

January–September 2002 Interim Report

Cash flow continued to improve during the traditionally weak third quarter, while license and consulting revenue declined

- License revenue fell by 9 percent to SEK 223 million (246) in July–September and by 2 percent to SEK 741 million (758) in January–September.
- License orders received declined by 18 percent to SEK 141 million (173) in July–September and by 14 percent to SEK 637 million (740) in January–September.
- Consulting revenue fell by 14 percent to SEK 524 million (608) in July–September and by 3 percent to SEK 1,862 million (1,922) in January–September.
- Operating earnings totaled SEK –77 million (2) in July–September and SEK –104 million (–6) in January–September.
- The continued improvement in capital efficiency had a positive impact on cash flow. Operating cash flow increased to SEK 8 million (–154) in July–September and SEK 89 million (–49) in January–September. Cash flow after investing activities rose to SEK –44 million (–214) in July–September and SEK –129 million (–250) in January–September.
- The current state of the market has led to heightened uncertainty. For the full year, we expect license revenue in line with 2001 and an operating profit.

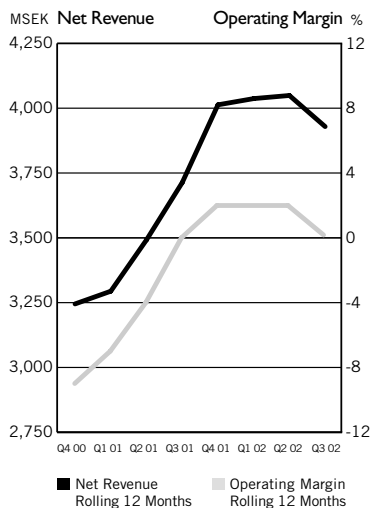
Group Progress

As a result of the economic uncertainty influencing investment decisions among the group of customers that Intenia serves, the market remains slow. Investment decisions are being postponed and trends are still difficult to predict. We expect that attractive growth levels will return to the market in the long run. Powered by the fact that a number of suppliers are unable to finance either their product development efforts or the kind of sales organizations required to handle complex procurements, the sector is continuing to restructure. The need for more efficient implementation of enterprise applications is also spurring the restructuring trend.

In order to build a financial foundation that would enable profitable expansion with balanced cash flow once growth returns to the market, Intenia decided back in 2000 to prioritize cash flow and earnings. The measures represent the basis both for meeting Intenia's long-term objective of further evolving as a leader in the enterprise application sector and for enabling rapid, profitable expansion once the state of the market so permits.

Progress in July–September 2002

While license revenue trends remained favorable in the third quarter compared to traditional developments during that period of the year, consulting revenue was lower than anticipated. Since license orders received and license revenue are still heavily affected by the state of the market, there are major variations in order volumes both within and among individual quarters. The decline in consulting revenue during the quarter reflected a number of factors. The overall market influenced price trends in some regions while other regions were affected in terms of capacity utilization only.



License Orders Received and License Revenue

Given that there are substantially fewer business transactions during the summer vacation period, the third quarter is traditionally weak. That pattern held this year as well. Trends were slower than during the unusually strong third quarter of 2001. License orders received declined by 18 percent to SEK 141 million (173). The backlog of orders amounted to SEK 492 million (542) at the end of the period. License revenue was down by 9 percent to SEK 223 million (246). As has been the case in recent quarters, the license revenue figure reflected the fact that orders were generally smaller. This is due to the fact that there are fewer procurements for big contracts in the wake of the current economy and orders are being split up into smaller components. Among the customers that placed orders during the quarter are Laiteeries Reunies Nutrilai in Switzerland, Ensign Laboratories and Pax Australia in Australia, Lagena Distribution in Sweden, Kingfisher Holdings in Thailand, Zodiac in France, CHC Helicopters International in Canada and Prémaman in Belgium.

Consulting Revenue and Consulting Margin

Consulting revenue fell by 14 percent to SEK 524 million (608) in July–September. The SEK 84 million decline from the same period of 2001 was due to both market effects and temporary factors. The general decline in the economy has made customers in Intenia's market more sensitive to prices and limited their purchasing decisions. This resulted in lower capacity utilization in some regions. More temporary in nature was the decline due to lower project volumes during the summer months, which was not a factor last year. More than half of the SEK 84 million reduction in consulting revenue is deemed to be attributable to market effects. While capacity utilization trends vary considerably among individual regions, prices are generally squeezed by the current state of the market.

Consulting revenue fell from the third quarter of 2001 mainly in three regions. In the Americas, the decline stemmed from the wrap-up of several large implementation projects. In the Northern Europe region, a recovery in September only partially offset low capacity utilization during the summer months. In Northwestern Europe, the chief culprit was lower invoicing of subcontracted consulting work, considerably reducing consulting costs during the quarter. Asia Pacific's consulting revenue rose substantially during the quarter by virtue of improved capacity utilization.

The consulting margin for the quarter remained constant at 15 percent (15). Higher costs for skills development as a result of the technology shift that we have completed to a Java-based product are negatively impacting the consulting organization's costs during a period of transition. This was counterbalanced by the high quality of our projects, which increases cost-effectiveness.

Net Revenue Was Down During the Period

Net revenue declined by 14 percent to SEK 758 million (879). License revenue accounted for 29 percent (28) of the total.

Costs Declined During the Period

Consulting and indirect costs fell during the quarter by 5 percent to SEK 801 million (846). Consulting costs were down by SEK 76 million to SEK 443 million (519) during the period. Northern Europe, Northwestern Europe and the Americas accounted for most of the decline. Reduced costs for subcontracted consultants was the chief factor in Northwestern Europe.

Indirect costs were up by SEK 31 million to SEK 358 million (327). Sales and marketing expenses were SEK 215 million (205), and product development expenses were SEK 81 million (69) for the quarter. Organizational expansion in connection with the takeover of Catalog's operations early in the year affected product development expenses. While capitalization of product development amounted to SEK 40 million (25), capitalized product development amortized during the period totaled SEK 11 million (1). Accompanying the establishment of a new organizational structure was the setup of Group-wide units to coordinate resources so that economies of scale and cost-effectiveness could be achieved. For instance, a Group-wide IT organization has been launched this year, thereby increasing administrative expenses by SEK 14 million during January–September. The resources required for this organization were transferred from the consulting organization, where IT support was previously coordinated with the technical support Intenia provides to customers. Since the resources were transferred from the consulting organization to administration, the change has not increased the Group's total costs. Administrative expenses amounted to SEK 62 million (53) for the quarter.

Intenia employed 3,379 (3,358) people at the end of the period, up 21 from the same date last year and down 26 from the close of this year's second quarter.

Lower Volumes Negatively Affected Operating Earnings

Gross earnings of SEK 275 million (321) represented a gross margin of 36 percent (37). Operating earnings for the quarter totaled SEK –77 million (2), or SEK –30 million (38) before depreciation and amortization. Net financial items amounted to SEK –14 million (–80), of which translation differences related to convertible notes were SEK –3 million (–56) during the period. While earnings after financial items totaled SEK –92 million (–77), earnings after tax were SEK –93 million (–92).

Progress in January–September 2002

Net Revenue

License orders received declined by 14 percent to SEK 637 million (740) during the first three quarters. The figure varied considerably from period to period, increasing in the second quarter and coming in lower during the first and third quarters. License revenue was down by 2 percent to SEK 741 million (758). The Americas and Southern Europe were the two main regions for which license revenue was lower during the first nine months.

The 3 percent decline in consulting revenue to SEK 1,862 million (1,922) was wholly attributable to the third quarter. The consulting margin for the period was 17 percent (16).

The change in license and consulting revenue made for a 3 percent decrease in net revenue to SEK 2,652 million (2,736). Exchange rate effects upon consolidation had a positive impact of 1 percentage point on the change in net revenue.

Expenses and Efficiency

Consulting and indirect costs were up by 1 percent during the period to SEK 2,696 million (2,657). Of the SEK 39 million increase, SEK 27 million was due to exchange rate effects upon consolidation.

While consulting costs decreased by 4 percent to SEK 1,551 million (1,617), indirect costs rose by 10 percent to SEK 1,145 million (1,041). Product development expenses totaled SEK 275 million (240) for the period. The increase was predominantly the result of costs related to the acquisition of Catalog and for the adaptation of Movex version 12 to country-specific accounting standards and legal requirements. While SEK 114 million (90) of product development expenses were capitalized, SEK 25 million (4) in product development previously capitalized was amortized. Sales and marketing expenses increased by 8 percent to SEK 677 million (627). Both longer procurement cycles and higher marketing expenses during the period contributed to the trend. Administrative expenses rose by 12 percent to SEK 194 million (173). The bulk of the increase was attributable to the setup of a Group-wide IT organization, which reduced consulting costs.

The average number of employees was up by 2 percent during the period to 3,386 (3,319). Revenue per employee totaled SEK 783 thousand, as opposed to SEK 824 thousand in January–September 2001. Personnel expenses per employee were SEK 535 thousand (527).

Earnings Trends During the Period

Gross earnings improved somewhat during the period to SEK 1,020 million (1,015), as a result of which the gross margin rose by 1 percentage point to 38 percent (37). Before depreciation and amortization, operating earnings totaled SEK 34 million (99). In the wake of higher depreciation than the year before, operating earnings amounted to SEK –104 million (–6) during the period. Of the SEK 138 million (105) in depreciation, goodwill amortization accounted for SEK 53 million (46) and the amortization of capitalized product development accounted for SEK 25 million (4).

The loss after financial items was SEK –139 million (–161). Translation differences related to convertible notes had a positive impact of SEK 17 million (–88) on financial items. Earnings after tax were SEK –138 million (–144).

Trends by Region

Net revenue in the Northern European region declined to SEK 1,071 million (1,108) in January–September. While license revenue increased by 1 percent, consulting revenue fell by 7 percent. Earnings were down from the same period of 2001.

Net revenue in Central Europe declined by 3 percent to SEK 350 million (359). A 2 percent increase in consulting revenue offset the 8 percent decrease in license revenue only partially. The region posted lower earnings.

Northwestern Europe's net revenue totaled SEK 342 million (401). Whereas license revenue was unchanged, consulting revenue fell by 13 percent. The region posted lower earnings.

Net revenue in Southern Europe amounted to SEK 490 million (473). Both license and consulting revenue increased by 5 percent. Earnings were down.

Net revenue in the Americas was SEK 161 million (202). License revenue fell by 24 percent and consulting revenue by 14 percent. Earnings improved.

Asia Pacific's net revenue amounted to SEK 239 million (235). While license revenue decreased by 7 percent, consulting revenue increased by 31 percent. Earnings were below the same period of 2001.

Cash Flow and Financial Position

Cash Flow Improved Considerably

Intentia continues to prioritize cash flow. While operating cash flow totaled SEK 89 million (–49) in January–September, cash flow after investing activities was SEK –129 million (–250). Working capital tied up remained low. Accounts receivable continued to decrease, falling by SEK 654 million to SEK 722 million (1,135) during the year. Accounts receivable as of September 30 represented 18 percent (31) of net revenue over the past 12 months.

Cash flow from operating activities totaled SEK 8 million (–154) in July–September, whereas cash flow after investing activities was SEK –44 million (–214). Accounts receivable declined by SEK 126 million during the quarter.

The Group's cash and bank balances totaled SEK 369 million (280) at the end of the period and net borrowings improved. As of September 30, cash and bank balances exceeded borrowings excluding convertible notes by SEK 86 million (–52).

Progress in October 2001–September 2002

Net revenue was SEK 3,929 million in October 2001–September 2002, as opposed to SEK 3,713 million during the previous 12-month period. While license orders received totaled SEK 1,134 million (1,277), license revenue was SEK 1,184 million (1,105). Consulting revenue amounted to SEK 2,697 million (2,538) and the consulting margin to 17 percent (15) during the period. Operating earnings were SEK 2 million (–16), or SEK 188 million (99) before depreciation and amortization. Earnings after financial items totaled SEK –3 million (–217), whereas earnings after tax increased to SEK –51 million (–167).

Cash flow from operating activities improved to SEK 460 million (65), while cash flow after investing activities rose by SEK 446 million to SEK 174 million (–272).

Parent Company

The Parent Company's net revenue totaled SEK 56 million (30) during January–September, while earnings after financial items were SEK –67 million (–185). The Parent Company's loss after tax was SEK –68 million (–130) for the period. Investments for the period amounted to SEK 0 million (1). While liquidity at the end of the quarter amounted to SEK 319 million (162), the Parent Company's external borrowings excluding convertible notes were SEK 0 million (250).

Outlook for 2002

Owing to the current state of the economy, a great deal of uncertainty remains with regard to license revenue trends during the fourth quarter. However, the fact that ongoing procurements represent large volumes provides a stable foundation for that period. We expect that license revenue for the full year will be in line with 2001. Nevertheless, the fourth quarter will not be able to fully offset the decline in consulting revenue during the first three quarters. Thus, we expect operating earnings to be lower than our previous forecast indicated. We anticipate an operating profit for the full year.

Nominating Committee

A nominating committee whose purpose is to submit candidates for board positions to the 2003 Annual General Meeting has been appointed. Members of the committee are Olof Ljunggren (Chairman of the Board), Caroline af Ugglas (Skandia), Tomas Nicolin (Third Pension Insurance Fund) and Björn Algvist.

Stockholm, October 24, 2002

Björn Algvist
President and Chief Executive Officer

Accounting Principles

This interim report has been prepared in accordance with Recommendation 20 on Interim Reporting issued by the Swedish Financial Accounting Standards Council. The report has been prepared in accordance with the accounting principles applied in the annual accounts for 2001.



Intentia International AB (publ)

Vendevägen 89
Box 596
SE-182 15 Danderyd
Sweden
T +46 8 5552 5000
F +46 8 5552 5999

Financial Information

Information on the Group's development during 2002 will be provided as follows:

Announcement of 2002 accounts:
February 4, 2003

For additional information, please contact:

Björn Algvist

President and Chief Executive Officer
Telephone: +46 8 5552 5605
Fax: +46 8 5552 5999

Håkan Gyrlf

Vice President and Chief Financial Officer
Telephone: +46 8 5552 5825
Cell phone: +46 733 27 5825
Fax: +46 8 5552 5999

Thomas Ahlerup

Head of Corporate and Investor Relations
Telephone: +46 8 5552 5766
Cell phone: +46 733 27 5766
Fax: +46 8 5552 5999

FINANCIAL INFORMATION

	Jul-Sep		Jan-Sep		Full Year	Full Year
	2002	2001	2002	2001	Oct '01-Sep '02	Jan-Dec 2001
ORDER DATA (SEK million)						
License orders received	141.3	172.6	636.8	739.9	1,134.4	1,237.5
Order backlog basic, end of period	492.2	541.7	492.2	541.7	492.2	596.1
INCOME STATEMENT GROUP (SEK million)						
License revenue	222.8	246.2	740.7	758.2	1,183.8	1,201.3
Consulting revenue	523.8	608.4	1,862.3	1,921.8	2,696.6	2,756.1
Other revenue	11.7	24.0	49.0	55.7	49.0	55.7
Net revenue	758.3	878.6	2,652.0	2,735.7	3,929.4	4,013.1
Consulting cost	-442.6	-519.0	-1,550.9	-1,616.9	-2,232.1	-2,298.1
Cost for license	-30.2	-32.0	-48.6	-69.1	-101.1	-121.6
Cost for other revenues	-10.4	-6.7	-32.6	-34.7	-62.7	-64.8
Gross earnings	275.1	320.9	1,019.9	1,015.0	1,533.5	1,528.6
Other operating items net	6.1	8.1	21.1	19.1	33.1	31.1
Product development expenses	-81.3	-68.6	-275.0	-240.0	-362.0	-327.0
Sales and marketing expenses	-214.7	-205.0	-676.6	-627.2	-937.8	-888.4
Administration expenses	-62.4	-53.0	-193.6	-173.3	-264.6	-244.3
Operating earnings	-77.2	2.4	-104.2	-6.4	2.2	100.0
Financial income and expenses	-14.4	-79.9	-34.2	-155.1	-4.6	-125.5
Participation in associated companies' earnings	-0.4	0.4	-0.8	0.6	-1.0	0.4
Earnings after financial items	-92.0	-77.1	-139.2	-160.9	-3.4	-25.1
Earnings before tax	-92.0	-77.1	-139.2	-160.9	-3.4	-25.1
Tax on profit/loss for the period	-1.5	-13.8	1.0	20.7	-45.8	-26.1
Minority interest in profit/loss for the period	1.0	-0.7	0.4	-3.4	-1.5	-5.3
Profit/loss for the period	-92.5	-91.6	-137.8	-143.6	-50.7	-56.5
Earnings per share (SEK)						
Basic, average for period	-2.5	-3.1	-3.8	-5.2	-1.4	-1.9
Diluted, average for period	-2.1	-1.3	-3.3	-1.7	-2.1	-0.1
Number of outstanding shares (thousand)						
Basic, end of period	36,573	29,673	36,573	29,673	36,573	36,073
Basic, average for period	36,573	29,673	36,462	28,233	35,298	29,126
Diluted, average for period	40,633	33,001	40,522	32,250	39,358	33,281

BALANCE SHEET GROUP (SEK million)

	30 September		31 December
	2002	2001	2001
Capitalized product development expenses	221.0	101.2	134.7
Goodwill	364.7	393.5	382.8
Tangible fixed assets	242.7	253.6	257.0
Financial fixed assets	528.0	452.6	519.2
Total fixed assets	1,356.4	1,200.9	1,293.7
Accounts receivable	721.5	1,135.3	1,376.1
Other current assets	672.7	782.2	552.4
Liquid funds	369.4	280.3	644.4
Total current assets	1,763.6	2,197.8	2,572.9
Total assets	3,120.0	3,398.7	3,866.6
Stockholders' equity	781.2	417.3	850.3
Minority interests	20.4	18.3	19.9
Provisions	28.8	23.2	43.9
Convertible notes	547.7	974.1	565.1
Interest bearing long-term liabilities	64.4	61.5	59.6
Other long-term liabilities	14.4	6.6	29.9
Interest bearing current liabilities	218.8	270.5	369.1
Other current liabilities	1,444.3	1,627.2	1,928.8
Total stockholders' equity, provisions and liabilities	3,120.0	3,398.7	3,866.6

CHANGE IN STOCKHOLDERS' EQUITY (SEK million)

	30 September		31 December
	2002	2001	2001
Stockholders' equity at beginning of period	850.3	355.2	355.2
Effect of changed accounting principles	-	-222.2	-222.2
Stockholders' equity after changes in accounting principles	850.3	133.0	133.0
New stock issue	44.3	433.5	433.5
Conversion of convertible notes	-	-	342.1
Profit/loss for the period	-137.8	-143.6	-56.5
Translation differences for the period	24.4	-5.6	-1.8
Stockholders' equity at end of period	781.2	417.3	850.3

CASH FLOW ANALYSIS GROUP (SEK million)							
		Jul-Sep		Jan-Sep		Full Year	
		2002	2001	2002	2001	Oct '01-Sep '02	Jan-Dec 2001
Cash flow from operations							
before change in working capital		-55.8	41.9	-9.5	14.8	25.3	49.6
Change in working capital		63.7	-195.8	98.2	-64.1	434.4	272.2
Cash flow from operations		7.9	-153.9	88.7	-49.3	459.7	321.8
Cash flow from investments		-52.3	-59.7	-217.5	-201.1	-285.9	-269.5
Cash flow after investing activities		-44.4	-213.5	-128.8	-250.4	173.8	52.3
Cash flow from financing		-44.7	33.9	-143.0	110.5	-77.8	175.7
Cash flow for the period		-89.1	-179.6	-271.8	-139.8	96.0	228.0
Liquid funds, beginning of period		480.7	448.1	644.4	401.0	280.3	401.0
Exchange rate difference on liquid funds		-22.2	11.8	-3.2	19.1	-6.9	15.4
Liquid funds, end of period		369.4	280.3	369.4	280.3	369.4	644.4

DEVELOPMENT PER QUARTER

		Net revenue	License revenue	Operating earnings before depreciation	Operating earnings	Earnings after financial items	Number of employees*
2000	Q4	977.2	346.6	36.9	-9.4	-56.1	3,224
2001	Q1	879.3	238.0	16.4	-15.9	-50.1	3,247
	Q2	977.9	274.0	44.2	7.1	-33.7	3,299
	Q3	878.6	246.2	37.9	2.4	-77.1	3,358
	Q4	1,277.4	443.1	152.7	106.4	135.7	3,325
2002	Q1	902.9	210.6	7.5	-32.8	-34.5	3,392
	Q2	990.8	307.3	57.1	5.8	-12.7	3,405
	Q3	758.3	222.8	-30.4	-77.2	-92.0	3,379

*basic, end of period

FINANCIAL RATIOS

		Jul-Sep		Jan-Sep		Full Year	
		2002	2001	2002	2001	Oct '01-Sep '02	Jan-Dec 2001
OPERATIONAL							
Growth over corresponding period							
License revenue		-9%	33%	-2%	15%	7%	20%
Consulting revenue		-14%	33%	-3%	30%	6%	31%
Net revenue		-14%	34%	-3%	21%	6%	24%
Orders received license		-18%	14%	-14%	19%	-11%	7%
Order backlog license		-9%	47%	-9%	47%	-9%	6%
Margins							
Consulting margin		15%	15%	17%	16%	17%	17%
Gross margin		36%	37%	38%	37%	39%	38%
Operating margin		-10%	0%	-4%	0%	0%	2%
Net profit margin		-12%	-10%	-5%	-5%	-1%	-1%
Expenses and efficiency							
Product development/license revenue		36%	28%	37%	32%	31%	27%
Sales and marketing/license revenue		96%	83%	91%	83%	79%	74%
Administration/net revenue		8%	6%	7%	6%	6%	6%
Average number of employees for period		3,382	3,315	3,386	3,319	3,378	3,314
Revenue per employee		224	265	783	824	1,163	1,211
Added value per employee		178	188	545	556	781	797
Personnel expenses per employee		187	176	535	527	726	721
FINANCIAL POSITION							
Working capital 4 quarters/net revenue 12 months		0%	6%	0%	6%	0%	0%
Debt/equity ratio (excluding convertible notes)		-0.1	0.1	-0.1	0.1	-0.1	-0.2
Average capital employed		1,530	1,668	1,612	1,600	1,647	1,638
Share of riskbearing capital		50%	45%	50%	45%	50%	46%
Equity/assets ratio		26%	13%	26%	13%	26%	23%
Cash flow/net revenue		-6%	-24%	-5%	-9%	4%	1%
RETURN							
On average capital employed		-4%	0%	-5%	0%	1%	8%
On average stockholders' equity		-12%	-27%	-18%	-58%	-7%	-18%
NET INDEBTEDNESS (excluding convertible notes)							
At beginning of period		159.7	119.3	215.7	-216.3	-51.6	-216.3
At end of period		86.2	-51.6	86.2	-51.6	86.2	215.7
Cash flow for the period		-89.1	-179.6	-271.8	-139.8	96.0	228.0
Funds borrowed		150.0	40.0	437.4	90.0	537.4	190.0
Amortization of loans		-191.1	-45.9	-614.8	-404.8	-657.8	-447.8
SHARE DATA							
Riskbearing capital per share at end of period		37.7	47.7	37.7	47.7	37.7	41.0
Stockholders' equity per share at end of period		21.3	14.7	21.3	14.7	21.3	23.6
Cash flow per average number of shares, basic		-1.2	-7.2	-3.5	-8.9	4.9	1.8