business specialists are the main target group.
- Significant growth for e-business solutions and software targeting euro handling is expected to further increase volumes and results for 2000.

Portugal

IBS Portugal is the leading software company on the Iberian peninsula, with both full business operations and a very successful Competence Centre.

- Major customer deals have been signed with among others Taylor Fonseca, Fujifilm, ANODIL and Mitsubishi Motors.
- 1999 has been characterised by several IBM and Lotus ventures, including product development based on Java and Lotus Notes, and the IBS/IBM campaign, Espresso 2000.
- IBS Portugal has been heavily engaged in IBS' South American operations, resulting in the acquisition of the new Brazilian subsidiary.
- The IBS Trans-Atlantic operations have led to a special competence in the field of global business support to medium and large companies, including e-business ventures.

Richard Marques
MD, IBS PortugalLuís Costa
MD, Competence Centre

- IBS Portugal is the sole sponsor of the first MBA program in Logistics and Distribution at three universities.

Revenue (MSEK)	108	+46%
No. of employees 31/12	134	+13%
Revenue/employee	802	+23%
IBS ownership	88%	

Italy

Italy is one of the largest potential markets in Europe for IBS' ASW software and services. The new IBS subsidiary is based in Milan, and is well-set to exploit this large market.

- ASW4 is now on the Italian market, with a focus on business to business and wholesale distribution companies.
- Concentrated efforts are being put into creating an IBS Italia business partner network, for speedy market penetration.
- Cooperation with IBM regarding fairs and exhibitions, as well as financing solutions and use of IBM sales channels have generated market awareness for IBS systems.



The new IBS Italy team

Paolo Biffi, MD from
1 March 2000

Revenue (MSEK)	n/a	-
No. of employees 31/12	2	-
Revenue/employee	n/a	-
IBS ownership/established	99%	Oct. 99

Spain

1999 activities have positioned IBS Spain to fully exploit market potential. With the creation of a full marketing department, the company expects to expand its operations considerably over the next year.

- IBS Spain includes Ambar Spain, AVS, Cartier and Mannesmann Rexroth among its customers.
- The IBS/IBM marketing cooperation, combined with direct marketing and advertising in the field of e-business, has further broadened the market for IBS software. The prospects for 2000 are very promising.
- The Spanish software company GTM, with headquarters in Barcelona, was acquired during 1999.



The IBS Spain team

José Mosquera, MD
GTM Consultores

Revenue (MSEK)	10	-
No. of employees 31/12	32	-
Revenue/employee	557	-
IBS ownership/acquired	75%	July 99

USA

In 1999, IBS US expanded its national sales force and is now represented in 9 US cities. The US market as a whole experienced considerable difficulties, due to the millennium issue, influencing both revenue and results for IBS US. However, with the new release out on the market, the company is in a very good position to meet the forecast growth in demand.

- Bergen Brunswig, a USD 17bn wholesale distributor of pharmaceutical and medical supplies, launched their Internet Fulfillment Center, using the power of IBS solutions.
- Reliable Parts, with 21 distribution centres in Canada and the US, chose ASW Analyser, Inventory Management and Internet Connection solutions, finding them to be superior to other software available on the market.
- With a large international participation, IBS was centre-stage at IBM's first Global Supply Chain Executive Conference.
- IBS US will further capitalise on its position as a leading supply chain execution vendor, by targeting e.g. subsidiaries of foreign manufacturers operating in the US, as well as expanding relationships with other technology companies for complementary products and services.



Barry Christian, MD

Revenue (MSEK)	200	-2%
No. of employees 31/12	202	+21%
Revenue/employee	1,003	-33%
IBS ownership	100%	

Marta Cecilia Pardo,
MDMats Lindberg,
Sales Manager

Revenue (MSEK)	3	-
No. of employees 31/12	18	-
Revenue/employee	352	-
IBS ownership/acquired	90%	Aug. 99

Colombia

IBS Colombia, a newly-acquired former business partner, focuses on providing business systems and support to medium and large companies in the region.

- Integrales S.A. acquired licences for ASW's financials, distribution and business intelligence modules, an installation which was completed within five months, covering five cities.
- With a focus on e-business and complete ASW solutions, IBS Colombia has a special niche in customer education courses and other professional services.
- For 2000, Customer Relations Management has been identified as an area of major growth potential in the region.
- The aim is to increase business in Mexico, Argentina and Chile, as well as the Andean market covering Venezuela, Ecuador and Peru.

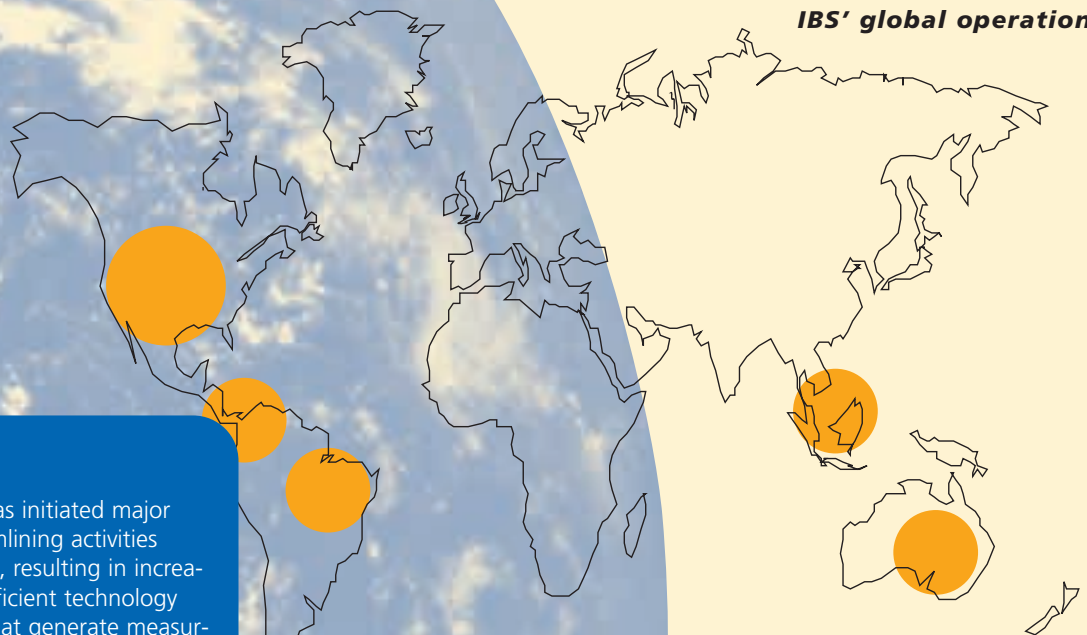
Brazil

IBS Brazil, acquired early 1999, has a special focus on automotive suppliers, for which market segment an important seminar and campaign was organised.

- Major customers include Cartier, Seeger Reno, Moeller and the Rhea Group.
- Software for Customer Relations Management and Business Intelligence is expected to generate profits in the South American market, and are prioritised areas of growth for IBS Brazil.

Alberto Milheiro, MD,
and his team

Revenue (MSEK)	1	-
No. of employees 31/12	11	-
Revenue/employee	214	-
IBS ownership/acquired	100%	Jan. 99



Malaysia

Asia's economic crisis has initiated major restructuring and streamlining activities within Asian companies, resulting in increased demand for cost-efficient technology and business systems that generate measurable profit improvement. IBS Malaysia is well-positioned to meet such demand.

- "e-business or no business" has been the 1999 theme for advertising, conferences and exhibitions. The Kuala Lumpur ASW4 launch show-cased e-capabilities as one of four key elements that make ASW a world-leading supply chain software.
- IBS Malaysia has donated ASW to and signed a collaboration agreement with Malaysia's Multimedia University, to further increase IBS' commitment to increasing ASW-related skills.
- Major 1999 customers include Perak Hanjoong Simen, and Mimos Smart Computing.

Revenue (MSEK)	15	+25%
No. of employees 31/12	14	+27%
Revenue/employee	1,399	-59%
IBS ownership	100%	



Willi Kramheller, MD

Singapore

The new IBS unit was established right at the end of 1999. With a direct presence in Singapore, a key Asian market, IBS is set to successfully continue exploiting growth potential in the Asia Pacific region.

- IBM and Vanda Professional Services are key partners for penetrating this market.
- Customers acquired through Vanda during 1999 include Brother International, Seco Tools and Farnell Components.

Revenue (MSEK)	n/a
No. of employees 31/12	2
Revenue/employee	n/a
IBS ownership/established	100% Dec. 99

Australia

IBS Australia has successfully exploited the autumn start-up to create market awareness. Two notable 1999 deals involve nationally well-known companies. The largest of them will install ASW at 43 sites nation-wide. When these installations go live, some 1,000 users will sign on to ASW on a daily basis.

- The introduction of a new national VAT system opens up market opportunity for IBS.
- IBM support in the form of equipment and specialists has been a boost to the new operations. 2000 will bring further cooperation, including an ambitious presence at IBM events.
- During the initial growth phase, IBS Australia will focus on marketing, sales and pre-sales.
- Apart from IBM, IBS Australia has a major partner in Melbourne-based IBS Solutions, with some 30 employees.



Christer Jönsson, MD

Revenue (MSEK)	n/a	-
No. of employees 31/12	1	-
Revenue/employee	n/a	-
IBS ownership/established	100%	Dec. 99

World Leading Distribution and Supply Chain Software

IBS provides integrated solutions for distribution and supply chain management. They cover all major processes within a company, including e-business, purchasing, sales, customer-focused distribution, customer service and demand-driven manufacturing, as well as financials and business intelligence. IBS' ASW software is specifically designed for rapid implementation, large transaction volumes, a high degree of reliability, and low overall cost of ownership. AMR, a leading market analysis institute, ranks IBS as the world's largest provider of supply chain execution software.



Software for demanding customers

IBS software is continuously developed to encompass the most demanding customer requirements. Investments are made to provide functional innovations in areas such as e-business, distribution, warehousing, inventory management, customer relations management and business analysis. Our systems are focused on providing what our customers' customers need, thereby ensuring our customers' return on their investments. The systems are reliable, with an extremely high level of security.

Our solutions are internationally proven, with installations in some 40 countries around the world.

ASW Release 4

The 1999 launch of IBS' business software, ASW Release 4, brought large-scale market attention to IBS software concepts. The new software has been well-received in the different markets around the world, and has also won international market analyst acclaim.

The applications for Internet-based commerce, business analysis, customer relations management and supply chain execution, including demand-driven manufacturing functionality, are reported to be generating interest in all the IBS countries, and the pipeline for sales 2000 is looking very healthy. The Lotus-based Rainbow suite further enhances ASW's e-business profile and completes the CRM functionality.

ASW4

The technology transition

ASW will continue to be developed for many years to come, and will be taken stepwise into the next generation of object-oriented technology. This transition has already started, as several ASW features are already developed in object technology. IBS customers can reap the benefits of new functionality as well as new technology, and at a pace that suits their own needs. In this way, IBS customers' investments are well-protected.

The next generation of IBS software, developed in the so-called California project, will run on multiple platforms, based on the new IBM WebSphere™ technology, of which the San Francisco business objects that IBS developed together with IBM are a vital part.

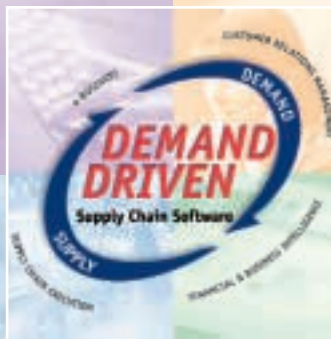
e-business

To fully exploit the potential offered by Internet and the new electronic markets, business systems need to be integrated with e-business applications. IBS' ASW software is fully web-enabled and Internet-integrated, which means that it is ready for e-business right from the start. It's especially suitable for business to business, as it is able to handle extremely high transaction volumes. This is a major advantage, which has contributed to IBS' market-leading position.

Customer Relations Management

IBS' software focuses on customer performance and customer-oriented added-value services. This unique structure offers all the functionality needed for customer-driven sales processes, and brings competitive advantages such as an optimal balance between inventory levels and customer service, as well as truly satisfied customers.

IBS' CRM applications enable companies to offer their customers a win-win partnership. The flexible sales routines and customer-unique sales concepts are a major advantage, as the sales force can adjust their activities to suit the individual customer as well as their own way of doing business.



Supply Chain Execution

IBS' software is geared to support current moves in supply chain management, such as warehouse centralisation, single sourcing, manufacturing and local assembly or mix/match distribution requirements planning. The focus is on getting the job done, liberating resources for forceful selling and lean structures, while maintaining the highest level of customer service.

The S³ concept – sell, source, ship – is powered by the back-to-back concept, whereby purchase or production orders can be automatically created from and connected to a sales order. Thus, business really becomes demand-driven.

Business Intelligence & Financials

In-depth business analysis, from the warehouse shelf right up to the boardroom, is key to success. IBS software for business analysis and financial control gives you a precise picture of your most profitable customers and products, combined with statistics regarding sales, inventory turnover, cash flow, or any other key figure that is important to you. The information is always available online, right up to the latest transaction. This is what gives IBS software a head start over traditional data warehousing. This is what enables companies to have their operations act on the same figures, maximising profits and customer service, minimising costs and inventory.

ASW – web-integrated business solutions

ASW is a world-leading business software for distribution and supply chain management. All functions are integrated, from the operations side straight through financials, including business analysis tools. But integration does not stop there. The whole business system as such is also fully integrated with the Internet connections, which gives ASW a market-leading position in the rapidly expanding electronic market for business to business.



Supply chain management includes handling the flow of goods and information in such a way that customers are given better service, lead times are shortened, and less capital is tied up, thereby releasing resources for more profitable activities. ASW's range of fully integrated functions serves this precise purpose. ASW is specifically designed and developed to serve distribution and manufacturing companies with software that puts them in control of the supply chain.

Easy to configure, modify and implement

From the broad range of fully integrated ASW functionality, IBS customers can choose the elements that suit their particular demands. Functions of interest are activated, others can be left inactive for future use. This ease of configuration ensures fast and successful implementation, and quickly enables business operations to function at an optimum level.

Should any company have requirements of a very specific nature, ASW is easily modified to suit business practices. Such modifications will still be integrated with the standard ASW software, because of the system's well-structured design.

IBS has among the highest customer satisfaction ratings in the industry. Two main reasons for the high ratings are IBS' focus on the chosen target markets, and ASW's market-leading design.

World class performance

This is some of what the IBS system has to offer:

- ✓ B2B Internet trading
- ✓ Supply chain integration and EDI
- ✓ Customer relations management
- ✓ Sales forecast and analysis
- ✓ Sales order processing
- ✓ Sell-source-ship
- ✓ Customer/product net profitability
- ✓ Service and repair management
- ✓ Spare parts handling
- ✓ Telesales management
- ✓ Incident management
- ✓ Warehouse management
- ✓ Radio frequency and bar coding
- ✓ Inventory control
- ✓ Distribution requirements planning (DRP)
- ✓ Cross-company ordering & product availability
- ✓ Purchase order processing
- ✓ Efficient consumer response (ECR)
- ✓ Vendor managed inventory (VMI)
- ✓ Advanced forecasting & replenishment
- ✓ Value-added assembly and production
- ✓ Customer service and warranty
- ✓ Hotline post sales support
- ✓ Business intelligence and financials
- ✓ Euro currency
- ✓ Java User Interface
- ✓ Multi-currency handling
- ✓ Multi-language handling
- ✓ Lotus Notes connections

Compose your own system, selecting the components that suit your company's specific needs and processes

Financials Best-of-breed solution for efficient accounting and financial management, tuned to euro handling. Powerful reporting and analysis tools. Cash and risk management facilities.

Asset Control A flexible, accurate and simple method for managing company assets, both on a financial and on a physical level.

Cash Book Functionality supporting the control of bank accounts in the general ledger, and the reconciliation of bank statements.

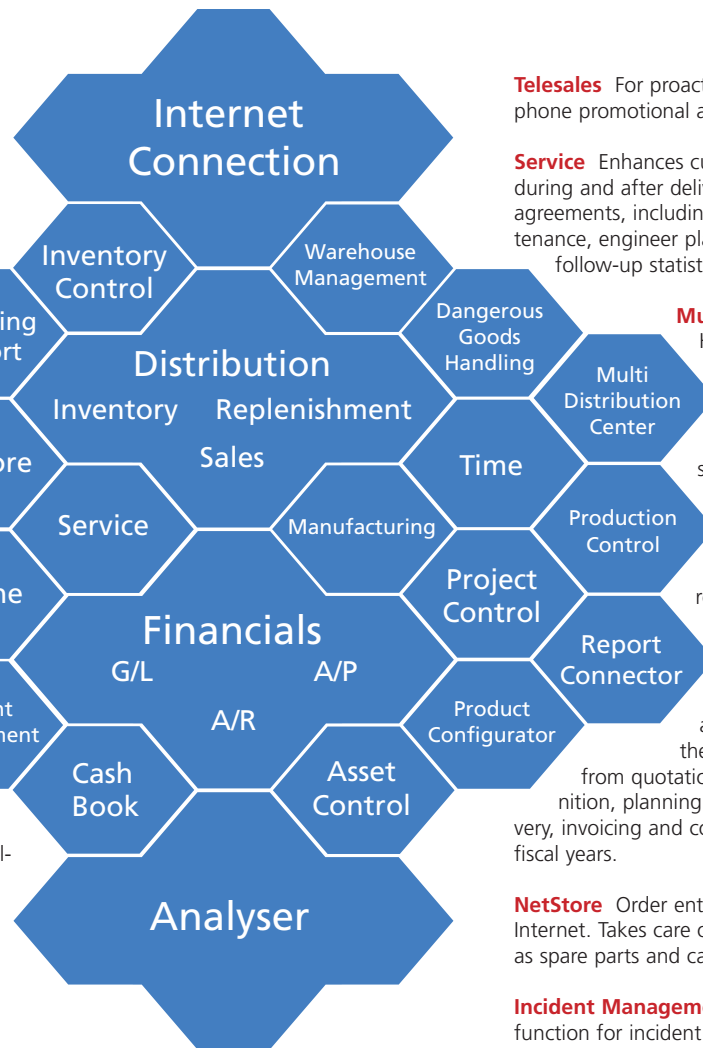
Analyser An advanced tool for every-day analysis of operational information as well as strategic board-room decision-making. Geared towards sales, logistics and financials with advanced profitability analysis. Enables a real-time information flow throughout the company. Awarded prizes for state-of-the-art development.

Internet Connection An award-winning application for effective marketing, selling and distribution of products on the Internet. User-friendly tools enable easy implementation, design and going live within only a few days.

Distribution Covers sales, logistics and customer service. Designed to facilitate measurable improvements in lead times, stock reduction and distribution. Includes a Notes connection for effective document management and simplification of purchasing routines.

Hotline A tool to track and monitor customer incidents and resolve them quickly and efficiently.

Inventory Control Best-of-breed solution for powerful inventory control. Includes advanced simulation facilities, for example regarding service levels vs. tied-up capital for various product categories. Inventory segmentation facilities.



Telesales For proactive and forceful telephone promotional and sales campaigns.

Service Enhances customer service before, during and after delivery. Covers service agreements, including preventive maintenance, engineer planning and advanced follow-up statistics.

Multi Distribution Centre Handles the ownership and product flow between different legal entities of supplying units and sales companies.

Dangerous Goods Handling Supports the handling of dangerous goods.

Project Control Handles unique projects, enabling support and control throughout the life cycle of the project, from quotation, through project definition, planning and production, to delivery, invoicing and cost control over several fiscal years.

NetStore Order entry functionality over the Internet. Takes care of dedicated tasks such as spare parts and catalogue handling.

Incident Management A call centre function for incident handling. Includes follow-up of cost per customer and claims handling.

Marketing Support Customer and prospect database for marketing and campaign planning, contact management and follow-up.

Sales Support Tool for supporting sales force activities targeting specific customers and customer groups.

Purchase Support Handles the purchase requisition workflow, including creation, approval and follow-up.

Report Connector For efficient distribution of AS/400 reports via Lotus Notes.

Manufacturing A full-scale demand-driven manufacturing solution supporting modern processes and lean production methods.

Production Control A simple solution for less complex requirements regarding assembly-type production.

Time Tool for following up time transactions in production and service flows.

Product Configurator A flexible environment for creating customised products. Includes validation and cost price calculation.

Warehouse Management Controls and optimises physical stock and stock movements within a warehouse. Includes bar-coding and radio frequency communication.

Services with a difference

When you choose IBS as your IT partner, you never have to try and work out whom to turn to with questions or requests. We can serve you with the complete solution. Software, services and hardware. We see to it that they work well together. We have our own teams implementing our own software and we support the whole system. This is a major benefit for all our customers, both in terms of time and money. This is one of the reasons we get our high customer satisfaction ratings.



Our services include:

- Business process analysis
- Internet strategy and design
- Project management
- Pre-sales analysis
- Modifications
- Training
- After-sales services
- Bespoke development
- Outsourcing/ASP



Sometimes, there is a need for one-off solutions, where it would be considered too complicated, or even inefficient, to adapt the standard software. Such tailor-made systems are normally handled by our consulting units. IBS business consultants specialise in identifying requirements and processes and translating them into detailed systems that fulfil the needs expressed by the customer. They can then set about constructing such a system, while providing all the services needed to have the customer's business operations

functioning at an optimum level.

It is not unusual for such a tailor-made system to include standard ASW modules, for example ASW Financials, which is a best-of-breed application that works equally well on its own or with third party systems, as it does with the rest of the ASW portfolio.

Customers come from a wide variety of industries and backgrounds. As with ASW customers, they have realised the advantages of engaging a software supplier that can also provide the hardware and services needed to have a complete system up and running.

All over the world, our business model, whereby services and software sales complement each other, has brought profitability and stability to IBS operations. At the same time, customers are being served with reliable systems and services ensuring that they get the best possible return on their investment.



Anna Tham, Services Manager, IBS Nord AB.

The company, with some 150 employees whereof some 100 are consultants, markets and implements ASW for current and new customers in the Swedish market.

” One call, that’s all

1999 was a very good year for our professional services. We are proud to say that it wasn’t due to IBS customers suffering millennium worries. Our systems have been Y2K compliant for years. Instead, customers turned to us for support in planning the next step in their IT strategy. For some it was new releases or upgrades. Others are considering completely new systems. The thing the projects have in common is that they are profitable, because we deliver on time, at the right price, with the power of ASW to propel innovative solutions.

In Sweden, we have a somewhat broader target market than IBS in general. Customers include major food distributors, banks and insurance companies. The deregulation of the Swedish electricity market has seen an upsurge of distributors, apart from the old producers. IBS Sweden has delivered solutions targeting their specific needs. We also supply the lumber industry with applications suited to their very special operations. In fact, some 50% of Swedish sawmills use IBS systems.

We have become specialists in adapting and modifying to fit ASW to the customer’s specific requirements, and also interfacing ASW with other systems. Customers also turn to us for market-leading e-business solutions, as we can supply all the web-

related services as well. Because we supply everything from process identification, technical know-how and implementation, to training, project management and pure business consulting, we are truly a one-stop-shop. Our customers only have to make that one call!

We also offer an in-house financing service, which makes the deal simpler for our customers, and an outsourcing service, whereby we can take responsibility for the running of customer systems.

IBS systems run on the AS/400, because we think our world-leading software deserves the best possible server. We who work at IBS Sweden are proud of the fact that we provide some of the best AS/400 technicians available today. We even provide teachers and instructors for a large number of IBM’s educational and training events for the AS/400. We can also offer highly skilled and experienced PC technicians, as well as network and firewall experts.

We are pleased to see how the balance of software sales and professional services powered the company through what has been a tough year for many of our competitors. Looking forward, we are confident that IBS’ professional services and consulting will continue to generate profits and satisfied customers.



World-leading server solutions

IBS can deliver complete information systems including software, services, servers and network solutions, as well as long-term support. This brings great benefits to customers when it comes to accountability, high service levels, quick implementation, business analysis and low support costs. To be able to guarantee our customers a satisfactory return on their investment, we need to be sure that the IT equipment we provide is reliable and flexible, that it enables scalability and promotes the growth and development of businesses processes. This is why IBM is the preferred supplier of IT equipment for our installations.



ASW, IBS' business software, is specifically designed to run on the market-leading business server, the IBM AS/400. Independent surveys, as well as many years' experience, have shown that the AS/400 is by far the most reliable server on the market, and it is also the world's most sold multi-user computer for mission-critical business applications.

We have chosen the AS/400 platform for our ASW software, as it provides the robust and reliable environment necessary for coping with the very large transaction volumes that ASW can handle. Of all multi-user servers, the AS/400 offers by far the greatest choice of ready-made applications.

The AS/400 is available in many sizes, suitable for anything from a few users to several thousand users. Our AS/400 installations include servers integrated with PCs or web browsers. This allows our customers a wide variety of choices when choosing the most suitable set-up for their particular operations.

Over the last few years, IBM's market share has increased significantly, which means that IBS' target markets are also steadily growing. In addition, IBM can now deliver AS/400s with pre-installed IBS software, straight from their production plants.



A global cooperation

A long and rewarding relationship

The long-standing relationship between IBM and IBS has its roots in IBM's AS/400 server as a platform for IBS solutions, and the reselling of IBM products and services.



In the international arena, IBS is a selected global alliance business partner to IBM. The partnership is based on the leading software solutions IBS has developed for the wholesale distribution industry and on the business concept of being a total solution provider.

In the mutually appreciated cooperation, IBM has a special global team working with IBS in marketing and selling application solutions and IT infrastructure technology. IBS is a leading member of the IBM AS/400 Partners in Development. This program gives IBS the opportunity to be a part of the development of IBM's software releases and new products, in the very early stages of the process.

The cooperation continues, bringing both operational and financial advantages to our customers around the world.



e-business

e-business development

Over the last few years, the AS/400 has strengthened its position as a powerful high-security server. Especially in the fields of Internet and e-business, the latest generation of the AS/400 has taken on a new and prominent role. At the same time, IBS' pioneering e-business solutions have won market acclaim.

To further e-business development, IBS and IBM/Lotus signed an agreement in late 1999 to jointly go to the market with software products targeting electronic commerce, including the right to resell IBM and Lotus software and middleware around the world.



The Lotus® partnership

IBS is also a Premier International Business Partner to the Lotus® company. IBS' Lotus-based applications offer opportunities in e-business, as well as services and support. This new Rainbow software, with applications for primary customer relations functions such as marketing and sales support, incident handling and a NetStore module for online business transactions, was introduced in conjunction with the ASW4 release, during the third quarter of 1999. The market has already shown great interest in these applications and the range is already expanding.

IBS' Lotus-based product line, ASW Rainbow, has further strengthened ASW's e-business profile, while complementing the features that target multinational companies with global operations.

Some customers about IBS...



"We knew who we wanted as a partner, based on prior experience. The IBS software is also part of our Internet direct to consumer solution portfolio, and we feel very good about what we're doing."

Peter Ruggerello, Vice President, Business Information Solutions, Bergen Brunswig Medical Corporation, a leading North American distributor of medical and surgical equipment.



"Most companies try to write software that is all things to all people. IBS software is targeted to wholesale distribution companies which is exactly what we are. It's a big plus for them that they understand the kind of business we're in."

Robert Webb, Financial Controller, Pioneer, UK.



"Apart from IBS' global network of offices, IBS also has Competence Centres in those parts of the world where the Cartier Group has important interests. This was a major reason for Cartier's choice of IBS."

M^r F. Verger, Chief Information Officer at Cartier.



"The IBS product has such a rich array of features for answering customer service questions.

Without being transferred, our customers can make one telephone call and have access to all the data associated with their account. From current status to product availability to order status to how they are being shipped. All this in one call."

Robert E. Hurst, President, Golden Eagle, a major U.S. distributor of landscaping products.

e-business

customer

customer-focus

supply chain



"We believe that IBS is going in the right direction. We chose IBS in 1995 because they knew their direction at that time already, and followed it without any major deviations. It is one of the reasons why we are happy to have chosen IBS."

Michael Keller, MIS Manager, Nintendo of Europe.



"Implementation of IBS software has enabled Miele's U.S. sales subsidiary to reduce inventory levels by 15 per cent and, at the same time, cope with a 30 per cent sales increase while maintaining a high level of customer service."

Fran Miller, Information Systems Manager, Miele.

"Quite honestly, with all of the recommendations we've made over the past five years, most of them are in the current release of the ASW software. We spoke, IBS listened! IBS and Roland have a very strong partnership. We look to strengthening that partnership even more in the next 5 years."

Chuck Wright, Vice President of Operations, Roland U.S.



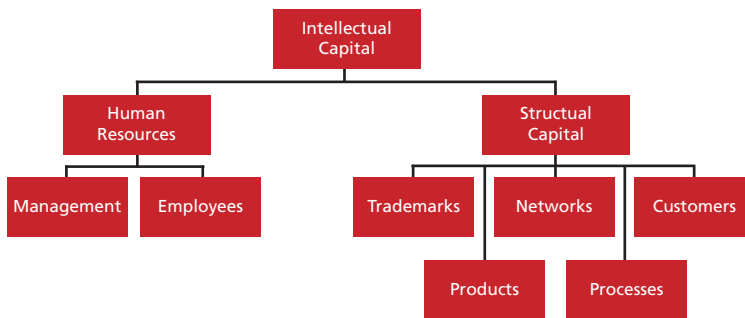
"CIBA Vision use IBS software in 11 companies worldwide, improving customer service by enabling rapid order to delivery timescales for our high volume, high quality lenses and eye care products, from over 20,000 stocked items. We are pleased to have a standard business solution that helps us focus on our customers."

Dean Thomas, Head of IT International, Ciba Vision.



IBS – a global knowledge network

Like most knowledge-intensive companies, IBS is dependent on what is commonly known as the intellectual capital. For IBS, this includes the company name, trademarks, staff competence and skills, staff motivation and problem-solving capabilities, technical competence, the customer base, internal processes, etc. The intellectual capital is usually described as the sum of human resources and structural capital.



Structural capital

IBS' structural capital encompasses our standard software, our global office network, our company name and our trademarks. It also includes our established processes for marketing, sales, administration and project management. The loyalty of our customers and their evaluation of IBS are also part of the structural capital.

Structural capital includes everything that enables our staff to increase their own productivity as well as the company's. Our overall structural capital allows us to take on new staff and quickly make them productive. Local know-how is made available globally. Knowledge is documented and thereby made available to other employees and to our customers.

During 1999, IBS actively worked towards developing various aspects of its structural capital. The most important include further development of our Intranet, continued refinement of our model for project control (ICP), quality assurance of our product development and a stronger process-orientation of our products.

The IBS Intranet

In 1999, substantial efforts have been put into giving IBS employees the means of communicating with each other in a simple, secure, cost-efficient and environmentally sound manner. The IBS Intranet also enables an efficient flow of information within the entire Group.

Project control through ICP

ICP, the Implementation Control Process, is an important tool enabling us to supply our customers with the right

services at the right time. ICP is subject to continuous development, and in 1999 it has been integrated with our system for project accounting.

Processes in focus

During 1999, we have implemented a major project with the aim of meeting growing customer demand regarding process-oriented business analysis.

This allows us to map and document customer processes, as well as make them more efficient. Process orientation is also an efficient tool for the important analysis routines which are performed in conjunction with the implementation of new business systems.

Quality assurance

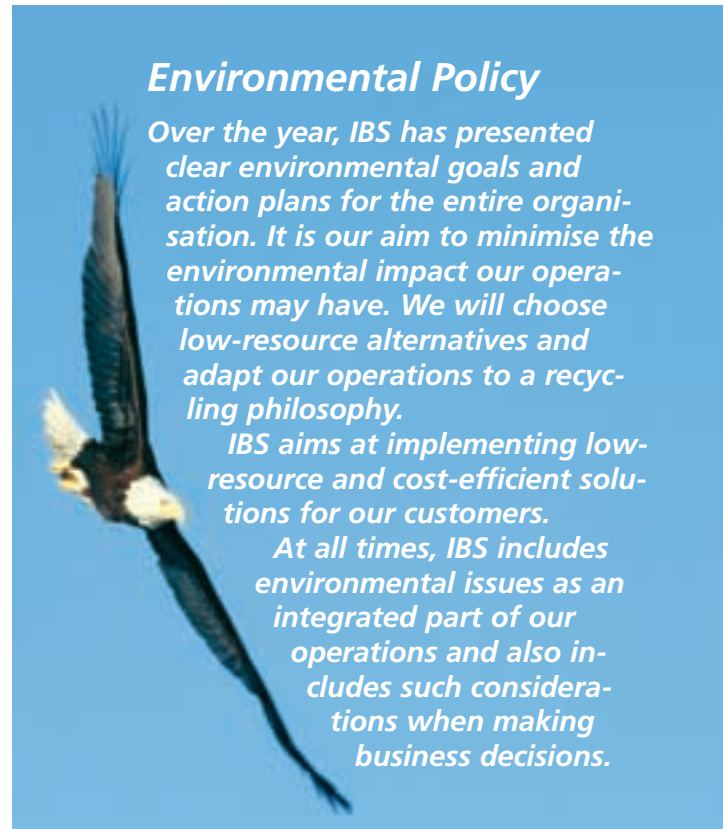
We have a dedicated specialist team, whose single objective is to test and evaluate our products from a quality perspective. This quality assurance process has proved to be very successful, especially concerning the quality of IBS' software ASW Release 4.

Environmental Policy

Over the year, IBS has presented clear environmental goals and action plans for the entire organisation. It is our aim to minimise the environmental impact our operations may have. We will choose low-resource alternatives and adapt our operations to a recycling philosophy.

IBS aims at implementing low-resource and cost-efficient solutions for our customers.

At all times, IBS includes environmental issues as an integrated part of our operations and also includes such considerations when making business decisions.



Human resources

IBS staff policy is characterised by:

- Individual and personal development
- Excellent career and development opportunities, both nationally and internationally
- Respect and trust in each individual staff member
- Cooperation and fellowship.

Important components in IBS' corporate culture are decentralised management teams and local accountability. This organisational model sets high demands on IBS management, both centrally and locally. It encourages individual initiative and offers a high level of freedom. The flat and flexible organisation with a background of centrally set targets leaves room for national adaptations and strengthens the bonds between IBS' local organisations and their customers.

IBS performs staff surveys on an annual basis, to ascertain that our HR targets are fulfilled. It is evident from this survey that the employees have great trust in the company and that the work environment is characterised by fellowship and an intensive pace.

Competence enhancement

Continuous competence enhancement is crucial to knowledge-intensive companies such as IBS. In 1999, we therefore strengthened our training unit, the IBS University. Here, we coordinate and carry out internal product and technical training and various introduction programs. The prime object of the IBS University is to strengthen staff competence and to promote their ability to work efficiently. Individual development requirements are monitored in annual staff development interviews. Each individual staff member, together with his/her superior, has a joint responsibility for the competence enhancement scheme.

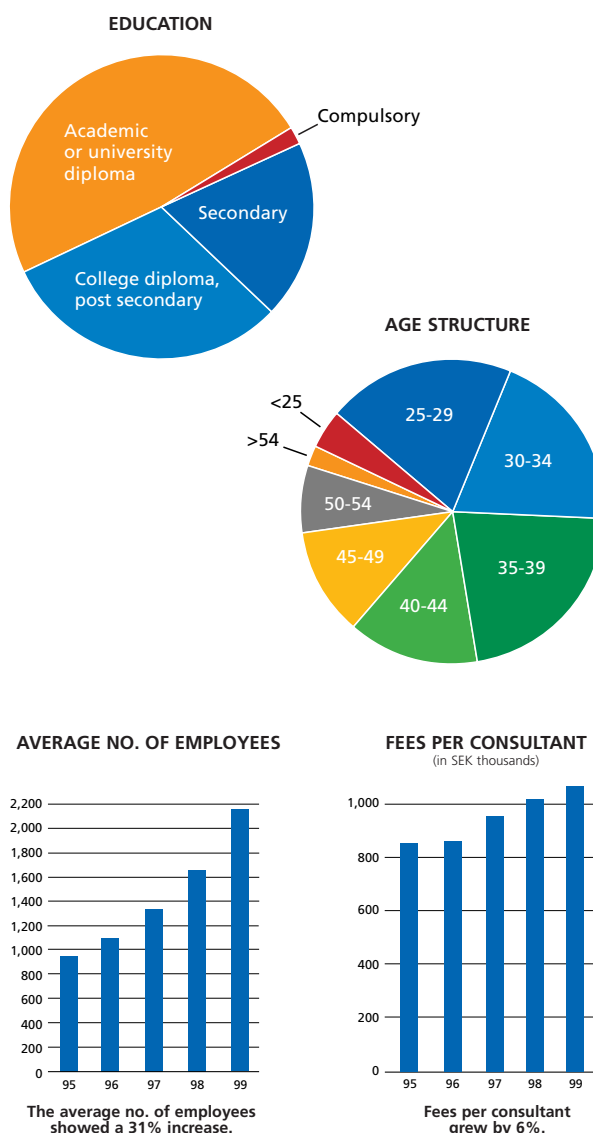
IBS management plays an important role, being responsible for the development of the company. We have invested in management training for a large number of team leaders and managers to ensure continued positive development of the company.

Bonus system

The motivation and dedication of both management and staff are crucial to the Group's overall success. We aim to actively promote activities that create value for our owners, our customers and the company. In addition to profit sharing schemes and performance-based bonuses in combination with set salaries, IBS has also implemented staff warrant schemes.

Number of employees and staff profiles

On 31 December, IBS had 2,340 (1,891) employees, a 24% increase. The number of new employees was approx. 750. The average number of full-time employees increased by 31%, to 2,165. During the year, staff turnover was 12% (15%). Of the total number of employees, 60%, or some 1,400 persons, were business consultants. The average age of the IBS employees is 37, and a majority of our employees have an academic background.



Challenging opportunities and few limitations



Svetlana Nikonorova
Project Manager, Product Development.

Thomas Thöyrä works as a business consultant. Briefly, one can say that he works with enhancing the business processes of our customers, in conjunction with their switch-over to new business systems.

– It is becoming increasingly important for our customers to use standard modules as far as possible. Before, customers tended to adapt the business systems without questioning existing routines.



Nowadays, we try to turn the stones together with the customers, and discuss solutions from an operational perspective.

Svetlana Nikonorova works as a project manager in our product development department with a project called

California. It comprises the development of IBS' next generation of business software. Svetlana compares the development tools and the methodology with the Lego principle. Modules which can be assembled together into a complete business system. The framework used contains components which can be modified, expanded and combined.

Easy to change jobs

Svetlana has a Master of Computer Science degree from Moscow, combined with a 3.5 year computer education in Sweden. Tomas has a M.Sc. degree from the Royal Institute of Technology in Stockholm, with a focus on industrial economy. Both Svetlana



and Tomas were recruited by IBS directly from their studies, Tomas upon finishing his final paper at IBS. Initially,

he received an individual introduction including courses and customer projects.

– Your first task depends a little on education and background, says Tomas. In the end, it is very much up to you – you have a free choice, I would say.

Svetlana applied for a job with R&D as the project seemed exciting. After 1.5 years, she is very glad that she took the chance. She works in an international environment where Swedish and English are equally important. In fact, the most important language for Svetlana is probably Java!



It is easy to switch careers within the IBS Group and job opportunities exist for all spheres of interest, ranging from sales to systems installation, technical configuration and service. IBS is growing internationally, which opens up opportunities for those who wish to pursue an international career.

A variety of career paths

As in most consultant companies, the organisation is flat. The consultants cooperate in teams in various projects.

– Most consultants choose an alternative path, rather than pursuing a traditional career. In my case, it is a matter of increasing my competence. I want to learn more in order to become more professional. This process includes several steps, and you do not stagnate because you have an influence on your own learning process.

– Already after one year with R&D, I have moved forward to a role as a project manager, says Svetlana. It is exciting that we as relatively new employees are invited to participate in large international development projects. At IBS, I am using all my experience, and often, the problems I need to solve are a great challenge.

– Of course, it is possible to pursue a traditional career as well, says Tomas. At present, we are involved in a management training program which strengthens our role as managers. Some consultants choose a career as managers or project leaders. To me, it is important to have an opportunity to develop within the company, being able to learn new things and having a personal influence. IBS offers great opportunities with practically no limitations.

Svetlana concludes by saying that a more exciting job than the one she has, does not exist!



Thomas Thöyrä
Business Consultant.

The IBS Group Management



Björn Bontin, Staffan Wensing, Tomas Bräne, Christina Wågström, Staffan Ahlberg, Magnus Wastenson, Anders Hedbring, Knud Erik Lindbjerg

Björn Bontin
CFO

B.Adm.
Born 1949
Employed since 1984
Shares: 560
Warrants: 11,500

Tomas Bräne
Vice President
Product Development

B.Adm.
Born 1955
Employed since 1990
Shares: 0
Warrants: 10,000

Staffan Ahlberg
CEO

M.Sc. B.Adm.
Born 1944
Founder of the company
Shares: 292,130
(incl. family member holdings)
Warrants: 14,000

Anders Hedbring
Vice President
International Sales

M.Sc. MBA
Born 1943
Employed since 1987
Shares: 0
Warrants: 3,500

Staffan Wensing
Director
Administration
and Alliances

B.Adm.
Born 1965
Employed since 1997
Shares: 600
Warrants: 44,000

Christina Wågström
Director
Investor Relations
Human Resources

B.Adm.
Born 1961
Employed since 1991
Shares: 1,000
Warrants: 9,000

Magnus Wastenson
Vice President
International Marketing

B.Adm.
Born 1948
Employed since 1983
Shares: 0
Warrants: 10,000

Knud Erik Lindbjerg
Vice President

B.Adm.
Born 1947
Employed since 1982
Shares: 0
Warrants: 10,000

The IBS Organisation

Subsidiaries

Australia	Finland	Netherlands	Spain
Belgium	France	Norway	Sweden
Brazil	Germany	Poland	Switzerland
Colombia	Italy	Portugal	UK
Denmark	Malaysia	Singapore	USA

Operational Areas

Sweden
Area Managers:
Peter Hörwing
Kjell Sandström
UK
Area Manager:
Magnus Wastenson

**USA, Germany,
Denmark, Norway and
Switzerland**
Area Manager:
Knud Erik Lindbjerg
Finland
Area Manager:
Staffan Wensing

**France, Portugal, Spain,
Italy, Malaysia,
Singapore, Australia
Brazil, Colombia
and Business Partners**
Area Manager:
Anders Hedbring

Benelux
Area Manager:
Jos Vanhoutte
Poland
Area Manager:
Christina Wågström

Board of Directors and Auditors



Stig Nordfelt, Sigrun Hjelmquist, Kåre Gilstring, Gunnar Rylander, Staffan Ahlberg, Kai Hammerich, Lars V. Kylberg.

Gunnar Rylander, Chairman

Born in 1935
 Founder of IBS 1978
 MD of Catella Holding
 Member of the Generics Group plc (UK)
 Shares: 438,400

Sigrun Hjelmquist

Born in 1956, Director since 1999
 MD of Ericsson Microelectronics
 Chairman of Shanghai Ericsson Simtek
 Shares: 250

Kåre Gilstring

Born in 1944, Director since 1993
 Chairman of RKS Data, AIS, Gesona
 and Company Care
 Member of ProAct, Atle IT,
 Mariegården and Tryckindustri
 Shares: 50,000

Lars V. Kylberg

Born in 1940, Director since 1996
 Chairman of Haldex and Kungsleden
 Deputy Chairman of
 Vasakronan and Civitas
 Member of Morgan Crucibles (UK),
 The Generics Group plc (UK), and
 Segerström & Svensson
 Shares: 25,000

Kai Hammerich

Born in 1943, Director since 1998
 Director-General of Invest in
 Sweden Agency
 Shares: 0

Stig Nordfelt

Born in 1940, Director since 1984
 MD of Pilen
 Member of H&M
 Shares: 6,500

Staffan Ahlberg

Born in 1944, founder of IBS
 Group MD since 1978
 Shares: 292,130
 (incl. family member holdings)
 Warrants: 14,000

KPMG

Karl-G. Giertz

Authorised Public Accountant

Anders Malmeby

Authorised Public Accountant

The IBS share

Share capital

Registered share capital amounts to SEK 14,823,306. The nominal share value is 1 krona per share. The shares are divided into 630,000 class A shares, each carrying ten votes, and 14,193,306 class B shares, each carrying one vote. In addition, 1,500,000 warrants have been issued, whereof 1,420,000 are held by IBS employees. The total number of shares after full dilution amounts to 16, 323,306.

SHARE CAPITAL DEVELOPMENT

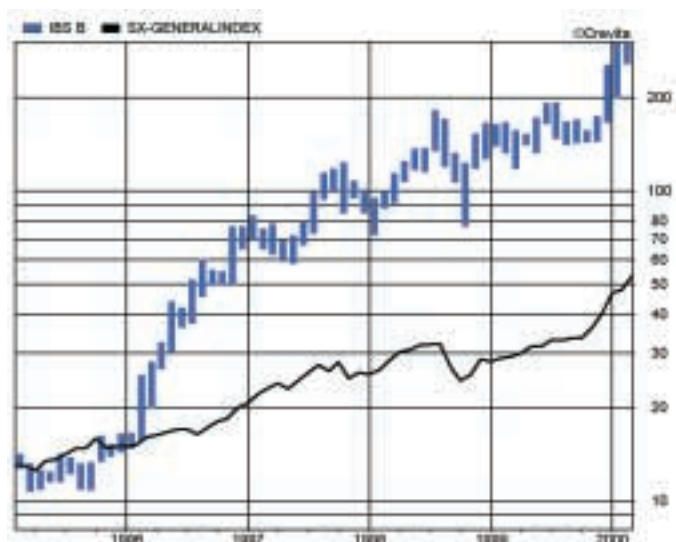
YEAR	SHARE CAPITAL	NO. OF A SHARES	NO. OF B SHARES	
1978	50,000		1,000	IBS founded
1984	50,000	1,000	9,000	Split 10:1
1984	80,000	1,000	15,000	New issue of B shares 1:3 and 1:5
1985	7,200,000	90,000	1,350,000	Bonus issues 89:1
1986	8,550,000	90,000	1,620,000	New issue of B shares 1:5
1989	10,260,000	90,000	1,962,000	New issue of B shares 1:5
1989	10,418,000	90,000	1,999,500	New issue of B shares via convertible loans
1990	10,696,000	90,000	2,049,204	New issue of B shares via convertible loans
1996	11,571,020	90,000	2,224,204	Directed share issue
1997	11,571,020	450,000	11,121,020	Split 5:1
1997	13,867,418	540,000	13,327,418	New issue of B shares 1:5
1998	14,823,306	630,000	14,193,306	New issue of B shares 1:6

Turnover

Of the OTC-listed shares, the IBS share has one of the highest turnovers, and during 1999, the trading of the share has been very satisfactory, with a yearly turnover of some 2,500m. The average daily trade has been around 10m.

Price development

During 1999, the IBS share rose by 45%. During the same period, the Stockholm Stock Exchange General Index rose by 66%. The market value at the end of the year totalled 3,500m.



The IBS B share has been quoted on the OTC list at the Stockholm Stock Exchange since 1986.

For IBS, the year has had three phases. During the first half, development was relatively stable and the IBS share was one of the strongest in the software sector, even though the year's lowest quotation was registered on 24 March. After the first half followed a period of steeply falling prices for all software suppliers. The year ended with the Stockholm Stock Exchange experiencing a forceful recovery, especially as regards software suppliers. The IBS share rose steeply during December, with the highest rate being noted on 14 December. On the last business day, the final notation for the IBS share was SEK 239.

Debenture loan with detachable warrants

In 1997, a warrants program was issued, aimed at IBS management. Each warrant gives the holder the right to subscribe to a new B share at a strike price of SEK 114, in June 2000.

In 1998, 1,000,000 warrants were issued. Each warrant grants the holder the right to subscribe to a new B share at a strike price of SEK 203, during the period July to December 2002. These warrants were made available to all IBS employees.

LARGEST SHAREHOLDERS ON 31 DECEMBER 1999
 (updated in as far as information has reached IBS)

SHAREHOLDERS	A SHARES	B SHARES	HOLDING %	VOTES %
Catella Holding AB	630,000	944,566	10.6	35.4
SHB:s aktiefonder	0	904,400	6.1	4.4
6:e AP-Fonden	0	803,483	5.4	3.9
Catella aktiefonder	0	744,690	5.0	3.6
SEB aktiefonder	0	526,416	3.6	2.6
Rylander Gunnar (company)	0	438,400	3.0	2.1
Ahlberg Staffan and family	0	292,130	2.0	1.5
SPP	0	208,900	1.4	1.0
Wanger Asset Management	0	190,000	1.3	0.9
Uni-Invest fonder (Danmark)	0	167,433	1.1	0.8
Total, 10 shareholders	630,000	5,220,418	39.5	56.2
Other shareholders	0	8,972,888	60.5	43.8
Total	630,000	14,193,306	100.0	100.0

Ownership structure

The number of shareholders has increased over the year by 2,419 to 10,721. SPP and Roburs Miljöfond are new institutions that have opted to invest in IBS. The portion of foreign owners grew by 3.1% and these now hold some 28% of the share capital.

SIZE OF HOLDING	NO. OF OWNERS	%	NO. OF SHARES	%
1-1,000	9,921	92.5	2,113,531	14.2
1,001-10,000	682	6.4	1,925,297	13.0
10,001-100,000	95	0.9	2,885,918	19.5
100,001-	23	0.2	7,898,560	53.3
Total	10,721	100.0	14,823,306	100.0

Dividends

When proposing dividends, the Board takes into account the company's growth rate, solidity and profit. During the phase of rapid growth, the Board will not recommend that dividends be paid.

Market analysts following IBS

Analysts that continuously monitor IBS include:

Alfred Berg	Tomas Öqvist
Aros	Anders Brenner
Carnegie	Fredrik Lithell,
	Karl Berglund
Cheuvreux	Sasu Ristimäki
DnB Markets	Endre Krogsrud
Enskilda Securities	Lars Sveder, Oskar Berglund
Hagströmer & Qviberg	Odd Bolin, Loi Lam
Handelsbanken	Stefan Wård
Nordiska Fondkommission	Fredrik Skoglund
Swedbank	Karl-Mikael Syding

Shareholder information via Internet

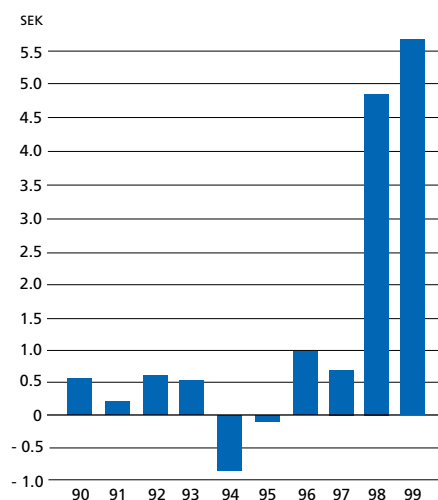
The IBS website, www.ibs.se, presents information on the IBS share's price development, as well as quarterly reports, annual reports and press releases. The information is updated regularly.

Data per share

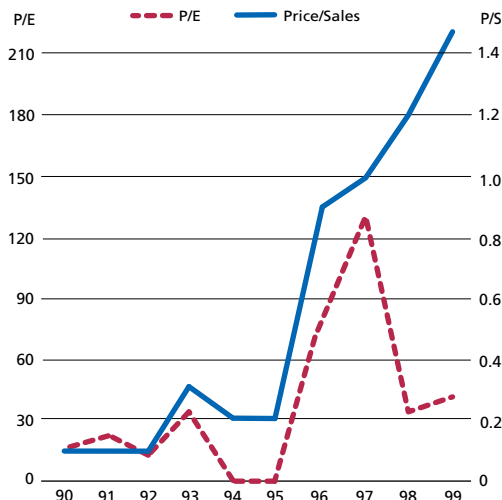
1. STOCK PRICE, YIELD AND MARKET CAP.	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Stock price at year end	239	165	92	72	15	12	16	7	5	8
Dividend	0	0	0	0	0.27	0.23	0.23	0	0	0.23
Yield (%)	0	0	0	0	1.8	2.0	1.4	0	0	3.0
Price/Sales (market cap./revenue)	1.5	1.2	1.0	0.9	0.2	0.2	0.3	0.1	0.1	0.1
Average no. of shares (k)	14,823	14,106	12,719	11,206	10,696	10,696	10,696	10,696	10,696	10,635
Total no. of shares (k)	14,823	14,823	13,867	11,571	10,696	10,696	10,696	10,696	10,696	10,696
Market capitalisation (MSEK)	3,543	2,446	1,276	833	160	130	171	73	53	86
2. PROFIT, P/E RATIO (before dilution)										
Profit after full tax	5.65	4.83	0.71	0.98	-0.12	-0.85	0.51	0.62	0.21	0.55
P/E ratio on historical earnings (full tax)	42	34	130	74	-	-	32	10	23	14
Adjusted equity	35.66	31.66	19.75	13.00	10.92	13.28	12.71	11.81	10.89	12.70
Cash flow after investments	-2.31	-1.98	-7.80	-2.05	-6.05	-4.77	0.00	5.79	3.50	-0.22
Price/equity ratio %	670	521	466	554	141	88	130	55	44	60
3. PROFIT, P/E RATIO (after full dilution with 1,500,000 warrants)										
Profit after full tax	5.69	4.95								
P/E ratio on historical earnings (full tax)	42	33								
Adjusted equity	48.31	44.66								
Cash flow after investments	-1.54	-1.24								
Price/equity ratio %	495	369								
Average no. of shares (k)	16,323	15,606								
Total no. of shares (k)	16,323	16,323								
Market capitalisation (MSEK)	3,901	2,693								
Net pro forma interest after tax (MSEK)	9.1	9.1								

Key figures for 1996 and earlier have been recalculated according to the 5:1 split made on 20 January 1997, and furthermore adjusted with the bonus issue part of the 1997 rights issue. This correction factor is calculated at 0.96. No adjustment for the correction factor regarding the 1998 rights issue has been made.

PROFIT/SHARE



PRICE/EARNINGS AND PRICE/SALES



Directors' Report

The Board of Directors of IBS AB submits the following report for 1999.

The Operations

The Group

Through the Parent Company, subsidiaries and business partners, the Group is engaged in the development, sales, installation and servicing of business systems, supplying both standard software, professional services and hardware. During 1999, revenue increased by 16%, totalling 2,408m. Net profit grew from 68m to 84m, mainly due to a significant increase in sales and margins on professional services.

Group investment in equipment etc. amounted to 51m (56m) for 1999. The acquisition of DAC Data AVS in Denmark, through our Danish subsidiary, increased goodwill by 30m. 175m (121m) was invested in product development. During the year, 28m (11m) were activated.

Group equity amounted to 541m (479m). Total assets grew by 108m to 1,437m. Thus, solidity amounted to 39% (37%). Liquid assets at year end totalled 241m (213m). Current assets amounted to 151% (134%) of current liabilities.

SPP has informed us that IBS' share of overachieved returns on pension premiums previously paid amounts to 53m. As there is some uncertainty regarding how and when these funds are to be credited IBS, the amount has not yet been recognised as revenue.

The Parent Company

The Parent Company manages and develops wholly or partly-owned subsidiaries, establishes business partner networks for software, pursues development and maintenance of the Group's standard products as well as general marketing and international sales support. Parent Company revenue is largely derived from management fees from all operative units, calculated uniformly, and dividends as well as Group contributions from the Swedish units. During the year, the company acquired business partner operations in Brazil and Colombia as well as Progma Oy in Finland. New subsidiaries were established in Italy, Australia and Singapore. Of the Parent Company's total purchasing and invoicing, expressed in Swedish kronor, 17% (15%) was attributable to intercompany purchasing and 89% (78%) to intercompany invoicing.

Expectations regarding the future business software market, including product development

The market for business systems is expected to grow in 2000. IBS Group efforts within e-business and supply chain management, in combination with our business model offering total accountability for the entire customer project, gives us a strong market position for meeting the forthcoming increase in demand. This increase is expected to affect both pro-

fessional services and licence revenue. Investment in product development is expected to grow in proportion to revenue.

Development projects

An agreement has been signed with a technology investor to share the risk of development costs for the current Java-based development project. Under the agreement, IBS has sold 5% of six years' net licence revenue, starting from 2000.

Operating Units

Staff numbers for both Swedish and foreign units, salaries including social security costs and pensions, as well as board and management remuneration, can be found in Note 1.

The Board of Directors

The Board of Directors has seven members, all elected by the Annual General Meeting, including the Managing Director. Other officers of the company have participated with presentations or as administrators. At the 1999 AGM, Carl Hugo Bluhme resigned from the Board, having reached the age of 65, and at the same time Sigrun Hjelmquist was elected as new Director.

During the year, the Board has held eight Board Meetings, five of which were regular meetings. In their work, the Board of Directors follows the previously set rules of Board procedure. The division of responsibilities between the Board and the Managing Director is laid down in "Instructions for the Managing Director of IBS AB".

The Board has delegated responsibilities to two committees; one Employment Committee and one Audit Committee. The former handles matters regarding remuneration and pensions for the Group Management. Members of this committee have been Gunnar Rylander and Kåre Gilström. Members of the latter committee have been Lars Kylberg, Stig Nordfelt, the Financial Director of IBS and the Auditor.

Nomination of Board Members to the AGM is prepared upon the Chairman's consultations with major IBS shareholders. Thus, a Nomination Committee is not used.

Appropriation of funds

The Board and the Managing Director propose that no dividend be paid for 1999. Unrestricted equity according to the Parent Company balance sheet amounts to 15.4m. The Board and Managing Director propose that a corresponding amount be carried forward. The Group's non-restricted reserves amount to 200m. Regarding IBS' result and financial position, we refer to the enclosed Consolidated income statement, the Consolidated balance sheet and Notes to the Accounts.

Financial Information 1999

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The currency used in the Annual Report is the Swedish krona (SEK).

Consolidated income statement

(in SEK million)

		1999	1998
<i>Revenue</i>			
Software licences		410.4	430.0
Professional services		1 495.4	1 118.1
Hardware and other revenue		502.5	534.9
Total revenue	Note 2	2 408.3	2 083.0
<i>Cost of revenue</i>			
Software licences		-48.1	-39.4
Professional services		-1 079.4	-900.5
Hardware and other costs		-383.7	-397.4
Total cost of revenue		-1 511.2	-1 337.3
Gross profit	Note 5	897.1	745.7
<i>Operating costs</i>			
Product development costs		-174.9	-121.0
Sales and marketing costs		-292.5	-276.8
General and administrative costs		-273.7	-224.0
Total operating costs		-741.1	-621.8
Operating profit	Note 1,3,4	156.0	123.9
<i>Financial items</i>			
Interest income and similar profit/loss items	Note 7	7.0	5.0
Interest expenses and similar profit/loss items	Note 8	-15.0	-10.2
Other income		14.6	1.1
Profit after financial items	Note 5	162.6	119.8
Tax on profit for the year	Note 10	-65.5	-45.9
Minority holdings, net		-13.4	-5.7
Net profit for the year		83.7	68.2
<hr/>			
Profit per share after full dilution (SEK)		5.69	4.95
Data for calculation of profit per share			
Average no. of shares after full dilution (m)		16.3	15.6
Pro forma interest revenue after tax on subscription capital for subscribed warrants (MSEK)		9.1	9.1

Consolidated balance sheet

(in SEK million)

ASSETS		1999	1998
		31 Dec	31 Dec
Fixed assets			
<i>Intangible assets</i>			
Capitalised product development costs	Note 11	33.1	20.3
Goodwill	Note 12	232.5	195.1
		265.6	215.4
<i>Tangible assets</i>			
Equipment etc.	Note 13	106.8	99.9
Financial leasing contracts	Note 14	48.2	43.8
		155.0	143.7
<i>Financial assets</i>			
Participations in associated companies	Note 17	1.2	0.1
Other long-term receivables	Note 18	11.2	17.5
		12.4	17.6
Total fixed assets		433.0	376.7
Current assets			
<i>Inventories</i>		5.8	2.2
<i>Current receivables</i>			
Accounts receivable		608.4	610.1
Tax receivables		27.0	12.6
Deferred tax receivables	Note 22	17.9	9.5
Other receivables incl. blocked accounts		43.1	24.4
Prepaid expenses and accrued income	Note 19	60.8	80.3
		757.2	736.9
Short-term investments	Note 20	109.1	106.1
Cash and bank balances		131.4	106.7
		240.5	212.8
Total current assets		1 003.5	951.9
TOTAL ASSETS		1 436.5	1 328.6

(in SEK million)

EQUITY AND LIABILITIES		1999	1998
		31 Dec	31 Dec
Equity	Note 21		
<i>Restricted equity</i>			
Share capital		14.8	14.8
Restricted reserves		325.8	333.5
		340.6	348.3
<i>Non-restricted equity</i>			
Non-restricted reserves		116.5	62.9
Net profit for the year		83.7	68.2
		200.2	131.1
Total equity		540.8	479.4
Minority holdings		15.0	11.8
Provisions			
Deferred tax	Note 22	10.8	0.0
Millennium reserve	Note 3	1.4	32.2
Reserve for project and guarantee costs		77.9	45.6
		90.1	77.8
Liabilities			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	Note 23	123.8	31.9
Other long-term liabilities		7.1	20.2
		130.9	52.1
<i>Current liabilities</i>			
Interest-bearing liabilities	Note 24	119.1	144.7
Accounts payable		136.2	154.0
Income tax liability		33.1	23.1
Other current liabilities		113.9	100.4
Accrued expenses and deferred income	Note 25	257.4	285.3
		659.7	707.5
Total liabilities		790.6	759.6
TOTAL EQUITY AND LIABILITIES		1 436.5	1 328.6
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Corporate mortgages		3.5	12.0
Assets charged with ownership reservation		81.9	75.4
Accounts receivable		41.7	52.2
Shares in subsidiaries		5.8	-
Other		18.7	17.8
		151.6	157.4
<i>Contingent liabilities</i>			
Other guarantees		14.9	1.1
Other contingent liabilities		18.2	29.4
		33.1	30.5

Consolidated cash flow analysis

(in SEK million)

		1999	1998
Operating activities			
Profit after financial items		162.6	119.8
Adjustments to reconcile profit after financial items to cash	Note 27	97.8	143.1
		260.4	262.9
Tax paid		-71.3	-48.3
Cash flow from operating activities before changes in working capital		189.1	214.6
<i>Changes in working capital</i>			
Increase (-)/Decrease(+) in inventories		-3.8	0.7
Increase in operating assets		-5.1	-204.8
Increase(+)/Decrease(-) in operating liabilities		-35.4	185.8
Cash flow from operating activities		144.8	196.3
Investing activities			
Acquisition of subsidiaries	Note 28	-74.8	-161.8
Investment in intangible assets		-24.6	-26.6
Investment in tangible assets	Note 29	-68.4	-40.4
Sales of financial assets		0.7	3.1
Cash flow from investing activities		-167.1	-225.7
Financing activities			
Issues of shares and warrants		1.5	111.5
New loans		129.0	98.0
Repayment of loans		-61.0	-56.0
Dividends paid from subsidiaries		-0.7	-
Cash flow from financing activities		68.8	153.5
Cash flow for the year		46.5	124.1
Liquid assets, beginning of year		212.8	75.1
Translation differences in liquid assets		-18.8	13.6
Liquid assets, end of year		240.5	212.8

Parent company income statement

(in SEK million)

		1999	1998
Revenue		129.0	122.1
Cost of revenue		-0.1	-1.6
Gross profit		128.9	120.5
<i>Operating costs</i>			
Product development costs		-121.4	-80.1
Sales and marketing costs		-39.8	-34.1
General administrative costs		-22.7	-22.9
Other operating revenue		-	2.7
Other operating costs		-0.8	-0.9
Total operating costs		-184.7	-135.3
Operating profit	Note 1,4	-55.8	-14.8
<i>Financial items</i>			
Result from participations in subsidiaries	Note 6	71.8	51.3
Interest income and similar profit/loss items	Note 7	10.9	5.0
Interest expenses and similar profit/loss items	Note 8	-7.2	-4.8
Other income		3.5	-
Profit after financial items		23.2	36.7
Transfers to/from untaxed reserves	Note 9	2.6	-3.9
Pre-tax profit		25.8	32.8
Tax on profit for the year	Note 10	-0.7	3.6
Net profit for the year		25.1	36.4

Parent company balance sheet

(in SEK million)

ASSETS		1999 31 Dec	1998 31 Dec
Fixed assets			
<i>Tangible assets</i>			
Equipment etc	Note 13	6.6	6.4
<i>Financial assets</i>			
Participations in subsidiaries	Note 15	226.3	211.5
Receivables from subsidiaries	Note 16	310.8	387.2
Participations in associated companies	Note 17	0.0	0.0
Other long-term receivables	Note 18	0.0	2.8
Total fixed assets		543.7	607.9
Current assets			
<i>Current receivables</i>			
Accounts receivable		2.7	25.8
Tax receivables		-	0.4
Receivables from subsidiaries		60.6	36.7
Other receivables		19.5	42.0
Prepaid expenses and accrued income	Note 19	3.3	3.4
		86.1	108.3
Short-term investments	Note 20	-	20.0
Cash and bank balances		0.0	2.0
		0.0	22.0
Total current assets		86.1	130.3
TOTAL ASSETS		629.8	738.2

(in SEK million)

EQUITY AND LIABILITIES		1999 31 Dec	1998 31 Dec
Equity	Note 21		
<i>Restricted equity</i>			
Share capital (630,000 A shares with 10 votes per share; 14,193,306 B shares with 1 vote per share)		14.8	14.8
Share premium reserve		254.6	253.1
Statutory reserve		65.7	65.7
		335.1	333.6
<i>Non-restricted equity</i>			
Profit or loss brought forward		-9.7	-46.1
Net profit for the year		25.1	36.4
		15.4	-9.7
Total equity		350.5	323.9
<i>Untaxed reserves</i>			
Accumulated excess depreciation		2.3	2.1
Foreign exchange reserve		-	2.8
Total untaxed reserves		2.3	4.9
Liabilities			
<i>Long-term liabilities</i>			
Liabilities to subsidiaries		-	205.7
Other long-term liabilities, interest-bearing	Note 23	79.8	9.1
		79.8	214.8
<i>Current liabilities</i>			
Bank overdraft facilities	Note 24	50.6	22.2
Interest-bearing liabilities	Note 24	-	50.2
Accounts payable		8.9	8.4
Current liabilities to subsidiaries		112.7	58.8
Other current liabilities		12.2	24.1
Accrued expenses and prepaid income	Note 25	12.8	30.9
		197.2	194.6
Total liabilities		277.0	409.4
TOTAL EQUITY AND LIABILITIES		629.8	738.2
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Corporate mortgages		0.3	0.2
Shares in subsidiaries		5.7	-
		6.0	0.2
<i>Contingent liabilities</i>			
Guarantees for subsidiaries		1.9	1.6
Other guarantees		13.4	1.1
Other contingent liabilities		0.4	-
		15.7	2.7

Parent company cash flow analysis

(in SEK million)

		1999	1998
Operating activities			
Profit after financial items		23.2	36.7
Adjustments to reconcile profit			
after financial items to cash	Note 27	-30.7	-39.0
		-7.5	-2.3
Tax paid		-0.3	-0.9
Cash flow from operating activities			
before changes in working capital		-7.8	-3.2
<i>Changes in working capital</i>			
Increase(-)/Decrease (+) in operating assets		178.0	-40.6
Increase(+)/Decrease(-) in operating liabilities		-182.5	158.0
Cash flow from operating activities		-12.3	114.2
Investing activities			
Acquisition of subsidiaries		-14.7	-88.6
Investment in tangible assets	Note 29	-3.0	-5.2
Investment in financial assets		-46.0	-163.4
Cash flow from investing activities		-63.7	-257.2
Financing activities			
Issues of shares and warrants		1.5	116.7
New loans		102.7	48.1
Repayment of loans		-50.2	-
Cash flow from financing activities		54.0	164.8
Cash flow for the year		-22.0	21.8
Liquid assets, beginning of year		22.0	0.2
Liquid assets, end of year		0.0	22.0

Accounting Principles

General Accounting Principles

IBS follows the recommendations made by the Swedish Financial Accounting Standards Council and also, as far as possible, US Accounting Principles. Deviations from US Accounting Principles are commented upon separately.

Consolidated Accounts

The Consolidated Accounts are stated in accordance with the recommendations of the Swedish Financial Accounting Standards Council (RR1:96) and include the Parent Company, IBS AB; all subsidiaries and associated companies, in Sweden and abroad. Subsidiaries are companies where the Parent Company holds more than 50% of the votes, companies in which the Parent Company has holdings and has the right to appoint the majority of the Board Members, or in which the Parent Company has a major influence. In accordance with US Accounting Principles, the company is consolidated when the main part of the consideration is paid.

The Consolidated Balance Sheet has been prepared in accordance with the acquisition method. Using this method, all assets and liabilities of the acquired company are posted at market value in accordance with a previously prepared acquisition analysis. If the acquisition value of the shares in subsidiaries exceeds the market value of the net assets of the company according to the acquisition analysis, the difference is posted as consolidated goodwill.

All subsidiaries and sub-subsidiaries are fully included in revenue and costs. The portion of the net profit and equity which is attributable to other holdings are accounted for under the headings "Minority holdings, net" and "Minority holdings", respectively. Inter-company balances and unrealised inter-company gains are eliminated in the consolidated accounts.

Accounting for Group contributions and Shareholders' contributions

In the Parent Company accounts, group contributions from subsidiaries are accounted for as dividends, i.e. financial income. Shareholders' contributions to subsidiaries are accounted for in a similar way as a new issue, with a subsequent write-down of shares in subsidiaries when appropriate. In 1998, shareholders' contributions to subsidiaries were accounted for as a change in non-restricted equity.

Associated companies

Shareholdings in associated companies, i.e. companies where the IBS Group holds at least 20% but not exceeding 50% of the votes, or in which IBS has a major financial and/or operational interest, are normally accounted for according to the equity method. The equity method means that booked value of the shares in associated companies is equal to the Group's share in the associated companies' stockholders' equity as well as in possible residual values in the consolidated surplus values or underestimates. The Group's share of the result in associated companies after financial income and expense and

adjusted for possible depreciation of or dissolved acquired surplus values or underestimates, is included in "Financial items" in the Consolidated income statement. The Group's share in taxes paid by the associated companies is included in Group tax expenses, and Group minority holdings in the result of associated companies is included in the item "Minority holdings".

Translation of financial statements of subsidiaries

The year-end financial statements of subsidiaries have been translated according to the current method. This means that all assets, provisions and other liabilities are translated using the exchange rate on the closing day and that all items in the income statements are translated using the average exchange rate of the year. Arising translation differences are booked against shareholders' equity.

General valuation principles

Assets, reservations and liabilities are stated at acquisition value unless otherwise stated.

Accounts Receivable

Accounts receivable are valued individually and accounted for as they are deemed to be received. Customer invoices older than five months from expiry date are provided for in full and expensed.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been recalculated at closing day rates. Exchange rate differences for current receivables and current liabilities are included in the operating profit, while differences for financial income and expenses are included in the financial items. In the Swedish subsidiaries, unrealised gains on long-term receivables and liabilities are posted to an exchange rate reserve. In the consolidated accounts, the exchange rate reserve is divided into deferred taxes and restricted equity.

Forward cover and hedging of commercial transactions

If receivables and payables in foreign currency are subject to forward cover, these amounts have been recalculated at the forward rate. When hedging contractual and budgeted future currency flows, exchange rate differences are accounted for during the same period of time as the underlying currency flow.

Inventory

Inventory is booked at the lowest of the FIFO method value or the actual value. Risk for obsolescence deduction has been taken into account.

Depreciation principles for fixed assets

Depreciation is calculated on the original acquisition value and estimated economic lifetime of the asset. Write-offs are applied only for permanent depreciation in value.

The following depreciation periods are applied:

	Number of years
<i>Intangible assets</i>	
Capitalised product development costs	3
Operating system software	4
Goodwill (please also see below)	10-20
<i>Tangible assets</i>	
PCs and mobile phones	3
Investment in rented premises	4
IT equipment	4
IT equipment peripherals	5
Cars	5
Equipment	6

The difference between the depreciation according to plan, described above, and tax depreciation is shown in the accounts for the various subsidiaries as accumulated excess depreciation, which is included in "Untaxed reserves". Tax depreciation has been charged in accordance with national legislation and practice of the respective countries. The companies aim at achieving the maximum depreciation amounts permitted by tax legislation.

Goodwill

Normally, goodwill is depreciated during 10 years unless negligible or substantial, in which cases the amount is written off at once or according to an individual plan. Goodwill depreciation over 10 years is applied, as the estimated excess profitability in the form of professional services, maintenance agreements and additional licences from customers of the acquired companies is deemed to have such duration. Goodwill on consolidation is calculated at the closing day rate, in accordance with recommendation number RR8 of the Swedish financial Accounting Standards Council. Please refer to "Changes in Accounting Principles".

According to US Accounting Principles, goodwill should be depreciated over a 7 year period. This means that the Accounting Principles used by IBS differ from US Accounting Principles in this particular instance.

Investment in premises

Expenses for opening of new premises are normally charged as costs as they occur. Major rebuilding costs in rented premises are classified as assets and depreciated.

Investment in external software

Acquired software, mainly operating systems and development tools, is depreciated according to plan in line with IT equipment peripherals, while such acquisition is fiscally accounted for as cost in countries where this procedure is allowed.

Leasing

Leasing is classified either as financial or operational. The term financial leasing is used when the financial risks and benefits of ownership are essentially transferred to the lessee; all other

cases are classified as operational leasing. In brief, in cases of financial leasing the objects are shown as assets in the balance sheet. At the same time, a corresponding liability is booked on the liabilities side of the balance sheet. In the income statement, the leasing cost is divided into a depreciation element and an interest element entered under "Interest expenses". Operational leasing does not affect the balance sheet. In the income statement, leasing costs are distributed over several fiscal years, from the starting time of utilisation, and they may differ from actual leasing costs during the year.

In the Parent Company, all leasing agreements are accounted for as operational leasing.

Short-term investment

Short-term investments are valued to the lower of acquired value or actual value.

Revenue recognition

Revenue includes invoiced professional services, software licence fees (gross), IBM commission for AS/400 systems and other hardware sales. Furthermore, revenue in respect of re-invoiced goods and services as well as other maintenance and support services are included.

Revenue from initial licence fees is recognised either (i) upon execution of the contract and shipment of the relevant software, where there are no significant obligations to perform after the date of the sale, or (ii) where there are significant obligations to perform after the date of the sale, using methods which approximate the percentage-of-completion of modification or customisation work. The unrecognised part of invoiced licence fees is reported as deferred revenue. This is in accordance with previous US Accounting Principles. According to current US Accounting Principles valid from 1999, no part of the income from modified software products is to be recognised as revenue until the work is completed and the software is delivered.

Revenue related to maintenance and support services is recognised as professional services on a straight-line basis over the contract period. Hardware sales are recognised upon installation of the hardware. Commissions earned on the sale of IBM hardware are recognised on delivery. Revenue from implementation, training and consulting services is recognised when the relevant services are performed.

Revenue recognition for projects

Revenue recognition for fixed price projects or projects on a current account with a previously decided maximum cost is booked according to the percentage of completion method. For current accounts with a maximum cost, invoices are normally issued once a month, corresponding to the amount of work done. At the end of a revenue recognition period, only the portion of revenue is recognised which matches the cor-

responding project costs for the same period. Individual provisions are currently made for potential losses in risk projects. These are posted under the heading "Provisions" in the balance sheet.

Revenue recognition for renewal licence fees

The right to utilise IBS software products is granted against licence fees, payable both initially and whenever utilisation is expanded, as well as on a periodical basis. The two former types of revenue are accounted for in accordance with the second paragraph under the heading "Revenue recognition" above. Customers normally have the right to cancel their utilisation rights at the latest three months prior to the next 12-month licence period. Failing cancellation in due time, customers are obliged to pay for the next 12-month licence period.

These fees, which are paid in advance, will be entered as revenue during the first month of each renewal period. The present value of these future fees, without corresponding costs, is an estimated 247m, which amount is neither shown in the balance sheet nor in the income statement. The corresponding amount for 1998 was 246m.

Costs for warranties

Estimated costs for product and project warranties are posted as costs when such reservations are deemed necessary.

Product development costs

IBS develops and sells its proprietary packaged software. In accordance with US Accounting Principles, costs for research and development are normally expensed as incurred. In cases where software products are ready for definite commercial release within 12 months, product development costs are capitalised at Group level. The capitalised amount is then distributed over three years. The balanced development costs are specified in the balance sheet under "Capitalised product development costs" and are also specified in Note 11. Please also refer to the heading "Changes in Accounting Principles" and "Capitalised product development costs".

In cases where product development costs are capitalised and IBS' own staff is used in the development projects in question, costs for salaries, overheads plus an expense coefficient of approximately 1.5 of the capitalised amount are included. Costs for external consultants are capitalised in full when such consultants work with a development project, which is to be capitalised.

Taxes

Group tax expense includes paid taxes and deferred taxes. Taxes on 1999 profits are calculated in accordance with national legislation. Coupon taxes for dividends to the Parent Company are included. The tax rules in many countries allow transfer to untaxed reserves, e.g.:

- difference between tax depreciation and depreciation according to plan of fixed assets,
- in certain countries the tax rules permit an amount to be appropriated to a Profit Adjustment Fund.

Full allocation for deferred tax has been made according to the liability method. The tax rates used follow national legislation in each country. Deferred taxes are shown under provisions.

The value of unused tax deductible losses are recognised only to the extent that they are likely to be utilised.

Items affecting comparability

The profit and loss effects of exceptional events and transactions are specified under each specific item. Examples of such events and transactions are capital gains/losses from disposal of business operations and/or major fixed assets, depreciation or restructuring costs. Please also refer to Note 3.

Changes in accounting principles

In accordance with the Swedish Financial Accounting Standards Council, the effects of changes in accounting principles should be adopted retroactively, and shown as a correction entry in the 1998 opening balance of equity. Thus, the changes in accounting principles as described below have affected also the 1998 figures.

Recalculation in the consolidated statements of surplus value for acquisitions in foreign currency

In the 1999 consolidated accounts, surplus values have been recalculated to the closing day rate as opposed to the transaction rate, which was previously applied.

The recalculation, which is in accordance with the new accounting principles number RR8 (from the Swedish Financial Accounting Standards Council), results in an adjustment in equity. In Note 21, which explains the changes in equity, information is given about the effects of the change in accounting principles. Please also refer to Note 12, Goodwill.

Capitalised product development costs

As from 1999, the Parent Company has ceased to capitalise costs for product development. Instead, the Parent Company writes off all product development costs as they arise. As from 1999, such costs are only capitalised and depreciated at Group level, in accordance with US Accounting Principles.

Notes to the accounts

Amounts in SEK million unless otherwise stated

NOTE 1. STAFF AND REMUNERATION

Average and total number of staff

	Average		Total	
	1999	of which male	1998	of which male
	1999	of which male	1998	of which male
Parent Company:				
Sweden	129	75%	98	67%
Subsidiaries:				
Sweden	545	68%	527	65%
Belgium	200	83%	157	84%
France	204	74%	156	80%
USA	199	68%	136	64%
UK	146	64%	123	60%
Netherlands (5 months 1998)	176	78%	73	82%
Finland	135	53%	113	57%
Denmark	146	65%	68	70%
Portugal	134	65%	113	59%
Germany	26	77%	24	82%
Norway	35	65%	33	70%
Poland	47	75%	33	70%
Colombia (5 months 1999)	8	59%	-	-
Brazil (12 months 1999)	6	50%	-	-
Spain (6 months 1999)	18	38%	-	-
Italy (3 months 1999)	0	-	-	-
Malaysia	11	50%	4	43%
Australia (1 month 1999)	0	-	-	-
Total in subsidiaries	2 036	71%	1 560	68%
Total, Group	2 165	71%	1 658	68%

Salaries, remunerations and social security fees

	1999		1998	
	Salaries and remunerations	Social security (pension expenses thereof)	Salaries and remunerations	Social Security (pension expenses thereof)
Parent Company	51.2	26.0 ¹⁾ (7.3)	42.2	16.7 ¹⁾ (5.7)
Subsidiaries	821.6	208.8 (64.9)	626.5	204.5 (62.6)
Total, Group	872.8	234.8 ²⁾ (72.2)	668.7	221.2 ²⁾ (68.3)

¹⁾ Of Parent Company pension premium costs, 0.2 (l. y. 0.2) were attributable to the Board of Directors and the Managing Director. The Company's outstanding pension obligations to the Board of Directors and the Managing Director are paid annually.

²⁾ Of Group pension costs, 5.2 (last year 5.2) were attributable to the Boards of Directors and the Managing Directors. The Group's outstanding pension obligations to the Board of Directors and the Managing Directors are paid annually.

Salaries and remunerations distributed per country and specified for the Boards of Directors, Managing Directors and other employees.

	1999			1998		
	BoD, MD, Deputy MD	Other employees	Total	BoD, MD, Deputy MD	Other employees	Total
Parent Company						
Sweden	3.2	48.1	51.3	3.9	38.3	42.2
(Bonus part thereof)	(1.2)	(3.1)	(4.3)	(2.4)	(6.9)	(9.3)
Subsidiaries in Sweden						
Total	7.1	206.3	213.4	8.7	187.2	195.9
(Bonus part thereof)	(1.5)	(5.6)	(7.1)	(2.2)	(8.7)	(10.9)
Other European Subsidiaries						
Total	29.0	450.1	479.1	28.9	312.7	341.6
(Bonus part thereof)	(10.6)	(40.0)	(50.6)	(9.5)	(21.9)	(31.4)
Subsidiaries, rest of the world						
Total	6.1	123.0	129.1	6.0	83.0	89.0
(Bonus part thereof)	(1.7)	(8.1)	(9.8)	(1.5)	(6.1)	(7.6)
Total, Group	45.4	827.5	872.9	47.5	621.2	668.7
(Bonus part thereof)	(15.0)	(56.8)	(71.8)	(15.6)	(43.6)	(59.2)

Remunerations to senior management

Chairman

Remuneration to the Chairman of the Board amounted to 0.2m. There are no other obligations in the form of pension agreements, severance payments or benefits.

Group Managing Director

During 1999, the Group Managing Director (GMD) received a fixed salary, including the benefits of a company car, amounting to 1.204m, as well as a bonus amounting to 1.248m. No other remunerations of importance exist, besides generally accepted Swedish per diem allowances and pension benefits. The Board of Directors has the authority to dismiss the GMD from his duties without notice, in which case the GMD is to receive remuneration corresponding to two years' fixed salary. In the event of changed ownership, resulting in new owners taking over the actual influence of the company, the GMD has the right to consider his contract terminated.

All other Company and Group Management staff receive generally accepted Swedish pension benefits. In case of the company giving notice of termination, they are entitled to severance pay amounting to a minimum 3 to a maximum 24 fixed monthly salaries.

Remuneration to the Auditors

For audits and other services, the Group has for the fiscal year booked 2.6m (3.1m) as cost. Total Parent Company remuneration thereof is 0.7m (0.8m).

NOTE 2. REVENUE PER COUNTRY AND ANALYSIS OF TOTAL REVENUE GROWTH

Revenue per country

	1999	1998
Sweden (including Parent Company)	824.4	833.1
Belgium	314.4	286.0
France	306.6	247.3
Netherlands (5 months 1998)	232.4	122.0
USA	199.5	204.6
Denmark	182.1	106.5
UK	165.0	150.9
Finland	135.6	108.5
Portugal	107.5	74.0
Norway	44.6	44.9
Germany	42.2	36.5
Poland	28.7	14.9
Malaysia	15.4	12.6
Spain (6 months 1999)	10.0	-
Colombia (5 months 1999)	2.8	-
Brazil (12 months 1999)	1.3	-
Italy (3 months 1999)	0.1	-
Australia (1 month 1999)	-	-
Eliminations	-204.3	-158.8
Total	2 408.3	2 083.0

Specification of revenue increase

	1999/98 %	1998/97 %
Volume increase (average number of staff)	30	25
Efficiency and price increase	-18	8
Acquisitions during the year	4	9
Growth rate, Internally influenced	16	42
Influence of exchange rate fluctuation	0	2
Altered IBM invoicing	0	15
Total growth rate	16	59

NOTE 3. EXCEPTIONAL CHARGES

	1999	1998
Group		
Provision for the millennium	1.4	32.2

At the year-end closing on 31 December 1998, a provision for the millennium was made to the amount of 32.2m, corresponding to approximately 1.5% of Group revenue for 1998. This provision is entered under the heading "Provisions" in the consolidated statements, and as cost of staff in the income statement. In 1999, IBS had actual millennium-related costs to an amount of approximately 20m, which was less than the provision for the millennium, which has now been dissolved, except for 1.4m. Further project and warranty provisions have been made for each individual project.

NOTE 4. DEPRECIATION OF FIXED ASSETS

	1999	1998
Group		
<i>Depreciation according to plan, distributed per asset</i>		
Capitalised product development costs	-15.5	-12.6
Goodwill	-17.0	-11.5
Financial leasing contracts	-18.4	-17.1
Equipment etc.	-45.5	-34.7
	-96.4	-75.9
<i>Depreciation according to plan, distributed per function</i>		
Total direct costs	-64.5	-51.4
Product development costs	-8.8	-5.9
Sales and marketing costs	-9.7	-8.0
General and administrative costs	-13.4	-10.6
	-96.4	-75.9
Parent Company		
<i>Depreciation according to plan, distributed per asset</i>		
Equipment etc.	-2.8	-2.3
	-2.8	-2.3
<i>Depreciation according to plan, distributed per function</i>		
Product development costs	-2.1	-1.6
Sales and marketing costs	-0.3	-0.4
General and administrative costs	-0.4	-0.3
	-2.8	-2.3

NOTE 5. SPECIFICATION OF PROFIT, MARGIN AND COSTS PER TYPE OF COST, REGION AND REVENUE STREAM

	1999	1998
Gross profit per revenue stream		
Group		
Software licences	362.3	390.6
Professional services	416.0	217.6
Hardware and other revenue	118.8	137.5
Total	897.1	745.7

Profit after financial items, per region

Group		
Sweden	52.4	26.2
Rest of Europe	147.2	154.2
Rest of the world	-11.5	18.6
Parent Company (including consolidation adjustments)	-25.5	-79.2
Total	162.6	119.8

Gross margin per revenue stream

Group	%	%
Software licences	88	91
Professional services	28	20
Hardware and other revenue	24	26
Total	37	36

Direct costs for goods and services sold, in % of revenue

Group	%	%
Software licences	2	2
Professional services	45	43
Hardware and other costs	16	19
Total	63	64

Operating costs in % of revenue

Group	%	%
Product development costs	7	6
Sales and marketing costs	12	13
General and administrative costs	12	11
Total	31	30

NOTE 6. PROFIT FROM CONSOLIDATED COMPANIES

	1999	1998
Parent Company		
Group contribution	44.7	-
Dividends from subsidiaries	27.1	51.3
Total	71.8	51.3

NOTE 7. INTEREST INCOME AND SIMILAR ITEMS

	1999	1998
Group		
External interest income surplus liquidity	7.0	5.0
Parent Company		
Interest income, consolidated companies	10.2	4.0
Other interest income	0.7	1.0
Total	10.9	5.0

NOTE 8. INTEREST EXPENSES AND SIMILAR ITEMS

	1999	1998
Group		
External interest expenses related to financial leasing	-3.2	-3.0
Interest expenses related to interest bearing loans	-11.8	-7.2
	-15.0	-10.2
Parent Company		
Interest expenses, subsidiaries	-3.1	-1.8
Interest expenses, other	-4.1	-2.5
Write-offs on share values	-	-0.5
	-7.2	-4.8

NOTE 9. TRANSFER TO/FROM UNTAXED RESERVES

	1999	1998
Parent Company		
Difference between book value and depreciation according to plan, equipment etc.	-0.1	-1.8
Foreign exchange reserve	2.7	-2.1
	2.6	-3.9

NOTE 10. TAX ON PROFIT FOR THE YEAR

	1999	1998
Group		
Paid tax	-54.1	-59.4
Deferred tax	-11.4	13.5
	-65.5	-45.9
Parent Company		
Paid tax	-0.7	-0.1
Deferred tax	-	3.7
	-0.7	3.6

NOTE 11. CAPITALISED PRODUCT DEVELOPMENT COSTS

	1999	1998
Group		
<i>Accumulated acquisition values</i>		
Opening balance	50.8	39.8
Capitalised during the year	28.3	10.5
Translation differences for the year	0.1	0.5
	79.2	50.8
<i>Accumulated depreciation according to plan</i>		
Opening balance	-30.5	-16.2
Reclassifications	-	-1.5
Depreciation according to plan for the year	-15.5	-12.6
Translation difference for the year	-0.1	-0.2
	-46.1	-30.5
Book value at year end	33.1	20.3

NOTE 12. GOODWILL

	1999	1998
Group		
<i>Accumulated acquisition values</i>		
Opening balance	215.5	47.8
Acquisitions for the year	58.8	156.9
Disposals and disclosures	-2.0	-0.3
Reclassifications	-	-1.7
Translation differences for the year	-6.0	12.8
	266.3	215.5
<i>Accumulated depreciation according to plan</i>		
Opening balance	-20.4	-8.8
Disposals and disclosures	3.6	-
Depreciation according to plan for the year	-17.0	-11.5
Translation differences for the year	0.0	-0.1
	-33.8	-20.4
Book value at year end	232.5	195.1

NOTE 13. EQUIPMENT ETC.

	1999	1998
Group		
<i>Accumulated acquisition values</i>		
Opening balance	310.6	219.1
Acquisitions for the year	50.9	56.4
Acquisitions of subsidiaries	19.4	49.1
Disposals and sales	-21.7	-23.1
Reclassifications	-	-1.7
Translation differences for the year	-13.5	10.8
	345.7	310.6
<i>Accumulated depreciation according to plan</i>		
Opening balance	-210.7	-152.3
Acquisitions of subsidiaries	-11.5	-37.0
Disposals and sales	19.8	19.4
Reclassifications	-	0.6
Depreciation according to plan	-45.5	-34.7
Translation differences for the year	9.0	-6.7
	-238.9	-210.7
Book value at year end	106.8	99.9
Parent Company		
<i>Accumulated acquisition values</i>		
Opening balance	10.0	7.5
Acquisitions for the year	3.0	5.2
Disposals and sales	-1.3	-2.7
	11.7	10.0
<i>Accumulated depreciation according to plan</i>		
Opening balance	-3.6	-4.1
Disposals and sales	1.3	2.8
Depreciation according to plan	-2.8	-2.3
	-5.1	-3.6
Book value at year end	6.6	6.4

NOTE 14. FINANCIAL LEASING CONTRACTS

	1999	1998
Group		
<i>Equipment etc. under financial leasing contracts are included to the following amounts</i>		
Acquisition values	87.6	78.2
Accumulated depreciation	-39.4	-34.4
	48.2	43.8
<i>Assets under operational leasing contracts</i>		
Leasing expenses of the year	49.3	42.9
Contractual future leasing expenses	200.8	174.6

NOTE 15. PARTICIPATIONS IN SUBSIDIARIES

	1999	1998
Group		
<i>Accumulated acquisition values</i>		
Opening balance	211.5	123.0
Shareholder's contribution given	1.1	-
Write-off, shares in subsidiaries	-1.1	-
Acquisitions	14.8	88.5
Book value at year end	226.3	211.5

Specification of Parent Company and Group participations in subsidiaries

Subsidiary	Registration no.	Domicile	No. of shares	Holding, %	Book value 1999	Book value 1998
Parent Company participations						
IBS Sverige Nord AB	556130-8312	Solna	1,000	100	23.1	23.2
IBS Sverige AB	556238-3686	Solna	500	100	5.3	5.3
IBS Sverige Syd AB	556284-3812	Linköping	500	100	24.2	24.2
IBS Konsult AB	556494-8148	Göteborg	500	100	10.1	10.1
IBS Norra Norrland AB	556303-1458	Umeå	700	100	9.4	9.4
IBS Industridata AB	556303-8990	Vetlanda	3,200	100	4.4	3.3
Oy International Business Systems IBS Ab	01150908	Helsinki, Finland	40,000	100	16.4	16.4
International Business Systems N.V.	426 362 015	Sint-Martens-Latem, Belgium	2,600	100	13.7	13.7
Informatique Proget N.V.	417 249 953	Zaventem, Belgium	1,250	100	26.8	26.8
IBS Danmark A/S	71 13 32 14	Farum, Denmark	20	100	3.0	3.0
IBS (UK) Holdings Ltd.	570 1990 37	Newbury, Berks, England	724,000	100	11.9	11.9
IBS France S.A.	62 309 844 918	Puteaux, France	249,722	89	27.5	15.9
IBS Norge A/S	918 037 667	Oslo, Norway	751	100	4.0	4.0
International Business Systems United States Inc.		Folsom, California, USA	50,000	100	14.4	15.2
International Business Systems (IBS) GmbH	118 667 367	Hamburg, Germany	-	75	2.7	2.7
IBS Informatica Consultadoria S.A.	502 183 012	Porto, Portugal	22,500	88	22.2	23.4
IBS Polska Spzoo	8951008330	Wroclaw, Poland	189	75	2.8	2.2
IBS Benelux B.V.	8606493	Rotterdam, the Netherlands	23,400	100	1.6	0.8
IBS Business Solutions S.A.	830060653-7	Bogotá, Colombia	-	90	2.3	-
IBS Italia S.r.l.	1594539	Milan, Italy	-	99	0.1	-
IBS Australia Pty. Ltd.	090 079208	Sydney, Australia	50,000	100	0.3	-
IBS NetCommerce AB	556576-6382	Solna	1,000	100	0.1	-
Total, IBS AB					226.3	211.5

Subsidiary	Registration no.	Domicile	No. of shares	Holding, %	Book value 1999	Book value 1998
Subsidiary participations						
IBS Benelux B.V.:						
Consist B.V.	007 677 169	Nieuwegein, the Netherlands	300	100	159.2	159.2
Number one systems N.V.	463 179 948	Zaventem, Belgium	2,499	100	0.5	0.5
IBS APCC Sdn Bhd	457 204	Cyberjaya, Malaysia	2	100	0.2	0.2
IBS Informatica Consultadoria S.A.:						
IBS Duosoft Informatica S.A.	502 183012	Porto, Portugal	7,500	100	3.2	0.8
IBS Brasil Informatica S.A.	03076905/0001-33	São Paulo, Brazil	10,000	100	0.4	-
GTM Consultores S.A.	58235854	Barcelona, Spain	12,000	75	6.7	-
IBS Duosoft Informatica S.A.:						
IBS Proyectos e Sistemas Informatics Espania SL	816 00 512	Madrid, Spain	10,000	75	0.4	0.0
IBS (UK) Holdings Ltd:						
International Business Systems (Public Services) Ltd	2570253	Bracknell, Berks, UK	359	100	4.9	4.9
International Business Systems (IBS) Ltd	02670201	Bracknell, Berks, UK	520	100	7.2	7.0
IBS France S.A.:						
AGI S.A.	66 300 569 068	Puteaux, France	19,976	100	4.8	5.3
IBS Consulting S.A.	23 314 269 754	Puteaux, France	20,294	100	9.6	10.6
Ilsys Consulting S.A.	69 381 879 998	Lyon, France	9,995	100	5.4	6.0
Excelsius Consulting Group S.A.	18 408 374 270	Puteaux, France	6,397	64	3.0	1.4
IBS Danmark A/S:						
IBS-DAC Data A/S	65065	Ålborg, Denmark	1	100	50.6	-
Oy International Business Systems IBS Ab:						
Progma Oy	207936	Helsingfors, Finland	9	90	7.2	-
Total, Subsidiary Participations					263.3	195.9

NOTE 16. RECEIVABLES FROM SUBSIDIARIES

	1999	1998
Parent Company		
<i>Accumulated acquisition values</i>		
Opening balance	387.2	152.0
New items	4.1	237.2
Settled items	-80.5	-2.0
Book value at year end	310.8	387.2

¹⁾ Adjusted equity denotes the portion held of the company's equity, including the equity portion of untaxed reserves. This year's profit denotes the portion held of the company's profits after tax, including the equity portion of this year's changes in untaxed reserves. The Consolidated income statement shows the share in profit of associated companies as two items; profit before tax including possible depreciation of surplus values in the operating result, and minority share of tax, which is included in Group taxes.

²⁾ Refers to the proportion of equity held, which also corresponds to the proportion of the total number of votes held.

NOTE 17. PARTICIPATIONS IN ASSOCIATED COMPANIES

	Group		Parent	
	1999	1998	1999	1998
<i>Accumulated acquisition values</i>				
Opening balance	0.1	0.2	0.0	0.2
Additional participations	1.1	-	-	-
Reclassifications	-	-0.1	-	-0.2
Book value at year end	1.2	0.1	0.0	0.0

Specification of Group and Parent Company participations in associated companies

Assoc. comp.	Adj. Equity/ Profit for the year ¹⁾	Participations % ²⁾	Value of prop. of equity in Group accounts	Book value in Parent Comp. accounts
<i>Directly owned</i>				
Asw Kft, Ungern	0.0	25%	0.0	0.0
<i>Indirectly owned</i>				
IBS Nederland B.V.				
Netherlands	0.5	34%	0.5	-
Expand to the world N.V.				
Belgium	0.0	26%	0.7	-
	0.5		1.2	-

NOTE 18. OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
	1999	1998	1999	1998
Opening balance	17.5	8.5	2.8	0.7
Additional receivables	1.9	10.6	-	2.1
Settled receivables	-4.8	-1.9	-	-
Reclassifications	-2.8	-0.4	-2.8	-
Exchange rate differences	-0.6	0.7	-	-
At year end	11.2	17.5	0.0	2.8

NOTE 19. PREPAID EXPENSES AND ACCRUED INCOME

	1999	1998
Group		
Prepaid rent	9.1	9.5
Other prepaid expenses	19.1	27.2
Accrued interest income	0.3	0.1
Accrued software licences income	13.2	23.3
Accrued services income	13.0	6.5
Accrued hardware and other income	2.9	3.8
Other accrued income	3.2	9.9
	60.8	80.3

Parent Company

Prepaid rent	1.1	1.4
Other prepaid expenses	2.2	2.0
	3.3	3.4

NOTE 20. SHORT-TERM INVESTMENTS

	1999	1998
Group		
Market value	109.1	109.1
Book value	109.1	106.1
Parent Company		
Market value	-	23.0
Book value	-	20.0

NOTE 21. EQUITY

1998	Share capital	Restricted reserves	Non-restricted equity	Total equity
Group				
Opening balance, 1 January 1998				
as in Annual Report	13.9	211.2	48.8	273.9
Effects of change in accounting principles ²⁾		0.7		0.7
Opening adjustment for change in accounting principles	13.9	211.9	48.8	274.6
New issue, incl. warrants	0.9	110.6 ¹⁾		111.5
Change between restricted and non-restricted equity		-4.4	4.4	0.0
Translation differences ²⁾		11.5		11.5
Net profit for the year			68.2	68.2
Translation differences etc. for the year		3.9	9.7	13.6
At year end 1998	14.8	333.5	131.1	479.4

¹⁾ The provisions for restricted reserves are decreased by new issue expenses, amounting to 5.2m. In August 1998, IBS AB issued a debenture loan including one million detachable warrants to IBS Stichting to an amount of 0.9m, which was paid back in December 1998. Each warrant, with a highest price of SEK 6, gives the holder the right in July-December 2002, to purchase one IBS B Share at the price of SEK 203. The warrants were offered to IBS employees. At the end of December 1998, IBS Stichting had sold 910,000 warrants. No payment had been made to IBS before the year end. The remaining 168,950 warrants from the first warrants program were sold during the year. A net amount of 2.0m was paid to IBS AB and was included in Restricted reserves.

1999	Share capital	Restricted reserves	Non-restricted equity	Total equity
Group				
Opening balance, 1 January 1999	14.8	333.5	131.1	479.4
External dividends			-0.7	-0.7
Warrants		1.5		1.5
Change between restricted and non-restricted equity		-1.7	1.7	0.0
Translation differences ²⁾		-4.2		-4.2
Net profit for the year			83.7	83.7
Translation differences etc. for the year		-3.3	-15.6	-18.9
At year end 1999	14.8	325.8	200.2	540.8

²⁾ In accordance with RR8, Group surplus values have been recalculated to the closing day rate, as opposed to the transaction rate at the time of acquisition. The total effect of the change in Accounting Principles has been booked under 1998 and 1999 restricted reserves. Please also refer to Accounting Principles, under the heading "Changes in Accounting Principles".

1998	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total equity
Parent Company					
Opening balance, 1 January 1998, as in Annual Report	13.9	139.3	68.6	-4.9	216.9
Effects of change in accounting principles ³⁾				-15.8	-15.8
Opening adjustment for change in accounting principles	13.9	139.3	68.6	-20.7	201.1
New issue, incl. warrants	0.9	113.8	2.0		116.7
Change between restricted and non-restricted equity			-4.9	4.9	0.0
Group/Shareholders' contribution				-30.3	-30.3
Net profit for the year				36.4	36.4
At year end 1998	14.8	253.1	65.7	-9.7	323.9

1999	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total equity
Parent Company					
Opening balance, 1 January 1999	14.8	253.1	65.7	-9.7	323.9
Warrants		1.5			1.5
Net profit for the year				25.1	25.1
At year end 1999	14.8	254.6	65.7	15.4	350.5

³⁾ From 1999, Parent Company product development costs are booked as they occur. Please also refer to Accounting Principles, under the heading "Changes in Accounting Principles".

NOTE 22. DEFERRED TAX

In the Group accounts, deferred tax receivables corresponding to 28% of unused tax-deductible losses have decreased booked tax debt. Total deferred tax receivables amount to 17.9 (9.5), divided into a long-term portion of 0.0 (0.0) and a short-term portion of 17.9 (9.5).

Deferred tax is included in Provisions to a total of 10.8 (0.0). This effect occurs when calculating tax on company adjustments and deferred tax on untaxed reserves in the Parent Company and Group subsidiaries.

NOTE 23. LONG-TERM INTEREST BEARING LIABILITIES

	1999	1998
Group		
Due date 1-5 years from closing date	95.6	5.9
Due date more than 5 years from closing date	-	-
Financial leasing agreements	28.2	26.0
	123.8	31.9

	1999	1998
Parent Company		
Due date 1-5 years from closing date	79.8	9.1
Due date more than 5 years from closing date	-	-
	79.8	9.1

NOTE 24. SHORT-TERM INTEREST-BEARING LIABILITIES

	1999	1998
Group		
Granted bank overdraft facilities	157.4	150.9
Unused portion	-63.4	-79.7
Used overdraft facility	94.0	71.2
Financial leasing agreements	18.1	17.8
Multi-currency loan, Catella Holding AB	-	50.2
Other short-term loans	7.0	5.5
	119.1	144.7
Parent Company		
Granted bank overdraft facilities	60.0	60.0
Unused portion	-9.4	-37.8
Used overdraft facility	50.6	22.2
Multi-currency loan, Catella Holding AB	-	50.2

"Financial leasing agreements" refers to the long-term portion of future leasing expenses attributable to financial leasing agreements. Payments due in 2000 are considered short-term liabilities. Future expenses are due each year to the following amounts.

2000	18.1
2001	13.3
2002	9.7
2003	5.7
Later	0.6
Total	47.4

NOTE 25. ACCRUED EXPENSES AND DEFERRED INCOME

	1999	1998
Group		
Accrued interest expenses	2.2	8.6
Accrued staff-related expenses	132.7	122.8
Other accrued expenses	54.3	85.3
Deferred income	68.2	68.6
	257.4	285.3
Parent Company		
Accrued staff-related expenses	9.0	9.5
Other accrued expenses	3.8	21.4
	12.8	30.9

NOTE 26. EXCHANGE RATE GAINS AND LOSSES

	Group		Parent Company	
	1999	1998	1999	1998
Included in Operating profit	0.3	2.7	-1.3	2.7
Included among Financial items	4.4	0.9	-7.6	0.0
	4.7	3.6	-8.9	2.7

NOTE 27. ADJUSTMENTS FOR NON CASH FLOW ITEMS

	Group		Parent Company	
	1999	1998	1999	1998
Provisions	1.5	67.2	-	-
Depreciation and write-offs	96.3	75.9	2.8	2.3
Unrealised exchange rate differences	-	-	11.1	-1.3
Unpaid group contributions/ anticipated dividends	-	-	-44.6	-40.0
	97.8	143.1	-30.7	-39.0

NOTE 28. ACQUISITION OF SUBSIDIARIES

	1999	1998
<i>Acquired assets and liabilities</i>		
Intangible assets	63.9	137.4
Tangible assets	6.4	10.8
Financial assets	0.8	-
Inventories	0.1	1.7
Current receivables	24.9	39.6
Liquid assets	17.2	0.7
Total assets	113.3	190.2
Long-term liabilities	-	0.2
Short-term liabilities	21.3	27.5
Total liabilities and provisions	21.3	27.7
Purchase sums paid	92.0	162.5
Deduction: Liquid assets in acquired operations	-17.2	-0.7
Change in liquid assets	74.8	161.8

NOTE 29. INVESTMENTS IN TANGIBLE ASSETS

	Group		Parent Company	
	1999	1998	1999	1998
Investments in tangible assets	-72.8	-60.6	-3.0	-5.2
Investments through financial leasing agreements (no change in liquid assets)	4.4	20.2	-	-
	-68.4	-40.4	-3.0	-5.2

Stockholm, 24 January 2000

Gunnar Rylander
Kåre Gilstring

Lars V Kylberg
Stig Nordfelt
Staffan Ahlberg

Sigrun Hjelmquist
Kai Hammerich

Our Audit Report was submitted on 25 February 2000

KPMG

Karl-G. Giertz
Authorised Public Accountant

Anders Malmeby
Authorised Public Accountant

Audit Report

To the Annual General Meeting of the shareholders of IBS AB, corporate identity number 556198-7289.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of IBS AB for the year 1999. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the Company of any board member or the Managing Director. We also examined whether any board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 25 February 2000

KPMG

Karl-G.Giertz
Authorised Public Accountant

Anders Malmeby
Authorised Public Accountant

IBS' history

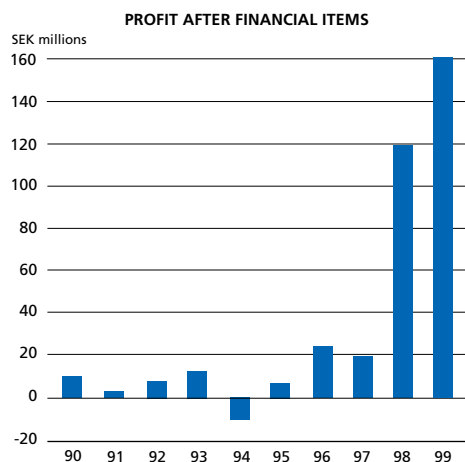
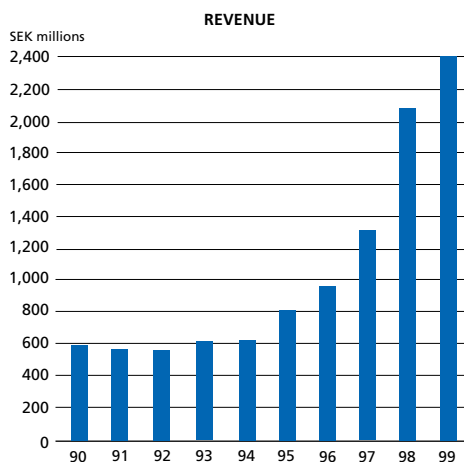
				IBS NetCommerce is launched to fully exploit e-business market potential.	IBS' Swiss business partner is acquired.
2000	DAC Data in Denmark and Progma Oy in Finland are acquired. Some 150 employees thereby join IBS.	IBS is now the leading supplier of AS/400-based business systems in Sweden, Finland, Poland, Denmark, Belgium and the Netherlands.		New subsidiaries are established in Italy, Colombia, Australia and Singapore.	IBS revenue totals approx. 2.5bn.
	IBS' Brazilian business partner is acquired.				
1998		The shares in Consist N.V. in the Netherlands, with some 170 employees, are acquired for approx. 150m.			IBS revenue totals approx. 2bn.
	A majority holding is acquired in IBS Portugal, with its 106 employees.	A majority holding is acquired in IBS Poland, with some 30 employees.		The Asia Pacific Competence Centre is set up in Malaysia, to support operations in Asia and Australia.	IBS revenue totals approx. 1bn.
1996	Agreements are signed with business partners for ASW sales in Mexico and Colombia.	Belgian Proget S.A. is acquired for 27m. Proget, with a 60m revenue for 1996, had some 50 employees and 350 customers with operations in the fields of manufacturing and distribution. Through this acquisition, IBS wins a leading position in the Belgian market for software and services based on the AS/400.	In Germany, IBS increases its holding in IBS GmbH from 49% to 60%.	IBS Portugal buys Duosoft, while IBS increases its holding in IBS Portugal from 5% to 25%. By acquiring Duosoft, with its approx. 60 employees and 500 customers, IBS becomes the largest supplier of AS/400-based systems in the Portuguese market.	
1994	Joint venture with the Company's business partner in Portugal.			All shares in IBS' US business partner are acquired. They had been selling IBS products in the North American market since 1991.	
1992	Further acquisitions are made in the UK and France, as well as a minority holding in a German company. Joint ventures in Hungary and Poland.			Agreements with business partners for software sales in Spain, Portugal, Italy, Malaysia and Singapore.	
1990					
				The foundation of the French operations is laid by acquiring a majority holding in two French companies.	
1988					
				The UK subsidiary is acquired.	
1986	IBS' B share is listed on the OTC list of the Stockholm Stock Exchange.				
1984	IBS establishes its Belgian subsidiary and expansion continues in Sweden through further acquisitions.				
1982					
1980	IBS was incorporated in Sweden to develop and licence standard software solutions.	The Finnish and Norwegian subsidiaries are acquired. At the same time, IBS establishes its own subsidiary in Denmark.			
1978					

Ten year summary

THE IBS GROUP (Amounts in SEK in millions unless otherwise indicated. k indicates SEK in thousands.)

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
SALES VOLUME										
Revenue	2,408	2,083	1,312	969	817	628	617	564	581	598
Change %	16	59	35	19	30	2	9	-3	-3	16
Non-Swedish revenue %	74	68	55	51	54	60	62	57	58	57
STAFF										
Average no. of employees	2,165	1,658	1,328	1,087	945	811	831	861	972	1,055
Change %	31	25	22	15	17	-2	-3	-11	-8	13
Revenue per employee (k)	1,112	1,256	985	891	865	774	743	655	598	567
Change %	-11	28	11	3	12	4	13	10	5	2
PROFITS										
Profit after financial items	162.6	119.8	19.8	24.8	7.1	-11.4	12.9	7.7	2.9	10.1
Change %	36	505	-20	249	-	-	68	165	-71	-81
Margin %	7	6	1	3	1	-2	2	1	1	2
Profit per employee (k)	75	72	15	23	8	-14	15	9	3	10
Value added per employee (k)	638	692	586	553	547	480	483	412	397	365
Change %	-8	18	6	1	14	-1	17	4	9	-4
RETURN										
Return on total capital %	13	13	5	7	4	-3	4	3	3	5
Return on capital employed %	23	25	10	16	8	-6	8	6	6	9
Return on equity %	18	23	4	8	-1	-7	4	6	2	4
FINANCIAL POSITION										
Liquidity %	151	134	139	114	116	147	170	147	156	159
Adjusted equity	541	481	274	157	122	132	142	132	121	142
Total assets	1,437	1,329	721	555	417	347	335	357	329	341
Capital turnover ratio	1.8	2.0	2.1	1.9	2.1	1.8	1.8	1.6	1.7	1.7
Risk capital %	45	43	41	31	33	40	48	43	44	50
Solidity %	39	37	39	29	31	38	44	38	38	43
Interest cost coverage ratio	12	13	3	4	3	-	7	3	1	3

Definitions of terms used are found on page 64.



Financial terms and key figures

Profit after financial items

Operating revenue minus operating costs, including depreciation of fixed assets, amortisation of goodwill and net financial income/expenses.

Margin

Profit after financial items as a percentage of total revenue.

Value added

Value added is the sum of operating profit after depreciation and cost of staff.

Interest expense coverage

Profit after financial items plus interest expense, divided by interest expense.

Full tax

Expected current tax expense for the year plus a deferred tax amount, calculated according to national tax legislation in each respective country, regarding untaxed equity in each company and on Group reservations.

Return on total capital

Profit after financial items plus interest expenses, as a percentage of average total assets during the year.

Return on capital employed

Profit after financial items plus interest expense, as a percentage of the average capital employed during the year.

Capital employed is total assets minus non-interest bearing liabilities, including provisions.

Return on equity

Profit after financial items minus minority holdings as a percentage of adjusted equity brought forward plus newly issued capital (adjusted pro rata if issued during the year).

Liquidity

Current assets minus inventories as a percentage of current liabilities.

Adjusted equity

Taxed equity plus the net amount after tax calculation of the difference between market value and book value of listed shares.

Total assets

The sum of all posted assets.

Capital turnover ratio

Total revenue for the year divided by average total assets.

Risk capital ratio

Adjusted equity, provisions and minority holdings as a percentage of total assets.

Solidity

Adjusted shareholders' equity and minority interests as a percentage of total assets.

Profit per share

Net profit for the year divided by the average number of shares.

Cash flow per share

Cash flow after investments divided by the average number of shares.

Glossary

Architecture

The way in which design, hardware, operating system software and application software interact to provide a planned level of capability and performance.

Application

Software that performs tasks related to specific user needs, e.g. a particular scientific or business problem. One could say that application software is the opposite of operating software, which handles the internal functions of the computer, or hardware.

Business intelligence

The utilisation of information, past, present and future, residing in a company's business systems in a way that enables the users to be proactive rather than reactive in their business approach and development.

Business systems

Business systems are developed to handle the flow of information, products and resources within an entire organisation. Business systems include functionality for processes such as sales and logistics, financials and business intelligence, e-business and manufacturing.

Customer relations management (CRM)

CRM is a business strategy, targeting relations between employees and customers, and which is supported by certain processes and systems. The goal is to build long-term relationships through the understanding of individual needs and preferences, thus adding value to the enterprise and to the customer.

Data

Individual pieces of information which are electronically stored, i.e. in the computer.

Data warehousing

A system or a method for collecting and storing data from different systems or different parts of a system.

e-business

Having computers and networks connect all those who participate in business transactions within a company's sphere of business, i.e. customers, staff, suppliers and business partners. This enables increased speed and lower costs, due to business being done with reduced manual handling in the communication chain. The medium could be e.g. Internet, EDI or email.

Electronic Data Interchange (EDI)

The electronic transfer of information between the computer systems of separate parties. Pre-defined documents and forms are sent electronically, instead of on paper. EDI is often used to handle purchase orders, invoicing, quotes and claims, etc.

Extranet

Computer-stored information which is accessible to all staff members, but also to a certain defined external group, e.g. customers or business partners.

Firewall

A security system that protects the company computer network from external intrusion.

Functionality

The different purposes a piece of hardware or software can serve.

User Interface

A user interface allows the user to utilise both the keyboard and a mouse when working with the system. The user interface also defines what the screen looks like, i.e. the visual presentation of information.

Hardware

Hardware consists of electronic and mechanical components. The task of the machine as such, i.e. the computer, is to receive, store, handle and present data.

Hardware platform

The specific combination of computers, operating systems and other system software sufficient or necessary for installing and executing one or more applications.

Internet

A global network for computer communication, accessible to all. The Internet could be compared to an international telephone network, where transmission of data can take place in different ways: electronic mail, webpages, downloading of software, etc.

Intranet

Computer stored information which is only accessible to a company's employees.

Java

A programming language developed by Sun Microsystems, Inc. In practice, Java lets computers working in networks communicate, even if they are of different brands. The same goes for applications. Java is a so-called object-oriented language.

Modules

A functionally separate section of software.

Network

Two or more workstations (PC, NC, terminals etc) which are connected locally, nationally or internationally, for shared data handling or communication.

Object-oriented

A software programming technology whereby several independent program parts, so-called objects, can be combined into larger units, aimed at performing a given task. Also called component technology.

Operating system

Software that governs the way the physical computer hardware works, e.g. how it stores, finds and retrieves data. Operating systems include Windows, which is for the client, i.e. the actual PC or workstation, and NT-server, UNIX and OS/400, which are for servers.

Outsourcing/ASP

Having a third party be responsible for the maintenance and the hosting of the computer and business system.

Server

The computer used for handling a network's shared resources.

Supply chain execution

The efficient handling of information and order management between customers and suppliers, as well as internal functions for inventory control and optimisation. It deals with getting the job done, and decisions are made just minutes, hours, or weeks in advance.

Supply chain management (SCM)

Supply chain management means the electronic co-ordination of material, information and payment flows between companies and their suppliers and customers, i.e. the supply chain. This reduces lead times and inventory, while achieving improved customer service and better delivery precision.

Supply chain planning

Includes supply chain network design, demand planning and forecasting, supply planning, manufacturing planning and scheduling, and distribution planning. It focuses on preparing for a job with decisions made from weeks to years in advance.

Web

World wide web (www). See Internet.

WebSphere

The new IBM object-oriented development environment for the next generation of business software.



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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, including world leading financial software. Our focus is on e-business, customer relations management, inventory and distribution, knowledge management and business analysis.

We develop and install robust and reliable IT systems which enhance business operations and improve the competitiveness of our customers. We take responsibility for the whole 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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