

# Year-end report 2006

## January-December 2006

### October-December 2006

- Net revenue amounted to SEK 678 m (748).
- Net profit amounted to SEK 64 m (41).
- Earnings per share, before dilution, amounted the SEK 0.77 (0.51).
- Earnings after financial items amounted to SEK 81 m (63).

### Full-year 2006

- Net revenue amounted to SEK 2 278 m (2 376).
- Net loss amounted to SEK -7 m (622\*).
- Earnings per share, before dilution, amounted to a loss of SEK -0.09 (7.81).
- In August, the IBS Board of Directors approved an action program that includes relocating portions of product development and programming to medium and low-cost countries. The action program resulted in restructuring costs of SEK 120 m that were charged against third-quarter earnings.
- The loss after financial items amounted to SEK -6 m (654\*).
- Operating profit increased by SEK 44 m to SEK 112 m (68), excluding restructuring costs and capital gains from the sale of subsidiaries.
- The profit margin improved to 5%, calculated as earnings after financial items excluding restructuring costs and capital gains from the sale of subsidiaries.

### Forecast 2007

- With the action program, IBS anticipates an operating margin of about 7% for the full-year 2007.

Full year 2006 in summary, excluding restructuring costs and capital gains from sales of subsidiaries	Full year 2006	Full year 2005	Change
Net revenue, SEK m	2 278	2 376	-4%
- New sales	243		
- <u>Renewal revenue</u>	269		
Software licences, SEK m	512	519	-1%
<i>Licence margin</i>	91%	92%	-1 percentage point
Professional services revenue, SEK m	1 218	1 253	-3%
<i>Professional services margin</i>	23%	21%	+ 2 percentage points
Hardware and other revenue, SEK m	549	604	-9%
<i>Hardware and other margin</i>	20%	18%	+ 2 percentage points
Operating profit, SEK m	112	68	+ 44 m
Profit after financial items, SEK m	113	83	+ 30 m
<i>Profit margin after financial items</i>	5,0%	3,5%	+ 1.5 percentage points

\*Comparison figures contain capital gains from sales of subsidiaries during 2005.

# IBS Year-end report 2006

***The profit margin\* improved to 5%. During the fourth quarter, IBS won major orders in one of its strategically important market segments – electronic wholesalers. Additional measure for increased internationalization and efficiency were implemented during the quarter including the signing of a contract with a partner in India relating to product development projects.***

## Market

North and South America continued to show a positive trend during the fourth quarter with favorable demand for both software and professional services. In Europe the market also showed a positive trend in most countries. Market conditions in Australia and Asia were unchanged during the quarter.

Demand was strongest during the quarter in electronics wholesaling where IBS received several major orders during the quarter, as well as in publishing and pharmaceuticals distribution. Major customer assignments in the paper and packaging segments earlier in the year resulted in favorable demand for professional services in this area.

During 2006, market conditions for software and professional services generally improved in most markets and particularly in Europe, compared with last year. The hardware market, however, was under pressure as a result of lower demand in combination with lower prices.

## Full year 2006

The IBS Group's operating profit improved by SEK 44 m to SEK 112 m (68), excluding restructuring costs and capital gains from the sale of subsidiaries during 2005 and 2006. The earnings improvement was primarily attributable to improved earnings in France, Sweden and the US.

The loss after net financial items amounted to SEK -6 m (654). Excluding restructuring costs and capital gains, profit amounted to SEK 113 m (83), corresponding to a profit margin of 5.0% (3.5).

Net revenue during the period amounted to SEK 2,278 m (2,376). The decline was primarily due to lower hardware revenues, the divestment of subsidiaries and lower sales in IBS Automotive.

## Fourth quarter 2006

Profit after financial items amounted to SEK 81 m (63).

Operating profit increased by SEK 21 m in the period to SEK 84 m (63). Earnings improvements were achieved in such countries as France, Sweden and the US.

Net revenue amounted to SEK 678 m (748). The decline was primarily due to lower hardware sales and the divestment of subsidiaries, which affected both licence sales and professional services revenues during the period.

Software licence revenue amounted to SEK 166 m (174), of which new sales accounted for SEK 90 m and renewal revenues for SEK 76 m. The decline was primarily due to the divestment of subsidiaries and lower sales within IBS Automotive, compared with the preceding year. IBS' core product IBS Enterprise and international vertical solutions showed two-digit growth in 2006, while the share of local and third-party software in total licence revenues declined.

The software margin declined somewhat to 91% (92).

During the fourth quarter, IBS signed software contracts with such companies as Alcyon, Albis, Casa das Lampadas, Circulo de Leitores (Bertrand), Economical Janitorial, Key Curriculum Press, Minetti, Mohawk Rubber, Norsk Hydro, Omeofarma, Selga, Sonepar and Tonkin Parts Center.

Professional service revenues declined to SEK 334 m (363), primarily as a result of the divestment of subsidiaries. The professional services margin increased to 26% (22).

Hardware and other revenues declined to SEK 178 m (211). The gross margin also declined somewhat to 18% (19) during the quarter.

During the fourth quarter, SEK 16 m of the restructuring reserve was utilized, in part for personnel reductions (severance pay), as well as closure of offices (prior redemption). The remaining reserve amounted to SEK 91 m.

## Development by region

**Sweden:** Licence sales and earnings increased, compared with the preceding year, in part through new contracts with Selga (Rexel) and Norsk Hydro.

**Other Nordic countries:** In Finland, earnings improved somewhat, compared with the preceding year. Operations in Denmark also developed favorably, in part through a major

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\* Earnings after financial items excluding restructuring costs and capital gains from sales of subsidiaries.

contract with Sonepar. Earnings in Norway were lower than in the preceding year.

*Rest of Europe:* Several IBS companies in Europe showed a favorable trend during the quarter. Significant earnings improvements were achieved in such countries as the UK, France and Belgium. Operations in the Netherlands and Switzerland, however, reported weaker earnings than in the preceding year.

*Rest of the world:* IBS' operations in North America closed the year with higher licence sales, professional services invoicing and improved earnings. Operations in Colombia also showed a positive earnings trend, in part through an order from the pharmaceuticals distributor Albis.

Measures were taken during the fourth quarter to improve profitability within IBS Automotive. The number of employees was further reduced in certain units. A review of the product development portfolio was also undertaken within IBS Automotive.

### **Products and development**

The overall strategy is to continue developing IBS' market position as a leading international supplier of software and professional services in supply chain management, manufacturing and financial control for selected markets.

Going forward, IBS will focus sales on the new software version IBS Enterprise 6.0 with enhanced functionality and a new Java interface. IBS intends to launch this business system for other IT platforms, including Windows, with the objective of enabling increased market penetration in the sectors on which the company is focused. A test version of the Java-based business system will be installed, tested and evaluated during 2007. This is a long-term development project of considerable strategic importance for IBS and is expected to have a positive impact on licence sales during 2008 and onward.

### **Liquidity and financial position**

The Group's financial position remained strong. Total equity at December 31 amounted to SEK 953 m (1,173) and the equity/assets ratio was 42% (48%). The decrease was primarily due to the dividend of SEK 167 m paid to shareholders during the second quarter. Liquidity amounted to 115% (136%).

Cash flow from operating activities during the period from January to December amounted to SEK 53 m (81). Cash flow from investments was negative in an amount of SEK -142 m (330) for the full year and SEK -56 m (-48) for the quarter.

Cash and cash equivalents, including short-term investments, amounted to SEK 405 m (676) at December 31, 2006. In addition, there were credit facilities of SEK 23 m (48).

As of December 31, 2006, the Group had interest-bearing loans totaling SEK 470 m (459). Excluding debts to leasing companies, the corresponding figure was SEK 443 m (430).

### **Investments**

The Group's investments during the year amounted to SEK 142 m (330), of which SEK 132 m (96) related to development work.

### **Tax**

Tax for the period, as reported in the income statement, amounted to SEK -1 m (-32) and consisted of SEK -25 m (-20) in current tax expenses and SEK 24 m (-12) in deferred tax expenses. Tax paid during the period amounted to SEK 27 m (25).

### **Currency**

IBS' currency risk is limited in that virtually all operating subsidiaries invoice in the same currency in which expenses are incurred. Major currency transactions are normally hedged. During the fourth quarter, SEK increased in relation to the Group's currency basket, meaning that in fixed exchange rates, the decline in revenues and costs was 3 percentage points lower, although this had only a marginal impact on earnings.

### **Personnel**

The number of employees at December 31 was 1,851 (1,911), a decrease of 3%, compared with the same date in the preceding year. The number of consultants was 1,056 (1,101) persons.

### **Parent Company**

The Parent Company manages and develops wholly or partly owned operative subsidiaries. In addition, it is responsible for extensive development of new applications and maintenance of the Group's business software solutions. Global sales and marketing support in international business transactions is another important aspect of Parent Company operations.

Net revenue for the Parent Company during the period amounted to SEK 151 m (170) and earnings after financial items to SEK 48 m (655). Profit include capital gains from the sale of subsidiaries amounting to SEK 7 m (612) and dividends from subsidiaries totaling SEK 65 m (50).

The Parent Company's cash and cash equivalents amounted to SEK 206 m (468) at December 31, while interest-bearing debt amounted to SEK 373 m (355). Investments during the period from January to December amounted to SEK 117 m (118), of which SEK 112 m (113) related to development work.

### **Action program for increased profitability**

In August 2006, the IBS Board of Directors approved an action program to improve the company's profitability. This decision entails implementing a number of measures which include relocating portions of product development and programming from high-cost countries to medium and low-cost countries such as Portugal, Poland and India.

The program will mean that IBS over two to three years will have additional costs for relocating operations. Other activities in the program include coordinating IT infrastructure, reducing

administrative costs and increased sales of portions of the product portfolio via indirect sales channels. Restructuring costs are estimated at SEK 120 m, which was allocated as a reserve and expensed in the third quarter of 2006.

During the fourth quarter, IBS signed a contract with a partner in India, FDS Infotech, regarding three small development projects. The intention is to further develop this partnership after evaluation of the pilot projects to be conducted during the first quarter of 2007.

#### **The IBS share**

The price of the IBS share increased by 7% during the year, and the closing share price at December 31, 2006 was SEK 26.20.

#### **Acquisition of own shares**

The Annual General Meeting held on May 9, 2006 granted authorization for the Board of Directors on one or more occasions during the period, until the next Annual General Meeting, to take decision on acquisition of own shares. The authorization is subject to the limitation that the company's holding of treasury shares may not at any time exceed 10% of all shares in the company.

Given IBS' strong financial position, the Board of Directors decided in June to authorize executive management to repurchase shares on appropriate occasions up until the December 31 for a total sum of up to SEK 50 m. As of December 31, 2006, IBS had repurchased 2,076,300 shares at an average price of SEK 21.41 per share. The total purchase price for these shares was SEK 44.5 m.

The board has decided to prolong the authorization to executive management to repurchase shares up until the AGM in May for the previously determined sum of up to SEK 50 m.

#### **Accounting principles**

This interim report was prepared in accordance with IAS 34 Interim Reporting and the Swedish Financial Accounting Standards Council's recommendation RR 31 Interim Reporting for Corporate Groups. The same accounting principles and calculation methods were applied as in the most recent annual report for 2005.

This means that the consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission. New and revised standards and new interpretations applying as of January 2006 did not affect the IBS Group's financial reporting. For further information on the Group's accounting principles, see the 2005 annual report.

The Parent Company applies the Swedish Financial Accounting Standards Council's recommendation RR 32 Reporting of Legal Entities. RR 32 means in principle that IFRS shall

be applied but with certain exceptions (see the 2005 annual report for further information).

As of January 1, 2006, the Parent Company applies the rules in ch. 4, § 14 of the Annual Accounts Act regarding the valuation of certain financial instruments at fair value, as well as hedge accounting. This resulted in a change of accounting principle. The change primarily meant that stock options are reported at fair value on the balance sheet and in the income statement. Comparison figures were recalculated. The effect was insignificant.

#### **Future prospects**

Market prospects for 2007 appear generally positive with respect to software and consulting services in most of IBS' international markets. IBS' hardware sales, however, are expected to be negatively effected by falling prices and by this lower volumes.

The strategic focus with a streamlining of operations in recent year in combination with an emphasis on industry-specific solutions has resulted in the revenue share for IBS' international software increasing by double-digit figures, while local and third-party products have declined.

Examples of sectors in which IBS anticipates sales growth and increased market share over the coming years includes pharmaceuticals distribution, paper, electronics and publishing and some additional niche markets.

#### **Forecast**

With the action program, IBS anticipates an operating margin of about 7% for the full-year 2007.

#### **Annual General Meeting**

The Annual General Meeting will be held on May 9, 2007 at 6:00 p.m. at Moderna Museet (Auditorium) on Skeppsholmen in Stockholm. Registration will take place starting at 5:00 p.m.

#### **Proposed dividend**

No dividend is proposed for the financial year 2006.

#### **Nomination Committee**

In accordance with the decision by the Annual General Meeting in May 2006, IBS has appointed a Nomination Committee. The four largest shareholders at September 30, 2006 were each invited to appoint a representative to participate in the Committee. All invited shareholders elected to appoint a representative.

As an adjustment to major shareholder changes during the fourth quarter, George Ho, Deccan Value Advisors replaced Naveen Jeerreddi, Tala Investments on the Committee. The Nomination Committee consists of Henrik Jonsson, Catella Investments, George Ho, Deccan Value Advisors, Måns Larsson, Silver Point Capital, Henrik Strömbom, Case Asset Management and the Chairman of the IBS Board of Directors Lars Nyberg.

#### **Reporting dates during 2007**

- The interim report for the period from January to March will be published on May 9.
- The Annual General Meeting will be held on May 9.
- The interim report for the period from January to June will be published on July 19
- The interim report for the period from January to September will be published on October 26.

Solna, February 2, 2007  
BOARD OF DIRECTORS

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*This interim report was not subject to review by the company's auditors.*

*Questions regarding this report will be answered by:*

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# Consolidated income statement

SEK million	2006 Oct-Dec	2005 Oct-Dec	06/05 %	2006 Full Year	2005 Full Year	06/05 %	2004 Full Year
<b>Revenue</b>							
Software licences	166.1	173.7	-4%	511.8	519.4	-1%	524.3
Professional services	333.9	363.1	-8%	1 217.5	1 253.0	-3%	1 246.8
Hardware and other revenue	177.9	211.0	-16%	548.7	603.6	-9%	593.0
<b>Total revenue</b>	<b>677.9</b>	<b>747.8</b>	<b>-9%</b>	<b>2 278.0</b>	<b>2 376.0</b>	<b>-4%</b>	<b>2 364.1</b>
<b>Cost of revenue</b>							
Software licences	-15.2	-13.7	11%	-44.1	-40.5	9%	-61.5
Professional services	-246.9	-282.6	-13%	-935.1	-987.9	-5%	-978.2
Hardware and other costs	-146.5	-170.7	-14%	-439.8	-492.7	-11%	-480.4
<b>Total cost of revenue</b>	<b>-408.6</b>	<b>-467.0</b>	<b>-13%</b>	<b>-1 419.0</b>	<b>-1 521.1</b>	<b>-7%</b>	<b>-1 520.1</b>
<b>Gross profit</b>	<b>269.3</b>	<b>280.8</b>	<b>-4%</b>	<b>859.0</b>	<b>854.9</b>	<b>0%</b>	<b>844.0</b>
Product development costs	-61.5	-66.6	-8%	-239.2	-242.8	-1%	-220.7
Sales and marketing costs	-59.0	-71.7	-18%	-238.3	-259.2	-8%	-266.2
General and administrative costs	-64.6	-79.7	-19%	-269.1	-284.8	-6%	-291.2
Other operating income *	-0.6	-0.3		1.0	571.1		-
Restructuring costs	-	-		-120.0	-		-
<b>Operating profit</b>	<b>83.6</b>	<b>62.5</b>		<b>-6.6</b>	<b>639.2</b>		<b>65.9</b>
<b>Financial items</b>							
Financial income	2.6	2.7		12.2	24.2		3.8
Financial expenses	-4.8	-2.3		-11.8	-9.7		-13.9
<b>Earnings after financial items</b>	<b>81.4</b>	<b>62.9</b>		<b>-6.2</b>	<b>653.7</b>		<b>55.8</b>
Tax	-17.1	-22.3		-1.1	-31.6		-24.4
<b>Net profit for the period</b>	<b>64.3</b>	<b>40.6</b>		<b>-7.3</b>	<b>622.1</b>		<b>31.4</b>
Whereof majority owners share	64.4	40.7		-7.4	622.0		31.3
Whereof minority owners share	-0.1	-0.1		0.1	0.1		0.1
Earnings per share (SEK)	0.77	0.51		-0.09	7.81		0.39
Earnings per share after dilution (SEK)	0.77	0.49		-0.09	7.58		0.39
Average number of shares (thousand)	83 608	79 608		82 608	79 608		79 608
Average number of shares after dilution (thousand)	83 608	82 244		83 333	82 026		81 023

\* Capital gain from sale of subsidiaries

Outcome per quarter												
SEK million	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1 <sup>1)</sup>	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2 <sup>2)</sup>	2006 Q3 <sup>3)</sup>	2006 Q4
Software licences	102.6	126.2	124.5	171.1	109.0	119.1	117.6	173.7	113.4	122.6	109.7	166.1
Total revenue	561.9	570.8	495.2	736.3	550.6	557.9	519.7	747.8	561.6	561.9	476.6	677.9
Operating profit	-0.5	0.2	-0.4	66.6	573.4	5.0	-1.7	62.5	13.3	13.4	-116.9	83.6
Earnings after financial items	-3.9	-0.2	-1.6	61.5	578.4	10.8	1.6	62.9	14.6	12.6	-114.8	81.4

<sup>1)</sup> Operating profit includes capital gain from sale of subsidiaries amounting to SEK 571.4m.

<sup>2)</sup> Operating profit includes capital gain from sale of subsidiaries amounting to SEK 1.5m.

<sup>3)</sup> Operating profit includes restructuring costs amounting to SEK -120.0m.

# Segment analysis

January-December	Sweden		Other Nordic countries		Rest of Europe		Rest of the world		Parent comp. incl. group adjustments		Total	
SEK million	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers												
Software licences	103.6	80.9	48.6	54.0	236.4	262.0	119.7	114.4	3.5	8.1	511.8	519.4
Professional services	309.1	324.9	195.0	221.5	473.8	496.7	237.6	199.8	2.0	10.1	1 217.5	1 253.0
Hardware and other revenue	165.6	189.4	47.9	67.3	290.5	301.8	42.4	43.5	2.3	1.6	548.7	603.6
	578.3	595.2	291.5	342.8	1 000.7	1 060.5	399.7	357.7	7.8	19.8	2 278.0	2 376.0
Inter-segment revenue	21.6	7.1	14.1	8.9	38.3	24.8	8.0	1.0	-82.0	-41.8	0.0	0.0
Total revenue	599.9	602.3	305.6	351.7	1 039.0	1 085.3	407.7	358.7	-74.2	-22.0	2 278.0	2 376.0
<b>Segment operating profit</b>	<b>51.5</b>	<b>29.8</b>	<b>30.3</b>	<b>39.3</b>	<b>124.3</b>	<b>85.4</b>	<b>23.4</b>	<b>23.8</b>	<b>-116.1</b>	<b>460.9</b>	<b>113.4</b>	<b>639.2</b>
Unallocated expenses (restructuring costs)											-120.0	-
<b>Operating profit</b>											<b>-6.6</b>	<b>639.2</b>

4 <sup>th</sup> Quarter	Sweden		Other Nordic countries		Rest of Europe		Rest of the world		Parent comp. incl. group adjustments		Total	
SEK million	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers												
Software licences	35.2	22.0	13.8	13.0	71.2	91.3	30.3	44.9	15.6	2.5	166.1	173.7
Professional services	85.9	90.7	51.8	60.0	127.3	138.0	61.7	64.3	7.2	10.1	333.9	363.1
Hardware and other revenue	57.9	76.1	20.6	28.1	89.6	94.8	7.5	11.8	2.3	0.2	177.9	211.0
	179.0	188.8	86.2	101.1	288.1	324.1	99.5	121.0	25.1	12.8	677.9	747.8
Inter-segment revenue	5.9	6.0	3.3	3.2	16.8	6.4	3.0	-2.0	-29.0	-13.6	0.0	0.0
Total revenue	184.9	194.8	89.5	104.3	304.9	330.5	102.5	119.0	-3.9	-0.8	677.9	747.8
<b>Segment operating profit</b>	<b>21.6</b>	<b>20.3</b>	<b>12.6</b>	<b>11.4</b>	<b>57.7</b>	<b>35.0</b>	<b>10.5</b>	<b>22.8</b>	<b>-18.7</b>	<b>-27.0</b>	<b>83.6</b>	<b>62.5</b>
Unallocated expenses (restructuring costs)											-	-
<b>Operating profit</b>											<b>83.6</b>	<b>62.5</b>

The segment reporting is created in accordance with IAS 14. For IBS, geographical area is the primary basis for segmentation. The segmentation is based on IBS' organisation and the structure of the international reporting system. IBS' risks and opportunities are primarily impacted by the Group having operations in different countries. Internal pricing is based on market price. The segment results include items that are directly assignable or can be allocated to a segment in a reasonable and reliable way.



# Consolidated balance sheet

SEK million	2006 31 Dec	2005 31 Dec	2004 31 Dec		2006 31 Dec	2005 31 Dec	2004 31 Dec
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
Capitalised product development costs	280.1	204.2	157.3	Majority holders	952.2	1 171.2	524.0
Goodwill	423.0	435.8	252.0	Minority holders	1.0	1.9	1.8
Other intangible assets	37.3	49.5	3.3	<b>Total equity</b>	<b>953.2</b>	<b>1 173.1</b>	<b>525.8</b>
Intangible assets	740.4	689.5	412.6	<b>Liabilities</b>			
Tangible assets	97.5	104.1	93.8	Liabilities to credit institutions	86.4	112.5	40.9
Financial assets	17.2	15.7	12.2	Deferred tax	10.6	19.8	7.8
Deferres tax receivables	146.1	135.2	127.3	Provisions	101.0	13.4	16.6
<b>Total fixed assets</b>	<b>1 001.2</b>	<b>944.5</b>	<b>645.9</b>	Other long-term liabilities	26.2	26.1	13.7
<b>Inventories</b>	<b>8.5</b>	<b>6.8</b>	<b>2.9</b>	<b>Long-term liabilities</b>	<b>224.2</b>	<b>171.8</b>	<b>79.0</b>
Accounts receivable	635.2	648.7	646.3	Liabilities to credit institutions	383.8	346.5	252.8
Tax receivables	19.6	13.6	11.1	Accounts payable	148.5	165.7	132.3
Other receivables	190.5	158.4	112.3	Income tax liability	5.1	1.5	9.8
<b>Current assets</b>	<b>845.3</b>	<b>820.7</b>	<b>769.7</b>	Other current liabilities	545.6	589.8	572.3
<b>Cash and cash equivalents</b>	<b>405.4</b>	<b>676.4</b>	<b>153.5</b>	<b>Short-term liabilities</b>	<b>1 083.0</b>	<b>1 103.5</b>	<b>967.2</b>
<b>Total current assets</b>	<b>1 259.2</b>	<b>1 503.9</b>	<b>926.1</b>	<b>Total liabilities</b>	<b>1 307.2</b>	<b>1 275.3</b>	<b>1 046.2</b>
<b>TOTAL ASSETS</b>	<b>2 260.4</b>	<b>2 448.4</b>	<b>1 572.0</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 260.4</b>	<b>2 448.4</b>	<b>1 572.0</b>

## Change in Group equity

SEK million	2006 31 Dec	2005 31 Dec	2004 31 Dec
<b>Opening balance 1 Jan</b>	<b>1 173.1</b>	<b>525.8</b>	<b>569.4</b>
Effect of change in accounting principles *	-	-	-72.1
<b>Adjusted opening balance 1 Jan</b>	<b>1 173.1</b>	<b>525.8</b>	<b>497.3</b>
Dividends paid to shareholders	-167.1	-	-
Warrants exercised	30.6	-	0.4
Own shares aquired	-44.5	-	-
Net profit for the period	-7.3	622.1	31.4
Translation differences for the period	-31.6	25.2	-3.3
<b>Closing balance</b>	<b>953.2</b>	<b>1 173.1</b>	<b>525.8</b>
Whereof majority owners share	952.2	1 171.2	524.0
Whereof minority owners share	1.0	1.9	1.8

\* The amount consists of the effect of change in principle for revenue recognition (renewal fees) SEK -67.7m (SEK -94.0m with reduction of deferred tax SEK 26.3m), adjustment of minority interest SEK 1.6m to equity and revaluation of pension commitments SEK -6.2m.

## Changes in pledged assets and contingent liabilities

SEK million	2006 31 Dec	2005 31 Dec	Change
Corporate mortgages	0.3	0.3	-
Pledged shares in subsidiaries	107.5	127.7	-20.2
Assets charged with ownership reservation	63.3	62.9	0.4
Other contingent liabilities	14.8	22.3	-7.5



# Consolidated cash flow analysis

SEK million	2006 Oct-Dec	2005 Oct-Dec	2006 Full Year	2005 Full Year	2004 Full Year
<i>Operating activities</i>					
Earnings after financial items	81.4	62.9	-6.2	653.7	55.8
Adj. to reconcile earnings after fin. items to cash	13.4	28.4	193.1	-489.3	100.5
Tax paid	-7.0	-6.7	-27.7	-24.5	-33.8
<b>Cash flow from operating activities before changes in working capital</b>	<b>87.8</b>	<b>84.6</b>	<b>159.2</b>	<b>139.9</b>	<b>122.5</b>
<i>Changes in working capital</i>					
Inventories	-0.8	-1.9	-2.2	-1.6	3.6
Operating assets	-222.4	-227.4	-77.9	-9.1	-81.5
Operating liabilities	191.9	212.6	-25.9	-48.7	40.3
<b>Cash flow from operating activities</b>	<b>56.5</b>	<b>67.9</b>	<b>53.2</b>	<b>80.5</b>	<b>84.9</b>
<i>Investing activities</i>					
Change, intangible assets	-49.3	-28.7	-133.5	-96.7	-89.9
Change, tangible assets	-5.5	-13.2	-33.1	-34.8	-18.8
Change, financial assets	-0.9	-3.5	4.1	-2.5	-0.9
Acquisition of subsidiaries and operations	-	-2.7	-	-185.5	-14.9
Sale of subsidiaries and operations	-	-	20.4	649.6	-
<b>Cash flow from investing activities</b>	<b>-55.7</b>	<b>-48.1</b>	<b>-142.1</b>	<b>330.1</b>	<b>-124.5</b>
<i>Financing activities</i>					
Dividends paid to shareholders	-	-	-167.1	-	-
Warrants exercised	-	-	30.6	-	0.4
Own shares acquired	-37.2	-	-44.5	-	-
Net change, loans	5.0	-19.6	14.9	104.5	50.4
<b>Cash flow from financing activities</b>	<b>-32.2</b>	<b>-19.6</b>	<b>-166.1</b>	<b>104.5</b>	<b>50.8</b>
<b>Cash flow for the period</b>	<b>-31.4</b>	<b>0.2</b>	<b>-255.0</b>	<b>515.1</b>	<b>11.2</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>443.5</b>	<b>674.5</b>	<b>676.4</b>	<b>153.5</b>	<b>144.9</b>
<i>Translation differences in cash and cash equivalents</i>	-6.7	1.7	-16.0	7.8	-2.6
<b>Cash and cash equivalents, end of period</b>	<b>405.4</b>	<b>676.4</b>	<b>405.4</b>	<b>676.4</b>	<b>153.5</b>

## Key figures and data per share

Key figures	2006 Oct-Dec	2005 Oct-Dec	2006 Full Year	2005 Full Year	2004 Full Year
Average number of employees	1 850	1 912	1 873	1 874	1 915
Revenue per employee (SEK thousand)	366	391	1 216	1 268	1 235
Value added per employee (SEK thousand)	188	230	638	1 043	717
Operating margin %	12.3	8.4	-0.3	26.9	2.8
Capital turnover ratio	0.3	0.3	1.0	1.2	1.6
Return on total capital %	4.0	2.8	0.2	33.0	4.5
Return on capital employed %	6.0	3.9	0.4	53.5	8.2
Return on equity %	6.8	3.5	-0.7	73.2	5.7
Ratio of risk capital %	43	49	43	49	34
Liquidity %	115	136	115	136	95
Equity to total assets ratio %	42	48	42	48	33
Interest cost cover ratio	18	40	0	68	6
DSO (Days of sales outstanding)	56	50	62	56	57
<b>Key figures per share</b>					
Net profit	0.77	0.51	-0.09	7.81	0.39
Net profit after dilution	0.77	0.49	-0.09	7.58	0.39
Adjusted equity	11.31	14.74	11.31	14.74	6.60
Adjusted equity after dilution	11.31	14.73	11.31	14.67	6.75
Cash flow from operating activities	0.68	0.85	0.64	1.01	1.07
Cash flow from operating activities after dilution	0.68	0.83	0.64	0.98	1.05
<b>Share data</b>					
Average number of shares (thousand)	83 608	79 608	82 608	79 608	76 608
Average number of shares after dilution (thousand)	83 608	82 244	83 333	82 026	81 023
Total no. of shares (thousand)	83 608	79 608	83 608	79 608	79 608
Total no. of warrants (thousand)	-	4 000	-	4 000	9 000
Average share price	21.67	22.01	26.04	18.97	13.48

# Analysis

4<sup>th</sup> Quarter

Full Year

Analysis of revenue growth between the years (%)						
	06/05	05/04	04/03	06/05	05/04	04/03
Volume increase (average no. of staff)	-4%	-6%	-3%	-4%	-5%	-3%
Acquisitions/disposals	-2%	-2%	1%	1%	0%	1%
Price and efficiency change	0%	6%	11%	0%	4%	1%
<b>Growth rate, internally influenced</b>	<b>-6%</b>	<b>-2%</b>	<b>9%</b>	<b>-3%</b>	<b>-1%</b>	<b>-1%</b>
Influence of exchange rate fluctuation	-3%	4%	-3%	-1%	2%	0%
Influence of new IFRS principle	-	-	-5%	-	-	0%
<b>Total growth rate</b>	<b>-9%</b>	<b>2%</b>	<b>1%</b>	<b>-4%</b>	<b>1%</b>	<b>-1%</b>
Gross profit per revenue stream (SEK million)						
	2006	2005	2004	2006	2005	2004
Software licences	151	160	155	468	479	463
Professional services	87	81	79	282	265	269
Hardware and other revenue	31	40	42	109	111	112
<b>Total</b>	<b>269</b>	<b>281</b>	<b>276</b>	<b>859</b>	<b>855</b>	<b>844</b>
Gross margin in % per revenue stream						
	2006	2005	2004	2006	2005	2004
Software licences	91%	92%	91%	91%	92%	88%
Professional services	26%	22%	24%	23%	21%	22%
Hardware and other revenue	18%	19%	18%	20%	18%	19%
<b>Total</b>	<b>40%</b>	<b>38%</b>	<b>37%</b>	<b>38%</b>	<b>36%</b>	<b>36%</b>
Type of revenue in % of total revenue						
	2006	2005	2004	2006	2005	2004
Software licences	25%	23%	23%	22%	22%	22%
Professional services	49%	49%	45%	53%	53%	53%
Hardware and other revenue	26%	28%	32%	25%	25%	25%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Operating costs in % of revenue						
	2006	2005	2004	2006	2005	2004
Product development costs	9%	9%	8%	11%	10%	10%
Sales and marketing costs	9%	9%	9%	10%	11%	11%
General and administrative costs	10%	11%	11%	12%	12%	12%
<b>Total</b>	<b>28%</b>	<b>29%</b>	<b>28%</b>	<b>33%</b>	<b>33%</b>	<b>33%</b>
Depreciation (SEK million)						
	2006	2005	2004	2006	2005	2004
Goodwill (incl. write-down)	-	-	-	-	-3	-
Capitalised product development costs	-14	-9	-12	-53	-49	-48
Other fixed assets	-13	-13	-5	-50	-47	-46
<b>Total</b>	<b>-27</b>	<b>-22</b>	<b>-17</b>	<b>-103</b>	<b>-99</b>	<b>-94</b>

## IBS in brief

IBS' mission is to help our customers increase profitability and customer service through solutions and services that improve business processes and deliver measurable business value.

IBS is a leading provider of specialised business solutions that optimise and increase the efficiency of the entire supply chain. IBS' solutions include effective routines for sales support, customer relations, order handling, procurement and supply chain management, demand-driven manufacturing and distribution, financial control and flexible business performance measurement.

We offer complete solutions by providing software, professional services, IT equipment, facilities management and financing services. Fast and efficient implementation enables customers to focus on their own business targets.

A global network of subsidiaries and business partners ensures that IBS' solutions are available worldwide.