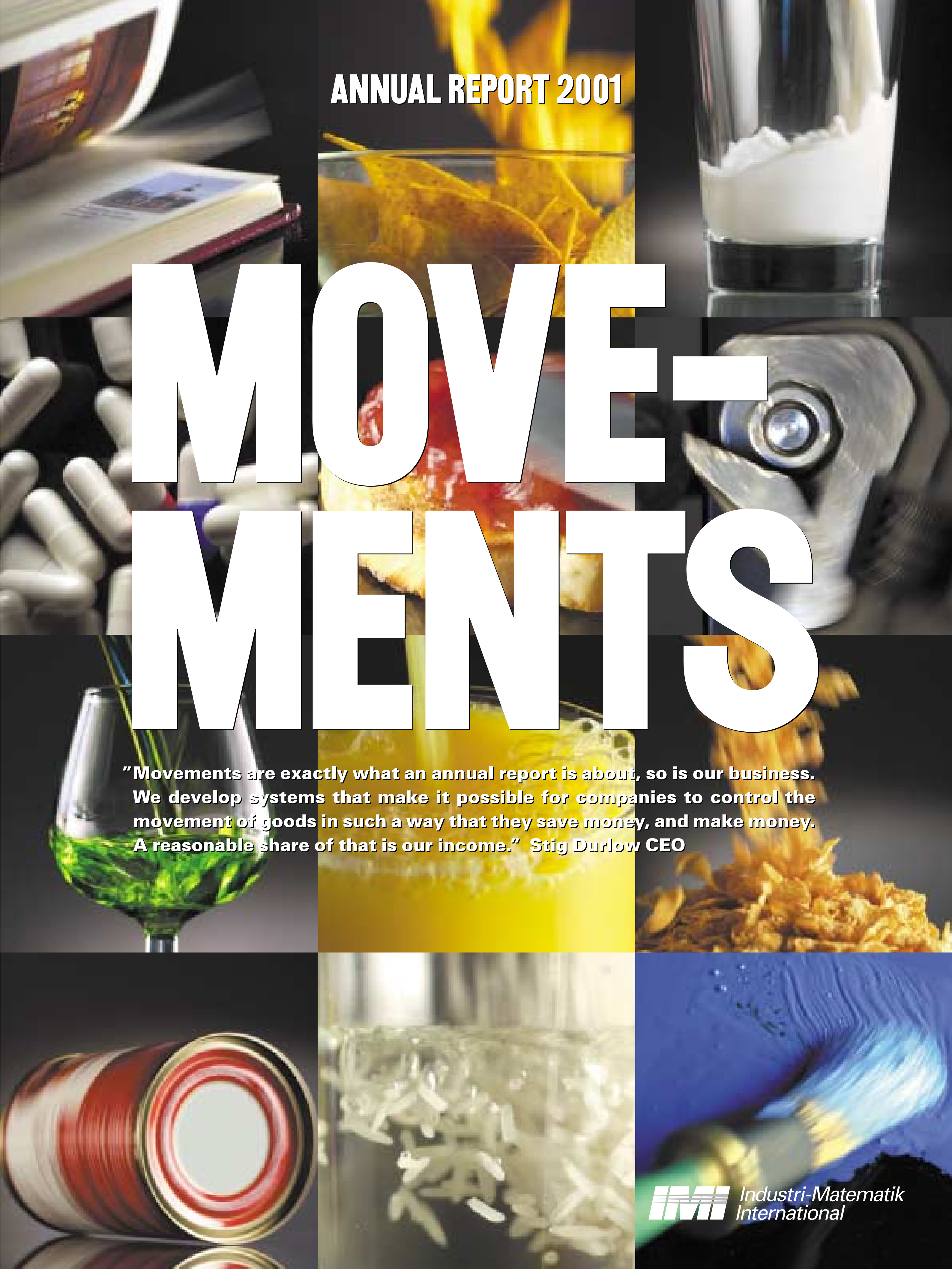


ANNUAL REPORT 2001

MOVE-MENTS

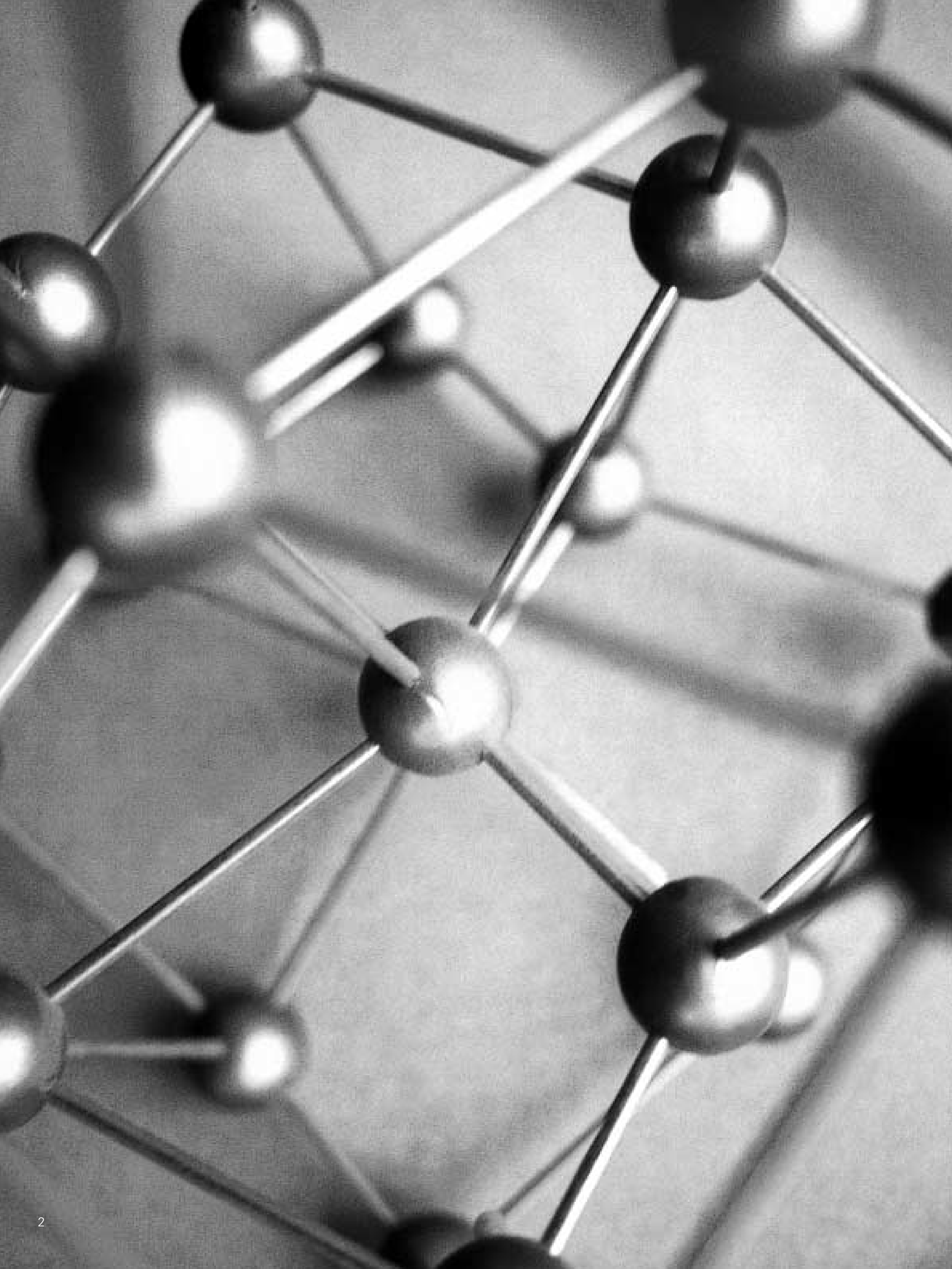
"Movements are exactly what an annual report is about, so is our business. We develop systems that make it possible for companies to control the movement of goods in such a way that they save money, and make money. A reasonable share of that is our income." Stig Durlow CEO

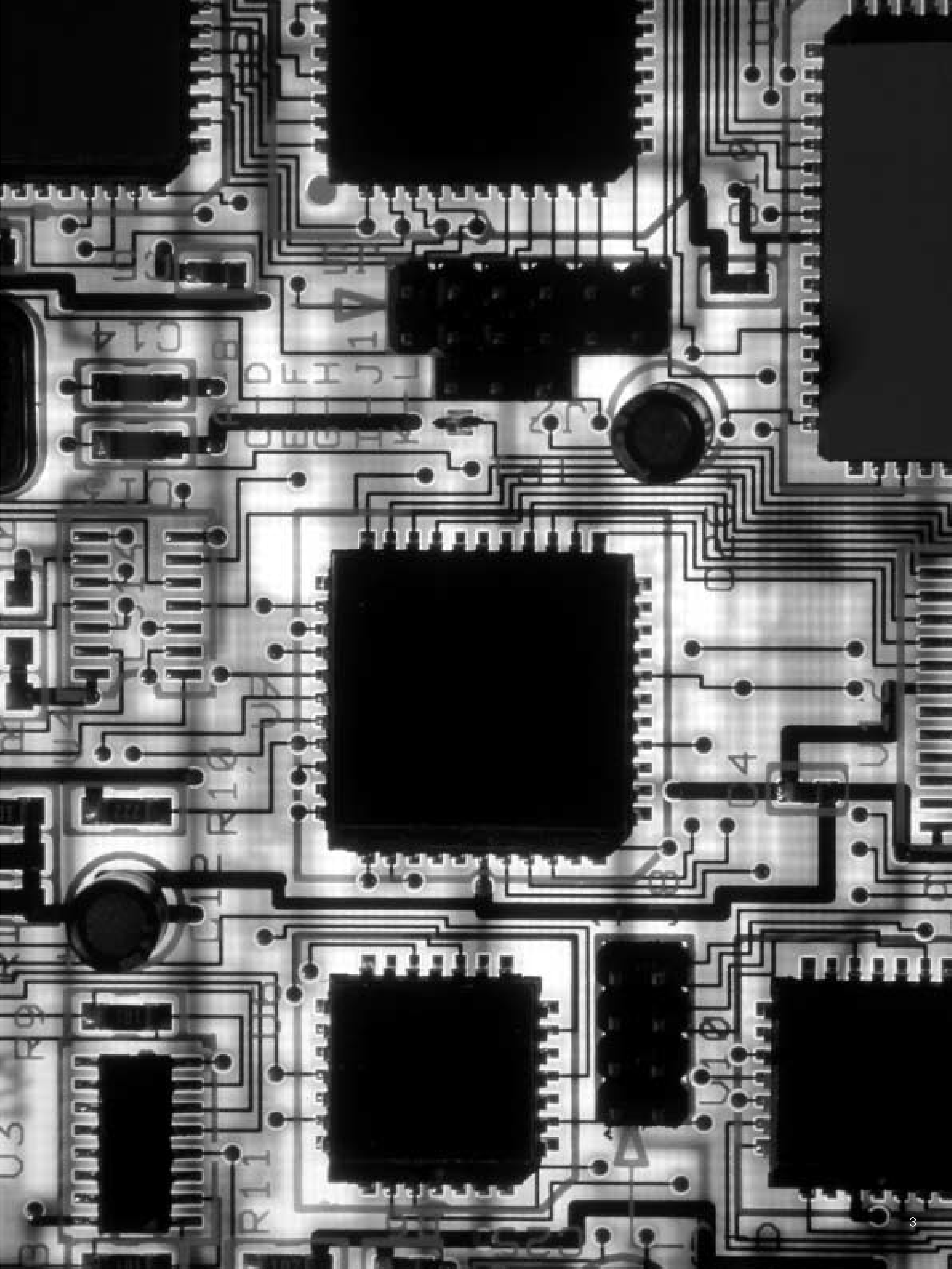
Industri-Matematik International

Ahlsell
Albert Heijn
ASG Finland
AstraZeneca
AT&T Pre-Paid Phone Cards
British Airways
Campbell
Canadian Tire
Canon
Carlton-United Breweries
Color line
CoShopper.com
Dannon
Darigold
Dial
ERA Taiwan
Ericsson Business Networks
FedEx Corp.
Forlagsentralen
Gamesa/ Frito Lay
GE Plastics
General Domestic Appliances
Grapes
Hakon
InterPharm Group B.V.
J.F. Hillebrand
Kellogg's
Kiilto
Kodak
Kramp Groep
K-World Knowledge Network
Land O'Lakes
Lernia
LM Ericsson Data
Mind Innovative AB
Mercury Marine
National Grid Ltd.
New Zealand Dairy Industry
NMD
PDC Inc.
Ralcorp
Resco
Satair
Schenker-BTL
Sherwin-Williams
Smuckers
Song Network
Sonofon
Spicers
Spray International
Starbucks
Sun Microsystems
Sun Valley Foods Ltd.
Telia AB
TNT
VLT
VWR Scientific Products
Walker Foods/ Frito Lay
Warner Elektra-Atlantic
West Farm Foods Inc.
Zurn Industries

Table of Contents

Industri-Matematik International provides high-performance supply chain and customer service software. Our VIVALDI™ software delivers customer relationship management, fulfillment, replenishment and supply chain event management capabilities for retail, wholesale/distribution, logistics service provider and manufacturing companies. VIVALDI helps companies achieve a Zero Inventory/100 Percent Visibility business model by replacing inventory with information to improve collaboration within a trading community and speed the movement of goods across a supply chain.

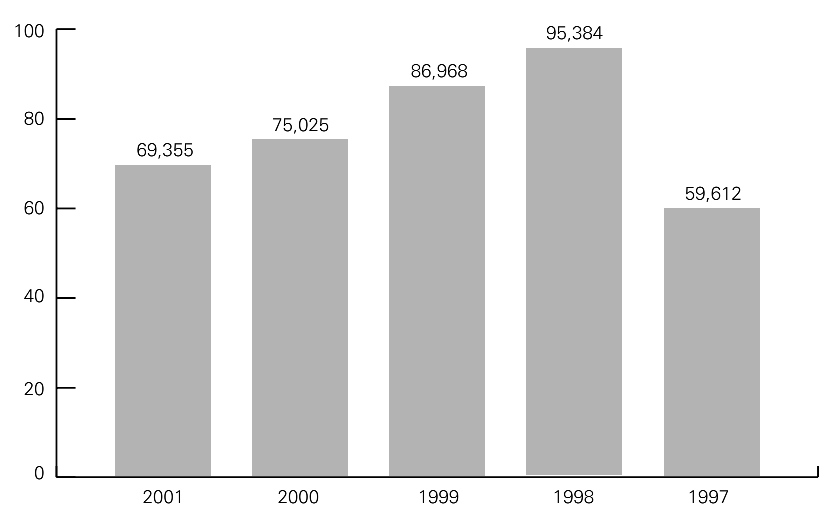




Financial Highlights

Year Ended April 30, (in thousands, except per share data)	**2001**	**2000**	**1999**	**1998**	**1997**
Consolidated Statement of Operations Data:					
Revenues:					
Licenses	**$ 13,478**	$ 12,167	$ 17,039	$ 36,090	$ 26,147
Services and maintenance	**53,313**	61,318	68,233	57,632	31,747
Other	**2,564**	1,540	1,696	1,662	1,718
Total revenues	**69,355**	75,025	86,968	95,384	59,612
Cost of revenues:					
Licenses	**1,336**	1,916	2,212	790	1,540
Services and maintenance	**37,375**	48,528	68,670	41,826	22,871
Other	**520**	429	752	1,029	1,001
Total cost of revenue	**39,231**	50,873	71,634	43,645	25,412
Gross profit	**30,124**	24,152	15,334	51,739	34,200
Net income (loss)	**$ (35,251)**	$ (22,799)	$ (35,259)	$ 9,393	$ 6,902
Net income (loss) per share – assuming dilution	**$ (1.10)**	$ (0.72)	$ (1.09)	$ 0.30	$ 0.25

Total Revenues
($ in millions)



Letter from the President

"Fiscal year 2001 was a challenging year for Industri-Matematik. However, we continued on the path to enhance our product set, improve customer satisfaction and trim our expenses. Although the revenues were slightly down year over year, we believe our fundamentals – attractive products, a great customer base, and a strong, determined and focused organization – should lead to a very interesting, productive future. Revenues for the year ending April 30, 2001 were $ 69,355,000 compared to $75,025,000 in the prior year. The operating loss for the year was $9,930,000 (before restructuring charges, goodwill and tax-loss carry forward write-down of $25,321,000) compared to a loss of $22,799,000 the prior year."

Stig Durlow,
President and Chief Executive Officer

Fiscal year 2001 was a troublesome year for the many companies in the application software industry, including Industri-Matematik. Most "old economy" businesses focused their energy on understanding how to compete in the "new economy." This meant that the major portion of application dollars went to buying and building front-end Internet solutions to be able to compete effectively with the new dot.coms. Meanwhile, we saw a downturn in the "new economy" companies, which led to turmoil among Web-based companies. Not only investors lost considerable money, suppliers also were hurt financially and Industri-Matematik was not an exception. Although we reduced our operational losses significantly during the year, we are still not profitable. At the end of the fiscal year, we implemented a reorganization to further reduce operating costs, focus our resources on existing customers and target markets, and build an organizational platform that accelerates our return to profitability.

We have now organized our operations into four regional units: Americas, Northern Europe, Continental Europe and the United Kingdom, each of which will be made up of sales, services, support, and operations staff. We intend to use our sales resources more efficiently by reconfiguring our product offerings to match the specific requirements of each of our markets. We anticipate that our refined organizational structure, sales strategy and cost structure will reduce operating expenses significally in 2002 versus 2001. With our cost efficient operating structure, our clients' validation of their satisfaction with our products and services, and our continued development of enhanced products, we are confident that we will succeed in our goal to generate positive cash flow in fiscal 2002.

We closed a number of deals significant for our future during FY2001. Among new customer relationship management (CRM) customers we added are **Domain Technology**, one of the leading domain name services in Europe, and **Grape Communications Group**, a Spain-based telecom operator expanding rapidly into other countries in Europe. We also closed an important new deal with **Song** (former Tele1), a leading European telecommunications company, to supply a CRM solution. This contract encompasses Tele1's Nordic operations and offers us an opportunity to further expand our solution into their other European country operations.

We also signed an important new agreement with **TNT**, a well-known, global logistics company for our VIVALDI Contact Center, Customer Service Center and Campaign Manager applications. It is deploying our VIVALDI CRM solution to provide their customers and suppliers with the ability to access the real-time status of orders via the Web. TNT also is using our VIVALDI marketing and sales automation software to identify, profile and segment customers, as well as to measure, monitor and modify sales campaigns. This client will be using VIVALDI as the basis for a strategic solution to be deployed in 52 countries and ultimately to thousands of users in both corporate and operational units. The first stage of the deal was signed in July 2000 quarter, the second in October 2000 quarter and a third in our April 2001 quarter, demonstrating how existing customers can generate expanded business opportunities for Industri-Matematik.

Another new customer, representing the manufacturing distribution space, is **Kramp Groep**. It is a manufacturer and wholesale distributor of spare parts and accessories for the agricultural market throughout Europe. Kramp Groep will deploy the complete suite of VIVALDI enterprise products.

I would also like to mention that we closed a new significant retail deal with a **major Scandinavian grocery retailer**. This company chose us because we provide a proven and highly scalable replenishment solution including Advanced Order Management, Warehouse Management, planning and forecasting as well as consolidated procurement. We've already started the implementation process and we expect this to be additional significant proof of our strong capabilities in the retail space. This deal follows on two other major European retail deals signed recently. The first of them was **Hakon**, which successfully went live with the full VIVALDI suite during FY2001. This has been said to be the biggest ever implementation of standard application software in a grocery retailer. Hakon runs an operation of more than 2000 supermarkets. The second one was **Albert Heijn** in the Netherlands who are in the process of implementing the solution.

Our products and solutions continue to deliver increased efficiencies to our customers' operations, and we received more evidence of this as several existing customers significantly expanded deployment of our products based on positive experiences from products purchased and implemented from us in the past. These include **Spicers**, a leading UK-based office supplies wholesaler, which has expanded its VIVALDI Advanced Order Management implementation to other parts of it's organization internationally, **Ahlsell**, a Nordic wholesale supplier of plumbing, electrical and white goods products, which purchased additional licenses for order management as well as new licenses for our Warehouse Management system that will replace their present legacy system as well as **NMD** and **Sherwin-Williams**.

During FY2001, we launched new innovative capabilities in a solution space often referred to as Supply Chain Event Management, called VIVALDI Net Series. This new B2B e-business solution is another example of our continued progress in expanding our product offerings to appeal to a broader market base.

VIVALDI Net Series facilitates greater collaboration between trading partners. This suite of applications leverages our strengths in global logistics to improve supply chain visibility for all trading partners. These applications will help companies improve customer responsiveness and reduce inventory costs by monitoring the physical movement of goods throughout the supply chain and automatically notifying different parts of the supply chain when any particular event may impact a commitment to a customer or trading partner.

By combining this new capability with our expertise in call center management, we believe we gain a real competitive advantage as companies move to the Internet. As more companies adopt an e-business model, the integration of logistics and customer service information is critical. We are on the leading edge of delivering customer service and multi-channel sales information through the integration of logistics and call center technology.

To give you some examples of its strategic value, suppliers, trading partners and customers can be notified well in advance of any problems, alternative supply channels can be used to fill customer commitments, partial shipments can be delayed for merge-in-transit, or shipped to meet deadlines for customers. VIVALDI Net Series has the potential to save a company millions of dollars every year in logistics and fulfillment costs, not to mention customer satisfaction and loyalty.

What's really exciting about these applications will be their appeal to a broader market – from our traditional base of large manufacturers, distributors and retailers as well as for on-line trading exchanges and e-marketplaces. On their own, the supply chain event management applications appeal to a much wider spectrum of potential customers because they are new, additive solutions, not replacements for something they might already have. So, a company with any kind of ERP or Order Management system already in place will also benefit from the solution. Of course, it means that the software adds value for our existing customers as well.

This expanded capability offers considerable potential for Industri-Matematik. To accelerate the development and introduction of VIVALDI Net Series, we entered during the year into a partnership agreement with **Canadian Tire**, which includes licensing of our Supply Chain Event Management components, and co-development of software and shared resources. Canadian Tire will implement VIVALDI Net Series as a central component of it's supply chain to assist its initiative to expand regional operations, improve multi-channel distribution, increase supply chain capacity, reduce

Letter from the President

product handling and transportation costs, and improve overall inventory visibility.

During the year, we also announced new portal capabilities that provide unified access across the entire VIVALDI software suite, which includes CRM, fulfillment, order management, replenishment and warehousing capabilities, as well as access to third-party supply chain systems. VIVALDI Portal presents a consolidated view of order, inventory, sales and shipping information across multiple business units, locations, currencies and languages, and is accessible from web browsers, Java-enabled applications, and handheld and wireless devices. VIVALDI Portal enables companies to open their enterprise to customers and suppliers. The software is another step in our efforts to increase information flow between employees, customers and suppliers in order to increase logistics efficiency and decrease inventory levels.

Additionally, we continue our investments in CRM and the integration of these important customer service capabilities into the order fulfillment process. This will certainly be one of the most important, if not the most important, solution spaces in the years to come. Major wholesalers, retailers and manufacturing companies have to improve their relationships with customers and the moment of truth is when the customer meets the supplier throughout the order process. The customer's experience in getting customized product information, entering orders and getting committed order delivery dates, as well as having visibility into it's whole supply chain and the ability to react to exceptions encountered in the supply chain will determine success. It is gradually becoming obvious to the market that these important capabilities are not provided by the traditional ERP vendor but rather by vendors like Industri-Matematik, which has a heritage in managing the order process including showing a single face to the customer.

In the middle of the year, we acquired store replenishment software from Itasca that was incorporated into our new VIVALDI Store Replenishment product, automating the store ordering process by tying inventory replenishment into scan systems at retail check-outs. This product will bring the pull-based replenishment model down to the store level, which is something we know a large number of grocery retailers are looking to add to in-store systems. The software improves customer service and increases top line sales by reducing out-of-stock product levels on store shelves while minimizing inventory investment and operating expenses. VIVALDI Store Replenishment will enable us to compete for a broader range of deals.

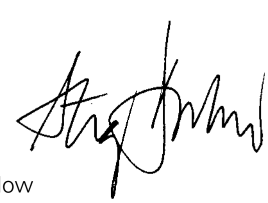
In addition to the contracts signed, we deepened our strategic partner relationships. Earlier this month, we expanded our global supply chain alliance with IBM to include their WebSphere software and MQSeries business integration software as part of our VIVALDI offering. WebSphere is the first web infrastructure software that helps companies at each stage of e-business development. IBM and Industri-Matematik will jointly market and sell our VIVALDI software running on the IBM WebSphere platform. The combination of IBM's WebSphere and consulting and integration services, with our fulfillment and customer service applications, enable Industri-Matematik to provide a complete e-business solution. Moreover, our offering is strengthened by more easily connecting with other IBM products used by many of our customers.

Also on the partner front, we entered into an agreement with Blue Martini Software, a company with which we currently offer a joint e-business solution. The Blue Martini Customer Interaction System helps companies strengthen their brands through merchandising and content management, transaction management, data analysis and personalization at point of customer contact. Integrating Blue Martini's front-end Customer Interaction System with our back-end order fulfillment software enables us to offer a more complete e-business solution to our customers.

As a Company shareholder and CEO, I am personally disappointed at our continued difficulty in gaining a secure footing in this competitive marketplace. However, we have made the difficult decisions to re-size our business platform so that we can be financially successful at the anticipated base of license and service revenue. The market for our products clearly exists, the return on investment for prudent managers seeking to invest in Industri-Matematik's product offering is real and we have a management team dedicated to succeeding in this challenging environment.

We look forward to a successful FY2002.

Sincerely,



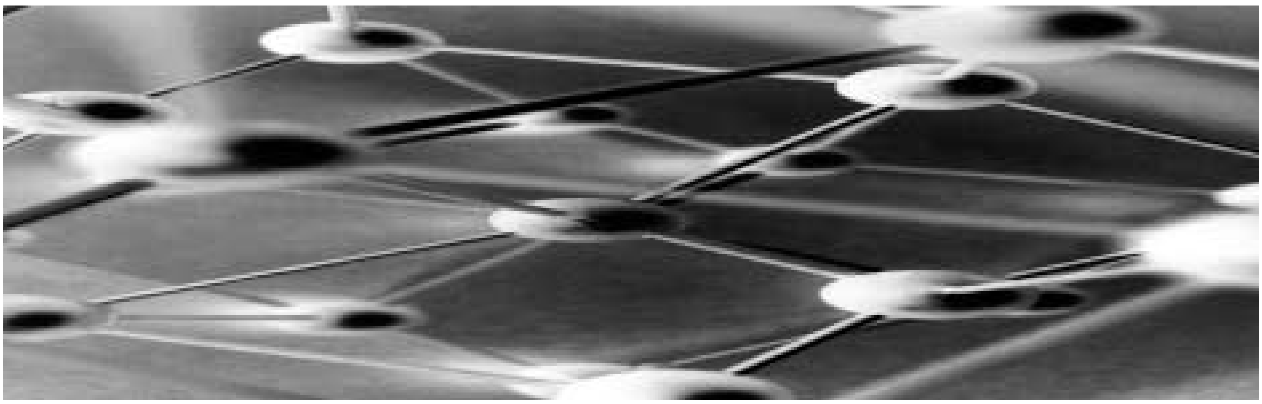
StigDurlow

President and Chief Executive Officer

Market Overview

Business pressures today demand companies fulfill their commitments to the letter, with no margin for delays or short-falls. As the competition become increasingly nimble, customers have come to expect more from their suppliers and cannot afford to be let down.

More than ever, supply chain performance is shaping customers' overall perceptions of service and value.



Now, customers are choosing their suppliers based not just on price and quality, but on logistics – the ability to commit and deliver.

Traditionally, companies would position themselves to meet customer demands for fast fulfillment by building up inventory. But in today's economic environment, the costs of excess inventory in a supply chain network is a drag on a company's bottom-line and market valuation.

Industri-Matematik is focused on helping companies replace inventory with information, or move to what Industri-Matematik calls the Zero/ 100 business model. This business model moves companies towards a zero inventory position by replacing standing inventory with full visibility of their supply chain and customer demands.

This approach allows companies to improve operational agility and inter-company collaboration to speed the movement of goods through the supply chain by achieving **100 percent real-time visibility of inventory availability, pricing, fulfillment costs and preferences on the basis of individual order lines, products and customers. By adopting this strategy, companies can significantly reduce inventories while delivering products more quickly, improving customer service and increasing revenues and profitability.**

Advanced fulfillment and customer service software applications are cornerstone capabilities for helping companies dramatically reduce inventories. These applications provide supply chain visibility into events and resources across a company's inter-enterprise fulfillment and replenishment processes to coordinate product and information. They also provide the customer visibility to effectively segment and differentiate customers based on their needs, develop seamless, cost-effective interactions with them and deliver customized products and services based on their unique requirements.

Improving supply chain visibility allows companies to achieve closer collaboration with trading partners, including customers, vendors, and service providers.

This collaborative environment enables more efficient and effective control over the supply chain network and visibility for all of the processes and inventory in that network.

Industri-Matematik has a strategic focus on helping companies improve their visibility of supply chain processes across enterprise boundaries, by better managing multi-enterprise processes, companies can coordinate interdependent fulfillment activities and create intelligent supply chains that perform as a single entity in satisfying customer demand, quickly and reliably. These new supply chains leverage Internet technologies to enable companies to visualize, coordinate, monitor, accelerate and measure the physical movement of products across suppliers, manufacturers, distributors, retailers and customers.

This collaboration enables companies to maximize supply chain execution resources such as warehouse management, an area where Industri-Matematik VIVALDI software automates warehouse processes to enable fast distribution with minimum handling of goods. The software optimizes the use of warehouse resources and maximizes the efficiency of day-to-day operations such as receiving, put-away, order processing, picking, packing and shipping.

Industri-Matematik also addresses sell-side collaboration to enable companies to present a "single face to the customer" by providing one point of contact for all products sold from any sales channel. Many large companies are a maze of multiple ERP and supply chain systems as well as other point solutions, making it difficult to achieve one operating view of all customer interactions.

VIVALDI software helps companies overcome this challenge by leveraging existing investments and coordinating complex logistics processes across multiple business units to make it easier for customers and partners to conduct business with an entire company.

Another strategic supply execution capability is order management to capture and process orders in high-volume, complex distribution environments and handles pricing, promotions and customer preferences. VIVALDI order management software helps companies manage multiple sales channels and integrate order fulfillment with front-end web sales, allowing a company to commit to product availability, price and delivery date at the time of order entry.

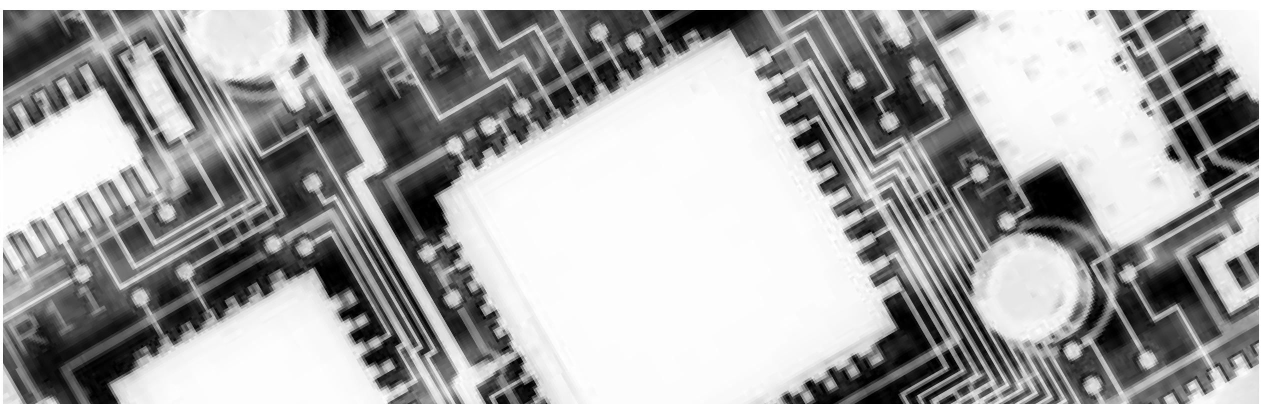
Internet-based sales and distribution channels must be integrated with the existing enterprise systems to allow for a seamless customer interface. Increasingly, companies are looking to solve this challenge by implementing pre-configured, pre-integrated contact center and fulfillment solutions. The VIVALDI software suite addresses this need by leveraging the best-of-class capabilities of the Company's enterprise business solution applications. The software is designed for very fast implementation and can easily scale for future growth. It is built to handle very high volumes and complex logistics.

As companies integrate Web technologies further into their businesses, another strategic challenge they face is connecting their web sales front-ends with customer contact centers. Improving this link will help call center agents to become truly knowledgeable about customers and provide the most responsive service levels possible.

Call centers are the hub of customer relationship management (CRM), which enables companies to manage all points of contact with customers – for pre-sales through fulfillment and after-sales service. Additionally, CRM software provides extensive marketing and sales automation capabilities that identify, profile and segment customers as well as monitor, measure and modify sales campaigns.

Industri-Matematik VIVALDI CRM software extends the capabilities of traditional solutions by integrating contact center and logistics operations to provide customers and suppliers with web access to the real-time status of orders.

This integration also allows contact center agents to leverage current order status information to proactively address customer delivery issues as well as "cross-sell" and "up-sell" product.



Today's generation of collaborative solutions combine supply chain and customer service tools to generate the enterprise commerce intelligence to needed support real-time decision-making throughout a trading community. Industri-Matematik enables this intelligence by providing solutions that tie together all parties in a supply chain network – suppliers, manufacturers, logistics service providers, shippers, freight forwarders, trading exchanges, retailers and customers. As customer fulfillment demands continue to accelerate and grow more complex, companies can turn to Industri-Matematik for solutions to make accurate, profitable commitments at the time of the order and also deliver on time, at full quantity, according to specifications – as promised.

Selected Financial Data

Five Year Review:

The following selected consolidated financial data is qualified by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations", in this annual report and the Consolidated Financial Statements and Notes thereto. The selected consolidated financial data set forth below for the Company as of April 30, 2001, and April 30, 2000, and for each of the three years in the period ended April 30, 2001, are derived from audited financial statements included elsewhere in this annual report.

Selected Financial Data

Five Year Review:

Year Ended April 30, (in thousands, except per share data)	**2001**	**2000**	**1999**	**1998**	**1997**
Consolidated Statement of Operations Data:					
Revenues:					
Licenses	**$ 13,478**	$ 12,167	$ 17,039	$ 36,090	$ 26,147
Services and maintenance	**53,313**	61,318	68,233	57,632	31,747
Other	**2,564**	1,540	1,696	1,662	1,718
Total revenues	**69,355**	75,025	86,968	95,384	59,612
Cost of revenues:					
Licenses	**1,336**	1,916	2,212	790	1,540
Services and maintenance	**37,375**	48,528	68,670	41,826	22,871
Other	**520**	429	752	1,029	1,001
Total cost of revenue	**39,231**	50,873	71,634	43,645	25,412
Gross profit	**30,124**	24,152	15,334	51,739	34,200
Operating expenses:					
Product development	**15,479**	17,784	24,267	14,684	9,935
Acquired In-process Research and Development	–	–	2,500	–	–
Sales and marketing	**15,878**	20,555	27,295	20,878	14,997
General and administrative	**9,026**	9,251	12,332	6,989	4,399
Amortization of goodwill	**4,506**	1,383	486	114	–
Restructuring costs	**5,391**	–	3,522	–	–
Total operating expenses	**50,280**	48,973	70,402	42,665	29,331
Income (loss) from operations	**(20,156)**	(24,821)	(55,068)	9,074	4,869
Other income (expense):					
Interest income	**1,561**	2,183	4,446	3,490	643
Interest expense	**(13)**	(65)	(128)	(123)	(253)
Miscellaneous expense, net	**(1,219)**	(96)	(931)	(286)	(21)
Income (loss) from continuing operations before income taxes	**(19,827)**	(22,799)	(51,681)	12,155	5,238
(Provision) benefit for income taxes	**(15,424)**	–	16,422	(2,762)	190
Income (loss) from continuing operations	**(35,251)**	(22,799)	(35,259)	9,393	5,428
Income (loss) from discontinued operations	–	–	–	–	374
Gain on sale of discontinued operations (net of income tax of $ 372)	–	–	–	–	1,100
Net income (loss)	**$ (35,251)**	$(22,799)	$(35,259)	$ 9,393	$ 6,902
Net income (loss) per share data – assuming dilution (1):					
Income (loss) from continuing operations	**$ (1.10)**	$ (0.72)	$ (1.09)	$ 0.30	$ 0.20
Income from discontinued operations	–	–	–	–	0.01
Gain on sale of discontinued operations	–	–	–	–	0.04
Net income (loss) per share – assuming dilution	**$ (1.10)**	$ (0.72)	$ (1.09)	$ 0.30	$ 0.25
Shares used in per share calculation – assuming dilution	**31,986**	31,672	32,431	30,821	28,063

Selected Financial Data

Five Year Review:

Selected Financial Data Continued	**2001**	**2000**	**1999** (in thousands)	**1998**	**1997**
Consolidated Balance Sheet Data:					
Cash and cash equivalents.	**$ 12,053**	$ 12,036	$ 29,065	$ 41,982	$ 9,023
Short-term investments	**12,866**	19,821	24,848	69,416	9,952
Working capital	**16,475**	32,650	54,187	120,479	30,831
Total assets	**52,510**	88,932	115,085	149,329	50,963
Capital lease obligations, less current portion	**–**	–	–	281	554
Total stockholders' equity	**25,790**	61,459	83,881	124,573	34,754

(1) See Note 2 of Notes to Consolidated Financial Statements for an explanation of the determination of shares used in calculating net income (loss) per share – assuming dilution.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act that involve certain risks and uncertainties. Discussions containing such forward-looking statements may be found in the material set forth below and under "Risk Factors" and "Business," as well as in this Report generally, including the documents incorporated in this Report by reference. Without limiting the foregoing, the words "believes," "anticipates," "plans," "intends," "expects," and similar expressions are intended to identify forward-looking statements. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" appearing elsewhere in this Report and in the documents incorporated in this Report by reference. These forward-looking statements are made as of the date of this Report and the Company assumes no obligation to update such forward-looking statements or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

Overview

Industri-Matematik International Corp. develops, markets, and supports client/server application software that enables manufacturers, distributors, and wholesalers to manage their supply chain and customer relationships more effectively. The Company was founded in 1967 as a custom software development and consulting services organization. The Company developed and delivered its first distribution logistics software in 1974, its first UNIX-based version in 1984, and its first Oracle-based client/server version in 1991. In 1993, the Company introduced System ESS(R), which was software designed to meet the needs of multinational manufacturers, distributors, and wholesalers. In May, 1999, the Company introduced VIVALDI(TM), a software suite of open applications which provide full capabilities for managing and executing the global fulfillment and customer service process. VIVALDI includes System ESS components and Customer Relationship Management Software, Open Warehouse, and other components. During fiscal 2001, the Company introduced VIVALDI Net Series (TM) and VIVALDI Portal (TM), which facilitate collaboration among suppliers, manufacturers, and customers via the Internet, and VIVALDI Store Replenishment (TM), which helps companies minimize inventory and operating expenses.

Substantially all of the Company's revenues in the last three years have been attributable to license fees and related services, including software maintenance and support, implementation, consulting, and training. The Company expects that license and services revenues related to its VIVALDI suite will continue to constitute substantially all of the Company's revenues in the foreseeable future.

North American revenues decreased to $28.2 million in fiscal 2001 from $28.9 million in fiscal 2000, European revenues decreased to $39.3 million in fiscal 2001 from $43.6 million in fiscal 2000, and Asia/Pacific revenues decreased to $1.2 million from $2.2 million over the same period. Future operating results will depend on many factors, including the growth of the supply chain and customer relationship management software market, market acceptance of the Company's products, competition, the success of the Company's sales, support, service, and marketing organizations, general economic conditions, and other factors.

A significant portion of the Company's business has been conducted in currencies other than the U.S. dollar (the currency in which its financial statements are stated), primarily the Swedish krona and, to a lesser extent, the U.K. pound sterling, the Dutch guilder, the German mark, the French franc, the Australian dollar, and the Canadian dollar. The Company incurs a significant portion of its expenses in Swedish kronor, including a substantial part of its product development and general and administrative expenses. As a result, changes of the value of the Swedish krona relative to the other currencies in which the Company generates revenues, particularly the U.S. dollar, could affect operating results. The financial statements of the Company are translated from the functional currency of the operating subsidiaries into U.S. dollars, the Company's reporting currency, utilizing the current rate method. Accordingly, assets and liabilities are translated at exchange rates in effect at the end of the reporting period, and revenues and expenses are translated at the weighted average exchange rate during the period. All translation gains or losses from the translation into the Company's reporting currency are included in Other Comprehensive Loss. Fluctuations in the Swedish krona and other currencies relative to the U.S. dollar will affect period to period comparison of the Company's reported results of operations. Due to the constantly changing currency exposures and the volatility of currency exchange rates, there can be no assurance that the Company will not experience currency losses in the future, nor can the Company predict the effect of exchange rate fluctuations upon future operating results. The Company does not currently undertake hedging transactions to cover its currency exposure, but the Company may choose to hedge a portion of its currency exposure in the future as it deems appropriate.

Results of operations

For the fiscal periods indicated, the following table sets forth the percentage of total revenues represented by certain items reflected in the Company's consolidated statements of operations:

Years Ended April 30,	**2001**	**2000**	**1999**
Consolidated Statement of Operations Data:			
Revenues:			
Licenses	**19.4%**	16.2%	19.6%
Services and maintenance	**76.9**	81.7	78.5
Other	**3.7**	2.1	1.9
Total revenues	**100.0**	100.0	100.0
Cost of revenues:			
Licenses	**1.9**	2.6	2.5
Services and maintenance	**53.9**	64.7	79.0
Other	**0.8**	0.5	0.9
Total cost of revenues	**56.6**	67.8	82.4
Gross profit	**43.4**	32.2	17.6
Operating expenses:			
Product development	**22.3**	23.7	27.9
Acquired in-process research and development	**–**	–	2.9
Sales and marketing	**22.9**	27.4	31.4
General and administrative	**13.0**	12.3	14.2
Amortization of goodwill and other intangibles	**6.5**	1.9	0.6
Restructuring costs	**7.8**	–	4.0
Total operating expenses	**72.5**	65.3	81.0
Loss from operations	**(29.1)**	(33.1)	(63.4)
Other income (expense):			
Interest income	**2.2**	2.9	5.1
Interest expense	**–**	(0.1)	(0.1)
Miscellaneous expense, net	**(1.8)**	(0.1)	(1.0)
Loss from continuing operations before income taxes	**(28.7)**	(30.4)	(59.5)
(Provision) benefit for income taxes	**(22.2)**	–	18.9
Loss from continuing operations	**(50.9)**	(30.4)	(40.6)
Net loss	**(50.9%)**	(30.4%)	(40.6%)

Management's Discussion and Analysis of Financial Condition and Results of Operations

Revenues. The Company's revenues consist of software license revenues, service and maintenance revenues, and other revenues. Software license revenue is recognized when persuasive evidence of an arrangement exists and delivery has occurred, the fee is fixed and determinable, collectibility is probable, and the arrangement does not require significant customization of the software. Service revenue is recognized as the Company performs the services in accordance with the contract. Maintenance and support revenue is deferred and recognized ratably over the term of the agreement, generally one year. Other revenues are primarily third-party hardware sales necessary to help certain customers implement the Company's products. The Company derives substantially all of its revenues from licenses of its software and related service and maintenance.

Total revenues decreased 7.6% to $69.4 million in fiscal 2001 from $75.0 million in fiscal 2000 as a result of a decrease in service and maintenance revenues offset by a small increase in software license revenues and other revenues. Total revenues decreased 13.7% to $75.0 million in fiscal 2000 from $87.0 million in fiscal 1999 as a result of a decrease in software license revenues and service and maintenance revenues.

Software License Revenues. Revenues from software licenses increased 10.8% to $13.5 million in fiscal 2001 from $12.2 million in fiscal 2000, and decreased 28.6% in fiscal 2000 from $17.0 million in fiscal 1999. Software license revenues constituted 19.4%, 16.2%, and 19.6% of total revenues in fiscal 2001, 2000, and 1999, respectively. Management believes that a major factor in the decrease in software license revenue in fiscal 2000 from fiscal 1999 was due to a general contraction in the market for large enterprise-wide solutions and the reluctance of customers to commence large-scale implementations near the turn of the century due to general concerns regarding Year 2000 compliance problems. The increase in software license revenues in fiscal 2001 from fiscal 2000 was not substantial and represented no significant year to year change and reflects the continuing contraction in the market for the Company's products.

Service and Maintenance Revenues. Service and maintenance revenues decreased 13.0% to $53.3 million in fiscal 2001 from $61.3 million in fiscal 2000, and decreased 10.1% in fiscal 2000 from $68.2 million in fiscal 1999. Service and maintenance revenues constituted 76.9%, 81.7%, and 78.5% of total revenues in fiscal 2001, 2000, and 1999, respectively. The decreases in the absolute dollar amount of service and maintenance revenues in fiscal 2001 from fiscal 2000 and in fiscal 2000 from fiscal 1999 were related primarily to the decreases in software licenses sold during the prior fiscal periods, as service and maintenance revenues tend to track software license transactions in prior periods.

Other Revenues. Other revenues are primarily third-party hardware sales to the Company's Scandinavian customer base. Other revenues increased 66.5% to $2.6 million in fiscal 2001 from $1.5 million in fiscal 2000 and decreased 9.2% in fiscal 2000 from $1.7 million in fiscal 1999. Other revenues constituted 3.7%, 2.0%, and 1.9% of total revenues in fiscal 2001, 2000, and 1999, respectively. Other revenues tend to vary over time in absolute dollars and as a percentage of total revenues due to the size of specific hardware sales.

Cost of revenues. Cost of revenues was $39.2 million, $50.9 million, and $71.6 million in fiscal 2001, 2000, and 1999, representing 56.6%, 67.8%, and 82.4% of total revenues, respectively. The decreases in cost of revenues both in absolute dollars and as a percentage of total revenues in fiscal 2001 from fiscal 2000 and in fiscal 2000 from fiscal 1999 were primarily due to a restructuring program reducing the Company's workforce through layoffs and attrition initiated during the fourth quarter of fiscal 1999 to correspond with the declining revenue trend.

The following table sets forth, for the periods indicated, the cost of revenues for each revenue category and the cost of revenues represented as a percentage of each revenue category:

	Year Ended April 30, 2001		2000		1999	
	Cost of Revenues	% of Revenue Category	Cost of Revenues	% of Revenue Category	Cost of Revenues	% of Revenue
Category (in thousands, except percentage data)						
Licenses	$ 1,336	9.9%	$ 1,916	15.7%	$ 2,212	13.0%
Services and maintenance	37,375	70.1	48,528	79.1	68,670	100.6
Other	520	20.3	429	27.9	752	44.3
Total cost of revenues	$ 39,231	56.6%	$50,873	67.8%	$ 71,634	82.4%

Cost of Software License Revenues. Cost of software license revenues consists primarily of license fees paid with respect to embedded third-party software included with the licenses of the Company's software and, occasionally, the cost of third-party complementary software that is licensed together with the Company's software without being embedded. In addition, third parties may receive royalty commissions for participation in the sales process. Cost of software license revenues was $1.3 million, $1.9 million, and $2.2 million, in fiscal 2001, 2000, and 1999, representing 9.9%, 15.7%, and 13.0% of software license revenues, respectively. The cost of software license revenues in fiscal 2000 was higher as a percentage of software licenses revenues than in either fiscal 2001 or fiscal 1999 due to a higher proportion of licenses being sold together with third-party integrators where a royalty commission is paid to the integrator for assistance in the selling process during that year.

Cost of Service and Maintenance Revenues. Cost of service and maintenance revenues consists primarily of costs associated with consulting, implementation, and training services and the use by the Company of third-party consultants to perform implementation services for the Company's customers. Cost of service and maintenance revenues also includes the cost of providing software maintenance to customers, such as telephone hotline support. Cost of service and maintenance revenues was $37.4 million, $48.5 million, and $68.7 million in fiscal 2001, 2000, and 1999, representing 70.1%, 79.1%, and 100.6%, of service and maintenance revenues, respectively. The decreases in the cost of service and maintenance revenues in absolute dollar amounts in fiscal 2001 from fiscal 2000 and in fiscal 2000 from fiscal 1999 were due to reductions in workforce through layoffs and attrition initiated during the fourth quarter of fiscal 1999, a reduction in the use of outside consultants, and a decrease in the amount of service and maintenance performed. In fiscal 1999, the cost of service and maintenance revenues in absolute dollars and as a percentage of service and maintenance revenues were unusually large as a result of significant one-time charges related to ongoing implementation projects and charges made for doubtful accounts receivable during the year.

Cost of Other Revenues. Cost of other revenues consists primarily of the cost of third-party hardware supplied to certain customers. Cost of other revenues was $0.5 million, $0.4 million, and $0.8 million in fiscal 2001, 2000, and 1999, representing 20.3%, 27.9%, and 44.3% of other revenues, respectively. The Company expects the cost of other revenues to continue to fluctuate on a period to period basis due to the size and nature of specific hardware sales.

Product Development. Product development expenses consist primarily of salaries and other related costs for the Company's product development staff. Product development expenses were $15.5 million, $17.8 million, and $24.3 million in fiscal 2001, 2000, and 1999, representing 22.3%, 23.7%, and 27.9% of total revenues, respectively. The decreases in product development expenses in absolute dollar amount in fiscal 2001 from fiscal 2000 and in fiscal 2000 from fiscal 1999 were due to a decrease in the number of product development personnel and other related costs as part of the restructuring program initiated in fourth quarter 1999. Also, in fiscal 1999 the Company paid high external costs related to specific product development initiatives and incurred one-time costs for the expansion of System ESS functionality in the consumer product sector.

Software development costs incurred in the product development of new software products are expensed as incurred until technological feasibility has been established. To date, the establishment of technological feasibility of the Company's products and general release have substantially coincided. As a result, the Company has not capitalized any software development costs since such costs have been immaterial.

Acquired in-process research and development. Acquired in-process research and development consists of one-time charges for acquisitions accounted for as purchases. The Company had one acquisition in fiscal 1999, the acquisition of Abalon AB, resulting in the write-off of acquired in-process research and development of $2.5 million. The $2.5 million as determined by an independent third-party appraisal related to in-process research and development which was charged against income in fiscal 1999 as the underlying research and development projects had not reached technological feasibility for Abalon's intended purpose and had no alternative future uses for the Company. The Company did not have any write-off of acquired research and development in fiscal 2001 or 2000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Sales and Marketing. Sales and marketing expenses include personnel costs,commissions, and related costs for sales and marketing personnel, as well as the cost of office facilities, travel, promotional events, and public relations programs. Sales and marketing expenses were $15.9 million, $20.6 million, and $27.3 million in fiscal 2001, 2000, and 1999, representing 22.9%, 27.4%, and 31.4% of total revenues, respectively. Sales and marketing expenses decreased in fiscal 2001 from fiscal 2000 and in fiscal 2000 from fiscal 1999 in absolute dollar amount and as a percentage of total revenues as a result of measures initiated in the fourth quarter of fiscal 1999 to reduce costs in response to market conditions for new software licenses.

General and Administrative. Ongoing general and administrative expenses consist primarily of salaries and costs of the Company's finance, human resources, information systems, administrative, and executive staff and the fees and expenses associated with legal, accounting, and other requirements. General and administrative expenses were $9.0 million, $9.3 million, and $12.3 million in fiscal 2001, 2000, and 1999, representing 13.0%, 12.3%, and 14.2% of total revenues, respectively. The decreases in absolute dollar amounts of general and administrative expenses in fiscal 2001 from fiscal 2000 and in fiscal 2000 from fiscal 1999 were primarily the result of decreased staffing of accounting, human resources, and internal system administration associated with the restructuring program initiated in the fourth quarter of fiscal 1999. The increase in general and administrative expenses in fiscal 2001 from fiscal 2000 as a percentage of total revenues was primarily the result of the decrease in total revenues over the same period.

Amortization of goodwill and other intangibles. Amortization of goodwill and other intangibles relates to the fiscal 1998 acquisition of Ceratina International AB, the fiscal 1999 acquisition of Abalon AB, and the fiscal 2001 acquisition of IMOY. Goodwill and other intangibles is amortized over a 5 to 10 year period. Amortization of goodwill and other intangibles was $4.5 million in fiscal 2001, $3.0 million of which consisted of a write-down for goodwill relating to the Abalon acquisition. The write-down was based upon an outside appraisal which showed that the value of such goodwill had declined since the date of the acquisition. Amortization of goodwill and other intangibles was $1.4 million, and $0.5 million in fiscal 2000 and 1999, respectively.

Restructuring costs. In April, 2001, the Company announced a reorganization of its operations into four regional units each made up of sales, services, support, and operations staff. In connection with the reorganization, the Company took a restructuring charge of $5.4 million consisting primarily of employee severance costs, lease termination expenses, and write-downs of certain property and equipment. In the third quarter of fiscal 1999, based upon the Company's view that there was a contraction in the market for enterprise software products generally and in the growth of the Company's business, the Company realigned its cost structure and incurred a $3.5 million one-time restructuring charge in the fourth quarter. The components of the charge consisted mainly of employee severance costs and the costs related to closing sales offices and other facilities, and as of April 30, 2001, accrual for this restructuring had been fully utilized.

Other Income (Expense). Other income (expense) comprises interest income,interest expenses, and miscellaneous income and expenses. Interest income was approximately $1.6 million, $2.2 million, and $4.4 million in fiscal 2001, 2000, and 1999, respectively. The decreases year to year were due to decreases in the levels of short-term investments and cash held in interest-bearing accounts compared to the amounts invested in prior years. Interest expenses were approximately $13,000, $65,000, and $128,000 in fiscal 2001, 2000, and 1999, respectively. The decreases were the result of the lower outstanding balance of notes payable and capital lease obligations.

Provision (Benefit) for Income Taxes. In April, 2001, the Company recorded and additional valuation allowance against its remaining deferred tax asset by increasing the valuation allowance by $15.4 million based upon its continuing non-profitable operations and inability to predict when this asset could be realized. This resulted in a charge to income for the year ended April 30, 2001, equal to the increase in the valuation allowance. There was no provision (benefit) for income taxes for the year ended April 30, 2000, as the Company applied a full valuation allowance to deferred tax assets generated after April 30, 1999. At April 30, 2001, the Company's deferred tax asset amounted to $30.8 million of which $29.3 million related to net operating loss carryforwards and $1.5 million related to other temporary differences, however after applying the valuation allowance, the net deferred tax asset at April 30, 2001, was $0. Of the net operating loss carryforwards, $12.0 million were incurred in the United States and $11.8 million were incurred in Sweden. The net operating loss carryforwards, of which substantially all were incurred during the years ended April 30, 2001, 2000, and 1999, may be carried forward to offset future income up to 15 years in the United States and indefinitely in Sweden.

Hedge Transaction. During November, 2000, the Company entered into a hedge transaction with a Bank to offset potential Swedish social security fee liability upon exercise of stock options by employees living in Sweden. The arrangement involved the issuance by the Bank of a call to the Company settleable in cash, which the Bank elected to cover by purchasing shares of the Company's Common Stock. The Company offset a portion of the cost of the call by issuing to the Bank a right to put shares of Company Common Stock to the Company. Gain or loss to the Company on the closing of the transaction will be realized based upon the increase or decrease in the price of the Company's Common Stock. As a result of the decline in the value of the Company Common Stock, as of April 30, 2001, the Company recorded a non-operating charge of $1.4 million relating to the put issued to the Bank. This charge will be reviewed quarterly and adjusted to reflect the underlying Common Stock value and will be reversed in full if the price of the Common Stock reaches $4.536 per share, which is the exercise price of the put. On April 30, 2001, the exercise price of the call option ($4.536) used to hedge potential Swedish social security fees was above the market price of the Company's Common Stock. Since there was no active market for these types of options, the value of the call option was limited to a calculated option premium, which was offset in the financial statements by the corresponding premium on the put option. The original net premium of $50,000 will be amortized over the 5-year term of the options. The number of shares of Company Common Stock subject to the call at any given time, which depends on the number of options outstanding from time to time, is presently 450,000 and is not expected to exceed that number. It is anticipated that the hedge transaction will be open for several years. As part of that transaction, the Company deposited $2.1 million with the Bank and recorded a non-current asset in that amount.

Liquidity and capital resources. Since its inception, the Company has financed and met its capital expenditure requirements through cash flows from operations, short-term borrowings, and, during fiscal 1997 and fiscal 1998, through sales of equity securities to the public. Cash used in operations was $1.0 million, $17.6 million, and $35.8 million in fiscal 2001, 2000, and 1999, respectively. Repayments of borrowings were $0.6 million and $1.8 million in fiscal 2000 and 1999. Cash flows from issuance of common stock were $0.9 million, $0.8 million, and $1.9 million in fiscal 2001, 2000, and 1999, respectively. The Company purchased approximately $3.1 million, $4.5 million, and $4.7 million, of office equipment and other property in fiscal 2001, 2000, and 1999, respectively. At April 30, 2001, the Company did not have any material commitments for capital expenditures.

At April 30, 2001, the Company had $16.5 million of working capital as compared to $32.7 million of working capital at April 30, 2000. Current assets at April 30, 2001, include $12.1 million in cash and cash equivalents and $12.9 in short term investments. The decrease in working capital from April 30, 2000, to April 30, 2001, was primarily the result of decreases in accounts receivable and short term investments reflecting the operating loss for the fiscal year.

Accounts receivable, net of allowance for doubtful accounts, decreased to $11.0 million at April 30, 2001, from $20.2 million at April 30, 2000. Contract receivables, primarily scheduled amounts due from customers, increased to $1.9 million at April 30, 2001, from $1.1 million at April 30, 2000. The allowance for doubtful accounts decreased to $1.1 million at April 30, 2001, from $2.5 million at April 30, 2000, as a result of settling an agreement with a particular customer. A significant portion of the amount remaining in the reserve for doubtful accounts relates to an ongoing dispute with another customer.

The Company believes that its existing cash and cash equivalent balances, short-term investment balances, and anticipated cash flow from operations will satisfy the Company's working capital and capital expenditure requirements for at least the next 12 months. However, any material acquisitions of complementary businesses, products, or technologies could require the Company to obtain additional sources of financing.

Qualitative and quantitative disclosure about market risk. Except for the transaction referred to above under the heading "Hedge Transaction", the Company does not believe it is exposed to market risks with respect to any of its investments; the Company does not utilize market rate sensitive instruments for trading of other purposes. As of April 30, 2001, the Company had no long-term investments and its short-term investments consisted of two Federal Agency securities with maturities of less than one year.

Report of Independent Accountants

The Board of Directors and Stockholders of Industri-Matematik International Corp.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statement of operations, comprehensive income, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Industri-Matematik International Corp. and its subsidiaries at April 30, 2001 and April 30, 2000 and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers AB

BY: /s/ ROBERT BARNDEN
Robert Barnden

Stockholm, Sweden
July 27, 2001

Industri-Matematik International Corp. and Subsidiaries
Consolidated Balance Sheets

(in thousands, except share and per share data)

	April 30, 2001	April 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 12,053**	$ 12,036
Short-term investments	**12,866**	19,821
Accounts receivable, less allowance for doubtful accounts of $1,143 and $2,486 at April 30, 2001 and 2000, respectively	**10,952**	20,176
Contract receivables	**1,861**	1,089
Prepaid expenses	**1,726**	2,727
Income taxes receivable	**217**	646
Other current assets	**640**	698
Total current assets	**40,315**	57,193
Non current assets:		
Property and equipment, net	**4,753**	6,595
Deferred income taxes	**–**	15,520
Goodwill and other intangible assets	**3,739**	8,359
Long-term cash deposit	**2,794**	–
Other non current assets	**909**	1,265
Total non current assets	**12,195**	31,739
Total assets	**$ 52,510**	$ 88,932
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of notes payable	**–**	303
Accounts payable	**1,129**	2,031
Accrued expenses and other current liabilities	**8,071**	7,978
Accrued payroll and employee benefits	**7,595**	5,702
Deferred revenue	**7,045**	8,529
Total current liabilities	**23,840**	24,543
Long-term liabilities:		
Accrued pension liability	**2,880**	2,930
Total long-term liabilities	**2,880**	2,930
Total liabilities	**$ 26,720**	$ 27,473
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common Stock; $.01 par value; 75,000,000 shares authorized; 32,274,265 and 31,839,229 issued and outstanding	**323**	318
Additional paid-in capital	**125,206**	124,310
Retained earnings (deficit)	**(88,022)**	(52,771)
Accumulated other comprehensive loss	**(5,835)**	(4,476)
Notes receivable from stockholders (Note 13)	**(5,882)**	(5,922)
Total stockholders' equity	**25,790**	61,459
Total liabilities and stockholders' equity	**$ 52,510**	$ 88,932

The accompanying notes are an integral part of the consolidated financial statements.

Industri-Matematik International Corp. and Subsidiaries
Consolidated Statements of Operations

(in thousands, except share and per share data)

	Year Ended April 30,		
	2001	**2000**	**1999**
Revenues:			
Licenses	**$ 13,478**	$ 12,167	$ 17,039
Services and maintenance	**53,313**	61,318	68,233
Other	**2,564**	1,540	1,696
Total revenues	**69,355**	75,025	86,968
Cost of revenues:			
Licenses	**1,336**	1,916	2,212
Services and maintenance	**37,375**	48,528	68,670
Other	**520**	429	752
Total cost of revenues	**39,231**	50,873	71,634
Gross profit	**30,124**	24,152	15,334
Operating expenses:			
Product development	**15,479**	17,784	24,267
Acquired in-process research and development	**–**	–	2,500
Sales and marketing	**15,878**	20,555	27,295
General and administrative	**9,026**	9,251	12,332
Amortization of goodwill and other intangibles	**4,506**	1,383	486
Restructuring	**5,391**	–	3,522
Total operating expenses	**50,280**	48,973	70,402
Loss from operations	**(20,156)**	(24,821)	(55,068)
Other income (expense):			
Interest income	**1,561**	2,183	4,446
Interest expense	**(13)**	(65)	(128)
Miscellaneous expense, net	**(1,219)**	(96)	(931)
Loss from continuing operations before income taxes	**(19,827)**	(22,799)	(51,681)
(Provision) benefit for income taxes	**(15,424)**	–	16,422
Net loss	**$ (35,251)**	$ (22,799)	$ (35,259)
Net loss per share data (Note 2)			
Net loss per share	**$ (1.10)**	$ (0.72)	$ (1.09)
Net loss per share data – assuming dilution:			
Net loss per share	**$ (1.10)**	$ (0.72)	$ (1.09)
Weighted average shares outstanding,basic and diluted	**31,985,991**	31,671,870	32,431,260

The accompanying notes are an integral part of the consolidated financial statements.

Industri-Matematik International Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except share data)

	Comprehensive Income (Loss)	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Notes Receivable From Stockholders	Total Stock holders' Equity
Balance as of April 30, 1998	9,237	329	–	127,886	5,287	(2,426)	(6,503)	124,573
Issuance of 11,000 shares of Common Stock under Stock Option Plan				112				112
Issuance of 65,000 shares of Common Stock under Restricted Stock Program		1		389			(390)	0
Issuance of 344,562 shares of Common Stock under ESPP		3		1,728				1,731
Repurchase of 1,838,766 shares of Common Stock		(18)		(6,244)				(6,262)
Income tax benefit arising from stock compensation plans				74				74
Net income	(35,259)				(35,259)			(35,259)
Currency translation adjustment	(1,088)					(1,088)		(1,088)
Balance as of April 30, 1999	$ (36,347)	$ 315	$ –	$ 123,945	$ (29,972)	$ (3,514)	$ (6,893)	$ 83,881
Issuance of 105,097 shares of Common Stock under Stock Option Plan		1		363				364
Issuance of 234,784 shares of Common Stock under under ESPP		2		477				479
Payments on notes receivable				(475)			971	496
Net income	(22,799)				(22,799)			(22,799)
Currency translation adjustment	(962)					(962)		(962)
Balance as of April 30, 2000	$ (23,761)	$ 318	$ –	$ 124,310	$ (52,771)	$ (4,476)	$ (5,922)	$ 61,459
Issuance of 151,900 shares of Common Stock under Stock Option Plan		2		304				306
Issuance of 284,756 shares of Common Stock under under ESPP		3		592				595
Payments on notes receivable							40	40
Net income	(35,251)				(35,251)			(35,251)
Currency translation adjustment	(1,359)					(1,359)		(1,359)
Balance as of April 30, 2001	$ (36,610)	$ 323	$ –	$ 125,206	$ (88,022)	$ (5,835)	$ (5,882)	$ 25,790

The accompanying notes are an integral part of the consolidated financial statements.

Industri-Matematik International Corp. and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)

		Year Ended April 30,	
	2001	**2000**	**1999**
Cash flows from operating activities:			
Net income (loss)	**$ (35,251)**	$ (22,799)	$ (35,259)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Acquired in-process research and development	**–**	–	2,500
Depreciation and amortization	**4,291**	5,313	3,564
Provision for doubtful accounts	**(1,421)**	2,382	4,618
Deferred income taxes	**15,424**	–	(16,377)
Accrued interest on short-term investments	**–**	14	(128)
(Gain) loss on disposal of property and equipment	**16**	91	(6)
(Gain) loss on disposal of other shares	**–**	(6)	658
Write-down of other shares	**–**	–	1,000
Write-down of property and equipment	**1,576**	1,164	109
Write-down of goodwill and other intangibles	**3,010**	–	–
Changes in operating assets and liabilities:			
Accounts receivable	**9,738**	696	(3,341)
Accrued receivables and prepaid expenses	**(175)**	(543)	1,739
Income taxes	**–**	26	(241)
Other assets	**203**	(537)	39
Accounts payable	**(778)**	(1,414)	355
Accrued expenses and other current liabilities	**761**	(6,149)	5,327
Accrued payroll and employee benefits and deferred revenue	**1,274**	3,530	(892)
Accrued pension liability	**353**	640	537
Net cash flows provided by (used in) operating activities	**(979)**	(17,592)	(35,798)
Cash flows from investing activities:			
Purchase of short-term investments	**(118,640)**	(128,577)	(187,800)
Proceeds from sale of short-term investments	**125,595**	133,590	232,495
Additions to property and equipment	**(3,057)**	(4,502)	(4,694)
Long-term cash deposit	**(2,786)**	–	–
Payment for Ceratina	**–**	(658)	(178)
Payment for Abalon	**–**		(9,500)
Proceeds from sale of property and equipment	**15**	80	128
Proceeds from sale of other shares	**–**	6	1
Collection of notes receivable	**40**	456	–
Net cash flows provided by investing activities	**1,167**	395	30,452
Cash flows from financing activities:			
Proceeds from notes payable		–	(828)
Payments on notes payable	**(303)**	(534)	(362)
Principal payments on capital lease obligations	**–**	(61)	(564)
Issuance of Common Stock	**901**	843	1,850
Repurchase and retirement of Common Stock	**–**	–	(6,270)
Other	**(242)**	374	(1,219)
Net cash flows provided by (used in) financing activities	**356**	622	(7,393)
Translation differences on cash and cash equivalents	**(527)**	(454)	(178)
Net increase (decrease) in cash and cash equivalents	**17**	(17,029)	(12,917)
Cash and cash equivalents at beginning of year	**12,036**	29,065	41,982
Cash and cash equivalents at end of year	**$ 12,053**	$ 12,036	$ 29,065
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**$ 11**	$ 62	$ 220
Income taxes	**$ 526**	$ 505	$ 741

The accompanying notes are an integral part of the consolidated financialstatements.

Industri-Matematik International Corp. and Subsidiaries Notes to Consolidated Financial Statements

1. Nature of Business and Organization

Industri-Matematik International Corp. ("IMIC"), a Delaware corporation, and its subsidiaries (collectively, "Company"), develop, market, implement, and support client/server supply chain and customer relationship management software. The Company's primary software products have been designed to provide for the complex and high throughput order fulfillment requirements of manufacturers, distributors, and wholesalers and their customer relationships. IMIC has operating subsidiaries located and primarily conducts business in the United States, Sweden, the United Kingdom, the Netherlands, and Australia.

IMIC was formed on May 1, 1995 as the parent of Industri-Matematik AB ("IMAB"), a company domiciled in Sweden, pursuant to a corporate reorganization. The reorganization was effected by issuing all the shares of IMIC's stock to the stockholders of IMAB based upon the number and class of shares of IMAB owned by each in exchange for all of the outstanding stock of IMAB. The reorganization was accounted for in a manner similar to a pooling-of-interests.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of IMIC and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

License revenues represent sales of the Company's software. Service revenues represent sales from consulting implementation and training services. Annual maintenance and support revenues consist of ongoing support and sales of product updates. Other revenues primarily represent hardware sales.

Revenue is recognized when persuasive evidence of an arrangement exists and delivery has occurred, the fee is fixed and determinable, collectibility is probable and the arrangement does not require significant customization of the software. Revenue on multiple element arrangements is allocated to the various elements based on fair values specific to the Company. Maintenance and support revenue is deferred and recognized ratably over the term of the agreement, generally one year. Service revenue is recognized as the Company performs the services in accordance with the contract.

In a multiple element arrangement when fair value does not exist for one or more of the undelivered elements in the arrangement, the Company recognizes revenue using the "residual method" in accordance with Statement of Position 98-9, "Software Revenue Recognition in Respect to Certain Arrangements" issued by the American Institute of Certified Public Accountants. Under the "residual method", the total fair value of the undelivered elements is deferred. The difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the delivered elements.

Under the terms of the Company's License Agreements and Professional Service Agreements, in general the only warranties provided are that the software will function in accordance with the applicable software documentation by a specified date. As these warranties are effective for a very limited time period and historically the Company has not had any significant warranty claims, the Company's policy has been to record no warranty provision upon the recognition of license revenues. In addition, due to the Company's insignificant product returns and price adjustments in past years, no provision is made for product returns and price adjustments upon recognition of software license revenues. The Company reviews on a project by project basis the cost of claims that it considers to be "warranty" type claims under Professional Services Agreements by establishing project reserves. The Company will continue to evaluate the need for recording a warranty provision upon recognition of software license revenues and delivery of customer modification work.

Product Development Costs

Software development costs are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed."

Costs incurred in the product development of new software products are expensed as incurred until technological feasibility has been established. To date, the establishment of technological feasibility of the Company's products and general release substantially coincide. As a result, the Company has not capitalized any software development costs since such costs have been immaterial.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method based upon estimated useful lives of the assets as follows:

Estimated useful lives

- Computer equipment 3 years
- Furniture and fixtures 3 to 10 years
- Automobiles 3 years
- Leasehold improvements 5 years
- Software acquired 1 to 3 years

Equipment purchased under capital leases is amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the lease term.

Upon retirement or sale of property and equipment, cost and accumulated depreciation on such assets are removed from the accounts and any gains or losses are reflected in the statement of operations. Maintenance and repairs are charged to expense as incurred.

Goodwill and Other Intangibles

Goodwill represents the excess of cost over the fair value of net assets acquired and is amortized using the straight-line method over a period of 10 years. Other intangibles are comprised of acquisition costs of developed technology, assembled workforce, and customer lists which are amortized using the straight-line method over a period of 5 years. The Company reviews the carrying value of goodwill and other intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Long-lived assets

The Company identifies and records impairment losses, as circumstances dictate, on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

Foreign Currency Translation

The functional currency of IMIC's foreign subsidiaries is the applicable local currency. The translation from the respective foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for income statement accounts using a weighted average exchange rate during the period. Gains or losses resulting from such translation are included as a separate component of accumulated other comprehensive loss. Gains or losses resulting from foreign currency transactions are included in miscellaneous income (expense). For the years ended April 30, 2001, 2000, and 1999, foreign exchange gains (losses) of $380,000, $136,000 and, $163,000 respectively, were recorded by the Company.

Industri-Matematik International Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Concentration of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable with customers and short-term investments. Credit risk with respect to accounts receivable, however, is limited due to the number of customers comprising the Company's customer base and their dispersion principally across the United States, Scandinavia, the United Kingdom, the Netherlands, and Australia. The Company's customers are generally multinational companies in the food and beverage, pharmaceutical, consumer electronics, automotive parts, and industrial sector industries. The Company performs ongoing credit evaluations of its customers and does not require collateral. The Company maintains allowances for potential credit losses. Short-term investments are placed with high credit quality financial institutions or in short-duration, high quality debt securities.

A significant portion of the Company's business is conducted in currencies other than the U.S. dollar (the currency in which its financial statements are stated), primarily the Swedish krona and, to a lesser extent, the U.K. pound sterling, the Dutch guilder, the German mark, the French franc, the Australian dollar, and the Canadian dollar. The Company incurs a significant portion of its expenses in Swedish krona, including a significant portion of its product development expenses and a substantial portion of its general and administrative expenses. As a result, appreciation of the value of the Swedish krona relative to the other currencies in which the Company generates revenues, particularly the U.S. dollar, could adversely affect operating results. The Company does not currently undertake hedging transactions to cover its currency exposure, but the Company may choose to hedge a portion of its currency exposure in the future as it deems appropriate.

License and service and maintenance revenues related to the Company's software products have represented a substantial portion of the Company's revenues in recent years and are expected to continue to represent a substantial portion of the Company's revenues in the future. The Company's success depends on continued market acceptance of its VIVALDI suite of software (which incorporated the components of its System ESS software) and services as well as the Company's ability to introduce new versions of software or other products to meet the evolving needs of its customers.

Cash, Cash Equivalents and Short-Term Investments

The Company considers all highly liquid, low risk debt instruments purchased with original maturity dates of three months or less to be cash equivalents. The Company's short-term investments comprise fixed income securities with original maturities of more than 90 days at the time of purchase. The Company has classified its short-term investments in fixed income securities as available-for-sale securities, which are carried at their fair value based upon the quoted market prices of those investments at April 30, 2000, and 2001. Accordingly, the change in unrealized gains and losses with respect to these securities is recorded as a direct increase or decrease in stockholders' equity, net of deferred income tax, if any. (See Note 3.)

Fixed income securities available for sale are purchased with the original intent to hold to maturity, but which may be available for sale if market conditions warrant, or if the Company's investment policies dictate, in order to maximize the Company's investment yield. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold. When impairment of the value of an investment is considered other than temporary, the decrease in value is reported in earnings as a realized investment loss and a new cost basis is established.

Contract Receivables

Contract receivables are primarily scheduled amounts due from customers on terms which are longer than typical trade terms.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Comprehensive Income

Effective May 1, 1998, the Company adopted Statement of Financial Standard ("SFAS") No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components. "Comprehensive income" includes foreign currency translation gains and losses that have been previously excluded from net income and reflected instead in equity. The Company has reported the components of comprehensive income on its consolidated statements of stockholders' equity.

Net Income (Loss) Per Share

Net income (loss) per share amounts have been computed in accordance with SFAS No. 128, "Earnings per Share". For each of the periods presented, net income (loss) per share amounts were computed based on the weighted average number of shares of common stock outstanding during the period. Net income (loss) per share – assuming dilution amounts were computed based on the weighted average number of shares of common stock and potential common stock outstanding during the period. Potential common stock relates to stock options outstanding for which the dilutive effect is calculated using the treasury stock method. The computations of net loss per share-assuming dilution for the years ended April 30, 2001, 2000, and 1999 do not assume the exercise of stock options since the effect would be antidilutive as a result of the losses for those fiscal years.

For each of the periods presented, income available to common shareholders (the numerator) used in the computation of net income (loss) per share was the same as the numerator used in the computation of net income (loss) per share assuming dilution. A reconciliation of the denominators used in the computations of net income (loss) per share and net income (loss) per share assuming dilution is as follows:

	Year Ended April 30,		
	2001	**2000**	**1999**
Weighted average shares outstanding	**31,985,991**	31,671,870	32,431,260
Effect of dilutive stock options	**–**	–	–
Adjusted weighted average shares outstanding assuming dilution	**31,985,991**	31,671,870	32,431,260

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Cash Flow Information

Cash flows in foreign currencies have been converted to U.S. dollars at an approximate weighted average exchange rate.

Fair Value of Financial Instruments

The Company discloses the estimated fair values for all financial instruments for which it is practicable to estimate fair value. Financial instruments including cash and cash equivalents, receivables and payables, deferred revenue, and current portions of long-term debt are deemed to approximate fair value due to their short maturities. The carrying amount of long-term debt with banks and capitalized lease obligations are also deemed to approximate their fair values.

Income taxes

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured by applying enacted statutory tax rates that are applicable to the future years in which deferred tax assets or liabilities are expected to be settled or realized, to the differences between the financial statement carrying amount and the tax bases of existing assets and liabilities. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in net income in the period in which the tax rate change is enacted. The statement also requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized.

Effect of Recent Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"("FAS 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" ("FAS 137") and SFAS No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities ("FAS 138"). FAS 137 delayed the effective date of FAS 133 to be effective for fiscal years beginning after June 15, 2000. FAS 133, as amended by FAS 138, requires that an entity recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designed as part of a hedge transaction and, if it is, the type of hedge transaction. The Company believes that this statement will not have a significant impact on the financial position, results of operations, or cash flows, as the Company does not hold any derivative instruments or engage in hedging activities at the present time other than the Hedge Transaction referred to in Note 9.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" ("FAS 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires that all business combinations be accounted for under the purchase method, and the use of the pooling-of-interests method is prohibited for business combinations initiated after June 30, 2001. FAS 141 also establishes criteria for the separate recognition of intangible assets acquired in a business combination. FAS 142 requires that goodwill no longer be amortized to earnings, but instead be subject to periodic testing for impairment. FAS 142 is effective for fiscal years beginning after December 15, 2001, with earlier application permitted only in specified circumstances. The Company is evaluating the effect of the new standards on its financial condition and results of operations.

3. Short-term investments

Short-term investments are comprised of fixed income securities which are classified as available-for-sale securities. As of April 30, 2001, the Company had two Federal Agency securities with an amortized cost of $4.0 million and $6.9 million which approximated fair value. The Federal Agency securities mature within one year. As of April 30, 2000, the Company had two Federal Agency securities with an amortized cost of $10.0 million and $9.9 million which approximated fair value. During the years ended April 30, 2001, and 2000, maturities of fixed income securities resulted in aggregate proceeds of $125.6 million and $133.6 million respectively.

4. Accounts Receivable Allowance for Doubtful Accounts

The following table provides a summary of the activity in the accounts receivable allowance for doubtful accounts for the years ended April 30, 2001, 2000, and 1999:

	Year Ended April 30,		
	2001	**2000**	**1999**
		(in thousands)	
Balance at beginning of period	**$ 2,486**	$ 4,883	$ 210
Acquisition of Abalon	**–**	–	58
Charged to expense	**422**	845	5,128
Deductions	**(1,765)**	(3,242)	(513)
Balance at end of period	**$ 1,143**	$ 2,486	$ 4,883

The allowance for doubtful accounts decreased to $1,143,000 at April 30, 2001, from $2,486,000 at April 30, 2000, and from $4,883,000 at April 30, 1999, primarily as a result of settling disputes with customers. A significant portion of the amount remaining in the reserve for doubtful accounts relates to an ongoing dispute with a customer.

5. Property and Equipment

Property and equipment is recorded at cost, less accumulated depreciation. Property and equipment consists of:

	April 30, 2001	April 30, 2000
	(in thousands)	
Computer equipment	**8,980**	10,741
Furniture and fixtures	**4,025**	4,605
Automobiles	**–**	11
Leasehold improvements	**873**	893
Software acquired	**3,396**	2,443
	17,274	18,693
Less accumulated depreciation and amortization	**(12,521)**	(12,098)
	$ 4,753	$ 6,595

Accumulated depreciation and amortization includes accumulated impairment charges of $2,654,000 as of April 30, 2001, and $1,164,000 as of April 30, 2000. During the year ended April 30, 2001, the Company reorganized its reporting units providing more geographical responsibility. This resulted in the cancellation of projects related to building worldwide internal accounting and reporting systems. Along with this decision, it was determined that related capitalized software and implementation costs were impaired as they would no longer provide an economic benefit to the new structure. This resulted in a net book value write-off of $1,490,000. During the year ended April 30, 2000, the Company determined that software acquired for development purposes no longer would provide a future benefit. This resulted with a net book value write-off of $1,164,000.

Included in property and equipment are assets leased under capital lease obligations as follows:

	April 30, 2001	April 30, 2000
	(in thousands)	
Computer equipment	**$ 73**	364
Furniture and fixtures	**120**	368
	193	732
Less accumulated amortization	**(193)**	(721)
	$ 0	$ 11

The amortization expense on capital leases amounted to $11,000, $59,000, and $240,000 for the years ended April 30, 2001, 2000, and 1999, respectively.

6. Goodwill and Other Intangibles

Goodwill and other intangibles are recorded at cost, less accumulated amortization and impairment charges.

Goodwill and other intangibles consists of:

	April 30 2001	April 30 2000
	(in thousands)	
Goodwill	**$ 5,961**	$ 6,282
Other intangibles:		
– developed technology	**1,700**	1,700
– assembled workforce	**700**	700
– customer lists	**1,700**	1,700
	10,061	10,382
Less accumulated amortization	**(6,322)**	(2,023)
	$ 3,739	$ 8,359

For the year ended April 30, 2001, accumulated amortization includes an impairment charge of $3,010,000.

Amortization of goodwill and other intangibles was $4.5 million in fiscal 2001, $3.0 million of which consisted of a write-down for goodwill relating to the Abalon acquisition. The write-down was based upon an outside appraisal which showed that the value of such goodwill had declined since the date of the acquisition.

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7. Income Taxes

Loss from continuing operations before income taxes was distributed geographically as follows:

	Year Ended April 30, 2001	2000	1999
	(in thousands)		
Domestic	**$ (2,549)**	$ (1,714)	$ (29,977)
Foreign	**(17,278)**	(21,085)	(21,704)
Total	**$ (19,827)**	$ (22,799)	$ (51,681)

Components of the (provision) benefit for income taxes are as follows:

	Year Ended April 30, 2001	2000	1999
	(in thousands)		
Current:			
Federal	**$ –**	–	$ 722
State	**–**	–	–
Foreign	**–**	–	45
Total current provision	**–**	–	$ 767
Deferred:			
Federal	**$ (7,382)**	–	$ (8,333)
State	**(2,204)**	–	$ (2,488)
Foreign	**(5,838)**	–	$ (6,368)
Total deferred (provision) benefit	**$ (15,424)**	–	$ (17,189)
Total (provision) benefit for income taxes	**$ (15,424)**	–	$(16,422)

The approximate tax effects of temporary differences which give rise to net deferred taxes are:

	April 30, 2001	2000
	(in thousands)	
Deferred income taxes, non-current asset		
Net operating loss carryforwards	**$ 29,332**	$ 27,393
Allowance for doubtful accounts	**359**	1,059
Restructuring	**1,078**	–
Depreciation	**19**	264
Timing difference reserve (Sweden)	**–**	(35)
Other	**35**	(1,161)
Total deferred income taxes, noncurrent asset	**30,823**	27,520
Valuation allowance	**(30,823)**	(12,000)
Total net deferred income taxes, non-current asset	**$ –**	$ 15,520

A reconciliation of the (provision) benefit for income taxes to the amount computed by applying the statutory rates is as follows:

	Year Ended April 30, 2001		2000 (in thousands)		1999	
Statutory rate	**$ 6,741**	**34%**	$ 7,752	34%	$ 17,572	34%
Valuation of temporary differences	**(3,867)**	**(20)**	(5,994)	(26)	(2,613)	(4)
Increase in valuation allowance of deferred tax asset	**(15,424)**	**(78)**	–	–	–	–
Deferred revenues	**–**	**–**			1,642	3
Foreign taxes	**(1,326)**	**(6)**	(902)	(4)	(848)	(2)
Permanent differences	**(1,611)**	**(8)**	–	–	–	–
Other	**63**	**–**	(856)	(4)	669	1
Effective tax rate	**$ (15,424)**	**(78)%**	–	–	$ 16,422	32%

In April, 2001, the Company recorded and additional valuation allowance against its remaining deferred tax asset by increasing the valuation allowance by $15.4 million based upon its continuing non-profitable operations and inability to predict when this asset could be realized. This resulted in a charge to income for the year ended April 30, 2001, equal to the increase in the valuation allowance. There was no provision (benefit) for income taxes for the year ended April 30, 2000, as the Company applied a full valuation allowance to deferred tax assets generated after April 30, 1999. At April 30, 2001, the Company's deferred tax asset amounted to $30.8 million of which $29.3 million related to net operating loss carryforwards and $1.5 million related to other temporary differences, however after applying the valuation allowance, the net deferred tax asset at April 30, 2001, was $0. Of the net operating loss carryforwards, $12.0 million were incurred in the United States and $11.8 million were incurred in Sweden. The net operating loss carryforwards, of which substantially all were incurred during the years ended April 30, 2001, 2000, and 1999, may be carried forward to offset future income up to 15 years in the United States and indefinitely in Sweden.

8. Borrowings

Notes payable includes the following:

	April 30, 2001	2000
	(in thousands)	
Collateralized credit facility	**$ –**	$ 303
Less current portion	**–**	(303)
Notes payable	**$ –**	$ –

9. Accrued Expenses and Other Current Liabilities

	April 30, 2001	2000
	(in thousands)	
Accrued purchases	**$ 2,274**	$ 2,775
Project reserves	**148**	1,229
Accrued consultancy	**645**	1,334
Accrued restructuring costs (See Note 16)	**1,355**	257
Accrued pension taxes	**588**	593
Restructuring cost Abalon	**–**	61
Value-added tax	**374**	259
Employee withholding taxes	**580**	622
Additional consideration for Ceratina	**–**	241
Valuation of put option	**1,384**	–
Other	**723**	607
	$ 8,071	$ 7,978

Project reserves consist of charges to be incurred bringing projects to implementation.

During November, 2000, the Company entered into a hedge transaction with a Bank to offset potential Swedish social security fee liability upon exercise of stock options by employees living in Sweden. The arrangement involved the issuance by the Bank of a call to the Company settleable in cash, which the Bank elected to cover by purchasing shares of the Company's Common Stock. The Company offset a portion of the cost of the call by issuing to the Bank a right to put shares of Company Common Stock to the Company. Gain or loss to the Company on the closing of the transaction will be realized based upon the increase or decrease in the price of the Company's Common Stock. As a result of the decline in the value of the Company Common Stock, as of April 30, 2001, the Company recorded a non-operating charge of $1.4 million relating to the put issued to the Bank. This charge will be reviewed quarterly and adjusted to reflect the underlying Common Stock value and will be reversed in full if the price of the Common Stock reaches $4.536 per share, which is the exercise price of the put. On April 30, 2001, the exercise price of the call option ($4.536) used to hedge potential Swedish social security fees was above the market price of the Company's Common Stock. Since there was no active market for these types of options, the value of the call option was limited to a calculated option premium, which was offset in the financial statements by the corresponding premium on the put option. The original net premium of $50,000 will be amortized over the 5-year term of the options. The number of shares of Company Common Stock subject to the call at any given time, which depends on the number of options outstanding from time to time, is presently 450,000 and is not expected to exceed that number. It is anticipated that the hedge transaction will be open for several years. As part of that transaction, the Company deposited $2.1 million with the Bank and recorded a non-current asset in that amount.

10. Accrued Payroll and Employee Benefits

	April 30, 2001	2000
	(in thousands)	
Accrued commissions	**$ 398**	$ 563
Accrued payroll taxes	**977**	1,212
Accrued vacation pay	**1,571**	1,733
Accrued salaries and bonus	**1,398**	1,364
Accrued restructuring costs (see Note 16)	**2,256**	–
Accrued pension expenses	**703**	599
Debt for ESPP	**145**	219
Other	**147**	12
	$ 7,595	$ 5,702

11. Employee Benefit Plans

The Company provides retirement benefits for substantially all employees in the United States and in foreign locations. In the U.S., the U.K., and the Netherlands, the Company sponsors defined contribution plans. In addition, IMAB has a supplemental defined contribution plan for certain key management employees.

IMIC's Swedish subsidiary, IMAB, participates in several pension plans (non-contributory for employees), which cover substantially all employees of its Swedish operations. The plans are in accordance with a nationally-agreed standard plan, the ITP Plan, and administered by a national organization, Pensionsregistreringsinstitutet ("PRI"). The level of benefits and actuarial assumptions are calculated and established by the national organization and, accordingly, IMAB may not change benefit levels or actuarial assumptions. The Company accounts for pensions in accordance with SFAS No. 87, "Employers' Accounting for Pensions". In March 2001, IMAB amended its financing of these plans from financing via corporate assets to financing via premiums paid to Alecta (formerly SPP), the Swedish National Pension Organization. The pension book reserve will, in the future, only increase with an interest component. IMAB has provided a guaranty to Foretagspensionsguaranty ("FPG"), a third party guarantor of pension liabilities, in the amount of $650,000. This guaranty is in the form of a collateralized bank deposit of the same amount and is recorded as a non-current asset.

Effective April 30, 1999, the Company adopted SFAS No. 132,"Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132 does not change the measurement or recognition of those plans, but revises the disclosure requirements for pension and other postretirement benefit plans for all years presented. The net periodic benefit cost for the IMAB's defined benefit retirement plan in Sweden include the following components:

	Year Ended April 30,		
	2001	**2000**	**1999**
		(in thousands)	
Service cost	**$ 337**	$ 489	$ 386
Interest cost	**167**	142	140
Amortization of actuarial net loss	**8**	8	15
Amortization of transition obligation	**2**	3	3
Net periodic benefit cost	**$ 514**	$ 642	$ 544

The following table sets forth the change in the benefit obligation for IMAB's defined benefit plan in Sweden:

	April 30,	
	2001	**2000**
	(in thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of fiscal year	**$ 3,094**	$ 2,896
Service cost	**337**	489
Interest cost	**167**	143
Actuarial (gain) loss	**–**	(231)
Benefits paid	**(19)**	(8)
Effect of foreign currency exchange rates	**(532)**	(195)
Benefit obligation at end of fiscal year	**$ 3,047**	$ 3,094

The following table shows the plan's funded status and amounts recognized in the consolidated balance sheet:

	April 30,	
	2001	**2000**
	(in thousands)	
Actuarial present value of benefit obligation:		
Funded status	**$ (3,047)**	$ (3,094)
Unrecognized actuarial loss	**159**	154
Unrecognized transition obligation	**8**	10
Accrued benefit cost	**$ (2,880)**	$ (2,930)

The following assumptions were used to determine the IMAB's obligation under the Swedish plan:

	Years Ended April 30,		
	2001	**2000**	**1999**
Discount rate	**5.75%**	5.75%	5.0%
Salary increase	**3.00%**	3.00%	2.5%
Inflation	**2.00%**	2.00%	1.5%

Defined Contribution Plans

Contributions by the Company relating to its defined contribution plans for the years ended April 30, 2001, 2000, and 1999 were $2,606,000, $2,051,000, and $1,318,000, respectively. During the year ended April 30, 2001, IMAB received notification from Alecta of a refund of pension premiums relating to earlier years. The unused portion of the refund amounted to $820,000 at April 30, 2001. The refund may be used to reduce future pension premium payments. The unused portion of the pension refund has not been recorded in the Statement of Operations or the Balance Sheet.

12. Stockholders' Equity

IMIC's Amended and Restated Certificate of Incorporation as in effect on April 30, 2001, authorizes (i) 15,000,000 shares of preferred stock ("Preferred Stock") with a par value of $0.01 and (ii) 75,000,000 shares of Common Stock with a par value of $0.01 of which 12,500,000 shares have been designated as Class B Common Stock. No shares of Preferred Stock or

Class B Common Stock were outstanding at April 30, 2001.

As of April 30, 2001, 2000, and 1999, total stockholders' equity includes an amount of SEK 40,800,000 (approximately U.S. $4,000,000) in IMAB which is restricted as to usage according to Swedish Company Law. The amount only can be used to cover a net deficit, for an increase in share capital, or for other uses as agreed by the courts.

During the fiscal year ended April 30, 1999, IMIC repurchased and retired 1,838,766 shares of Common Stock at an aggregate cost of $6,262,000. There have not been any repurchases of Common Stock during the years ended April 30, 2000 and 2001.

13. Stock Compensation Plans

Stock Option Plans

In May 1995, IMIC adopted the Industri-Matematik International Corp. Stock Option Plan ("1995 Plan"), and in October, 1998, IMIC adopted the Industri-Matematik International Corp. 1998 Stock Option Plan ("1998 Plan")(the 1995 Plan and 1998 Plan, collectively, "U.S. Plans"). The U.S. Plans provide for grants of incentive stock options to key employees (including officers and employee directors) of the Company and non-incentive stock options to key employees and members of IMIC's Board of Directors, consultants, and other advisors of the Company who are not employees. The maximum term for either form of option is ten years, and the options which have been granted have had vesting periods of three to five years. A total of 3,000,000 shares of Common Stock were reserved for future issuance under the 1995 Plan, of which 978,196 were available for grant as of April 30, 2001, and a total of 3,000,000 shares of Common Stock were reserved for future issuance under the 1998 Plan and in August, 2000, the Board of Directors reserved an additional 1,000,000 shares (subsequently ratified by the shareholders). Of the total of 4,000,000 shares reserved for issuance under the 1998 Plan, 1,915,173 were available for grant as of April 30, 2001.

Since there has been a public market for the Company's Common Stock, all stock options have been granted with an exercise price equal to or exceeding the market price. IMIC's Board of Directors believes that all stock options granted prior to there being such public market were granted with an exercise price equal to or exceeding the fair value of such Common Stock on the date of the grant, based on the facts, circumstances, and limitations existing at the time of their determinations.

The following is a summary of option transactions and exercise prices as it relates to the U.S. Plans:

	Shares	**Price per share**	**Weighted Average Exercise Price**
Outstanding at April 30, 1998	639,498	$ 2.00 – $ 31.22	$ 17.68
Granted	3,236,000	$ 2.00 – $ 14.88	$ 6.15
Exercised	(11,000)	$ 9.00 – $ 11.13	$ 10.15
Terminated	(688,000)	$ 2.00 – $ 31.22	$ 16.16
Outstanding at April 30, 1999	3,176,498	$ 2.00 – $ 26.38	$ 6.30
Granted	1,510,700	$ 1.91 – $ 12.25	$ 3.34
Exercised	(99,597)	$ 2.00 – $ 11.06	$ 3.54
Terminated	(602,751)	$ 1.91 – $ 20.38	$ 6.12
Outstanding at April 30, 2000	3,984,850	$ 1.91 – $ 26.38	$ 5.27
Granted	270,500	$ 1.72 – $ 3.50	$ 2.24
Exercised	(151,900)	$ 1.91 – $ 4.00	$ 2.03
Terminated	(914,000)	$ 1.91 – $ 20.38	$ 4.61
Outstanding at April 30, 2001	3,189,450	$ 1.72 – $ 26.38	$ 5.31
Vested at April 30, 2001	1,791,300	$ 1.72 – $ 26.38	$ 6.94

The following table summarizes information concerning outstanding and exercisable options as of April 30, 2001.

	Options Outstanding				
		Weighted Average		Options Exercisable	
Range of Exercise Prices	Number of Options	Remaining Life (Years)	Exercise Price	Number of Options	Weighted Average Exercise Price
$ 1.72 – $ 4.00	1,719,450	8.3	$ 2.82	816,300	$ 2.46
$ 5.06 – $ 6.00	1,032,500	7.4	$ 5.92	399,000	$ 5.91
$ 7.88 – $ 9.00	104,000	5.4	$ 8.94	84,000	$ 8.91
$ 11.06 – $ 15.38	318,500	6.9	$ 14.72	483,000	$ 14.69
$ 22.25 – $ 26.38	15,000	6.8	$ 23.63	9,000	$ 23.63
$ 1.72 – $ 26.38	3,189,450	7.8	$ 5.31	1,791,300	$ 6.94

Transferable Stock Option Plan

In October, 2000, the Company instituted a Transferable Stock Option Plan ("Swedish Plan") which supplements the U.S. Plans for the benefit of selected employees subject to Swedish income taxation. Pursuant to the Swedish Plan, options may be sold to employees giving them the right to purchase shares of Company Common Stock at a purchase price equal to the market value on the Common Stock on the date of sale of the option. The purchase price for the option will be its fair market value on the date of sale. The options are transferable, and if an employee owning an option terminates his employment with the Company, the Company has the right to repurchase his options at their then market value, or if the options are not publicly traded, at the original purchase price plus interest. A total of 500,000 shares were reserved for issuance under the Swedish Plan, all of which were available for grant as of April 30, 2001.

Restricted Stock Program

In May 1995, the Company instituted a restricted stock program pursuant to which shares of IMIC's Common Stock were purchased by certain key employees who may be taxable pursuant to the laws of Sweden in exchange for nonrecourse promissory notes ("Restricted Stock Program"). The shares were issued through a wholly owned subsidiary of IMIC, Software Finance Corporation ("SFC"). Principal on the promissory notes is due either nine or ten years after issuance with interest being due and payable annually.

During the year ended April 30, 1999, 65,000 were sold pursuant to the Restricted Stock Program at a price of $6.00 per share for total proceeds of $390,000. No shares were sold in fiscal 2000 or 2001.

Under the terms of the Restricted Stock Program, SFC has an option to repurchase the shares issued to each employee provided it pays an annual option premium. The exercise price to be paid by SFC upon exercise of a purchase option is the fair market value, provided that if the option to purchase is exercised prior to the end of a stated period, then the exercise price is the initial purchase price for a percentage of the shares after the first anniversary of the option agreement, generally decreasing by 20% each subsequent year and the exercise price for the balance of the shares is fair market value. The annual option premium paid by SFC is at a rate substantially equal to the interest due on the non-recourse promissory note. If it exercises an option, SFC has the right and obligation to apply against the payment of any principal due on the employee's promissory note any amounts payable by SFC to the recipient of the shares as the exercise price under the Option Agreement. The individual employee has no personal obligation under the note; liability is limited to the shares sold. During fiscal 2000, pursuant to the foregoing provisions, a former employee sold the shares he acquired and applied the proceeds to his note, and the balance of the note was cancelled.

The shares sold pursuant to the Restricted Stock Program are included within Common Stock and additional paid-in capital in Stockholders' equity while the non-recourse promissory notes are classified as a contra-account as notes receivable from Stockholders, and shown in Stockholders' equity. The Company has the ability to prevent the recipients from selling the purchased securities. The Company has not recognized any compensation expense in respect of the restricted stock in the statements of operations since the purchase price of the restricted stock did not differ from the estimated fair market value of the Common Stock on the date of issuance. The shares sold pursuant to the Restricted Stock Program and dividends paid thereon are subject to a pledge and security interest held by SFC.

As of April 30, 2001, 1,066,995 shares sold pursuant to the Restricted Stock Program with respect to which the related non-recourse promissory notes remained unpaid were outstanding.

Employee Stock Purchase Plan

Effective February 26, 1997, IMIC adopted the Industri-Matematik International Corp. 1997 Employee Stock Purchase Plan ("ESPP") to provide eligible employees an opportunity to purchase shares of IMIC Common Stock at a discount from market value through payroll deductions and other contributions. 600,000 shares were reserved initially for purchase pursuant to the ESPP, in December, 1998, the Board of Directors reserved an additional 600,000 shares (subsequently ratified by the shareholders), and again in May, 2000, the Board of Directors reserved an additional 600,000 shares (subsequently ratified by the shareholders). The ESPP establishes purchase periods of up to 23 months and two 6-month accrual periods per calendar year commencing each January 1 and July 1. On the last day of each accrual period, participant account balances are used to purchase shares of Common Stock at the lesser of 85% of the fair market value of the Common Stock on such date or on the first day of the purchase period. No participant may purchase more than 500 shares in any accrual period or shares having a value in excess of $21,250 in any calendar year. Employees purchased 234,784 and 284,756 shares at an average price of $2.04 and $2.09 per share under the ESPP during the years ended April 30, 2000 and 2001, respectively.

Pro forma Net Income in accordance with SFAS No. 123.

As permitted by the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", the Company applies APB Opinion 25 "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock-based employee compensation plans. Accordingly, no compensation cost has been recognized for the stock options or for purchases under the ESPP. If compensation cost for stock option plans and its ESPP had been determined based on the fair value at the grant dates as defined by SFAS No. 123, the Company's pro forma net income and earnings per share would have been as follows:

	Year ended April 30,		
	2001	**2000**	**1999**
	(in thousands, except per share data)		
Net loss As reported	**$ (35,251)**	$ (22,799)	$ (35,259)
Pro forma	**(39,883)**	(27,881)	(38,326)
Net loss per share As reported	**$ (1,100)**	$ (0,720)	$ (1,090)
Pro forma	**(1,250)**	(0,880)	(1,180)

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes options-pricing model with the following weighted-average assumptions used for grants in the years ended April 30, 2001, 2000, and 1999:

	Year Ended April 30,		
	2001	**2000**	**1999**
Expected term	**5**	5	5
Volatility factor	**100.00%**	90.00%	91.50%
Risk-free interest rate	**5.21%**	5.95%	5.16%
Dividend yield	**0.00%**	0.00%	0.00%
Fair value	**$ 1.73**	$ 2.44	$ 4.47

Shares issued under the ESPP were valued at the difference between the market value of the stock and the discounted purchase price of the shares on the date of purchase. The date of grant and the date of purchase coincide for this plan.

The weighted average fair value of shares issues to employees under the ESPP was $0.68, $0.67, and $1.88 during the years ended April 30, 2001, 2000, and 1999, respectively.

14. Commitments and Contingencies

Operating leases

The Company leases office facilities and certain office equipment under various noncancelable operating lease agreements. Aggregate future minimum lease payments under noncancelable operating leases are as follows as of April 30, 2001:

Year Ending April 30,	**Future minimum payments on operating leases** (in thousands)
2002	$ 5,154
2003	4,479
2004	4,282
2005	1,276
2006	707
Thereafter	4,025
Total future minimum lease payments	$ 19,923

Total rent expense under the leases was $5,371,000, $7,904,000, $7,030,000 for the years ended April 30, 2001, 2000, and 1999, respectively.

The Company is liable to pay social fees on the gains in connection with the exercise of the Company's stock options by it's employees in Sweden. The amount of the future liability is dependent upon the number of options exercised and the market price. Social fees in Sweden are approximately 33 percent. To offset this potential liability, during November, 2000, the Company entered into a hedge transaction. (See Note 9.)

Litigation

The Company is engaged in an arbitration to collect monies due from a customer in which the customer has interposed a claim or damages. The Company believes that the customer's claim is without merit. In addition, in February, 1999, a class action lawsuit was commenced by service of a complaint against the Company, certain of its officers, directors, and controlling shareholders who sold shares of Common Stock during the class period, and its underwriters claiming violations of the Federal securities laws. The complaint was dismissed, but the plaintiff had the right and did serve a new complaint.

A motion to dismiss the second complaint has been submitted. No answer to either complaint was filed. While management believes this action to be without merit, an unfavorable outcome in the class or any other action which may be brought against the Company may have a material adverse affect upon the Company's business, operating results, and financial condition. In May, 1999, the Company initiated an Arbitration in Denmark against a Danish licensee of System ESS seeking damages for breach of contract, and this licensee claimed damages against the Company for breach of contract. This action was settled during fiscal 2001.

15. Segment Information

The Company operates in one industry segment, the design, development, marketing, licensing, and support of client/server application software. The Company is managed on a geographic basis and the Company's management evaluates the performance of its segments and allocates resources to them based upon income (loss) from operations. Income (loss) from operations for the geographic segments excludes general corporate expenses and product development costs. The majority of software development occurs in Sweden although the Company maintains some development facilities in the United States. Product development costs and general corporate expenses are reported in the Corporate segment. Assets by reportable segment are not disclosed since the Company's management does not review segmented balance sheet information. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Segment data includes intersegment revenues.

The table below presents information about the Company's reportable segments:

	Year Ended April 30, 2001	2000	1999
		(in thousands)	
Revenues:			
United States	**$ 28,220**	$ 28,859	$ 40,256
Nordic	**28,383**	32,083	32,262
United Kingdom	**6,316**	6,051	9,535
Netherlands	**7,325**	5,159	1,350
Other Europe	**–**	346	590
Australia	**1,194**	2,198	2,387
Intercompany	**(2,744)**	(137)	(69)
Corporate	**661**	466	657
Total revenues	**$ 69,355**	$ 75,025	$ 86,968
Loss from operations:			
United States	**$ 7,795**	$ 4,371	$(12,002)
Nordic	**2,039**	3,275	5,160
United Kingdom	**1**	(1,011)	(2,061)
Netherlands	**1,918**	775	(2,358)
Other Europe	**(160)**	(823)	(2,671)
Australia	**(228)**	634	(648)
Canada	**(3)**	(24)	(558)
Intercompany	**(2,072)**	(252)	(2,376)
Corporate	**(29,446)**	(31,766)	(37,554)
Total loss from operations	**$ (20,156)**	$ (24,821)	$ (55,068)

Geographic data for revenues based upon customer location and long-lived assets (which consist of non-current assets other than goodwill and other intangible assets) were as follows:

	Year Ended April 30, 2001	2000	1999
		(in thousands)	
Revenues:			
United States	**$ 23,086**	$ 26,650	$ 33,562
Nordic	**25,546**	20,567	21,809
United Kingdom	**6,657**	6,749	10,952
Netherlands	**6,561**	5,634	2,249
Other Europe	**1,218**	10,464	8,976
Asia/Pacific	**1,455**	2,665	2,400
Rest of Americas	**4,832**	2,296	7,020
Total revenues	**$ 69,355**	$ 75,025	$ 86,968
Long-lived assets:			
United States	**$ 1,732**	$ 2,673	$ 3,536
Sweden	**2,387**	2,867	1,469
United Kingdom	**410**	574	894
Netherlands	**158**	208	346
Other Europe	**–**	137	160
Australia	**66**	136	277
Total long-lived assets	**$ 4,753**	$ 6,595	$ 6,682

Major customers

For the years ended April 30, 2001, 2000, and 1999, the Company had no single customer with sales comprising more than 10% of total revenues.

In January 1997, the Company entered into an agreement with Oracle Corporation pursuant to which the parties agreed for a term which ended in fiscal 2000 to jointly market and license the Oracle Solution Suite, which incorporated the Company's System ESS software, certain Oracle software, and other complementary software of third parties. Oracle paid the Company a percentage of the total license fees that Oracle received from customers for System ESS. The Company supports its System ESS software. For the years ended April 30, 2001, 2000, and 1999, 0%, 0%, and 20%, respectively, of the Company's license revenues was derived from customers introduced to the Company by Oracle.

16. Restructuring

In April, 2001, the Company announced a reorganization of its operations into four regional units each made up of sales, services, support, and operations staff. In connection with the reorganization, the Company took a restructuring charge of $5.4 million consisting primarily of employee severance costs, lease termination expenses, and write-downs of certain property and equipment.

The following table presents the components of the charge (in thousands) and the restructuring activity relating to the fiscal 2001 restructuring through April 30, 2001:

	Initial charge	Utilization of accrual	Currency effect	Accrual as of April 30, 2001
Severance benefits	$ 2,797	$ –	$ (176)	$ 2,621
Lease obligations and terminations	1,057	–	(67)	990
Write-down on fixed assets	1,490	(1,490)	–	–
Other	47			47
Total	$ 5,391	$ (1,490)	$ (243)	$ 3,658

During the fourth quarter of the year ended April 30, 1999, the Company incurred a $3.5 million one-time restructuring charge in connection with a cost realignment plan. The components of the charge included, in thousands:

Severance benefits	$ 2,699
Lease obligations and terminations	535
Other	288
Total restructuring charge	3,522

The following table presents the restructuring activity relating to the fiscal 1999 restructuring through April 30, 2001:

	Accrual as of April 30, 2000	Utilization of accrual	Currency effect	Accrual as of April 30, 2001
Severance benefits	$ 247	$ (242)	$ (5)	$ 0
Lease obligations and terminations	4	(4)	–	0
Other	6	(6)	–	0
Total	$ 257	$ (252)	$ (5)	$ 0

17. Quarterly Information (Unaudited)

Summarized quarterly consolidated financial information for 2001 and 2000 is as follows:

	Quarter Ended							
	July 31 2000	Oct. 31 2000	Jan. 31 2001	April 30 2001	July 31 1999	Oct. 31 1999	Jan. 31 2000	April 30 2000
	(in thousands, except per share data)							
Total revenues	$ 16,993	$ 18,487	$ 15,390	$ 18,485	$ 16,676	$ 18,288	$ 18,879	$ 21,182
Gross profit	7,397	8,820	6,086	7,822	4,118	5,281	5,721	9,032
Net income (loss)	(3,480)	(650)	(4,254)	(26,866)	(7,347)	(6,850)	(5,893)	(2,709)
Earnings per Share	(0.11)	(0.02)	(0.13)	(0.84)	(0.23)	(0.22)	(0.19)	(0.09)
Weighted average number of shares	31,931	31,974	32,020	32,020	31,535	31,604	31,636	31,790

Board of Directors and Principal Officers

Board of Directors

STIG DURLOW
President and Chief Executive Officer of the Company

JEFFREY A. HARRIS
Managing Director, E.M.Warburg, Pincus & Co., LLC

WILLIAM H. JANEWAY
Senior Managing Director, E.M. Warburg, Pincus & Co., LLC

TERJE LAUGERUD
Former Chief Executive Officer of ECsoft Group plc.

MARTIN LEIMDÖRFER
Founder of the Company

GEOFFREY W. SQUIRE
Chairman of the Board IMIC, and Vice-Chairman, VERITAS Software Corp.

Principal Officers

KARL ASP
Treasurer and Chief Financial Officer

STIG DURLOW
President and Chief Executive Officer

MARVIN S. ROBINSON
Secretary*

*Partner, Tannenbaum Dubin & Robinson, LLP

Shareholder Information

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Annual Meeting
The Annual Meeting of Stockholders will be held at 10.00 am on October 10, 2001, at: The Grand Hyatt New York, Park Avenue at Grand Central (42nd Street), New York, NY 10017.

Form 10-K
For a copy of the Annual Report in Form 10-K filed with the Securities and Exchange Commission, without charge, write to:
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Treasurer and Chief Financial Officer
Industri-Matematik International Corp.
901 Market Street, Suite 475
Wilmington, DE 19801
USA

Independent Accountants
PricewaterhouseCoopers AB, Stockholm, Sweden

Counsel
Tannenbaum Dubin & Robinson, LLP
New York, NY

Dividend Policy
The Company has never declared or paid any dividends on its Common Stock and does not intend to do so in the foreseeable future. It is the president intention of the Company to retain any future earnings to provide funds for the operation and expansion of its business.

Common Stock
The Company´s Common Stock is listed on the NASDAQ National Market under the symbol IMIC. The high and low closing prices during each fiscal quarterly period the Common Stock has been listed are set forth below:

	Fiscal 2001		Fiscal 2000	
	High	Low	High	Low
First Quarter (ended July 31)	$ 8.0625	$ 3.5938	$ 2.8750	$ 1.7500
Second Quarter (ended October 31)	$ 4.4375	$ 2.7500	$ 3.4375	$ 1.6562
Third Quarter (ended January 31)	$ 5.1250	$ 1.7188	$ 9.1250	$ 2.3125
Fourth Quarter (ended April 30)	$ 2.4688	$ 1.0000	$ 15.9375	$ 5.5000

As of July 27, 2001, there were 67 shareholders of record and approximately 3,500 beneficial owners.

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