Q2 2001

INTERIM REPORT

January–June 2001

Industrial & Financial Systems IFS

January—June

Net sales, which amounted to SEK 1,634 M, increased by 55% compared with sales in the first six months of 2000, which totaled SEK 1,055 M.

License revenue rose by 69%, to SEK 680 M, compared with SEK 403 M for the first six months of 2000.

Consulting revenue was up 47%, to SEK 825 M from SEK 562 M for the first half of 2000.

The Group incurred a loss of SEK 93 M after net financial items, an improvement on the first six months of 2000, when the loss amounted to SEK 239 M.

Second Quarter

Net sales rose by 62%, amounting to SEK 911 M, compared with SEK 562 M for the second quarter of 2000.

License revenue amounted to SEK 438 M, up 82% from SEK 241 million in the corresponding period the previous year.

Consulting revenue increased by 57%, amounting to SEK 413 M, compared with SEK 263 M for the second quarter of 2000.

Earnings after net financial items improved to SEK 19 M, compared with a loss of SEK 111 M in the corresponding period in 2000.

North American operations were profitable and accounted for 35% of total Group revenue.

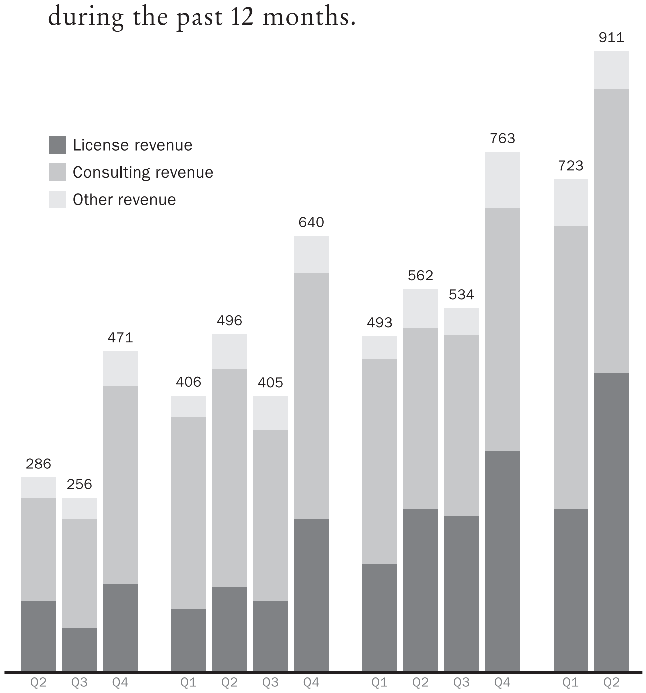
An alliance has been entered into with General Electric Engine Services (GE) whereby GE will implement IFS Applications™ in all its facilities. GE will also distribute IFS Applications in the commercial aircraft maintenance market.

After the close of the second quarter, an agreement was signed with ABB concerning deeper technological and commercial collaboration. ABB has invested SEK 101 M in IFS via a directed share issue.

Group performance

IFS increased its net sales by 55% to SEK 1,634 M during the first half of 2001, compared with SEK 1,055 M for the corresponding period in 2000. License revenue rose by 69% to SEK 680 M, compared with SEK 403 M for the same period in 2000. Consulting revenue totaled SEK 825 M, up 47% from SEK 562 M for the first half of 2000. The positive trend was particularly noticeable during the second quarter, in which net sales increased by 62%, license revenue by 82% and consulting revenue by 57%.

Of the Group's total sales for the first six months, consulting revenue accounted for 50%, compared with 53% for the same period in 2000, license sales for 42%, compared with 38% for the same period in 2000, and other revenue for 8%, compared with 9% in the same period in 2000. Other revenue refers mainly to hardware sales, third-party licenses, and applications service provider (ASP) services. Growth has been chiefly organic. No significant acquisitions were made during the past 12 months.



Net Sales (MSEK)

Earnings for the period improved to SEK 77 M before depreciation, compared with a loss of SEK 142 M for the corresponding period in 2000. During the second quarter, earnings before depreciation improved to SEK 82 M, compared with a loss of SEK 55 M for the second quarter of 2000. After net financial items, second-quarter earnings amounted to SEK 19 M, compared with a second-quarter loss of SEK 111 M for 2000. The Group reported a loss after net financial items of SEK 93 M for the first half of 2000, compared with a loss of SEK 239 M for the first six months of 2000. The comparative figures for the corresponding period in 2000 exclude non-recurring items in the form of a gain of SEK 180 M from the sale of Exactium Inc. to Pivotal Corporation.

IFS has held its own in the competition, with strong license sales, especially in the latter part of the second quarter. The agreement signed with GE is the largest in IFS' history. Furthermore, GE will act as a distributor to the global aircraft maintenance market. Since the close of the second quarter, an agreement has been signed concerning deeper technological and commercial collaboration with ABB, which has also invested SEK 101 M in IFS via a directed share issue. These two agreements have enhanced the credibility of IFS in the market, an effect that is already evident in closing discussions with customers. Moreover, among industrial analysts including Gartner Group, AMR Research and ARC, who are very influential in certain markets, the agreements have been well received. Both agreements represent important steps in IFS' strategy to become market leader within selected segments and thereby be in a position to increase prices and profitability.

Two thirds of the GE order have been recognized as revenue for the second quarter. The remaining license fees are expected to be recognized as revenue during the second half of the year. Other significant orders closed during the second quarter include: BMW and MG Rover (England), General Dynamics (USA), Boeing Satellite Systems (USA), Systembolaget (Sweden), Shanghai Metro Operation Co (China), Volvo Cars (Belgium, Sweden), Transbrasil (Brazil), Air Liquide (France).

Utilization of consultants improved during the period, with margins reaching 13%, compared with -5% for the first half of 2000. During the second quarter, margins reached 9%, compared with -16% in the second quarter of 2000. Invoicing per consultant during the first six months increased from SEK 351,000 to SEK 503,000. Lower margins during the second quarter relative to the first quarter are due to consultants being used to a greater extent in sales support, fewer working days, as well as increased project costs related to the completion of a number of projects in Europe.

The total number of employees amounted to 3,501, compared with 3,533 at the end of the second quarter of 2000, 3,669 at year-end 2000, and 3,556 at the end of the first quarter of 2001.

Toward the end of 2000, the board of directors and principal shareholders of IFS initiated an action plan to strengthen the board and management, financing, profitability, and cash flow. The action plan has been implemented and is expected to have positive effects in the form of cost reduction in excess of SEK 200 M during the current year compared with the cost level during the fourth quarter of 2000. The measures designed to improve cash flow have not sufficed. Costs as well as measures to improve cash flow will continue to be scrutinized.

Foreign exchange exposure, costs and margins

Compared with the end of the second quarter of 2000, the following changes have occurred in IFS' most important currencies: US$ +16%, Euro +7%, PLN +25%, and GB£ +6%. Changes in the exchange rate since the corresponding period the previous year have affected revenue and costs in an amount of approximately SEK 130 M. Compared with exchange rates at the turn of the year the effect on revenue and costs amounted to approximately SEK 100 M.

Adjusted for foreign exchange effects, costs have been reduced by more than SEK 100 M during the first six months compared with the level for the fourth quarter of 2000. The largest reductions have been made on costs related to personnel, travel and marketing.

Compared with first-quarter levels for 2001, and adjusted for foreign exchange effects, costs increased by 5% during the second quarter. The increase is attributable to increased personnel costs, including bonuses, costs related to increasing business activities as well as costs related to partnerships. Moreover, an increase in direct costs is mainly a consequence of the alliance with General Electric as well as commission to other partners.

Margins are unsatisfactory, the main reasons being:

- Weak profitability with negative margins in several geographic markets because the market is either being started up or is expanding strongly.
- Unsatisfactory margins in certain well-established markets owing to slow demand and strong competition, which lead to prices being cut.
- Investments in the organization, marketing activities and product development in order to strengthen collaboration with partners.

Actions are continuously being taken to improve profitability and margins in geographic areas where profitability is low. Margins are expected to improve successively via increased focus on segments with better price levels, where collaboration with market-leading partners is an important strategic element.

DEVELOPMENT BY AREA

IFS Nordic

During the second quarter, the market in the Nordic area was hesitant but picked up toward the end of the quarter. Denmark in particular, but also Norway and Finland, have developed well, whereas the market in Sweden has been weak and the competition tough. Earnings in Sweden took a negative charge of SEK 7 M in bad debts.

A major reorganization has been initiated in Sweden with the purpose of:

- Increasing competitiveness for new sales by creating specialist teams for various customer segments.
- Increasing focus on sales to the existing customer base.
- Continuing to enhance efficiency and reduce costs.

The size of new agreements is increasing, resulting in higher license values. Utilization of consultants has also improved. The action plan continues to produce positive effects with respect to costs and cash flow. The number of employees decreased by 19 during the second quarter.

IFS NORDIC	Q2 2001	Q2 2000	Change
Total Sales MSEK	272	247	10%
License Revenue MSEK	70	67	4%
Consulting & Training MSEK	179	155	16%
Result after Financial Items MSEK	9	4	5
Employees	964	1 100	–136
Sales/Employee TSEK	282	225	57

THIS TABLE INCLUDES INTERAREA SALES.

IFS Europe, Middle East and Africa (EMEA)

EMEA has not attained the results expected, one reason being that negotiations tend to be increasingly more protracted. IFS' assessment is that this is a consequence of larger, more complex contracts, increased focus on the part of IFS and customers on liability and commitment in agreements as well as the state of the market. Consulting margins have improved but are still unsatisfactory. Therefore, further measures are being taken that are expected to produce positive results in the medium term. Increased project costs required to complete a number of projects, principally in Germany and Benelux, had a negative effect on earnings for the period.

Changes in management and organization in several countries continued during the second quarter with the aim of increasing profitability. In Germany and France, where major acquisitions had previously been made, a continued focus was placed on the acquired customer base, and the pace of migration to IFS Applications is increasing.

IFS EMEA	Q2 2001	Q2 2000	Change
Total Sales MSEK	205	148	38%
License Revenue MSEK	92	77	19%
Consulting & Training MSEK	94	45	110%
Result after Financial Items MSEK	–10	–5	-5
Employees	640	501	139
Sales/Employee TSEK	320	296	24

THIS TABLE INCLUDES INTERAREA SALES.

IFS Central & Eastern Europe (C&EE)

In C&EE, it is primarily countries other than Poland that accounted for the growth in revenue. New markets were established and new partnerships developed, resulting in significant orders from Hungary, the Czech Republic, and Ukraine. In Poland, the rate of growth leveled off pending the general election in September.

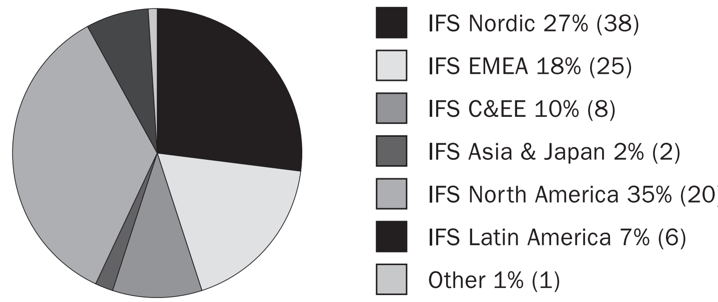
Several major projects were completed, including Belchatow Power Plant, one of Europe's largest power stations, as well as ERA GSM and Centertel within telecom. The projects were

DEVELOPMENT BY AREA

successful and the companies are now important references.

IFS CENTRAL & EASTERN EUROPE	Q2 2001	Q2 2000	Change
Total Sales MSEK	98	45	120%
License Revenue MSEK	60	23	161%
Consulting & Training MSEK	20	10	110%
Result after Financial Items MSEK	0	0	0
Employees	334	247	87
Sales/Employee TSEK	294	181	113

THIS TABLE INCLUDES INTERAREA SALES.



Net sales distributed by area, Q2, 2001.
Figures in parentheses refer to Q2, 2000.

IFS North America

The positive trend begun in the first quarter continued during the second. Somewhat fewer deals were closed, but the major agreements with General Electric and General dynamics compensated for these delays. The IFS subsidiary, Intercim, succeeded in reversing its negative trend. Discussions are being held with an industrial party with respect to the sale of Intercim.

Utilization of consultants was unchanged compared with the first quarter and was considerably improved compared with the same period one year previously. The new agreements increased the need for partners to assist with implementation. Therefore a network of partners is in the process of being built up.

The market is still weak, especially in the manufacturing industry. As a result, many corporations are postponing investment decisions.

IFS Latin America

The largest markets, Argentina and Brazil, were negatively affected by economic trends and weaker currencies. In addition, Brazil introduced restrictions on the use of energy. During the period, the investment climate was weak.

Despite problems, sales goals have been achieved, largely thanks to a successful network of partners. In particular, the partnership with Trevisan/Grant Thornton has flourished, resulting in increased media coverage.

For the second year in succession, IFS in Brazil has been named “Best IT company for the middle market” by Computer World.

IFS NORTH AMERICA	Q2 2001	Q2 2000	Change
Total Sales MSEK	317	143	122%
License Revenue MSEK	193	61	218%
Consulting & Training MSEK	113	55	105%
Result after Financial Items MSEK	19	-56	75
Employees	499	491	8
Sales/Employee TSEK	635	291	344

THIS TABLE INCLUDES INTERAREA SALES.

IFS LATIN AMERICA	Q2 2001	Q2 2000	Change
Total Sales MSEK	60	35	72%
License Revenue MSEK	38	18	107%
Consulting & Training MSEK	12	12	–3%
Result after Financial Items MSEK	4	1	3
Employees	204	199	5
Sales/Employee TSEK	296	176	120

THIS TABLE INCLUDES INTERAREA SALES.

DEVELOPMENT BY AREA

IFS Asia & Japan

A large part of IFS' sales in Japan is carried out via its partner, NEC. IFS' second quarter is the first accounting quarter for NEC, which means that fewer deals were closed than during the previous quarter. The collaboration with Nihon Unisys and Indigo in Japan continues to prosper and grow.

In Australia and the People's Republic of China, the positive trend continued. The first contract in collaboration with our new partner in China, Hewlett-Packard, was signed during the second quarter. South and Southeast Asia have not fulfilled expectations. In Indonesia, in particular, political instability has had a detrimental effect on investments. Further measures are planned to improve margins and profitability, mainly in Southeast Asia.

IFS ASIA & JAPAN	Q2 2001	Q2 2000	Change
Total Sales MSEK	26	13	100%
License Revenue MSEK	12	5	140%
Consulting & Training MSEK	8	6	39%
Result after Financial Items MSEK	–9	–17	8
Employees	168	182	-14
Sales/Employee TSEK	155	72	83

THIS TABLE INCLUDES INTERAREA SALES.

The market

During the first six months of the year, the market for business applications was characterized by uncertainty about trends in the economy. Many corporations have postponed or reassessed investments pending the emergence of a clear indication of future economic trends. The precise situation and outlook differ between regions and industries, but a fundamental uncertainty can be detected throughout. This is clearly illustrated by the mixed signals emanating from various enterprises within the IT sector, where few can, or dare, commit themselves to firm forecasts.

Investments that are made tend to be thoroughly scrutinized, involving time-consuming assessment before a decision is taken. A crucial factor in such an assessment is that suppliers can demonstrate that investing in a particular solution will pay off over a relatively short period of time. This requires that suppliers focus sharply on delivering a cost-effective solution as quickly and securely as possible. Another, often essential, requirement is a span of functionality that is as broad as possible, combined with a thorough understanding of how different industries work and what sort of IT support they require. Few appear to choose an out-and-out best-of-breed solution, i.e. to

Ranking License Revenue Q2 2001	Ranking License Growth Q2 2001	Vendor	License Revenue Q2 2001	License Revenue Q2 2000	License Revenue Growth (%)
1	4	SAP	565.1	484.6	17
2	7	Oracle	338.0	447.4	-24
3	2	PeopleSoft	166.3	109.8	51
4	8	J.D. Edwards	62.3	81.7	-24
5	1	IFS	43.3	23.8	82
6	5	Baan	38.9	36.9	5
7	3	Intentia	27.1	21.4	26
8	6	QAD	15.1	15.1	0
9	9	Epicor	13.3	20.4	-35
10	10	GEAC	9.1	16.9	-46

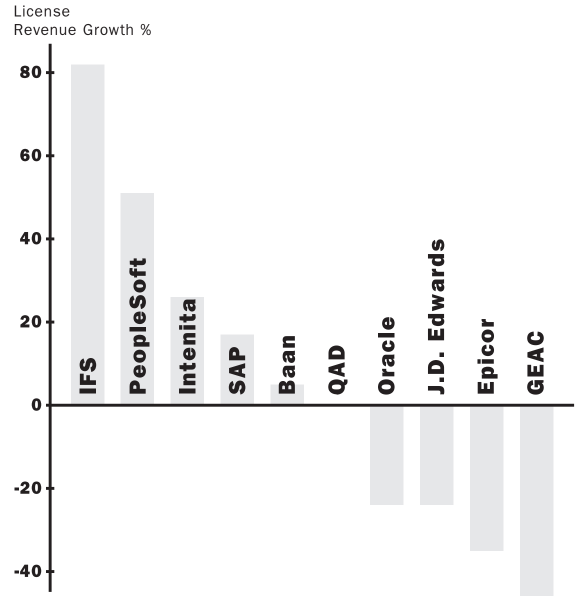
License sales for the largest business applications vendors during Q2 2001 (US$ million) Source: Plant-Wide Research, exept for IFS integrate systems from a number of different highly specialized niche suppliers.

Instead, the most common solution today is to select one supplier for most of the functionality required and then supplement this with a few specialized functions that are business-critical for the enterprise. As a result, business applications vendors must be able to offer a broad product in addition to being able to integrate with other solutions.

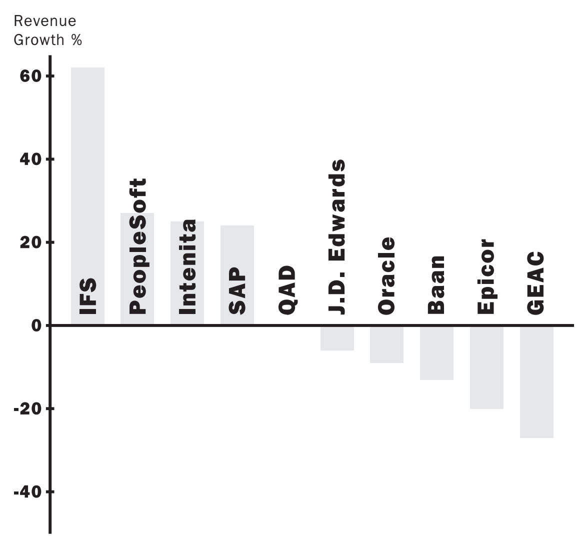
In order to meet the increasing demand for short implementation times and collaboration with other systems, suppliers must offer a solution that includes well-packaged support for all the business processes that make up a customer's operations. It must also be possible to deliver the solution in stages so that there is no need to implement more than precisely what the customer needs in a given situation.

These factors have resulted in a marked tendency toward consolidation in the market, especially in the midmarket segment. Many suppliers have more or less disappeared, either by acquisition or merger. Previously, this was driven by the inability of some vendors to develop new functionality at the requisite pace. Although this problem remains, consolidation is now driven by the general uncertainty concerning the state of the market. This doubt results in many customers choosing to deal with suppliers that are successful in the long term, which can show positive sales trends, a strong financial position, and major, long-term customers.

The 10 largest suppliers have grown by 10% during the period, with continued polarization in evidence. Some of the suppliers that have managed to grow in recent years, among them IFS, are continuing to expand, whereas most others continue to decline. Consequently, there are increasingly fewer players to reckon with in the midmarket segment.



License Revenue Growth second quarter 2001
Source: Plant-Wide Research, except for IFS



Revenue Growth second quarter 2001
Source: Plant-Wide Research, except for IFS

Partners

IFS continues to cultivate collaboration with global partners within selected industry segments. By collaborating with partners, IFS is frequently short-listed by major corporations that previously would not have considered IFS an alternative. The goal is to apply this strategy to win increasingly larger orders with better margins. In the long term, IFS aims to become one of the three strongest suppliers to global corporations within selected segments.

A group has been appointed for the purpose of focusing on global partners in order to further strengthen collaboration and increase the pace of training, the establishment of demo centers and centers of excellence, as well as driving joint marketing activities. In major markets and those where IFS is not represented by an office of its own, collaboration is being developed with a few strong local partners.

During the past six months, and particularly in recent months, global and local partners have participated in more than 20 major projects. We foresee an increase in the number of projects where IFS collaborates with partners in the sales process and/or implementation. During the period, partners accounted for 13% of license sales.

In addition to the partnerships announced in the previous interim report, an extensive collaboration was initiated during the second quarter with GE Engine Services. IFS and GE Engine Services have entered into a strategic alliance to target the fast-growing commercial aviation market with IFS Aviation for maintenance, repair and overhaul (MRO). The agreement gives GE Engine Services the exclusive right to sell IFS Aviation to the global commercial aviation market. GE will be responsible for sales, marketing and implementation, while IFS will supply the software. The total market for IT solutions within commercial aircraft maintenance is valued in excess of SEK 10 billion per annum.

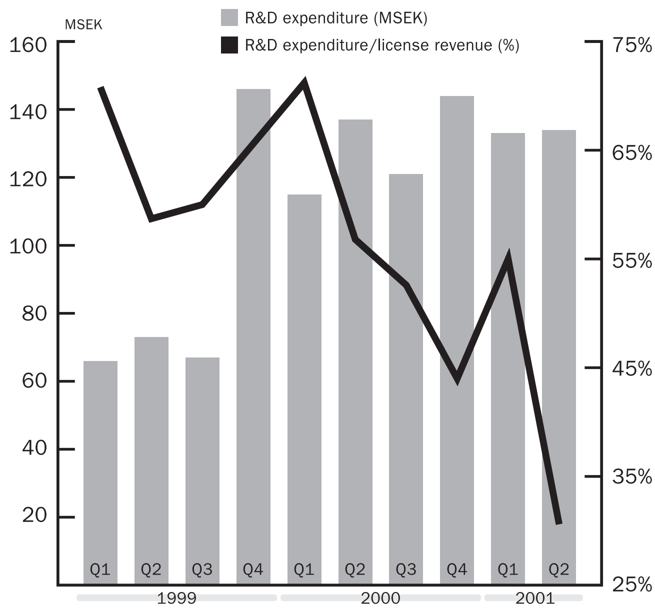
After the close of the second quarter, an agreement was signed with ABB that extends the technological and commercial collaboration in targeting the asset-intensive industry.

Product development

During 2000, IFS invested more than ever in product development to finalize IFS Applications 2001™ as one of the leading choices of business applications whose standard version is capable of handling Internet-based models and collaboration between companies in a global market. The sales successes enjoyed by IFS Applications 2001 during the first half of the year strengthens our assessment today that IFS Applications 2001 constitutes a stable foundation for IFS. For this reason, the change in the direction of product development during 2001 will continue, focusing more sharply on refining functionality, especially within specific industry segments that are of strategic interest for IFS and our partners.

An increasing amount of product development is dedicated to close collaboration with partners such as BAE SYSTEMS, GE, and ABB in order to jointly move the product further to leading positions within the respective industry segments. In this way, IFS can acquire business competence from leading partners and apply this in its product development.

During the first six months the product development organization continued working to finalize the new products that are to be introduced during the fall. The focus is on customer benefits based on Internet technology, i.e. further work on the IFS Engage™ concept, whose purpose is to enhance the efficiency and visibility of internal and external processes. The business applications have been improved additionally in terms of simplicity to ensure rapid return on investment for customers. For example, IFS Personal Portal™ is used to a greater degree.



The work of reducing costs has continued. One result of this is that IFS R&D's operations in Denmark have been wound up. The organization has also undergone a number of changes aimed at linking product development more closely to marketing and partnership activities so as to obtain shorter lead times and efficiency gains.

Product development expenditure during the first six months amounted to SEK 267 M, of which SEK 100 M was capitalized, compared with SEK 252 M and SEK 96 M, respectively, for the corresponding period in 2000. Amortization for capitalized development costs amounted to SEK 50 M, compared with SEK 30 M in the first half of 2000. Product development expenditure amounted to 16% of Group net revenue and 39% of license revenue, compared with 24% and 63%, respectively, for the same period in 2000. The corresponding figures for the second quarter are 15% of net revenue, compared with 24% for the second quarter of 2000, and 31% of license revenue, compared with 57% for the corresponding period the previous year.

Cash flow and liquidity

During the first six months of the year, IFS fulfilled the agreement reached in December 2000 concerning the issuance of a convertible debenture loan in an amount of SEK 200 M. The loan was subscribed for by a consortium consisting of SEB, industrial and financial entrepreneur and major shareholder, Gustaf Douglas and associates, Hagströmer & Qviberg Fondkommission AB, and Alfred Berg Fondkommission AB.

A directed new share issue was implemented in March, which amounted to SEK 200 M before deductions for issuing expenses.

Since the close of the second quarter, IFS has implemented a directed share issue in an amount of SEK 101 M that was subscribed for by ABB New Ventures Ltd. Payment for the issue was received in August.

In order to strengthen future financing, IFS has entered into an agreement with Hagströmer & Qviberg Fondkommission AB that entitles IFS, during a three-year period, to issue shares in an amount of SEK 300 M. The proceeds will accrue to IFS AB via a number of new issues during the period in blocks of SEK 10–50 M each. This entitlement has not been exercised.

The Group's assets (175,080 shares) in the listed company Pivotal Corporation (Nasdaq: PVTL) will be sold when the market situation is deemed suitable.

Group cash flow from current operations has improved, amounting to SEK -82 M, compared with SEK -252 M, for the corresponding period in 2000. During the second quarter, cash flow from current operations improved to SEK -20 M, compared with SEK -104 M for the second quarter of 2000. A payment in the amount of SEK 48 M, received on July 2, for agreements signed during June is included in the cash flow for the period. Actions to improve cash flow, especially the task of reducing customer credit periods, has been intensified and is ongoing. The effects of the measures have begun to be noticed and are expected to increase during the second half of the year.

Cash flow after investments amounted to SEK -206 M, compared with SEK -467 M for the corresponding period in 2000. Investments amounted to SEK 125 M, compared with SEK 215 M for the first half of 2000. Of these, capitalization of development costs amounted to SEK 100 M, compared with SEK 96 M for the corresponding period in 2000. Investment in other fixed assets amounted to SEK 25 M, compared with SEK 118 M for the first half of 2000.

Financing operations contributed SEK 172 M, compared with SEK 527 M in the first half of 2000. A directed share issue was implemented during the period, which amounted to SEK 191 M after issue costs. Net amortizations totaled SEK 19 M.

On June 30, liquid funds amounted to SEK 89 M, compared with SEK 108 M on June 30 2000. The Group also had access to unutilized lines of credit in an amount of SEK 102 M, compared with SEK 51 M on June 30 2000. The equity/assets ratio on June 30 was 54%, compared with 55% on June 30 2000, with respect to the fact that the convertible debenture loan is included in shareholders' equity. If the new issue implemented in August is included, the equity/asset ratio is 56%.

Parent Company

The Parent Company reported net revenue of SEK 29 M, compared with SEK 10 M for the corresponding period in 2000, reporting a loss of SEK 59 M, compared with a loss of SEK 48 M for the same period the previous year. The comparative figure for the corresponding period in 2000 excludes non-recurring items in the form of a gain of SEK 180 M from the sale of Exactium Inc. to Pivotal Corporation.

Investments in stocks and shares amounted to SEK 4 M, compared with SEK 25 M in the corresponding period in 2000. Investments in machinery and equipment amounted to SEK 1 M, compared with SEK 1 M for the second half of 2000. On June 30, the Parent Company's liquid funds, including unutilized lines of credit, totaled SEK 27 M, compared with SEK 81 M for the corresponding period in 2000.

Outlook

Continued cost containment coupled with further growth is expected to result in improved earnings under the remainder of 2001. The state of the market is uncertain, however, and may affect customers' inclination to conclude agreements.

Linköping August 24 2001

Bengt Nilsson
President and CEO

This Interim Report has been reviewed by Group auditors (See page 18).

Financial Information 2001/2002

Interim Report Jan–Sep	November 6
Preliminary Report on 2001 Operations	Feb 2002

For additional information, please contact

Bengt Nilsson, President and CEO
Tel: +46 (0)31-709 39 00 Fax: +46 (0)31-709 39 01
E-mail: bengt.nilsson@ifsab.se

Manni Svensson, Media & Investor Relations
Tel: +46 (0)8-799 27 00 Fax: +46 (0)8-799 27 01
E-mail: manni.svensson@ifsab.se

Rolf Erichs, Information Coordinator
Tel: +46 (0)13-13 37 10 Fax: +46 (0)13-12 43 73
E-mail: rolf.erichs@ifsab.se

Head Office

Teknikringen 5
583 30 Linköping, Sweden

Organization Number 556122-0996

Consolidated Profit and Loss Account

SEK million	**Note**	Jan–June 2001	Jan–June 2000	July–June 2000/2001	July–June 1999/2000	Jan–Dec 2000
License revenue	1	680.2	402.7	1 237.5	737.0	960.0
Consulting revenue		825.4	562.1	1 447.1	1 170.7	1 183.7
Other revenue	2	128.0	90.3	245.8	192.1	208.2
Net sales		**1 633.6**	**1 055.1**	**2 930.4**	**2 099.8**	**2 351.9**
Capitalized work for own use		100.0	96.5	210.1	168.4	206.6
Direct external costs		-258.5	-148.6	-412.4	-315.3	-302.5
Indirect external costs and personnel costs		-1 398.2	-1 145.0	-2 720.0	-2 152.3	-2 467.0
Depreciation		-126.3	-89.2	-245.7	-158.4	-208.5
Profit/loss before other operating items		**-49.4**	**-231.2**	**-237.6**	**-357.8**	**-419.5**
Other operating items, net	3	-17.2	185.9	-62.7	178.4	140.5
Operating profit/loss		**-66.6**	**-45.3**	**-300.3**	**-179.4**	**-279.0**
Results from participations in associated companies		0.7	0.3	17.7	-0.2	17.4
Results from participations in other companies	4	-24.1	-1.3	-2.5	1.4	20.3
Other financial items	5	-3.2	-12.9	12.0	-18.7	2.2
Profit/loss after financial items		**-93.2**	**-59.2**	**-273.1**	**-196.9**	**-239.1**
Taxes		-10.9	-2.6	-14.4	-9.8	-6.0
Minority interest in profit/loss for the period		-5.0	0.3	-6.5	-0.5	-1.2
Profit/loss for the period		**-109.1**	**-61.5**	**-294.0**	**-207.2**	**-246.3**

Consolidated balance sheet

SEK million	Note	June 30 2001	June 30 2000	Dec 31 2000
Capitalized development costs		392.4	287.3	339.7
Goodwill		618.9	510.0	595.9
Other intangible fixed assets		90.6	74.0	91.4
Total intangible fixed assets		1 101.9	871.3	1 027.0
Tangible fixed assets		266.2	219.4	256.4
Other financial fixed assets	6	132.3	109.5	151.9
Total fixed assets		**1 500.4**	**1 200.2**	**1 435.3**
Stock in trade		4.4	6.7	4.8
Accounts receivable		863.9	558.8	757.0
Other current receivables		121.1	45.6	93.7
Prepaid expenses and accrued income	7	453.6	326.3	352.1
Short-term investments	8	31.8	219.5	50.1
Cash and bank balances		89.4	107.9	123.7
Total current assets		**1 564.2**	**1 264.8**	**1 381.4**
Total assets		**3 064.6**	**2 465.0**	**2 816.7**
Shareholders’ equity	9	1 439.9	1 341.1	1 298.7
Minority interest		29.1	20.1	24.7
Provisions		2.4	4.2	8.3
Convertible debenture loan	10	258.5	71.9	70.9
Interest-bearing liabilities	11	280.4	320.0	462.0
Accounts payable		235.0	182.5	254.1
Other liabilities		234.8	171.6	245.9
Accrued expenses and prepaid income		584.5	353.6	452.1
Total shareholders’ equity, provisions and liabilities		**3 064.6**	**2 465.0**	**2 816.7**

Cash flow analysis

SEK million	Jan–June 2001	Jan–June 2000	April–June 2001	April–June 2000	Jan–Dec 2000
Cash flow from current operations before change in working capital	**19.6**	**-152.3**	**68.9**	**-65.1**	**-252.3**
Change in working capital	-101.3	-99.2	-89.3	-38.9	-67.6
Cash flow from current operations	**-81.7**	**-251.5**	**-20.4**	**-104.0**	**-319.9**
Cash flow from investment operations	**-124.6**	**-215.1**	**-61.6**	**-194.8**	**-332.3**
Cash flow from financing operations	**172.0**	**527.0**	**-49.9**	**314.8**	**728.1**
Cash flow for the period	**-34.3**	**60.4**	**-131.9**	**16.0**	**75.9**

Key figures:	**Note**	Jan–June 2001	Jan–June 2000	July–June 2000/2001	July–June 1999/2000	Jan–Dec 2000
Change in license revenue		68.9%	85.2%	67.9%	77.4%	74.0%
Change in consulting revenue		46.8%	-6.8%	23.6%	11.2%	-2.4%
Change in net sales		54.8%	16.9%	39.6%	28.9%	20.8%
Product development/net sales		16.3%	23.9%	18.2%	22.1%	22.0%
Product development/license revenue		39.3%	62.6%	43.0%	63.1%	53.9%
Net sales per employee (TSEK)		466.6	298.6	821.3	655.8	676.2
Cost per employee (TSEK)		399.4	324.1	762.3	672.2	709.3
Consulting margin	12	12.9%	-5.3%	4.4%	6.0%	-5.3%
Equity/assets ratio		54.2%	55.2%			47.0%
Number of employees		3 501	3 533			3 669
Key data per share, SEK						
Profit per share—after tax		-2.05	-1.42			-5.49
Shareholders' equity per share		25.83	28.84			27.08
Number of shares on June 30 (millions)		56.87	47.20			48.87
Average number of shares (millions)		53.12	43.46			44.90

Consolidated Profit and Loss per quarter

SEK million	2nd Quarter		1st Quarter		4th Quarter		3rd Quarter	
	Apr–June 2001	Apr–June 2000	Jan–March 2001	Jan–March 2000	Oct–Dec 2000	Oct–Dec 1999	July–Sep 2000	July–Sep 1999
License revenue	438.2	241.1	242.0	161.4	327.3	222.7	230.1	111.5
Consulting revenue	412.6	263.4	412.8	298.8	356.4	357.5	265.2	251.2
Miscellaneous	60.2	57.3	67.8	33.1	79.0	59.6	38.8	42.2
Net sales	**911.0**	**561.8**	**722.6**	**493.3**	**762.7**	**639.8**	**534.1**	**404.9**
Capitalized work for own use	51.0	57.2	48.9	39.3	62.6	51.6	47.5	20.3
Direct external costs	-153.9	-92.1	-104.6	-56.5	-85.8	-96.6	-68.0	-70.1
Indirect external costs and personnel costs	-726.0	-582.0	-672.0	-551.1	-708.7	-589.6	-625.2	-417.8
Depreciation	-64.4	-47.0	-61.9	-42.2	-66.9	-39.1	-52.4	-30.1
Profit/loss before other operating items	**17.7**	**-102.1**	**-67.0**	**-117.2**	**-36.1**	**-33.9**	**-164.0**	**-92.8**
Other operating items, net	3.1	-7.7	-20.4	181.6	-39.2	-1.1	5.7	-6.2
Operating profit/loss	**20.8**	**-109.8**	**-87.4**	**64.4**	**-75.3**	**-35.0**	**-158.3**	**-99.0**
Results from participations in associated companies	-0.3	-0.4	0.9	0.8	16.2	-1.0	0.9	0.4
Results from participations in other companies	8.4	-1.3	-32.5	0.0	1.5	2.7	20.1	0.0
Other financial items	-10.4	0.7	7.2	-13.6	1.2	2.7	13.8	-8.5
Profit/loss after financial items	**18.5**	**-110.8**	**-111.8**	**51.6**	**-56.4**	**-30.6**	**-123.5**	**-107.1**
Taxes	0.6	-1.0	-11.5	-1.5	-2.2	-8.8	-1.3	1.6
Minority interest in profit/loss for the period	-5.0	-1.4	0.0	1.7	-4.9	-4.0	3.4	3.2
Profit/loss for the period	**14.1**	**-113.2**	**-123.3**	**51.8**	**-63.5**	**-43.4**	**-121.4**	**-102.3**

Key figures:								
Change in license revenue	81.8%	94.0%	49.9%	73.2%	47.0%	69.6%	106.4%	65.9%
Change in consulting revenue	56.6%	-18.4%	38.2%	6.2%	-0.3%	22.7%	5.6%	59.2%
Change in net sales	62.2%	13.2%	46.5%	21.4%	19.2%	35.9%	31.9%	58.4%
Product development/net sales	14.7%	24.4%	18.4%	23.3%	18.9%	22.7%	22.6%	16.7%
Product development/license revenue	30.6%	56.9%	54.9%	71.3%	44.1%	65.3%	52.4%	60.5%
Net sales per employee (TSEK)	258.1	163.1	200.0	149.9	211.4	216.1	150.9	156.8
Cost per employee (TSEK)	205.7	169.0	186.0	167.5	196.4	199.2	176.6	161.7
Consulting margin	8.5%	-15.7%	15.5%	4.5%	-0.7%	14.2%	-14.0%	11.4%

Notes

Note 1 Accounting principles

The interim report has been prepared in accordance with Recommendation RR 20 of the Swedish Financial Accounting Standards Council. The same accounting principles have been applied as those used for the previous year's Annual Report, with the exception of the principle concerning reporting of license revenue, described below.

Reporting revenue

IFS applies Recommendation RR 11 of the Swedish Financial Accounting Standards Council. Pursuant to guidelines concerning revenue reporting in IT companies presented by the Stockholm Stock Exchange, contracts signed during 2001 under the terms of which a significant portion of the license fees fall due for payment more than 12 months after delivery are taken up as income as the payment is received. IFS has previously applied the principle whereby license agreements due for payment more than 12 months after delivery were computed at present value and taken up as income. Existing license agreements with terms of payment longer than 12 months are estimated to amount to SEK 87 M as of December 31 2001. For this reason, IFS has chosen not to transfer revenue and has therefore not recalculated opening balances. Had such a recalculation been made, license revenue reported in the first quarter would have been SEK 27 M higher.

Income taxes

As in previous years, application of Recommendation RR 9 of the Swedish Financial Accounting Standards Council has meant that deferred taxes recoverable have not been reported with respect to deductible deficits.

Note 2 Other revenue	Jan–June 2001	Jan–June 2000
Sale of hardware	40.9	39.0
Third-party licenses	47.2	34.3
Revenue related to outsourcing operations	17.4	3.6
Revenue related to flight operations	5.8	8.5
Miscellaneous	16.7	4.9
Total	**128.0**	**90.3**

Note 3 Other operating items, net	Jan–June 2001	Jan–June 2000
Profit from sale of Exactium	–	180.0
Bad debts and restructuring costs	-18.2	–
Miscellaneous	1.0	5.9
Total	**-17.2**	**185.9**

Note 4 Result from participation in other companies

This items refers in its entirety to a write-down of shares in Pivotal Corporation.

Note 5 Other financial items	Jan–June 2001	Jan–June 2000
Exchange rate gains, net	23.5	8.8
Interest revenue	2.2	0.8
Interest costs	-25.9	-22.9
Miscellaneous	-3.0	0.4
Total	**-3.2**	**-12.9**

Note 6 Other financial fixed assets	June 30 2001	June 30 2000
Participations in associated companies	5.7	21.9
Long-term license agreements	68.8	22.1
Miscellaneous	57.8	65.5
Total	**132.3**	**109.5**

Note 7 Prepaid expenses and accrued income	June 30 2001	June 30 2000
Work in progress	31.5	34.7
Short-term license agreements	333.1	227.6
Miscellaneous	89.0	64.0
Total	**453.6**	**326.3**

Note 8 Current investments

The item, valued at the lowest of acquisition value and the actual value on June 30, refers to 175,080 shares in Pivotal Corporation. The market value of the shares amounted to SEK 15 M on August 20, 2001, which falls below the book value by SEK 17 M. The acquisition value of the shares amounts to SEK 56 M.

Note 9 Shareholders' equity		
Opening balance, January 1, 2001		1 298.7
Profit/loss for the period		-109.1
New issue, gross	200.0	
Issue costs	-8.7	191.3
Translation differences, etc.		59.0
Closing balance, June 30, 2001		1 439.9

Note 10 Convertible debenture loan	June 30 2001	June 30 2000
Employee convertible debenture loan, gross	70.9	71.9
Costs related to employee convertible debenture loan	-3.0	–
Total	67.9	71.9
Convertible debenture loan 2001/2002, gross	200.0	–
Costs related to convertible debenture loan	-9.4	–
Total	190.6	–
Total	**258.5**	**71.9**

The loan can be converted between January 1 2002 and June 30 2002. The conversion rate is 70% of the average price of Series B shares during the 20 trading days prior to conversion, but not less than SEK 15 per share. IFS reserves the right to redeem the convertible debenture loan during the term of the loan at a price corresponding to 110% of the nominal price on the day the decision to authorize the loan was made, February 15 2001, and with a linear adjustment to 142.86% on January 1 2002. If conversion does not occur before the end of the conversion period, the loan falls due for payment at the nominal price, on July 31 2002.

Note 11 Interest-bearing liabilities	Jan–June 2001	Jan–June 2000
Operating credit	92.6	205.9
Liabilities arising from factoring	69.3	–
Credit for leasing and property	66.9	41.1
Other interest-bearing liabilities	51.6	73.0
Total	**280.4**	**320.0**

Note 12 Consulting margin

The consulting margin is calculated with respect to direct costs primarily in the form of travel expenses and purchased services as well as salaries and office rental. Salaries and office expenses are calculated as the proportion of the total salary and office expenses based on the ratio of consultants to the total number of employees.

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Stockholm August 24 2001

Göran Tidström
Certified Public Accountant

Anders Wiger
Certified Public Accountant

En0201-1 Production: CMC, August 2001. Printing: AB Danagårds Grafiska, Ödeshög, Sweden. Printed on: Silverblade matt. Lic. no. 341196