

Interim report

April-June 2003

- Pre-tax profit for the second quarter amounted to SEK -34m, which is a SEK 30m improvement compared to last year (SEK -64m).
- Software revenue grew by 5% during the second quarter, compared to the equivalent period last year.
- Operating costs during the quarter fell by 18% compared to the equivalent period last year.
- A slight recovery of the investment climate has been seen in several countries.
- The full-year forecast for 2003 remains unchanged, i.e. a pre-tax profit is expected, on condition that the market is not subject to significant deterioration.

22 July, 2003

Increased software revenue and improved result

The market

During the second quarter, a slight recovery of the investment climate regarding business software has been seen, primarily in North America, but there are also signs of gradual improvement in demand in Europe and Asia. The focus continues to be on investment in IT projects aimed at lowering a company's total costs as well as integrating supply chains and diverse software.

During the first half of 2003, many companies in the USA and Europe have shown improved results and increased cash flow. These improvements have mainly been achieved through reductions in costs, and there seem to be few industry segments where an increase in demand and revenue has contributed to improving results. This strengthened financial position has, after a three-year decline in IT investment, enabled some companies to consider allocating resources for initiating projects aimed at continued cost reduction and improved competitiveness.

During the second quarter, IBS' software revenue grew by 5% compared to the equivalent period last year. New second-quarter orders include, among others, Block Goldring, ItriaFarma, AD Instruments, Reliance Trading, Volvo, Atea, the Kinapolis Group and Brands Batterij. In addition, the first pan-European sale of IBS Pharma was accomplished, with the pre-wholesale pharmaceutical distributor Alloga.

IBS has chosen to specialise in solutions for distribution and supply chain management for mid-sized companies and subsidiaries in larger groups, within selected industry segments. The activities to further develop vertical industry solutions for among others pharmaceutical distribution, electronics, the automotive industry, food, housing and mail order have been successful.

We see the growing software revenue as a positive indication of IBS' competitiveness and of a gradual market improvement.

Exchange rates

During the second quarter, the exchange rates for the Swedish krona rose some 3% compared to the currencies in other IBS Group countries. In fixed exchange rates, this represents a three percentage unit increase in revenue and costs. This impacts the result only marginally.

Second quarter 2003

Pre-tax profit amounted to SEK -34m, which is a SEK 30m improvement compared to the equivalent period last year (SEK -64m). For IBS, the second quarter is normally a weaker quarter. The improved result is attributable to a 5% increase in software revenue, and an 18% reduction in costs.

Software revenue growth took place mainly towards the end of the quarter, which means that professional services revenue will be impacted positively later in the year. The professional services margin for the quarter was 16%, compared to 19% for the equivalent period last year. We expect the professional services margin to increase during the second half of the year.

Second quarter revenue amounted to SEK 569m, which is an 8% decrease compared to the equivalent period last year.

First half 2003

Pre-tax profit amounted to SEK -33m, which is a SEK 37m improvement compared to last year (SEK -70m). Significant improvement in first-half results have been achieved in, among other countries, the USA, Italy, Switzerland, Spain, Singapore/Malaysia, Colombia and in the Parent Company. Special measures initiated towards the end of 2002, aimed at reducing costs and improving operational efficiency, have been implemented in these units, among others.

Revenue for the first half 2003 amounted to SEK 1,151m, which represents a 10% decrease compared to the equivalent period last year. Total operating costs have, at the same time, decreased by 17%.

The number of staff has been reduced by 237, compared to 30 June, 2002. The number of staff per 30 June, 2003, was 1,970.

Liquidity and financial position

The Group's financial position continues to be strong. Group equity per 30 June amounted to SEK 483m (664m) and the equity to total assets ratio was 36% (43%).

Cash flow from operating activities for the first half was SEK 77m (95m). Cash flow for the second quarter was SEK -14m (-8m).

Tax for the period amounting to SEK 2m (16m) as shown in the income statement, consists of SEK -5m (0m) in current tax and SEK 7m (16m) in deferred tax. Tax paid during the period amounts to SEK 21m (2m).

Cash and liquid assets per 30 June, including short-term investment, amounted to SEK 170m (190m). In addition, there were credit facilities amounting to SEK 106m. Current assets represented 106% (123%) of current liabilities.

Per 30 June 2003, the Group had interest-bearing loans totalling SEK 191m (209m) (excluding debts to leasing companies).

Investment

Group investment in equipment amounted to SEK 24m (26m).

During the period, capitalised development costs for

products to be launched within twelve months exceeded depreciation by SEK 6m (8m).

The Parent Company

The Parent Company provides centrally developed software and group services. Parent Company gross revenue amounted to SEK 84m (82m), and the pre-tax result was SEK -1m (-26m).

The IBS share

Per 30 June 2003, the share price was SEK 6.20 per share, which represents a 44% increase since 31 December, 2002. The total number of shares is 79.6 million. In addition there is the IBS warrants program 00/04, with 5 million warrants at a strike price of SEK 65 per share.

The Annual General Meeting decided, in addition to the current warrants program, to issue 4 million warrants to senior managers and key personnel within the Group. During August 2003, 3 million warrants will be offered for subscription. The remaining 1 million warrants will be available to be offered to key personnel recruited at a later stage. The new warrants program will expire in May 2006.

Accounting principles

The Group adheres to recommendations made by the Swedish Financial Accounting Standards Council. The introduction of new recommendations for 2003 has had no effect on comparisons made in this report.

The future

In many companies, there is a considerable pent-up need for new and improved software that can reduce costs, improve customer service and increase profitability. Due to the uncertain economic climate, however, it is at present difficult to predict when a more significant increase in demand for business software may occur.

IBS is planning for a continued slow, but gradually improving, market 2003, and does not expect the total market to grow until 2004. Continued efficiency measures and cost adjustments will be implemented. IBS expects a long-term growth of its market shares, through further specialisation and strengthened sales concepts. Looking ahead, the market will to an increasing extent be governed by the needs of corporate management. Here, IBS sees major opportunities, as many senior managers are open to new suppliers that can provide better support for operations and business targets.

Forecast

We expect to continuously improve the quarterly operating results during 2003, compared to the equivalent quarters

2002. Due to seasonal variations in new sales, maintenance and renewal fees, as well as the number of working days for consultants, IBS normally generates its strongest results during the fourth quarter, whereas the second and third quarters are usually weak, with the first quarter being slightly better. For 2003, we predict a similar pattern.

The full-year forecast remains unchanged, i.e. IBS is expected to generate a positive pre-tax result for 2003, on condition that the market is not subject to significant deterioration.

Information plan

- The interim report for July-September will be published 24 October.
- The year-end report for the full year 2003 will be published 29 January, 2004.

Solna, 22 July 2003
Magnus Wastenson
CEO

This report has not been audited.

Questions concerning this report will be answered by

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Consolidated income statement

SEK million	2003 Apr-June	2002 Apr-June	03/02 %	2003 Jan-June	2002 Jan-June	03/02 %	Last 12 months	2002 Full year
<i>Revenue</i>								
Software licences	115.4	109.9	5%	243.3	255.3	-5%	531.4	543.4
Professional services	309.0	344.1	-10%	635.1	712.0	-11%	1 263.7	1 340.6
Hardware and other revenue	144.9	167.5	-13%	272.4	311.0	-12%	594.5	633.1
Total revenue	569.3	621.5	-8%	1 150.8	1 278.3	-10%	2 389.6	2 517.1
<i>Cost of revenue</i>								
Software licences	-15.9	-16.3	-2%	-27.4	-30.5	-10%	-54.0	-57.1
Professional services	-259.9	-278.2	-7%	-523.4	-566.0	-8%	-1 053.7	-1 096.3
Hardware and other costs	-118.4	-131.9	-10%	-222.7	-251.9	-12%	-470.7	-499.9
Total cost of revenue	-394.2	-426.4	-8%	-773.5	-848.4	-9%	-1 578.4	-1 653.3
Gross profit	175.1	195.1	-10%	377.3	429.9	-12%	811.2	863.8
Product development costs	-58.1	-65.0	-11%	-114.7	-131.7	-13%	-238.0	-255.0
Sales and marketing costs	-73.3	-96.5	-24%	-141.6	-179.1	-21%	-292.7	-330.2
General and administrative costs	-76.1	-93.1	-18%	-149.8	-180.6	-17%	-290.9	-321.7
Non-recurring items	-	-	-	-	-	-	-130.2	-130.2
One-time write-down of goodwill	-	-	-	-	-	-	-6.1	-6.1
Total operating costs	-207.5	-254.6	-18%	-406.1	-491.4	-17%	-957.9	-1 043.2
Operating profit	-32.4	-59.5		-28.8	-61.5		-146.7	-179.4
<i>Financial items</i>								
Interest income	1.0	1.4		2.1	2.9		4.2	5.0
Interest expenses	-2.0	-3.5		-5.9	-6.5		-14.4	-15.0
Other financial items	-0.4	-2.6		-0.6	-4.5		-5.5	-9.4
Profit after financial items	-33.8	-64.2		-33.2	-69.6		-162.4	-198.8
Tax	2.9	14.1		1.5	15.7		-16.3	-2.1
Minority holdings, net	-0.3	2.4		-0.2	3.7		1.3	5.2
Net profit for the period	-31.2	-47.7		-31.9	-50.2		-177.4	-195.7
Net profit per share	-0.39	-0.60		-0.40	-0.63		-2.23	-2.46
Net profit per share after dilution	-0.39	-0.60		-0.40	-0.63		-2.23	-2.46
Average number of shares (thousand)	79 608	79 608		79 608	79 608		79 608	79 608
Average number of shares after dilution (thousand)*	79 608	79 608		79 608	79 608		79 608	79 608

* At present, the current warrants program has no effect as regards dilution

Segment analysis, Jan-June	Sweden		Other Nordic countries		Rest of Europe		Rest of the world		Parent comp. incl. Group adjustments		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
SEK million												
Revenue from external customers												
Software licences	42.6	50.5	21.7	23.2	150.7	158.9	28.3	22.7	0.0	0.0	243.3	255.3
Professional services	187.1	198.1	117.7	126.0	293.2	334.2	37.0	53.7	0.0	0.0	635.1	712.0
Hardware and other revenue	106.8	94.0	44.5	36.3	112.2	171.1	9.0	9.0	0.0	0.6	272.4	311.0
	336.5	342.6	183.9	185.5	556.1	664.2	74.3	85.4	0.0	0.6	1 150.8	1 278.3
Inter-segment revenue	3.1	3.0	4.0	1.0	6.8	7.3	1.2	1.7	-15.1	-13.0	0.0	0.0
Total revenue	339.6	345.6	187.9	186.5	562.9	671.5	75.5	87.1	-15.1	-12.4	1 150.8	1 278.3
Segment operating profit	2.2	6.2	-2.1	2.8	4.7	-0.8	-3.3	-21.6	-30.3	-48.0	-28.8	-61.5
Unallocated expenses											0.0	0.0
Operating profit											-28.8	-61.5

The segment reporting is produced in accordance with RR 25 (Swedish Fin. Accounting Standards Council). For IBS, the primary basis for segmentation is geographical area. The segmentation is based on IBS' organisation and the structure of the internal reporting system. IBS' risks and opportunities are primarily impacted by the Group having operations in different countries. Internal pricing is based on market price levels.

Consolidated balance sheet

SEK million	2003 30 June	2002 30 June	2002 31 Dec	2003 30 June	2002 30 June	2002 31 Dec
ASSETS						
Fixed assets						
<i>Intangible assets</i>						
Capitalised product development costs	105.5	98.2	95.4			
Goodwill	228.7	267.3	237.3			
Acquired software	4.9	2.7	5.9			
	339.1	368.2	338.6			
<i>Tangible assets</i>						
Equipment	74.8	98.5	86.5			
Financial leasing contracts	47.3	43.7	43.8			
	122.1	142.2	130.3			
<i>Financial assets</i>						
Participations in associated companies	0.2	0.4	0.2			
Other long-term receivables	16.9	14.0	12.4			
Deferred tax receivables	50.4	52.6	43.2			
	67.5	67.0	55.8			
Total fixed assets	528.7	577.4	524.7			
Current assets						
<i>Inventories</i>	3.3	6.6	5.2			
<i>Current receivables</i>						
Accounts receivable	453.6	557.6	711.7			
Tax receivables	30.2	37.9	26.1			
Other receivables	20.8	43.5	27.1			
Prepaid expenses and accrued income	138.7	171.5	111.5			
	643.3	810.5	876.4			
<i>Short-term investments</i>	35.3	39.0	19.7			
<i>Cash and bank balances</i>	134.5	151.0	149.6			
	169.8	190.0	169.3			
Total current assets	816.4	1 007.1	1 050.9			
TOTAL ASSETS	1 345.1	1 584.5	1 575.6			
EQUITY AND LIABILITIES						
Equity						
<i>Restricted equity</i>						
Share capital	15.9	15.9	15.9			
Restricted reserves	607.1	609.7	614.2			
	623.0	625.6	630.1			
<i>Non-restricted equity</i>						
Non-restricted reserves	-108.3	89.0	83.4			
Net profit for the period	-31.9	-50.2	-195.7			
	-140.2	38.8	-112.3			
Total equity	482.8	664.4	517.8			
Minority holdings	6.3	9.1	9.5			
Provisions						
Deferred tax	7.1	13.5	7.2			
Reserve for project and guarantee costs	16.7	12.0	25.1			
	23.8	25.5	32.3			
Liabilities						
<i>Long-term liabilities</i>						
Liabilities to credit institutions	49.1	55.4	49.7			
Other long-term liabilities	14.8	14.8	17.0			
	63.9	70.2	66.7			
<i>Current liabilities</i>						
Liabilities to credit institutions	191.3	198.2	197.1			
Accounts payable	115.0	158.0	201.4			
Income tax liability	4.9	15.5	16.1			
Other current liabilities	93.3	83.9	124.0			
Accrued expenses and deferred income	363.8	359.7	410.7			
	768.3	815.3	949.3			
Total liabilities	832.2	885.5	1 016.0			
TOTAL EQUITY AND LIABILITIES	1 345.1	1 584.5	1 575.6			

Change in Group equity

SEK million	2003 30 June	2002 30 June	2002 31 Dec
Opening balance	517.8	723.7	723.7
External dividends	-	-	-0.6
Net profit for the period	-31.9	-50.2	-195.7
Translation differences for the year	-3.1	-9.1	-9.6
Closing balance	482.8	664.4	517.8

Changes in pledged assets and contingent liabilities

SEK million	2003 30 June	2002 31 Dec	Change
<i>Pledged assets</i>			
Corporate mortgages	3.5	3.5	-
Pledged shares in subsidiaries	109.8	109.8	-
Assets charged with ownership reservation	94.9	106.0	-11.1
<i>Contingent liabilities</i>			
Guarantees to subsidiaries	71.3	85.8	-14.5
Other contingent liabilities	19.3	22.4	-3.1

Revenue per country

SEK million	2003 Jan-June	2002 Jan-June	03/02 %	2002 Full year
Sweden	345	352	-2%	709
Belgium	139	180	-23%	327
UK	107	119	-10%	225
Finland	104	98	6%	200
Netherlands	102	122	-16%	244
France	96	130	-26%	236
Denmark	65	71	-8%	155
Portugal	56	54	4%	117
USA	46	54	-15%	103
Germany	26	22	18%	45
Switzerland	24	30	-20%	53
Norway	18	17	6%	37
Australia	13	13	0%	31
Italy	8	6	33%	13
Spain	7	12	-42%	22
Colombia/Mexico	6	4	50%	11
Brazil	4	12	-67%	17
Poland	4	6	-33%	17
Malaysia/Singapore	1	4	-75%	6
Eliminations incl. Parent Company	-20	-28	-	-51
Total	1 151	1 278	-10%	2 517

Consolidated cash flow analysis

SEK million	2003 Apr-June	2002 Apr-June	2003 Jan-June	2002 Jan-June	Last 12 months	2002 Full year
<i>Operating activities</i>						
Profit after financial items	-33.6	-64.2	-33.1	-69.6	-162.3	-198.8
Adjustments to reconcile profit after financial items to cash	30.1	50.7	64.3	76.1	145.2	157.0
Tax paid	-7.7	2.7	-21.4	-2.3	-24.8	-5.7
Cash flow from operating activities before changes in working capital	-11.2	-10.8	9.8	4.2	-41.9	-47.5
<i>Changes in working capital</i>						
Inventories	1.8	1.0	1.9	5.0	3.3	6.4
Operating assets	11.9	-26.4	224.0	108.8	146.1	30.9
Operating liabilities	-16.5	28.4	-158.6	-23.0	-27.2	108.4
Cash flow from operating activities	-14.0	-7.8	77.1	95.0	80.3	98.2
<i>Investing activities</i>						
Acquisition of subsidiaries	-	-	-5.7	-6.9	-6.2	-7.4
Change, intangible assets	-16.2	-23.1	-34.4	-35.9	-42.0	-43.5
Change, tangible assets	-8.3	-14.0	-23.9	-26.4	-43.4	-45.9
Change, financial assets	-0.3	0.9	-3.5	-4.5	5.9	4.9
Cash flow from investing activities	-24.8	-36.2	-67.5	-73.7	-85.7	-91.9
<i>Financing activities</i>						
Net change, loans	35.4	43.5	-7.6	15.2	-14.7	8.1
Dividends paid to minority	-	-	-	-	-0.6	-0.6
Cash flow from financing activities	35.4	43.5	-7.6	15.2	-15.3	7.5
Cash flow for the period	-3.4	-0.5	2.0	36.5	-20.7	13.8
Liquid assets, beginning of period	174.3	194.8	169.3	160.1	190.0	160.1
<i>Translation differences in liquid assets</i>	-1.1	-4.3	-1.5	-6.6	0.5	-4.6
Liquid assets, end of period	169.8	190.0	169.8	190.0	169.8	169.3

Key figures and data per share

Key figures	2003 Apr-June	2002 Apr-June	2003 Jan-June	2002 Jan-June	Last 12 months	2002 Full year
Average number of employees	1 977	2 212	1 983	2 220	2 050	2 169
Revenue per employee (SEK thousand)	288	281	580	576	1 166	1 161
Value added per employee (SEK thousand)	153	141	320	305	569	557
Value added per employee excl. non-recurrent items (SEK thousand)	153	141	320	305	635	620
Operating margin %	-5.7	-9.6	-2.5	-4.8	-6.1	-7.1
Operating margin excl. non-recurrent items %	-5.7	-9.6	-2.5	-4.8	-0.4	-1.7
Capital turnover ratio	0.4	0.4	0.8	0.8	1.7	1.5
Return on total capital %	-2	-4	-2	-4	-10	-11
Return on capital employed %	-4	-6	-4	-6	-19	-21
Return on equity %	-6	-7	-6	-7	-35	-31
Ratio of risk capital %	37	43	37	43	37	34
Liquidity %	106	123	106	123	106	110
Equity to total assets ratio %	36	43	36	43	36	33
Interest cost cover ratio	-10	-17	-5	-10	-10	-12
DSO (Days of sales outstanding)	57	63	72	73	62	64
Key figures per share						
Net profit	-0.39	-0.60	-0.40	-0.63	-2.23	-2.46
Adjusted equity	6.06	8.35	6.06	8.35	6.06	6.50
Cash flow from operating activities	-0.18	-0.10	0.97	1.19	1.01	1.23
Share data						
Average number of shares (thousand)	79 608	79 608	79 608	79 608	79 608	79 608
Average number of shares after dilution (thousand)*	79 608	79 608	79 608	79 608	79 608	79 608
Total no. of shares (thousand)	79 608	79 608	79 608	79 608	79 608	79 608
Total no. of warrants (thousand)	5 000	10 000	5 000	10 000	5 000	5 000

* At present, the current warrants program has no effect as regards dilution

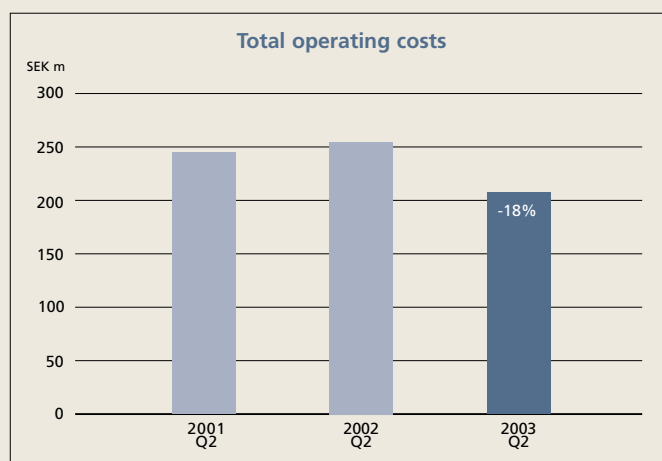
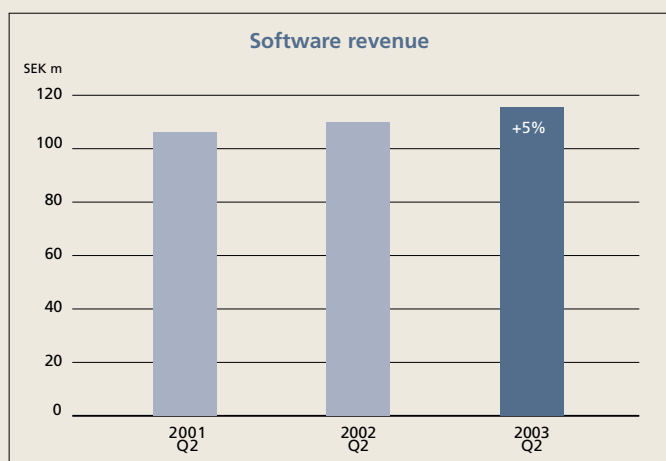
Analysis

	2 nd Quarter			Jan-June		
Analysis of revenue growth between the years						
	03/02	02/01	01/00	03/02	02/01	01/00
Volume increase (average no. of staff)	-10%	-4%	-6%	-10%	-4%	-5%
Acquisitions/disposals	-2%	0%	9%	-1%	0%	6%
Price and efficiency change	7%	5%	6%	4%	8%	2%
Growth rate, internally influenced	-5%	1%	9%	-7%	4%	3%
Influence of exchange rate fluctuation	-3%	0%	9%	-3%	1%	6%
Total growth rate	-8%	1%	18%	-10%	5%	9%
Gross profit per revenue stream SEK million						
	2003	2002	2001	2003	2002	2001
Software licences	100	94	87	216	225	206
Professional services	49	66	71	112	146	149
Hardware and other revenue	26	35	39	49	59	58
Total	175	195	197	377	430	413
Gross margin in % per revenue stream						
	2003	2002	2001	2003	2002	2001
Software licences	86%	85%	82%	89%	88%	85%
Professional services	16%	19%	20%	18%	21%	21%
Hardware and other revenue	18%	21%	25%	18%	19%	22%
Total	31%	31%	32%	33%	34%	34%
Type of revenue in % of total revenue						
	2003	2002	2001	2003	2002	2001
Software licences	20%	18%	17%	21%	20%	20%
Professional services	54%	55%	57%	55%	56%	59%
Hardware and other revenue	26%	27%	26%	24%	24%	21%
Total	100%	100%	100%	100%	100%	100%
Operating costs in % of revenue						
	2003	2002	2001	2003	2002	2001
Product development costs	10%	10%	9%	10%	10%	9%
Sales and marketing costs	13%	16%	17%	12%	14%	16%
General and administrative costs	13%	15%	14%	13%	14%	14%
Total	36%	41%	40%	35%	38%	39%
Depreciation SEK million						
	2003	2002	2001	2003	2002	2001
Goodwill	-7	-8	-7	-14	-15	-13
Capitalised product development costs	-13	-12	-8	-25	-24	-15
Equipment, financial leasing and software	-10	-13	-20	-28	-31	-37
Total	-30	-33	-35	-67	-70	-65

Outcome per quarter

SEK million	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3*	2002 Q4*	2003 Q1	2003 Q2
Software licences	80.1	164.6	136.7	106.0	95.6	184.2	145.4	109.9	95.2	192.9	127.9	115.4
Total revenue	449.6	678.6	599.1	616.3	566.7	841.6	656.8	621.5	503.4	735.4	581.5	569.3
Operating profit *	-51.8	47.8	-19.2	-48.1	-39.4	74.7	-2.0	-59.5	-155.2	37.3	3.6	-32.4
Profit after financial items	-51.5	49.6	-19.0	-48.3	-42.2	70.9	-5.4	-64.2	-157.3	28.1	0.6	-33.8

* Including non-recurring items amounting to SEK million -97 (Q3 2002) and -24 (Q4 2002)



IBS in brief

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

IBS is one of the world's largest suppliers of business software and systems, and a world leader in the field of integrated solutions for customer relations management, distribution and supply chain management. IBS also has a strong position within solutions for financials and demand-driven manufacturing. Our systems are specifically developed for business-to-business sales and procurement, e-business, inventory management, logistics, management decision support and after-sales service.

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

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



INTERNATIONAL BUSINESS SYSTEMS