annual report 06

Powerful software
Passionate people


Customer focus
Openness
Respect
Excellence

All persons who are pictured in this annual report were *passionate* IBS employees at the beginning of 2007, with the exception of customers and Board members.

Content

IBS in brief

IBS is one of the world's leading suppliers of business systems for supply chain management. IBS software solutions support companies that wish to increase the efficiency of their business processes, which include order handling, sales support, customer administration, distribution, purchasing, inventory management, demand-driven manufacturing, financial control, business analysis and integration.

International installations with a local presence
What distinguishes IBS from many other suppliers is that we offer total solutions, meaning that we provide everything needed for efficient business systems, including software, professional services, servers and other equipment, as well as outsourcing, maintenance and financing. Via IBS subsidiaries in 22 countries and business partners in many other countries, we can offer international installation and maintenance of business systems with a local presence. IBS solutions are designed for large and medium-size companies, as well as for subsidiaries of international corporate groups. More than 5 000 customers currently rely on business solutions from IBS, including such companies as Bahco, Cramo, Hitachi Maxell, Map Merchant Group, McGraw-Hill, Miele, PaperlinX, Rexel, Scania, Seco Tools, SKF, Univar and Volvo.

Specialists in selected industries
IBS business systems are customized to meet the requirements and demands of distributors and manufacturers in a number of industries. In addition to specific software functionality, IBS offering to companies in these sectors includes specialized knowledge and experience from other installations in corresponding industries. Examples of industries in which IBS works are pharmaceutical distribution, the automotive industry, electronics, paper, publishing and a number of local niches.

2006 in brief

The profit margin after financial items improved to 5 percent. During the year, IBS has strengthened its market position within paper, publishing, pharmaceutical distribution and, above all, within the market segment electronics wholesale, where IBS during the year signed major contracts with companies such as Sonepar Nordics and SELGA (Rexel).

›› Total revenue amounted to SEK 2 278 m (2 376).

›› Net profit amounted to SEK -7 m (622*).

›› Earnings per share, before dilution, amounted to a loss of SEK -0.09 kr (7.81*).

›› In August, the IBS Board of Directors approved an action program that includes relocating portions of product development and programming to medium and low-cost countries. The action program resulted in restructuring costs of SEK 120 m that were charged against third-quarter earnings.

›› Operating profit increased by SEK 44 m to SEK 112 m (68), excluding restructuring costs and capital gains from the sale of subsidiaries.

›› Earnings after financial items amounted to SEK -6 m (654*).

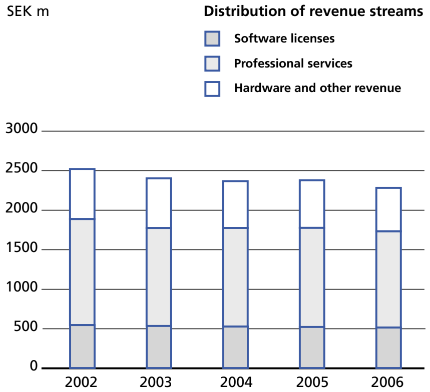
›› The profit margin improved to 5 percent, calculated as earnings after financial items excluding restructuring costs and capital gains from the sale of subsidiaries.

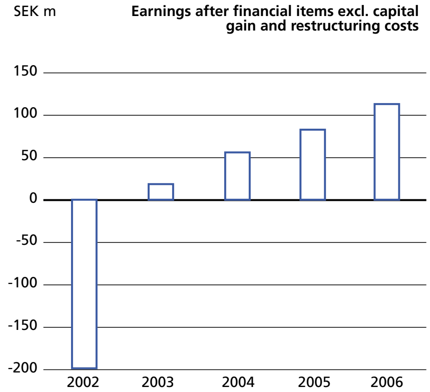
* Comparison figures contain capital gains from sale of subsidiaries during 2005.

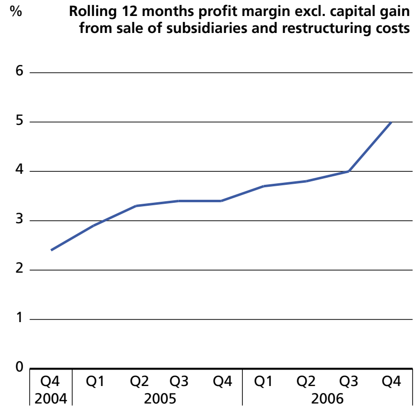
SUMMARY – Financial data

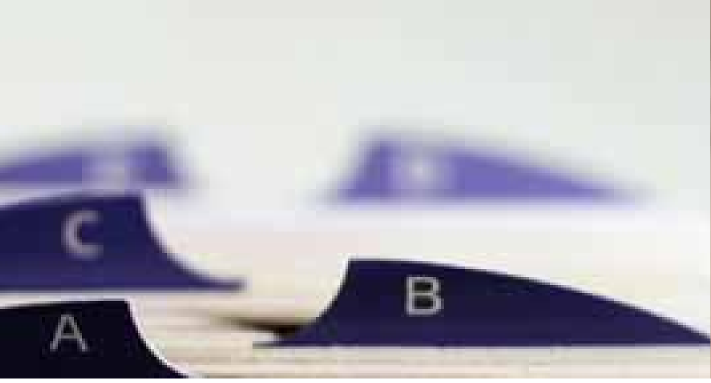
	2006	2005	Change
Software licenses (SEK m)	512	519	-1%
Professional services (SEK m)	1 218	1 253	-3%
Professional services margin %	23%	21%	2 p.p.
Total revenue (SEK m)	2 278	2 376	-4%
Earnings after financial items (SEK m)	-6	654	
Earnings after financial items** (SEK m)	113	83	
Net profit for the year (SEK m)	-7	622	
Equity to total assets ratio %	42%	48%	-6 p.p.
Number of employees at year-end	1 851	1 911	-3%

** Excluding restructuring costs of SEK 120 m and capital gains from sale of subsidiaries by SEK 1 m during 2006, as well as capital gains from sale of subsidiaries during 2005 by SEK 571 m.









President's comment

For IBS, 2006 was a successful year. We strengthened our market position in several of the industry sectors in which we are active and began efforts aimed at increasing IBS' internal efficiency. During the years ahead, IBS expects, through enhanced sales of software and consulting services in combination with reduction of expenses, to incrementally improve its operating margin to at least 10 percent by the end of 2008 and beyond.

For IBS and for me personally, 2006 was an eventful year. I assumed the role of President and CEO in April 2006. My assignment from IBS Board of Directors was to further internationalize the company, to continue along the established path toward increased specialization and to ensure IBS' long-term competitiveness. My assignment, more specifically, is to increase value creation and thus profitability to levels that match or exceed the performance of comparable companies.

A solid basis to build upon

IBS has a solid basis on which to build further. The Group has a large customer base and a high level of expertise with regard to processes, industries and technologies, combined with a number of attractive software products. Our strong financial position provides us with freedom of action in connection with further development of operations and enabled us to implement a one-time dividend and repurchase our own shares during 2006.

Throughout several intensive months during the second quarter, we performed a systematic analysis of the present state of affairs, the market and the competitive situation for the purpose of confirming the soundness of IBS' strategic orientation and establishing what would be necessary to attain an operating margin of 10 percent. With this analysis as a starting point, the Board decided in August to institute an action program aimed at improving profitability. The measures adopted span a large number of issues, but the single most important measure involves substantially increasing the share of the Group's software and product development operations based in mid- and low-cost countries during the next few years. Other areas of focus include consolidation of IT infrastructure and offices, and establishing a new corporate structure that better reflects the customers' organizations. Because these measures involve extraordinary expenses, the Board decided to allocate a reserve of SEK 120 m, which was charged against third-quarter earnings. We used SEK 29 m of this reserve during the year. The remainder of the reserve is expected to be used primarily during 2007, as we establish new development resources in India and Portugal, among other countries.

IBS has historically been characterized by substantial decentralization, providing operations in different countries with significant

"IBS has a solid basis on which to build further. The Group has a large customer base and a high level of expertise with regard to processes, industry sectors and technologies, combined with attractive software products."

room to develop independently. Our new organization aims at further increasing customer and business responsibility in the five newly created regions and expansion of international coordination of different support processes through the two newly established Global Operations and Products & Development units. In parallel with the introduction of the new organization, a new governance model was also introduced, aimed at clarifying and supporting operations in achieving the set goals.

Despite a rapid pace of change, we have succeeded in maintaining our focus on customers and sales. The investment climate improved in most of our markets during 2006, especially in Northern Europe, although the US also showed a continued favorable trend. Areas in which we strengthened our position during the year include the paper and packaging material, pharmaceuticals distribution, publishing and electronics distribution sectors; towards the end of the year, we signed significant customer contracts with Sonepar Nordics and SELGA (Rexel), two of the world's leading companies in the field of electronics distribution. Increased sales in combination with improved consulting utilization in a number of countries led to our being able to report a profit margin of 5 percent for 2006 as a whole – an important milestone towards our goal of 10 percent for 2008 and thereafter.

Strong growth in our core businesses

IBS completed a number of divestments during the year, which had a negative effect on sales, primarily due to a reduction in the number of consultants. Lower revenues from hardware sales also contributed to the decrease in sales compared with the preceding year. Our software license sales involve a combination of internationally based products, locally based products and third-party products. The IBS Enterprise solution, IBS Integrator integration software and our international industry-specific products all showed strong, double-digit growth during the year. This is important since these products account for more than half of total license sales and belong to the area for which we see the strongest growth potential. Sales of locally based products and third-party products declined substantially during the year, but are not expected to continue to decline at the same pace in coming years.

Continued specialization and internationalization

For the project of transforming IBS into a more globally integrated company characterized by high cost efficiency and a strong sales and consulting organization capable of further advancing our positions within the areas in which we can grow, 2007 will be a decisive year. With our specialization in selected industries, we anticipate favorable opportunities for profitable expansion in parts of Asia, as well as in certain large countries in which we currently have relatively small operations, including the US, Germany and the UK.

When I meet with our customers and employees around the world, I receive clear feedback that we are on the right track and that the measures we have adopted are making us a more attractive business partner. Our new area organizations are characterized by a strong business focus, which gives me confidence that 2007 will be another positive year for IBS. Continued favorable sales development, together with the measures we have adopted to reduce expenses, are expected to have an impact on earnings, and we predict an operating margin of 7 percent for 2007 as a whole.

In concluding, I wish to thank our customers, shareholders, employees and partners for their successful cooperation during 2006. I look forward to continuing to develop IBS together with you during the next few years.

Erik Heilborn, President and CEO, IBS AB

IBS mission, objectives and strategy

IBS' overall goal is to create added value for customers, shareholders and employees.

Mission

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.

Vision

IBS vision is to continue to strengthen our position as a leading international supplier of integrated IT solutions within supply chain management and other selected market segments. IBS will be the supplier of choice for large and medium-sized companies that operate in the areas of IBS' specialization.

Objectives

IBS overall objectives are to create value for customers, shareholders and employees. The target for the operating margin is 10 percent from 2008.

Strategy

IBS is focused on large and medium-size companies, as well as subsidiaries of corporate groups, and bases its strategy on the following cornerstones:

›› Specialization in market segments in which IBS can attain a leading position, deliver high value to customers and thus achieve satisfactory profitability

›› Emphasis on international industry solutions targeted at industries such as pharmaceutical distribution, automotive, electronics, paper, publishing and other wholesale operations, plus a number of other niches in local markets

›› Delivering open business systems for platforms such as iSeries, Windows, Unix and Linux

›› Global market presence to serve international groups

›› Increasing sales via indirect sales channels

›› Improved international coordination to increase efficiency for both income and cost-generating activities

›› Fully utilizing cost advantages in medium and low-cost countries, with emphasis on product development and major customer modification projects

›› Offering one-stop-shop solutions, based on software, professional services, hardware, network solutions and financing.

IBS' new complementary sales channels

Oskar Ahlberg, Channel Sales Director, IBS

IBS' new partner program aims at maximizing the market potential for products such as IBS Integrator and IBS User Interface. The sale and support of these cross-industry, stand-alone applications do not require the same in-depth knowledge as IBS' complete ERP solution.

New business partners will complement our global sales presence and increase the deployment of IBS solutions into new markets, industries and customer bases. We will also provide partners with the market backing, support, R&D and attractive products.

More partners will assist IBS in achieving its objectives of gaining increased sales. This will enable more funds to be spent on product R&D, on driving functionality forward and on delivering better solutions for all our customers.

GLOBAL SUPPORT

The true benefits will only be achieved once a partner has gained the knowledge and experience required to resell our solutions. We are appointing channel managers at many IBS subsidiaries who will support our partners.

This global program has the greatest potential in established markets that are too large for us to satisfy ourselves, such as the UK, Germany and the US. Territories with a small IBS presence but with high potential, such as Asia and Eastern Europe, are also targeted.

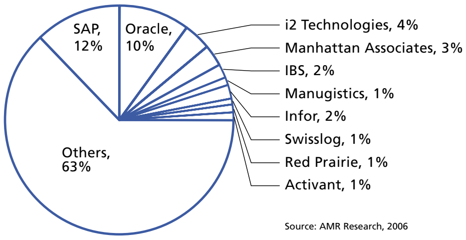
A network of committed, capable and experienced business partners, delivering our first-class software solutions, will be a key element of IBS' future growth and success. Amcobex of the Czech Republic was the first appointed business partner and by the end of 2006 we had six partners in as many countries. Our target is to have at least 30 new partners in place by the end of 2007, delivering solutions to customers all over the world.

Text: Oskar Ahlberg Photo: Magnus Glans

IBS market

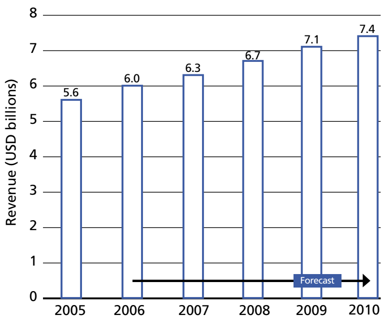
IBS is ranked among the top-tier companies worldwide in the area of supply chain management (SCM). In its latest study of SCM applications, AMR Research ranked IBS as fifth in the world in license revenue.

Top 10 SCM vendors by 2005 total revenue share



Source: AMR Research, 2006

SCM market total revenue, 2006–2010 (est.) USD billions
Total revenues for software suppliers in USD billions, licenses, maintenance, installation, equipment.



Source: AMR Research, 2006

AMR Research, a leading IT analysis firm, expects the global market for supply chain management (SCM) applications to grow by approximately 5 percent during 2007. Total SCM sales are expected to top USD 6.3 billion in 2007.

Market outlook

IBS targets mid-size and top-tier businesses. The market outlook for this submarket appears generally favorable in 2007, in terms of software and consultancy. Market forecasts for hardware solutions are more cautious, with many analysts – including Gartner and Forrester – predicting softer investments in basic IT infrastructure, including IBM iSeries servers.

Much of this continued expansion is expected to derive from the mid-size company segment. These companies, as well as larger corporations, are developing more industry-specific functionality to support their processes, improve their supply-chain logistics and purchase and goods-flow management. Integration and solutions for cooperation with customers and partners are other challenges facing IBS' client companies.

Demand will continue to increase for Service Oriented Architecture (SOA) applications, a concept of development which IBS bases its solutions on. Growth areas for 2007 are also expected to include fully integrated ERP solutions, such as IBS Enterprise, which enable customers to develop their supply-flow chain and improve their margins. Key improvement areas include inventory optimization, distribution and other measures to manage capacity problems and variations in demand, while automating return handling and other time-consuming work features.

Continued focus on industry-specific solutions

IBS will continue its focus on industry-specific solutions, which are expected to be a primary driver of the SCM market in general, according to AMR Research and other industry analysts.

During 2006, IBS achieved further progress with supply chain solutions in several international vertical sectors: publishing, electronics wholesalers, paper distribution and pharmaceuticals distribution. In addition, IBS units around the world gained new business with local solutions for distributors and wholesalers in such areas as timber and sawmill products, rental machinery and equipment, consumer durables and industrial supplies.

Competitors in the SCM market

IBS competes with major international software companies and with local players in each particular country. The major players include SAP and Oracle, with a combined share of slightly more than 20 percent of the SCM market. In addition, a further seven global players have market shares ranging from one to four percent. The remaining market is fragmented, with several hundred smaller players, each accounting for less than 1 percent of the market. Consolidation of the market continued in 2006, through such transactions as the merger between SSA and Infor.

IBS' competitive advantages include rich software functionality, a large consulting organization with advanced expertise in business processes and specific industries and a large international network of subsidiaries and partners.

IBS business model

IBS offers complete IT solutions that include integrated software, professional services, server computers and other network equipment, outsourcing, maintenance and financing.

The customer offering is focused on achieving strategic and long-term partnerships with customers who want to improve their processes and thus their competitiveness.

Business systems that enhance the efficiency of goods flow
IBS offers a number of different software products that support the needs of various customer groups. Most business processes can be automated and integrated using IBS solutions. We offer general business systems and specialized solutions for specific sectors. Integrated solutions provide information and functions that our customers can use to implement various transactions and to analyze and further develop their operations. IBS software is frequently sold in combination with IBM's intermediate software, IBM WebSphere, and with Cognos solutions for decision support.

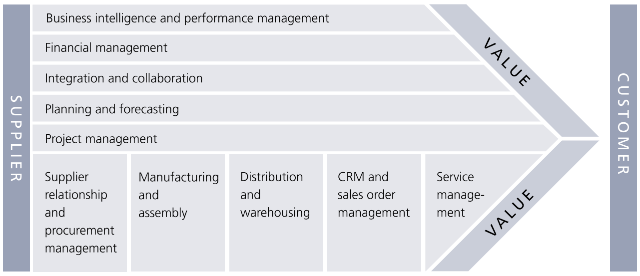
Consultants with high expertise
By combining business and industry expertise with specialized knowledge of information technology, IBS consultants can help customers to improve processes throughout all or parts of their entire operations. The majority of the consulting services that are sold are supplied by IBS personnel from the 22 countries in which IBS has subsidiaries. The most common assignments include feasibility studies and process charting, installation projects, programming new customer-specific functionality, and training, maintenance and support.

Hardware, secure networks, reliable operational services and financing
IBS operations continue to expand in the operations and system maintenance service areas. We have our own operational systems with global coverage to assist customers in the operation of their systems. We also offer financing solutions for IBS products and services.

Through cooperation with IBM, we can also offer servers and other hardware. During 2006, IBS was one of the largest retailers of servers in Sweden, Poland, Belgium and Portugal, among other countries.

IBS business software

IBS software is based on open standards, our many years of experience and industry-specific expertise.



Business systems with built-in measurement of value for the entire value chain

IBS business solution, IBS Enterprise, is designed for cost-effective control and management of the supply chain. The business software solution manages all business processes from manufacturing and distribution to financial control and follow-up.

According to studies performed by AMR Research, IBS has one of the world's best global business systems for planning, control and monitoring of the supply chain.

IBS invests long-term in solutions that increase the efficiency of business processes

IBS software is based on research into and experience from technology, business methodology and industry-specific trends. IBS solutions:

›› Support client companies' management groups by providing a quick and accurate decision documentation

›› Meet increasing demand for cooperation with customers and suppliers

›› Ensure a highly effective integration of different business systems and computer environments

›› Generate measurable business value in the form of improved business processes.

Relationships with suppliers and procurement management

Efficient procurement is today regarded as being of considerable strategic significance for competitiveness. Increases in efficiency through "just-in-time" delivery and quality control presuppose the active involvement of all parties and long-term cooperation.

IBS business solutions are designed to aid efficient procurement of the right goods at the right price and to provide tools that help to build effective relationships with suppliers. Our integrated solution makes it easy to cooperate with suppliers, while providing helpful opportunities for following up suppliers' performance in connection with making strategic supplier choices. IBS solutions help our customers to reduce lead-times and production costs and increase quality, while lowering purchasing costs.

Manufacturing and production

Demand-driven manufacturing entails, briefly, conscious control of lead-times and buffers so that production can be governed by actual customer orders rather than forecasts.

IBS' solutions include functions such as cover-time planning with priority analysis and other process-oriented work methods that allow autonomous groups to react quickly to changes in demand.

Logistics and inventory management

IBS' solution for logistics and inventory management focuses on ensuring that our customers are able to receive and deliver goods in as cost-effective a manner as possible. IBS logistics and inventory management software provides the tools and functions necessary for managing large volumes and making optimal use of warehouse space. IBS' solution provides an overview of inventory levels throughout the supply chain, making it easy to find the right products and deliver them on schedule.

Customer care and order management

These wholly integrated functions provide opportunities for coordination of information, both internal and external to the company.

The complete order automation capability provided by IBS' business solutions makes non-manual processing of sales orders possible. The business system includes solutions that help companies to

identify and focus on the most valued and profitable customers, handle campaigns, generate future customers, individualize customer relations, and make use of dynamic pricing, electronic catalogues and automatic delivery.

Service and maintenance management
IBS' solution for service and maintenance enables manufacturing companies and distributors to improve customer relations and increase the level of service with regard to equipment manufactured or sold. All important information created during the lifecycle of a product is accessible when the product requires maintenance.

Business analysis and evaluation tools
IBS business solutions provide quick and accurate information to serve as a basis for analysis of operations, based partly on SCOR – the Supply-Chain Operations Reference-model.

IBS' business intelligence solution collects and saves information from a variety of sources, either within a group or from external business partners and customers. The information can subsequently be used in reports and analyses to identify and measure so-called "best practices" and other key performance indicators (KPIs).

Financial system
IBS' financial system is a fully integrated part of IBS Enterprise, and provides a complete overview. The system is flexible and can be dynamically adapted to transaction flows in accordance with the needs of specific companies.

IBS' financial system is developed on the basis of an international perspective, and provides for completely flexible currency management. Overall, this provides significant advantages to companies that operate across national or linguistic boundaries.

Integration and coordination
Profitable companies are currently expanding to new markets and acquiring new customers throughout the world. Integrated information provides a clear competitive advantage. IBS business systems offer companies an IT solution that simplifies complex systems integration and that includes XML, EDI and web-service communication, together with e-commerce and Internet-based solutions. IBS Integrator can retrieve data from different business systems within a company or from customers' and suppliers' systems. This application is able to read, process and send data – manually or automatically – to and from different systems, regardless of the operating system and platform.

Planning and forecasting
Capital tied up in material flows plays a key role in the client companies' profitability. In order to reduce warehousing of finished goods, products in progress and supplies, while maintaining a high level of service to customers, efficient warehouse control is necessary. With IBS planning and forecasting tools, our customers can deliver orders on schedule and reduce lead-times, while keeping warehousing at cost-effective levels.

Project management
A project's key parameters are defined as quality, time and resources, which must be monitored and adjusted continuously. It is here that IBS' solution for project management enters the picture – as a complete PSA (Professional Services Automation) solution.

IBS product development

IBS business software solutions are developed in close cooperation with existing customers, supported by information derived from research and development.

As a result of state-of-the-art technology based on well-tested platforms, IBS business solutions satisfy the need for short response times while handling major transaction volumes. IBS' continuous development of new functionality is focused on those areas that generate the greatest value for our customers.

Offshoring
During 2006, IBS launched its work on relocating certain product development activities to mid- and low-cost countries. The aim is that approximately half of all software and product development will be relocated in the years immediately ahead.

As its offshoring operations develop, IBS will focus its proprietary resources on research, design and user interfaces. This also includes the aim of broadening expertise in various development tools and technical platforms in order to match the efforts in the field of open technology based on IBS XT (IBS Cross Platform Technology).

IBS XT – new technology, new opportunities
IBS Enterprise 6.0, with increased functionality for integration, business planning/forecasting, automation of business processes and return handling was introduced in 2005. Starting in 2008, it will be possible to run IBS business solutions also on Windows and certain other operating systems with the help of the new development platform, IBS XT. This will generate many advantages:

›› Significantly increased potential market

›› Efficient development environment for support and further development

›› Complete integration platform providing a completely new dimension of opportunities to connect internal and external parties in the process chain

›› New user interface featuring a variety of graphic components with related visual designs, independent of the underlying IT platform

›› Increased flexibility for the development of new functions: selectable for use with an open code, further development or purchasing components

›› Java technology with object-oriented framework based on Eclipse – open source code.

Greater business opportunities through SOA
The current market situation requires various levels of integration between computer systems and applications. SOA (service-oriented architecture) is a concept aimed at making connections between various systems and applications by means of an exchange of services.

IBS is a member of IBM SOA Specialty and is classified as a partner in "Connect via web-services." By following SOA architecture, IBS increases its efficiency and creates flexibility, while reducing costs and delivery time.

IBS industry-specific software

With its expertise, experience and industry-specific functionality, IBS can deliver integrated solutions focused on selected sectors. A common denominator for these solutions is the ability to handle large transaction volumes with high operational reliability.

Pharmaceuticals and healthcare products
IBS Pharma is specially designed for pharmaceutical distributors, such as Alloga, Audifar, Galexis, Itriafarma, Oriola, Sigma, Marzam and other customers that must process extremely large transaction volumes and provide fast and reliable deliveries while satisfying various regulations and legal requirements.

Paper, packaging and office materials
IBS offers global industrial solutions for advanced wholesale operations that handle large transaction volumes for local, regional and international companies, such as PaperlinX, Map Merchant Group, Victory Packaging and Macfarlane Packaging.

Automotive industry
IBS supplies business systems with specific functionality for vehicle importers and the distribution of materials and spare parts for manufacturers, suppliers and distributors, such as Volkswagen, KIA, Alfa Romeo, Subaru, Porsche, MAN Truck & Bus, Scania, Lear Corporation, US Tire & Exhaust, Meca and IAC.

Publishing
IBS is a leading supplier of business solutions for publishing companies. Customers include global publishers, such as Pearson, Reed Elsevier, McGraw-Hill and HarperCollins.

Electrical products and electronic components
CBC Europe, Hitachi Maxell, Rexel, Scribona, Sonepar Nordics, Lim Kim Hai Electric, Tai Sin Cables, Expert, Elektroskandia, Atea and other manufacturers and distributors use IBS systems for managing the distribution, purchasing and rapid delivery of electrical products.

Food
Companies such as Begro, Everfresh, Republic Beverage, Servera, Spendrups, Sardus, Menigo and other players in food production, wholesaling and distribution rely on IBS solutions for high-quality storage and distribution of large volumes.

Machinery and equipment
Honeywell Aerospace, Toyota Material Handling, Cramo, AxFlow, System3R and Micronic Lasersystem are examples of IBS customers that manufacture, distribute or lease machinery and equipment. Technology, functionality and cost advantages are important reasons for their choice of IBS software solutions.

Consumer durables
IBS enables AM Appliances, Miele, Roland, New Wave Group, Orrefors, Gense and other companies in the consumer durables market to meet seasonal variations through integrated business systems.

Industrial supplies
Manufacturers and distributors, such as Carl Kammerling International, EnerSys, Teamvise, SKF, Tyco Thermal Controls, Turnils, Ascom Tateco and Seco Tools use IBS software to enable them to plan efficiently, produce reliable forecasts, automate order processing and integrate information.

IBS total solutions are also used in a number of other sectors, such as forest products, chemicals and other process-oriented industries.

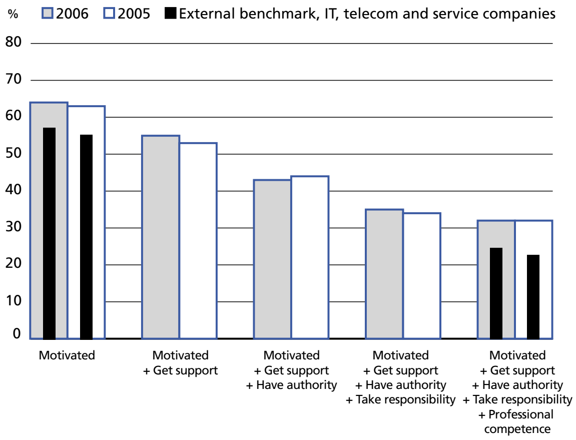
IBS vertical solutions:

›› Pharmaceuticals and healthcare products
›› Paper, packaging and office supplies
›› Electrical products and electronic components
›› Food
›› Machinery and equipment
›› Consumer durables
›› Industrial supplies
›› Automotive industry
›› Publishing
›› Other industries that handle large transaction volumes.

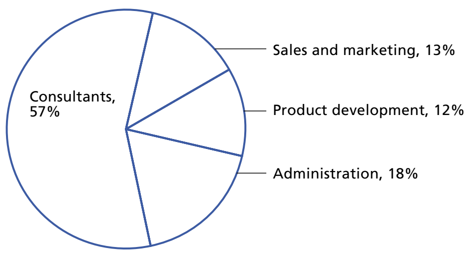
IBS employees

Our employees' ability to create superior solutions based on customers' needs is crucial to the success of IBS. IBS creates value for the customer through employees with substantial industry experience and extensive knowledge of business processes, system development and information technology.

Empowerment Index for 2005-2006



Division of job categories



Organization

In order to better satisfy customers needs, the IBS Group introduced a new global organization on July 1, 2006. The new organization will be controlled based on geography and industry. By increasing the global coordination of the Group's subsidiaries in 22 countries, IBS will be able to satisfy demands and wishes from international and local customers. The new organization will also increase internal efficiency and the coordination of the Group's product development.

Competence development

During 2006, IBS implemented a new competence management system, providing IBS with a tool for staffing customer projects with the appropriate competency. By systematically documenting and following up the employees' competency, IBS will also ensure that consulting competency matches the needs of the market and customers.

IBS Global Education conducts both global internal training and external training for customers. Both internal and external experts are retained and training is carried out in various forms. The competency areas that were prioritized in 2006 were training in the new version of the IBS business system, IBS Enterprise 6.0, and in integration and business analysis.

Leadership, commitment and confidence

IBS conducts an annual employee survey that measures the empowerment index. The survey, which is aimed at all employees globally, is a support for management and a tool for developing the operation. In the survey, employees respond to questions pertaining to leadership, commitment and confidence. Based on the results of the survey, each division produces an action plan for the continued development and improvement of the operation. During 2006, the positive trend continued and several of the factors covered by the survey were improved. The results are also benchmarked against IT, telecommunication and service industries, where IBS' index is above average.

Recruitment and employee development

During 2006, IBS developed and initiated implementation of several global processes in the HR area. The objective of these processes is to ensure professional, structured and efficient work methods regarding recruitment and personnel development. The process for career development aims at giving all employees individual goals connected to the company's overall goal, and an individual development plan.

Attractive employer

It is vital for IBS to be an attractive employer, for both present and future employees. Work at IBS shall be stimulating and provide the possibility for professional and individual development. Being able to offer an excellent work environment, characterized by openness, participation, respect and confidence in the individual, is essential. IBS also strives for an equal and multicultural organization.

IBS CORE values

Camilla Moore, Director Competence Management IBS

IBS has identified four CORE values for conducting its activities and consistently performing to the highest standards. These CORE values are Customer focus, Openness, Respect and Excellence – CORE.

IBS recently completed the first phase of the IBS Corporate Culture project to determine and solidify the company's CORE values. As an international company, with many different cultures and customers, IBS believes in having a common cultural platform to treat customers and other stakeholders in a uniform way and work as one company across borders.

Camilla Moore, Director Competence Management and project manager for the Corporate Culture project, says that all of the company's approximately 1900 employees were involved in the process of identifying the four CORE values. "It feels that we have CORE values that are important for everyone in the organization and that we can all live by," she says".

After extensive surveys, workshops and interviews, Customer focus, Openness, Respect and Excellence were selected as representative of IBS culture. A set of behaviours were also attached to each value.

CUSTOMER IN FOCUS

When it comes to Customer focus, for example, IBS puts their customers first, focusing its competence and actions on identifying and creating long-lasting customer value. IBS aims to be pro-active and anticipate changes in customer needs, and act and communicate in a straightforward and simple manner. Employees are also prepared to walk the extra mile to deliver and solve problems, and ensure high customer satisfaction.

"Value Ambassadors" have been assigned at local IBS units to ensure that each and every employee has a thorough understanding of the values and can live according to them in their daily work, Moore says.

When it comes to implementation, she says that it is good to adjust to what works for people at a local level. "Yet, despite cultural differences, everyone can still share common values and stand on the same platform," Moore adds. Establishing and implementing CORE values is a challenge, especially in an international company like IBS, with so many different cultures. Moore says that IBS welcomed external help and support, including a cross-cultural management expert, and recommends such input for other companies embarking on a similar process.

With the CORE values established and underway in the organization, the project's focus will now turn to building and developing a complete brand platform based on these values. Among other things, the CORE values work will be the foundation for all internal and external brand building and an important element for employee training "the IBS way". "For us IBSers, 'living' our CORE values is an active and ongoing process, and not just a static set of words," Moore says.

Text: Cari Simmons Photo: Magnus Glans

CORE values

During the year, a project was implemented to highlight the company's CORE values. In this CORE value project, all of IBS' approximately 1 900 employees were given the opportunity to participate and influence. IBS CORE values are Customer focus, Openness, Respect and Excellence – CORE. Each IBS subsidiary has produced an action plan for the local implementation of the CORE values, which will enable each employee to accept and live by these values. The CORE values will become part of introductory training, as well as career-development and salary talks.

Personnel structure

During 2006, IBS had an average of 1 873 (1 874) employees and at the end of the year had 1 851 (1 911) employees. The Group has employees in 22 countries. Of the employees in the Group, 29 (29) percent are women. The total number of consultants at the end of the year was 1 057 (1 101). During 2006, IBS had personnel turnover of 17 (4) percent. The level of education among IBS employees is high and approximately 80 percent have university education.

IBS processes

Efficient processes and powerful tools are of decisive significance for IBS' long-term competitiveness and ability to create high value for customers, employees and shareholders. During 2006, improvement efforts primarily focused on increased cooperation across organizational and geographic boundaries.

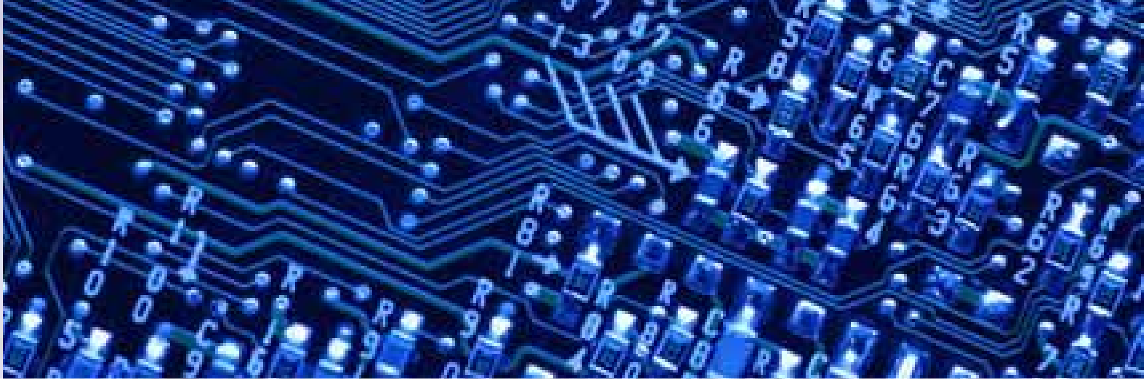
IBS' overall mission is to help our customers increase their competitiveness. To support this strategy, IBS use a well-defined process, IBS Value Delivery Process, to identify improvement areas and business system solutions for customer companies' sales, inventory management, procurement, logistics, service, financial control and other important operations.

Powerful analytical tools for identifying hidden value

IBS focuses primarily on large and medium-sized companies. With advanced analytical tools, based on established standards such as the DuPont model and the SCOR (Supply-Chain Operations Reference-model), we are able, in cooperation with our customers, to identify values that can be realized with the help of a solution from IBS. The tools are used for evaluating, securing and demonstrating attainable results. The IBS Value Delivery process also assists in the evaluation and identification of appropriate goals, improvement potential and risks connected with projects. In addition, the work methodology contributes to creating an ongoing dialogue with IBS' customers concerning the further development of their competitiveness and profitability.

Fast, cost-effective installations

The Implementation Control Process (ICP), a special process for establishing goals, monitoring costs and managing activities necessary for ensuring a successful installation, is used during installation, testing and implementation of IBS business solutions. ICP is used for installing software solutions for IBS customers throughout the world and the process is continuously developed based on the experience provided by each new project. Each new installation is followed up to ensure that the set goals are realized. The work methodology focuses on establishing long-term partnerships with our customers and includes regular analysis of ongoing and completed projects.



The globally integrated company

During 2006, a new global support function, IBS Global Operations, was introduced for the purposes of improving customer service and increasing IBS' internal efficiency. New services were established during the year within the areas of operations and support, aimed primarily at benefiting international customers with a demand for different kinds of outsourcing services. IBS Global Operations also maintains, in close cooperation with IBS' five areas of operation, consolidated server rooms and other IT infrastructure for the purpose of capitalizing on coordination potential and enhancing the uniformity of infrastructure, processes and contracts. The new unit is also responsible for establishing the IT infrastructure and process support necessary for the IBS operations that are outsourced to mid and low-cost countries in cooperation with IBS' unit for Products & Development.

The IBS Value Delivery process includes:

›› A marketing process that involves **identifying** and attracting client companies in the specific, selected industries and markets in which IBS software solutions create the greatest value

›› A sales process designed to **evaluate**, demonstrate and establish mutual understanding surrounding measurable business benefits

›› An installation process, ICP, for ongoing delivery of solutions that **fulfil** customers' requirements and goals

›› A development process aiming at continuously finding new opportunities to further **expand** mutual value-enhancing cooperation with our customers.


IBS in the world

IBS offers international installations with a local presence through an extensive network of subsidiaries and partners.

● IBS office
● Business partner

IBS is an international group with a strong local presence via subsidiaries and business partners in Europe, North and South America, Asia and Australia. At present, some 5 000 customers in 40 countries use IBS solutions as support for their businesses. With IBS' business solutions and other software as tools, IBS consultants help companies become faster, more cost-effective and more profitable.

Professional services
IBS has more than 1 800 employees, including about 1 100 consultants. While the role played by consultants varies from project to project, approximately half of the consultants are technical, and half are business consultants.

IBS' professional services cover all aspects of a company's IT requirements, including:

›› Analysis of business processes
›› Requirements analysis and design of IT strategy and infrastructure
›› Installation and implementation
›› Customer training and ongoing support
›› Development of customized and supplementary systems
›› Project follow-ups and results analyses
›› System operation and maintenance
›› Project management.

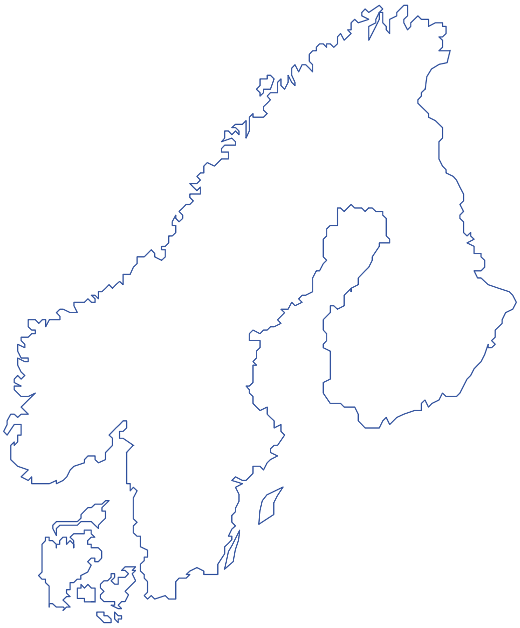
Financial information 2006

IBS Nordics

Area President Esa Parjanen

SEK m	**2006**	**2005**
Total revenue	885	952
Operating profit*	91	73
Number of employees	581	625

* Excl. restructuring costs



As part of the IBS restructuring in 2006, the IBS Nordics area was launched in October. The new Nordics structure is aimed at better reflecting the customers' organizations and providing better service in connection with sales and professional services. The new structure enables synergies in the form of joint resource pools for consulting operations, sales, infrastructure and technical consulting services. Benefits are also generated from administration and support functions.

A more optimistic market attitude in 2006 led to an increasing willingness to invest in new or upgraded IT solutions in the Nordic area. Market demand is focusing on solutions that bring a proven and rapid return on investment. Mid-sized companies continued to purchase ERP solutions that offer industry-specific functionality.

Another important market development for IBS Nordics has been the emergence of the Russian market, which is growing in both scale and pace. In Russia, IBS is focusing on selected industries that include automotive, pharmaceutical and electronics distribution and wholesale. Also during 2006, IBS Nordics initiated the sale of solutions in Lithuania, Latvia and Estonia, in close cooperation with IBM.

New customer agreements in IBS Nordics during 2006 included solutions for businesses in a range of industries. One of the

Cool products for a hot market

International innovation and cooperation helped Finland-based Helkama Forste meet growing consumer demand in the expanding Russian market.

Russia's recent boom has meant a hot market for Helkama Forste, a leading cold storage equipment manufacturer with major customers in the soft drinks industry. This surge has led the company to improve its business systems, especially at its Russian plant in Vyborg, but also at operations in Finland, Norway and Hungary.

Helkama Forste needed to integrate all operations to support group decision-making and to improve manufacturing, logistics, administration and reporting, according to the firm's financial director Jari Kaunisto. The company looked to its long-term provider, IBS, for an ERP solution at Vyborg.

IBS enlisted its Moscow business partner Cinimex Informatica to help adapt the solution for Russian legal requirements and language, as well as training and support for Helkama Forste.

The IBS solution has meant dramatic improvements for Helkama Forste's operations, especially in orders, inventory and materials control. Production has nearly doubled in the company's existing manufacturing facilities.

ROI WITHIN THE FIRST YEAR

IBS and Cinimex cooperated in establishing standards for the Vyborg project. The new system was up and running at Helkama Forste by early 2006 and the customer estimates that it will have paid for itself before the end of the year. Kaunisto notes that there have been lots of benefits already: "Now our total business, reporting and control are transparent," he says, "resulting in better information for support planning across the group.".

The new system has halted production losses caused by problems with material availability. Helkama Forste now has 97 percent availability of components, compared with losses running at 15 to 20 percent before the IBS system was implemented.

IBS has helped Helkama Forste seize new opportunities in the Russian market – running at six times the level of the total European markets – all while maintaining high quality.

HELKAMA FORSTE IN BRIEF

Region: Europe including Russia

Operation: Manufacture and supply of household appliances and cooler cabinets for the soft drinks and beverage industry

Products: Commercial cooling equipment and domestic appliances, such as ovens and refrigerators

Employees: 600

Sales: EUR 95 million

Web site: www.helfo.com

Text: Elaine Mcclarence Photo: Nina Ahtola

targeted international segments is distribution and wholesale companies active in electronic components and electrical products. IBS Nordics secured a number of important sales in this sector, including ERP solutions for Sonepar Nordics (electrical products wholesaler) and SELGA, which is part of the Rexel Group. Other major sales included Runsven Gruppen (retail chain), Rörvik Timber (wood products) and Arla-owned Dairy Fruit (food processing).

In addition to productive sales to new customers, IBS Nordics experienced success with projects that included upgrades to the latest version of IBS Enterprise in all Nordics countries. One of these included the first IBS Enterprise 6.0 go-live in Finland at long-time IBS customer Nautor's Swan, maker of world-class yachts.

Area President Esa Parjanen

MD Sweden	**Acting MD Finland**	**Acting MD Norway**	**MD Denmark**
Kent Mattsson	Päivi Somero	Lars-Göran Agebrand	Allan Rotheisen

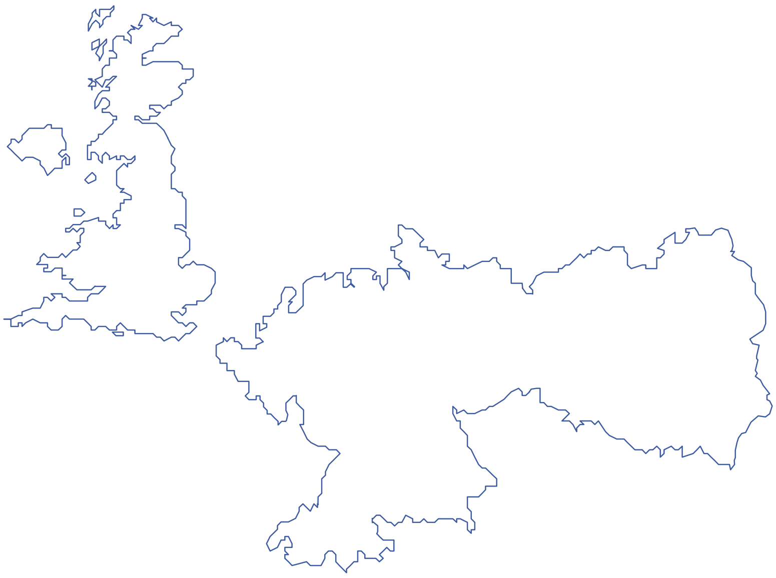
Competition in the Nordic ERP and SCM markets reflects the situation elsewhere in the world. IBS competes with global players such as SAP, Oracle and Microsoft, and with some local suppliers.

IBS Central Europe

Area President Mark Cockings

SEK m	**2006**	**2005**
Total revenue	722	755
Operating profit*	111	107
Number of employees	456	446

* Excl. restructuring costs



A focus on targeted industry-specific markets, combined with an improved market climate, resulted in sales increases across the board. New business comprised both newly won customers and expanded cooperation with existing customers.

The IBS Central Europe area took form during the second half of 2006 as part of IBS' focus on increased internationalization and internal efficiency. This restructuring led to unified operational organizations with increased specialization and industry experience, enabling the delivery of more coordinated and standardized services, which is particularly important for major international customers. In the Benelux countries, three operational lines of business have been created, dedicated to further developing IBS' position within supply chain management, financials, technology/hardware and other infrastructure. The German and Swiss IBS operations are now combined under a single management team, enabling a more aggressive and efficient pursuit of the German-speaking market.

Economic conditions improved during 2006, with increased investment in all markets during the second half. For 2007, market prospects are cautiously optimistic. The IBM iSeries market, where IBS maintains a leading position, is still stable but showing low growth.

Successful project at PaperlinX

The pilot installation of IBS Enterprise at PaperlinX Ireland, the starting point of the IBS and PaperlinX cooperation, was completed successfully near the end of 2006. The European rollout agreement was signed in September 2005 and the finalized Irish project now triggers the continuation of the overall installation plan. IBS begins the next phase of the general rollout with multiple parallel implementations across Europe, combined with creating a scalable hosting solution for PaperlinX European operations.

"The cooperation with PaperlinX demonstrates our strategic focus in serving the leading businesses within our specialized industry segments. The PaperlinX project, with a planned rollout throughout Europe, will become the largest IBS installation worldwide. Our ability to deliver an extensive range of industry-specific software and services solutions to large and midsized international customers like PaperlinX is a key competitive advantage for IBS," says Mark Cockings, Area President of IBS Central Europe.

INTERNATIONAL PROFESSIONALISM

The next phase in the PaperlinX installation involves a new hosting and service agreement. IBS will provide a scalable hosting and support service solution that will facilitate the planned rollout of additional installations during the following years.

"What pleases us with IBS is their knowledge and understanding of our industry. IBS has proven that it is able to serve us as a large international group by combining professionalism in their delivery with flexibility in responding to our business needs. The installation in Ireland has been delivered within the agreed timeframe and budget and we are therefore confident to take the next step in the planned European rollout," says David Walker, Group CIO at PaperlinX.

SOLUTION FOR 4 000 USERS

The IBS-PaperlinX agreement covers terms and conditions for the planned installation of the specialized, supply-chain-focused IBS ERP solution for the paper and packaging industry throughout PaperlinX European operations, with a total of approximately 4 000 users. The solution covers CRM and sales order management, distribution and warehousing, planning and forecasting, SRM and procurement, financial management, business intelligence and performance measurement.

PAPERLINX IN BRIEF

Region: Global; Head Office in Melbourne, Australia

Operation: Manufacture, distribution and retailing

Products: Fine and packaging papers

Employees: 10 000 in 30 countries

Sales: AUD 7 413 million

Web site: www.paperlinx.com

Text: Steven Hahn Photo: Courtesy of PaperlinX

New major agreements signed with IBS Central Europe in 2006 included: Wegener (financial and procurement system), Fruytier (wood vertical industry), Southern Syringe (healthcare distribution), Smart Systems (window manufacturing and distribution), Descours & Cabaud, and extended international installations for Miele in Hungary, Scandinavia and Australia.

Major projects in 2006 included an installation in Ireland for PaperlinX, along with rollouts and implementations of systems across various vertical industries for CRAS Wood, Dana Spicer, Carta Mundi, Rexel and Fricke. IBS Central Europe also completed its joint development of advanced workshop planning systems at Rüttchen Groep, a group of Dutch car and truck dealer companies.

IBS competes with local competitors such as Coda, RAET, Strategix, Kerridge, Infor partners and MSP and with major international business solution companies.

Area President Mark Cockings

MD UK Simon Shorthose	**MD Belgium** Jos Vanhoutte	**MD Netherlands** Harrie Gooskens	**MD Germany/ Switzerland** Lukas Hostettler	**MD Poland** Dariusz Wesolowski

IBS South Europe and South America

Area President Luis Costa

SEK m	**2006**	**2005**
Total revenue	337	332
Operating profit*	39	-5
Number of employees	352	386

* Excl. restructuring costs

The newly formed IBS South Europe and South America area developed well during the year. Among other benefits, the organizational changes resulted in closer cooperation across national borders and the joint utilization of various resources. As a result of a consolidation in the IT area, the number of servers was reduced during the year. Expansion of the Porto Data Center in Portugal enabled a merger of centralized services such as internal financials, demo environments and development work throughout the area.

Markets for business solutions in South Europe and South America reflected the recovering general economies of the nations included in this IBS area. During 2006, the economic landscape in nearly all of these countries showed the impact of elections either held in 2006 or coming in 2007. GDP growth rates were low for most of the area, hovering in the 2 or 3 percent range. In spite of the generally low-key economies, IBS won some solid sales and either fulfilled or continued large-scale projects during the year. Major sales in the area occurred across a range of vertical industries. These included: SB Comercio in Brazil (pharmaceuticals), Albis in Peru (pharmaceuticals), Alcyon (pharmaceuticals), Dismo (electrical products) and Descours & Cabaud (industrial supplies), all in

CIN paints a profitable picture with IBS

Changing strategy to confront the future is easy. The difficult thing is to find the right solution, at the right time, with the right partner – a feat that CIN managed with flying colors and help from IBS software. No matter what color a customer asks for at one of CIN's 70 shops in Portugal, the paint manufacturer is likely to answer, "We have it.".

CIN (Corporação Industrial do Norte) is the Iberian leader in the paint and varnish market, with products divided into decorative, industrial, car repainting, anticorrosives and accessories segments. The CIN Group includes several companies, with plants in Iberia, Africa and Cape Verde, and exports to Germany, France and China.

NEW NEEDS

CIN needed to standardize procedures and define a new business model that would take into account CIN's activities and objectives, as well as changes in the world market. The new strategy required CIN to modernize its ERP solutions for global planning.

The most effective and flexible response was integrated supply chain management software from IBS. "Apart from being the best product, it continued the trust that had already existed between the two companies for more than 10 years," says Luís Pinto, IT director of the CIN Group.

COMPLEX PROJECTS

CIN's presence in both Portugal and Spain required a multilingual application that complied with Portuguese and Spanish fiscal aspects. IBS Iberia's expertise in both languages and in regulatory compliance for both countries handled the challenge.

Different departments at CIN had to go live at different times, with specific software adaptations for their own requirements and priorities. Integrating all of the systems was not only crucial but complex. Including software, hardware, support and training, CIN invested nearly EUR 3.5 million in the project, and is now about to achieve a return on its investment.

CIN IN BRIEF

Region: Portugal, Spain, Angola, Mozambique and Cape Verde (and exports to Europe)

Operations: Manufacture and marketing

Products: Paint, varnish and similar products

Customers: Companies and end consumers

Order lines: 3.5 million a year

Employees: 1 200 in Portugal and Spain

Sales: EUR 178 million (2005)

Web site: www.cin.pt

Text: Paulo Farinha Photo: António Sá

France; Omeofarma (pharmaceuticals) and Minetti (wholesale) in Italy; Casa das Lâmpadas (electrical products) and Simoldes (automotive spare parts) in Portugal; and Mar de Paginas (publishing) in Spain.

Major customer projects in the area included IBS Pharma projects at Cofas (Spain), Alcyon (France), AFM/Celesio (Italy) and Audifar (Brazil). Other projects included a new business intelligence installation at Industrias Haceb in Colombia (electrical products) and an international effort at Simoldes locations in Portugal, France, Poland, Brazil and Romania.

Area President Luis Costa

MD France	**MD Iberia**	**MD Italy**	**MD Brazil**	**MD Colombia**
Isabelle Zapillon	Richard Marques	Antonio Gaboardi	Marco Esteves	Esteban Venegas Dávila

IBS competes in this area with both local companies in the respective markets and with major international business solutions companies.

IBS North and Central America

Area President Barry Christian

SEK m	**2006**	**2005**
Total revenue	181	135
Operating profit*	24	10
Number of employees	124	97

* Excl. restructuring costs

The reorganization of IBS operations in this area during 2006, to form the new IBS North and Central America area, contributed to a strong earnings performance during the year. IBS North and Central America attained new records in profits and sales in 2006. Against this positive background, the business unit was able to invest new resources in product development, IT infrastructure and project management. The prospects for 2007 remain favorable. Continued healthy new sales, combined with already sold projects, are expected to contribute to another strong year in the area.

The North American market entered its fifth year of economic expansion. Long-term capital investments have been spurred by low inflation, low interest rates and low unemployment, with companies willing to stake investments in new or enhanced ERP and SCM solutions. In Central America, the Mexican economy showed improvements over prior years, and 2007 is expected to produce higher figures for export value, capital investments and other key economic indicators. IBS operates now as a single group in North and Central America, with all marketing, sales, consulting, research and development, and administration handled within one management structure.

The IBS area signed agreements with a large number of new customers in both local and international vertical industries.

Power & Signal is well equipped for the future

When it comes to technology, Power & Signal Group is one of the world's top distributors, delivering billions of electronic parts around the world. When the company had to move to a new software system, it had to move fast.

FAST IMPLEMENTATION REQUIRED
The company had just been acquired by Arrow Electronics, Inc. and needed to transition off its previous owner's software. Power & Signal Group had a fixed deadline. Once a decision to switch IT systems was made, the company had to implement it in eight months. "The decision had to be: what was the right package that gave us what seemed like the most benefits, in a short implementation time, and within a reasonable budget," explains Shana Bloom, who served as project manager. The company's choice for an ERP system was the IBS supply chain management solution. Bloom says an important factor was that IBS caters more to distribution companies.

WORLDWIDE DISTRIBUTION
As the global distribution arm for Delphi Connection Systems, Power & Signal Group supplies a complete line of high-performance connection and wiring system components for all types of vehicles. With two standalone facilities – in the US and Germany – and a third-party logistics operation in China, Power & Signal Group has to keep track of 18 000 SKUs in its inventory and distribute more than three billion parts annually to more than 4 000 'ship-to' locations in some 40 countries.

BENEFITS FROM DAY ONE
The IBS solution provided immediate benefits: the distribution center became paperless; multiple currency functionality was enhanced; and employees could use a single software package across the company. The solution also supports both European and US businesses, which have completely different legal and business reporting requirements – another important benefit.

AN INTEGRATED SOLUTION
The move to an ERP solution from more specialized systems has given Power & Signal Group an integrated system for the first time. The company has added new modules and upgrades, working closely with IBS throughout the process.

POWER & SIGNAL IN BRIEF

Region: Global operations

Operation: Delphi Connection Systems' extended arm internationally

Products: High-performing connection and wiring system components for vehicles

Customers: Global transport industry

Number of units: 3 (Power & Signal Group World, head office in Cleveland, Ohio, USA; Power & Signal Group GmbH, European head office in Hilden, Germany; and, Power & Signal Group Arrow Electronics Distribution Ltd. in Shanghai, China)

Web site: www.powerandsignal.com

Text: Kathleen Saal Photo: Courtesy of Power & Signal

Major sales were recorded with distributors and/or manufacturers in the following segments: paper, packaging and office supplies (Victory Packaging), food (Humboldt Creamery), publishing (EMC Paradigm Publishing and Merriam Webster), industrial supplies (Amarillo Hardware) and automotive spare parts (Tonkin Parts Center).

IBS North and Central America initiated a number of major customer projects during 2006 across a spectrum of industry segments, including those at Maxell, Drogueria Betances, Republic Beverage and American Hotel Register.

Area President Barry Christian	
MD USA Barry Christian	**MD Mexico** John Taylor

As with other IBS areas across the world, market competition consists of both international and local players.

IBS Asia Pacific

Area President Rajiv Parrab

SEK m	**2006**	**2005**
Total revenue	214	212
Operating profit*	3	25
Number of employees	211	211

* Excl. restructuring costs

IBS operations were merged into the new IBS Asia Pacific area during 2006. This restructuring enabled a reallocation and redirection of resources in this region, in part by integrating the acquired publishing and automotive units with IBS' existing operations focusing on the IBS Enterprise business solution. The integration mainly involved utilization of joint premises and IT infrastructure, as well as fully integrated marketing, sales and other key processes.

The IBS Asia Pacific market embraces a wide geography and an array of cultures, economies and requirements. Australia, India, China, Japan, Indonesia and Vietnam are included in this IBS area, along with markets in South Africa and the Middle East. The main challenge for building business in this region is the number of different cultures and business environments to deal with, all while maintaining a stable and profitable business in the short term.

Most of the revenues in this area derive from customers in Australia and New Zealand. During 2007, the area plans to increase sales by focusing on selling products and services to specific vertical industries. The area's consultants are highly skilled and represent a variety of backgrounds, nationalities and cultures. This diversity provides IBS with excellent opportunities for continued growth in the area.

Customers are mainly distributors and wholesalers in IBS' specialty areas, meaning selected vertical industries. Customers include Maxell Corporation (electronics), Sigma Corporation (pharmaceuticals), Pearson (publishing) and Hino (automotive).

Action-packed delivery for Australian distributor

Harper Entertainment Distribution Services (HEDS) built a new distribution center in only five months, implementing a materials-handling system and IBS Bookmaster, an ERP solution tailor-made for the publishing sector.

HEDS is a subsidiary of HarperCollins Publishers, part of the global News Corporation group. HarperCollins Australia owns HEDS, a 3PL distributor for client publishers and the exclusive distributor of DVDs for a major film company.

HarperCollins' new distribution facility in Sydney focuses on home entertainment products. Previous distribution of both DVDs and books was done at a single location, which was running out of capacity.

LOWER COSTS, INCREASED EFFICIENCIES AND SHORTER LEAD-TIMES

A separate DVD distribution operation facilitates HEDS' handling of weekly releases of DVDs instead of the monthly releases for books. HEDS also needs to provide low-cost service within an efficient and lean supply chain. DVD sales continue to grow worldwide while prices have decreased. To remain competitive, major film studios and their supply chain partners like HEDS must constantly reduce costs while maintaining high quality, reliable service and fast turnaround for retailers.

With a manufacture-to-delivery process that is measured in days, DVD distribution is like a non-stop action film. HEDS receives retailer orders for backlist titles by midday and dispatches them the same day. A seasonal upswing increases the pace: with annual volumes of 30 million units, 55 percent of all products are distributed from HEDS in the final four months of the year.

UP AND RUNNING IN FIVE MONTHS

HEDS selected IBS Bookmaster and an RDS materials-handling system for its new warehouse, using a combination of pick-to-light and RF carton picking, along with enhancements of the IBS solution's Warehouse Management System. New staff were employed and trained in software, systems and procedures within five months.

The enhancements were aimed at optimizing warehouse efficiency. For example, to control inventory movements, the project team created a subset of picking zones to increase flexibility in workflows from day to day. Other modifications enabled product cubing, carton-weight verification and the ability to split an order between bulk RF carton picking and the pick-to-light system.

BENEFITS AND VALUE

IBS Bookmaster's functionality is enabling HEDS to provide speedy, cost-effective distribution. Features such as zone picking, cubing, pick-to-light and built-in quality assurance have eliminated repacking, accelerated order fulfillment, eliminated errors and raised quality and customer satisfaction.

Because IBS Bookmaster is fully integrated with functions for financials, sales and other areas, HEDS gains business intelligence that supports business decisions and provides supply chain visibility.

HARPER IN BRIEF
Region: Australia
Operation: 3PL distribution
Products: Books and DVDs
Employees: 140 to 250 at peak
Sales: AUD 250 million
Web site: www.harpercollins.com.au

Text: Edith Crnkovich Photo: Gusha Visual Media Pty Ltd

The area's automotive and publishing customers include some of the largest and most successful corporations in the world.

IBS Asia Pacific recorded a wide range of new installations and upgrades during 2006. Due to the worldwide change in publishing industry standards from 10-digit International Standard Book Numbers (ISBNs) to 13-digit ISBNs, IBS implemented several upgrades of IBS Bookmaster. Customers for IBS Bookmaster included McGraw-Hill, Lexis Nexis, Pearson, Harcourt Education and Macmillan Distribution. In the automotive industry, IBS cooperates with customers such as Audi, Volkswagen and Subaru in Australia.

The Asia Pacific area undertook a number of large-scale projects for IBS Enterprise during 2006, including system rollouts at Laminex Group New Zealand and Laminex Western Australia as well as IBS NetStore and web services implementations at Sigma Pharmaceuticals and Miele Australia. Other projects included a McPhersons Australia upgrade, a global integration project for Maxell Japan and Asia, and a leasing module for Mimos Smart Computing, a major computer manufacturer/distributor in Malaysia.

Area President Rajiv Parrab

MD Australia	**MD Asia**
Rajiv Parrab	Benjamin Goh

The IBS share

The IBS share was listed on the Stockholm Stock Exchange on May 20, 1986. Recalculated after splits, the introductory price was SEK 2.80. During 2006, the IBS share value increased by 7% and on December 31, 2006, the closing share price was SEK 26.20.

Market trends and liquidity

The value of the IBS share increased during 2006 by 7% and the highest closing price was SEK 32.80, noted on May 9; the lowest was SEK 18.40, noted on November 15 as the final quotation. The yearly turnover of the IBS share increased during 2006 and amounted to SEK 2.4 billion. The average daily turnover was SEK 9.8 m and IBS' market value on December 31 was SEK 2 190 m.

Ownership structure

On December 31, the number of stockholders amounted to almost 9 000, most of whom resided in Sweden. Swedish resident stockholders held 58% of the total capital, with private owners holding 19% and Swedish-registered institutions possessing 39%. The largest shareholders accounted, at year-end, for 32% of the capital and 49% of the votes.

Share capital

IBS share capital is divided into 3 150 000 A shares and 80 458 030 B shares. Class A shares entitle the holder to 10 votes per share and the class B shares to one vote per share. Both class A and class B shares have a quota value per share of SEK 0.20, which gives a registered share capital of SEK 16 721 606.

Listing

The IBS share is listed on the Stockholm Stock Exchange's mid-cap list. A round trading lot consists of 500 shares.

Warrants program

A warrants program that included 4 million warrants expired in May 2006. The subscription value was SEK 7.66, with all warrants to be exercised for new subscriptions of shares, which resulted in a dilution of 4 million B shares and an increased equity of SEK 30 m. The warrants program was issued during 2003 and was directed towards management and key personnel within the Group. The subscription price for warrants was calculated at market value, according to Black & Scholes' price-setting model for financial instruments, and was SEK 2.26 at the time of issue.

No further warrants programs are operative at this time.

Share price for tax purposes

The IBS B share is not liable to Swedish wealth tax and has thus no tax return value.

Dividend policy

The Board's long-term goal is to distribute at least 20% of the after-tax profit in the form of dividends. When proposing dividends, the Board takes into consideration the company's requirements for consolidation, liquidity and capital for future expansion. Bearing this in mind, the Board proposes that no dividend be paid for the financial year 2006.

One-time dividend

During the year, a one-time dividend of SEK 2.00 per share was paid for 2005.

Acquisition of own shares

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

Given IBS' strong financial position, the Board of Directors decided in June to authorize executive management to repurchase shares on appropriate occasions up until December 31, 2006, for a total sum of up to SEK 50 m. Acquisitions have been made on the Stockholm Stock Exchange at a price within the, then-current, registered price range.

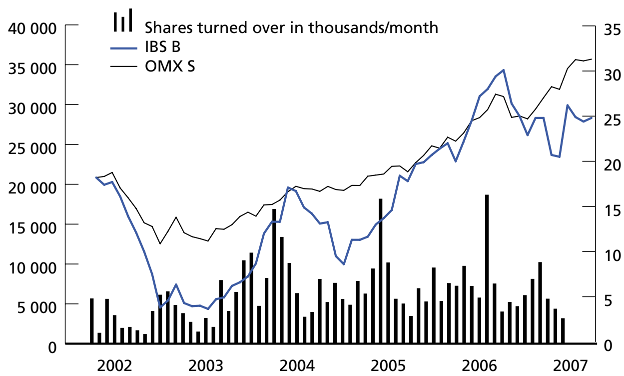
As of December 31, 2006, IBS had repurchased 2 076 300 shares at an average price of SEK 21.41 per share. The total purchase price for these shares was SEK 44.5 m.

The Board decided in February 2007 to prolong the authorization to executive management to repurchase shares up until the AGM in May for the previously determined sum of up to SEK 50 m, which was fulfilled during the first quarter.

Shareholder service

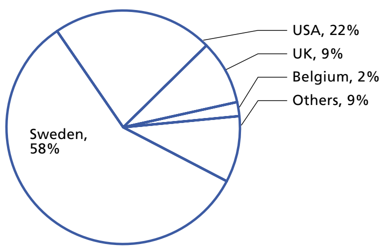
The IBS website www.ibs.net presents information on the IBS share price trend, as well as analysts, interim reports, annual reports and press releases. The information is updated regularly.

In connection with the first distribution of financial information, IBS offers all shareholders the opportunity to decide whether they want to continue receiving this information by post.

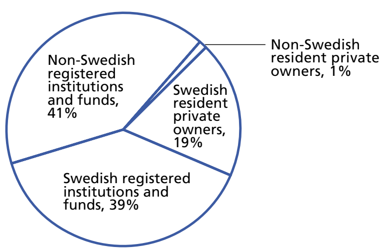


	2006	2005
Average number of shares (thousands)	82 608	79 608
Total number of warrants (thousands)	-	4 000
Earnings per share	-0.09	7.81
Cash flow per share	0.64	1.01
Stock price at year-end	26.20	24.50
Proposed dividend per share	-	2.00
Average share price	26.04	18.97
Market capitalization (SEK m)	2 190	1 950

Ownership per the largest countries, December 31, 2006 (votes)



Ownership structure, December 31, 2006



Distribution of shareholdings*

Size	No. of owners	Owners %	No. of shares	Capital %
1 – 1 000	6 057	67.4	2 528 941	3.0
1 001 – 10 000	2 451	27.3	8 675 174	10.4
10 001 – 100 000	393	4.4	11 742 888	14.0
100 001 – 1 000 000	66	0.7	22 615 795	27.1
1 000 001 –	15	0.2	38 045 232	45.5
Total	**8 982**	**100**	**83 608 030**	**100**

The largest shareholders per December 31, 2006*

Shareholder	A shares	B shares	Holding %	Votes %
Deccan Value Advisors	1 475 000	3 927 000	6.5	16.7
Catella Investments	1 475 000	2 999 180	5.4	15.9
Case Fonder		4 994 500	6.0	4.5
Gunnar Rylander and company		2 392 000	2.9	2.1
IBS AB		2 031 300	2.4	1.9
Lars Nyberg	200 000	0	0.2	1.8
Tanglin		1 845 000	2.2	1.6
Didner och Gerge Aktiefond		1 800 000	2.2	1.6
Östersjöstiftelsen		1 261 000	1.5	1.1
Livförsäkringsaktiebolaget Skandia		1 218 500	1.5	1.1
Catella Fonder		1 000 000	1.2	1.0
Total, largest owners	*3 150 000*	*23 468 480*	*31.8*	*49.1*
Other		56 989 550	68.2	50.9
Total	**3 150 000**	**80 458 030**	**100**	**100**

Share capital development

Year	Share capital	No. of A shares	No. of B shares	Event
1978	50 000		1 000	IBS founded
1984	50 000	1 000	9 000	Split 10:1
1984	80 000	1 000	15 000	New issue of B shares 1:3 and 1:5
1985	7 200 000	90 000	1 350 000	Bond issue 89:1
1986	8 550 000	90 000	1 620 000	New issue of B shares 1:5
1989	10 260 000	90 000	1 962 000	New issue of B shares 1:5
1989	10 418 000	90 000	1 999 500	New issue of B shares via convertible notes
1990	10 696 000	90 000	2 049 204	New issue of B shares via convertible notes
1996	11 571 020	90 000	2 224 204	Directed new share issue
1997	11 571 020	450 000	11 121 020	Split 5:1
1997	13 867 418	540 000	13 327 418	New share issue 1:5
1998	14 823 306	630 000	14 193 306	New share issue 1:6
2000	15 323 306	630 000	14 693 306	Directed new share issue
2000	15 323 306	3 150 000	73 466 530	Split 5:1
2000	15 821 606	3 150 000	75 958 030	Conversion of warrants
2001	15 921 606	3 150 000	76 458 030	Non-cash issue of B shares
2006	16 721 606	3 150 000	80 458 030	Conversion of warrants

* Information from VPC (Swedish Central Securities Depository).

IBS five-year summary

SEK million	2006	2005	2004	2003[1]	2002[1]
Income statement					
Total revenue	2 278.0	2 376.0	2 364.1	2 400.7	2 517.1
Gross profit	859.0	854.9	844.0	818.9	863.8
Operating profit	-6.6	639.2	65.9	26.7	-179.4
Operating profit[2]	112.4	68.1	65.9	26.7	-43.1
Profit after financial items	-6.2	653.7	55.8	18.4	-198.8
Tax	-1.1	-31.6	-24.4	25.0	-2.1
Net profit for the year	-7.3	622.1	31.4	42.6	-195.7
Balance sheet					
Intangible assets	740.4	689.5	412.6	358.5	338.6
Tangible assets	97.5	104.1	93.8	123.8	130.3
Financial assets	163.3	150.9	139.5	101.3	55.8
Inventories	8.5	6.8	2.9	6.5	5.2
Current receivables	845.3	820.7	769.7	698.0	876.4
Cash and cash equivalents	405.4	676.4	153.5	144.9	169.3
TOTAL ASSETS	2 260.4	2 448.4	1 572.0	1 433.0	1 575.6
Total equity	953.2	1 173.1	525.8	569.4	517.8
Long-term liabilities	174.5	171.8	79.0	96.4	99.0
Short-term liabilities	1 132.7	1 103.5	967.2	765.6	949.3
TOTAL EQUITY AND LIABILITIES	2 260.4	2 448.4	1 572.0	1 433.0	1 575.6
Cash flow analysis					
Cash flow from operating activities	53.2	80.5	84.9	118.2	98.2
Cash flow from investing activities	-142.1	330.1	-124.5	-129.6	-91.9
Cash flow from financing activities	-166.1	104.5	50.8	-3.0	7.5
Cash flow for the year	-255.0	515.1	11.2	-14.4	13.8
Translation differences in liquid asset	-16.0	7.8	-2.6	-10.0	-4.6
Cash and cash equivalents, end of year	405.4	676.4	153.5	144.9	169.3

[1] Not recalculated to new accounting principles according to IFRS. The required adjustments to conform to IFRS reporting mainly relates to goodwill, which is not depreciated according to IFRS.

[2] Excluding restructuring costs and capital gain from sale of subsidiaries.

Key figures and data per share

	2006	2005	2004	2003[1)]	2002[1)]
Key figures					
Average number of employees	1 873	1 874	1 915	1 963	2 169
Revenue per employee (SEK thousand)	1 216	1 286	1 235	1 223	1 161
Value added per employee (SEK thousand)	638	1 043	717	669	557
Operating margin %	-0.3	26.9	2.8	1	-7
Operating margin %[2)]	4.9	2.9	2.8	1.1	-1.7
Capital turnover ratio	1.0	1.2	1.6	1.6	1.5
Return on total capital %	0	33	5	2	-11
Return on capital employed %	0	54	8	4	-21
Return on equity %	-1	73	6	8	-31
Ratio of risk captal %	43	49	34	40	34
Liquidity %	110	136	95	110	110
Equity to total assets ratio %	42	48	33	40	33
Interest cost cover ratio	0	68	6	2	-12
DSO (Days of sales outstanding)	62	56	57	55	64
Key figures per share					
Earnings per share	-0.09	7.81	0.39	0.54	-2.46
Earnings per share after dilution	-0.09	7.58	0.39	0.53	-2.46
Adjusted equity	11.31	14.74	6.60	7.15	6.50
Adjusted equity after dilution	11.31	14.67	6.75	7.35	6.50
Cash flow from operating activities	0.64	1.01	1.07	1.48	1.23
Cash flow from operating activities after dilution	0.64	0.98	1.05	1.48	1.23
p/e ratio	neg.	3.14	32.96	24.85	neg.
p/e ratio after dilution	neg.	3.23	33.54	25.01	neg.
Dividend	-	2.00	-	-	-
Share data					
Stock price at year end	26.20	24.50	13.00	13.30	4.30
Average stock price	26.04	18.97	13.48	8.27	10.37
Market capitalization (SEK million)	2 190	1 950	1 036	1 059	342
P/S (market cap./total revenue)	0.9	0.8	0.4	0.4	0.1
Average number of shares (thousands)	82 608	79 608	79 608	79 608	79 608
Average number of shares after dilution (thousands)	83 333	82 026	81 023	80 122	79 608
Total number of shares (thousands)	83 608	79 608	79 608	79 608	79 608
Total number of warrants (thousands)	-	4 000	9 000	9 000	5 000

1) Not recalculated to new accounting principles according to IFRS. The required adjustments to conform to IFRS reporting mainly relates to goodwill, which is not depreciated according to IFRS.

2) Excluding restructuring costs and capital gain from sale of subsidiaries.

Corporate governance in IBS

Swedish Code of Corporate Governance
IBS applies the Swedish Code of Corporate Governance to the 2006 Annual Report. According to the Code, one basic principle is that the rules are to be complied with or explained.

Articles of Association
The Company's registered name is IBS AB and it is a public limited liability company with its head office in Stockholm. The Group's operations comprise producing and selling computer-based business systems, selling computer equipment, providing technical, financial and organizational consulting services, providing financing services, managing real estate and chattels, and conducting other associated operations.

The Company's share capital shall amount to not less than SEK 10 m and not more than SEK 40 m. The share's par value is SEK 0.20 (previously called nominal amount). Shares shall consist of two types, designated Series A shares and Series B shares. Of Series A shares, not more than 5 000 000 shares may be issued. Other shares shall be Series B shares. Series A shares represent 10 voting rights each and Series B shares represent one voting right each.

The Board of Directors comprises no fewer than three and not more than eight members with not more than three deputy members. Board members and deputy members are elected annually at the Annual General Meeting for the period until the close of the next Annual General Meeting. The Company's fiscal year is the calendar year. The Company's auditors are elected by the Annual General Meeting for the period until the close of the Annual General Meeting that is held during the fourth fiscal year following the election of auditors. The Meeting shall thereby elect a minimum of one and not more than two auditors, with or without deputy auditors, or a registered public accounting firm. The Articles of Association includes matters that shall be addressed at the Annual General Meeting, regulations pertaining to notification of the Annual General Meeting, registration, and the rights for participants to be accompanied by advisors at the Annual General Meeting. The Articles of Association can be read in their entirety on www.ibs.se or www.ibs.net.

Annual General Meeting
The IBS Annual General Meeting is held within six months of the close of the fiscal year. All shareholders who are registered in the shareholders' register and have registered for participation in time are entitled to participate in the Meeting and vote for their total shareholdings. A proxy can represent a shareholder who cannot or does not wish to attend.

Shareholders' right to submit proposals
All shareholders are entitled to submit proposals for the Annual General Meeting agenda. Instructions on how proposals are to be submitted and deadlines are found on IBS' website www.ibs.net under Investor relations/Corporate Governance/Annual General Meeting.

Nomination Committee
The nomination of the Board members that are proposed for election at the 2007 Annual General Meeting shall occur according to the following principle. In accordance with a resolution made at the Annual General Meeting in May 2006, a Nomination Committee was elected on September 30 comprising the four largest shareholders and IBS' Chairman of the Board. In accordance with the resolution passed at the Meeting, the composition of the Nomination Committee was adjusted for major ownership changes during the fourth quarter. As of January 17, 2007, Naveen Jeereddi, Tala Investments was replaced by George Ho, Deccan Value Advisors.

The Nomination Committee comprises Henrik Jonsson, Catella Investments (Chairman of the Committee), George Ho, Deccan Value Advisors, Måns Larsson, Silver Point Capital, Henrik Strömbom, Case Asset Management and Lars Nyberg, Chairman of the IBS Board.

The Committee's assignment is to prepare and present proposals for the election of the Chairman of the Annual General Meeting, the Board of Directors and the auditors to the 2007 Annual General Meeting. The Nomination Committee also proposes fees for the Board of Directors, Board committees and auditors, and submits proposals for the process pertaining to the new nomination process. The Nomination Committee held four meetings.

Prior to IBS' 2007 Annual General Meeting, the Nomination Committee decided to propose to the Annual General Meeting the re-election of Board members Lars Nyberg and Johan Björklund and the election of Vinit Bodas, Jan Jacobsen, Gunnel Duveblad and Pallab Chatterjee. Furthermore, it was proposed that Lars Nyberg be re-elected as Chairman of the Board.

Brief descriptions of the newly proposed Board members:

Vinit Bodas, 41 years, is currently Chief Investment Officer at Deccan Value Advisors. Bodas was formerly partner at Brandes Investment Partners in San Diego, California, USA. His academic qualifications include Master and Bachelor degrees in Commerce from University of Pune, India and an MBA from the University of Texas.

Jan Jacobsen, 56 years, currently works as an independent consultant and is a Board member at Case Investment AB, RAM ONE AB and Teknik Magasinet Holding Nordic AB. He also holds the position as the Chairman of the Swedish Basketball Federation. Previous professional experience includes more than 30 years within H&M Hennes & Mauritz AB, in which he was the Chief Financial Officer during the period 1982-2001. Jacobsen's academic qualifications includes a M.S. in Business, Economics & Law from the University of Gothenburg.

Gunnel Duveblad, 51 years, is currently a member of the Board of Nordea Bank AB (publ), Lekolar AB and W-Fun AB. Duveblad has experience as President of EDS North Europe and 25 years experience from IBM, including several years in executive positions. Her academic qualifications include studies in Computer Science at the University in Umeå.

Dr. Pallab Chatterjee, 56 years, is currently Executive Vice President and Chief Delivery Officer at i2 Technologies. He has previously held several executive positions at Texas Instruments including Senior Vice President of Research and Development. His academic qualifications includes a Bachelor of Technology degree in electronics and communication engineering from the Indian Institute of Technology as well as master's and PhD degrees in electrical engineering from the University of Illinois.

Shareholders representing approximately 52 percent of the voting rights in the Company have communicated their support of the proposals of the Nomination Committee.

Election of auditors
The 2004 Annual General Meeting elected the auditing firm KPMG Bohlins AB as the Company's auditors for the period until the 2008 Annual General Meeting. The authorized accountant in charge is Anders Malmeby.

Board of Directors
IBS Board of Directors comprises seven members that were elected at the Annual General Meeting in May 2006. No deputy members were elected and the President is co-opted at Board meetings. Company employees have participated in Board meetings in a reporting or administrative capacity. During 2006, the Board held 14 meetings, of which 12 were regular meetings in connection with press releases, interim reports, Annual General Meeting and budget approval. One of the Board meetings focused primarily on the company's strategic and long-term development and one meeting was a statutory meeting in connection with the Annual General Meeting. Meetings complied with approved agendas, which were preceded by proposals and documentation of each item on the agenda that was submitted to the Board of Directors. The Company's auditing firm, KPMG, presented its findings from the audit during the Board meeting in February 2006 and on March 23, 2007.

The Board's independence
According to the criterion contained in the Swedish Code of Corporate Governance, Stig Nordfelt is not considered independent in relation to the Company since he has been a Board member at IBS for more than 12 years. Furthermore, Johan Björklund is not considered independent in relation to the Company's major shareholder due to his employment at Catella Investments, which owns shares corresponding to more than 15 percent of the votes in IBS AB. Other Board members are considered independent.

Committees
The Board has elected committees to address matters pertaining to remuneration, audit and internal control, and the continuous communication with the Company's external auditors. The Remuneration Committee is charged with handling salary and pension issues for senior executives within the IBS Group. The Committee includes Sigrun Hjelmquist (Chairman), Lars Nyberg and Kai Hammerich. The Remuneration Committee held two meetings during the year.

The Audit Committee's assignment is to closely monitor accounting procedures in the Group, for example, pertaining to the valuation of essential asset items in the Group, and also to engage in an active dialogue with the Company's accountants. The Committee members are Elisabet Annell, Lars V. Kylberg (Chairman) and Stig Nordfelt. Accountant Anders Malmeby from KPMG participates in meetings held by the Audit Committee. The Company's Chief Financial Officer also participates in these meetings in a reporting capacity. The Audit Committee held five meetings during 2006.

Rules of procedure and instructions
At the statutory meeting of the Board of Directors on May 9, 2006, the rules of procedure were established. The Board's rules of procedure regulate the assignment of responsibilities between its members, the Chairman and President, obligations, meeting schedules and issues to be addressed by the Board. Furthermore, the Board has issued a written instruction for the President. The Board's assignment of responsibilities is based on the general rules of procedure in accordance with the Swedish Companies Act.

Evaluation of the Board of Directors and President
During 2006, the work of the Board of Directors and the President was evaluated in accordance with the Code instructions. An external consultant was commissioned to conduct the evaluation, which encompassed the work of the Board and the efforts of individual Board members during the year.

IBS Group Management
IBS Group Management comprises Erik Heilborn (President and CEO), Peter Tauberman (Acting Chief Financial Officer) (Per-Arne Sendrén's employment ended on March 21, 2007), Eva Bergenheim-Holmberg (Legal and HR), John Womack (Communications and IR), Henrik Stache (Sales and Marketing), Kjell Nilson (Products and Development), Ole Fritze (Global Operations), and the Area Presidents of the Company's five business areas: Esa Parjanen (Nordics), Mark Cockings (Central Europe), Luis Costa (South Europe and South America), Barry Christian (North and Central America) and Rajiv Parrab (Asia Pacific).

Internal control

Introduction
In accordance with the Swedish Companies Act, the Board is responsible for the internal control of the Company, which is also stated and clarified in the Swedish Code of Corporate Governance (the Code). This report was prepared in accordance with the Code and the guidelines prepared by FAR (Swedish Institute of

Authorized Public Accountants) and the Confederation of Swedish Enterprise. The organization of the internal control is described below, particularly pertaining to the financial reporting within IBS. The report does not include evaluation of the internal control, in line with changes in the Code that were communicated through instructions from the Swedish Corporate Governance Board in September 2006. The report is not part of the formal annual report documentation and has not been audited by the Company's auditors.

In short, the Code specifies that the Board shall ensure that the Company's organization, through the involvement of Company Management and other employees, is designed to facilitate the appropriate monitoring of accounting, financial reporting, such as quarterly reports and annual reports, and other aspects of the Company's financial situation.

Control environment
The basis for financial reporting is the control environment, which defines the foundation for internal control at IBS and includes the following:

- The Board's work processes. The Board's rules of procedure define the division of duties between the Board, Committees, Chairman and the President.
- Organizational structure. Roles, responsibilities and processes are clarified through organizational schedules and descriptions.
- Control documents. Through internal policies, handbooks, manuals and guidelines, instructions are given for the reporting and accounting of financial data, description of external accounting principles and other guidelines, such as financial and investment policies. Policies pertaining to HR, IT, communication and sales are also defined.
- Appropriate internal reporting. IBS' internal financial reports containing outcome, budget, forecast, analyses of essential key figures, sales and market analyses and the status of product development are provided on a regular basis to the Board and senior executives.
- Competent and reliable personnel. Measures to recruit, retain and further develop employees with appropriate qualifications must provide the potential for the operation's favorable development.

Risk assessment
During 2006, IBS commenced a review of the Company's processes in order to identify the manner in which the risk of errors in the financial reporting is handled. In this connection, high-risk items are identified in the income statement and balance sheet. Risks can be due to the complexity of the process or occur where the effects of potential risks could be considerable, in cases where transaction values are significant. IBS' Board has identified a number of processes where it is vital that risk management is described and developed further.

Control activities
Risk assessment results in a number of control activities aimed at handling the risks. For example, it is vital for IBS that approval, accuracy and completeness characterize the handling of contracts, invoices, revenue recognition, project follow-up, purchasing, payments, salaries and taxes and fees. There shall also be controls aimed at minimizing risks for the misappropriation of assets and of improper favors being granted at the expense of the Company. Subsidiaries must have appropriate processes for accounting, balance-sheet analysis and reporting. The process for the Group's external financial reporting (quarterly reports and annual reports) must be subject to control.

At the end of 2006, IBS' control environment and control activities were not yet fully documented based on the Board's ambitions. This work will be completed in 2007 and subsequently proceed to a maintenance phase.

Information and communication
IBS shall continuously inform employees of the status and outcome pertaining to financial developments. Company Management has compiled policies, guidelines and rules in electronic manuals on the Company's intranet. The updating of accounting procedures and principles, reporting and demands for published information are made available and accessible to appropriate employees on a continuous basis. There is an information policy for external communication and contacts with analysts, for example. Internal communication occurs via the intranet, and IBS' goal is for employees to understand the business operation and vision, and IBS' CORE values. Business areas report their income and business situation on a monthly basis to Company Management, in the form of structured reporting.

Follow-up
Management's follow-up of the functionality of the control structure is implemented in part through reports from controller visits. As a feature of the follow-ups, self-assessment was introduced in 2006 in the form of surveys conducted by subsidiaries. The Audit Committee receives continuous reports and assessments on the financial situation and continuously updates the Board in its entirety.

Evaluation – internal audit function
IBS uses controllers to monitor areas related to internal control pertaining to the financial reporting. The Board does not deem it necessary to establish a special internal audit function.

Board of Directors' report

The Board of Directors and the President of IBS AB (556198-7289) hereby submit the Board of Directors' report for the fiscal year 2006. IBS AB is a public limited liability company.

Information about the business

The Group

IBS offers integrated IT solutions and professional services that help customers within selected market segments to improve profitability and increase customer service. IBS business systems are specially developed for efficient supply chain management, customer relationship management, purchasing coordination, logistics, demand-driven manufacturing, integration, financial control and business analysis. Efforts to further develop industry-specific solutions for supply chain management continued during the year. Through its Parent Company, subsidiaries and business partners, IBS engages in the development, sale, installation, operation and maintenance of business systems. The Group also offers professional services and sales of computing equipment and network solutions. IBS has subsidiaries in a total of 22 countries. In addition, IBS cooperates with partners in an additional number of countries.

The Parent Company

The Parent Company, IBS AB (with registered office in Stockholm, Sweden) began its operations in 1978 and had 123 employees at December 31, 2006. The Parent Company manages and develops wholly or partly owned operating subsidiaries. Extensive development of new applications and maintenance of the Group's business system solutions is also conducted. Global marketing and sales support for international business are other important parts of operations. The Parent Company is financed primarily through management fees and royalties, as well as from dividends and Group contributions from subsidiaries. The number of shareholders at December 31, 2006 was nearly 9 000. The share capital is represented by 3 150 000 Series A shares and 80 458 030 Series B shares. The largest shareholders were Deccan Value Advisors, Catella Investments and Case Fonder.

The market

The investment climate for business systems and consulting services generally improved during 2006. The investments that were mainly prioritized were those that resulted in lower costs, improved customer service, integrated supply chains, improved financial control and management information. Demand for industry-specific business systems also increased during the year. Demand for IBS business systems and services continued to improve gradually in several markets during the year. It is primarily existing IBS customers that choose to upgrade or modify existing systems or to expand their installations to several companies. New customer sales are increasingly taking place in segments in which IBS is able to offer industry-specific business systems for such sectors as the pharmaceuticals, electronics, paper, food and automotive industries, as well as a number of local segments. Procurement periods remain long, however, and competition in general business systems is substantial. Market trends vary significantly between IBS' different geographic markets.

Significant events during the 2006 fiscal year

During 2006, IBS concluded a number of major software agreements with new customers, such as Dairy Fruit, Victory Packaging, Runsven, SELGA (Rexel), Sonepar Nordics and SB Comercio, and thus further strengthened its market position in the international market segments on which it focuses. In addition, about a hundred software agreements were concluded at the local level with new and existing customers. The cooperation with the paper distributor PaperlinX, including installation of IBS Enterprise in 18 countries, was intensified during the year through the deployment of a pilot installation in Ireland. Following a favorable evaluation of the pilot installation, PaperlinX made decisions during 2006 regarding continued installations, beginning in Germany and the UK.

April

Erik Heilborn became new President and Chief Executive Officer of IBS AB on April 1, 2006, succeeding Magnus Wastenson, who had been CEO since 2002. Erik joined IBS from a position as head of the Corporate segment within TeliaSonera Sweden. He had worked for TeliaSonera since 2001, when he was appointed President of Telia International Carrier. His previous experience included being President of Telenordia and various sales positions within Sprint International, BT Worldwide and Digital Equipment. Erik Heilborn has a degree in engineering from the Royal Institute of Technology in Stockholm.

June

In June, IBS divested four subsidiaries that were active in third-party software (Infor). The divested subsidiaries had operations in Denmark, France and Sweden, as well as parts of the operations of the IBS subsidiary GTM Consultatores in Spain. In total, the divestment comprised operations with approximately 45 employees. IBS received a cash payment of about SEK 28 m (EUR 3 m) for the subsidiaries, which resulted in a modest capital gain for IBS. The transaction was part of the streamlining of IBS in order to concentrate the operations on software solutions for selected verticals requiring retailing and supply chain management.

July

In July, IBS launched a new organizational structure and control model in order to increase efficiency and strengthen the offering to international customers. The new organization more accurately reflects the customers' organizations and also provides better potential for international coordination of development and other processes. The organization is divided into five geographical regions: Nordics, Central Europe, South Europe and South America, North and Central America and Asia Pacific. In parallel, two global functions – Products & Development and Global Operations – were established to optimize internal processes and facilitate the provision of improved customer service. The new organization and the control model have also sharpened the focus on selected market segments.

August

IBS' management conducted a comprehensive analysis of what would be required to improve profitability and to achieve the target of an operating margin of 10 percent as of 2008. A number of development areas designed to increase revenues and sharpen IBS' internal efficiency were identified, of which the single most important action was to reduce product development and programming costs. Using this analysis as a basis, the IBS Board decided at a Board meeting in August to implement an action program whose aims included a relocation of parts of product development and programming to mid- and low-cost countries. The action program resulted in a reserve for restructuring costs of SEK 120 m being charged against earnings for the third quarter. In 2006, SEK 29 m of this reserve was used for such actions as the discontinuation of offices (premature redemption) and personnel cutbacks (severance pay).

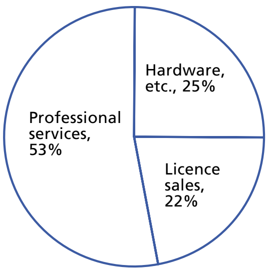
December

Rajiv Parrab became new Area President of IBS Asia Pacific, with responsibilities including IBS' operations in Australia, Singapore, Malaysia and China and the role of MD of IBS Australia. Rajiv Parrab, 51 years, joined IBS from a position as Chief Executive Officer of NGX Melbourne, Australia. In the past 20 years, he has held positions in charge of companies and senior executive positions involving sales, business development and product development for such companies as Citrix, Apple, IBM and CPH. Parrab's academic merits include a degree in engineering from the University of Waterloo in Canada.

Comments on the income statement

IBS' result after financial items in 2006 amounted to SEK -6 m (654). The result for 2006 includes restructuring costs of SEK 120 m and a capital gain of SEK 1 m from the sale of subsidiaries. Earnings for 2005 included capital gains of SEK 571 m on sales of subsidiaries. Excluding the aforementioned items, consolidated earnings in 2006 amounted to SEK 113 m, compared with SEK 83 m in 2005, making an improvement of SEK 30 m. The profit margin, excluding the aforementioned items, improved to 5.0 percent from 3.5 percent in 2005. Earnings improvements were achieved in such countries as France, Sweden and the US. The improvement in consolidated earnings resulted from such factors as higher capacity utilization in professional operations, but primarily from a much lower cost level.

Distribution of revenue streams



Software licenses

Software license sales declined somewhat (-1%) compared with the preceding year and amounted to SEK 512 m (519). New sales amounted to SEK 243 m, while renewal sales amounted to SEK 269 m. The decline in total license sales was primarily attributable to the divestment of subsidiaries, which occurred in June 2006. Another reason was a decrease in sales within IBS Automotive compared with 2005, while many subsidiaries, particularly those in Sweden and the US, showed an increase in license sales. IBS' main product, IBS Enterprise, and international industry-specific solutions showed double-digit growth in 2006, while local and third-party software noted a decrease in their share of IBS' total license revenues, due to the sale of non-core operations, such as IBS Public Service, subsidiaries focusing on the Mapics, Vertex and IBS Labsystem (the latter two were divested towards the end of 2005) third-party software. The license margin declined 1 percentage point from 92 percent to 91 percent.

License margin by quarter

	2006	2005	2004
Q1	91%	90%	88%
Q2	91%	94%	88%
Q3	92%	93%	86%
Q4	91%	92%	91%
Full year	91%	92%	88%

Professional services

Professional services decreased 3 percent to SEK 1 218 m (1 253). The decline was due primarily to the divestment of subsidiaries and personnel cutbacks in such countries as France, and within IBS Automotive. At the same time, the professional service margin rose by two percentage points to 23 percent as a result of an increase in capacity utilization.

Professional service margin by quarter

	2006	2005	2004
Q1	25%	23%	23%
Q2	23%	22%	20%
Q3	18%	18%	19%
Q4	26%	22%	24%
Full year	23%	21%	22%

Hardware and other revenue

Hardware and other revenue decreased by 9 percent to SEK 549 m (604). However, the gross margin rose to 20 percent (18).

The hardware market was marked by lower demand during the second half of 2006, which had an adverse impact on IBS' sales of hardware and other items.

Hardware and other margin by quarter

	2006	2005	2004
Q1	19%	17%	18%
Q2	20%	21%	22%
Q3	24%	17%	19%
Q4	18%	19%	18%
Full year	20%	18%	19%

Analysis of change in sales revenue

Sales decreased by 4 percent, compared with the preceding year. The change was due mainly to a combination of reduced hardware sales and personnel cutbacks, in line with the decision to implement a restructuring program to increase profitability. At the same time, the restructuring program resulted in more efficient utilization of the resources remaining in the IBS Group. Divestments and acquisitions in 2005 and 2006 had a positive net impact of 1 percent on sales.

During the year, the SEK appreciated relative to the IBS Group's currency basket, which meant that the sales and cost increases were one percentage point lower in fixed currency.

Analysis of revenue growth

	06/05	05/04	04/03
Volume increase (average no. of empl.)	-4%	-5%	-3%
Acquisitions/divestments	1%	0%	1%
Price and efficiency changes	0%	4%	1%
Internally generated growth	-3%	-1%	-1%
Effect of exchange-rate fluctuations	-1%	2%	0%
Effect of new IFRS principles	none	none	none
Total growth	-4%	1%	-1%

Operating cost excluding cost of goods and services sold

Operating costs during the year declined to SEK 745 m (787). The aforementioned costs did not include restructuring costs of

SEK 120 m (0) or capital gains of SEK 1 m (571) from sales of subsidiaries. Work to identify cost-efficient processes generated results. The divestment of companies during the year also affected operating costs. As a percentage of sales, operating costs were unchanged at 33 percent in 2006.

Operating costs as a percentage of sales

	2006	2005	2004
Product development costs	11%	10%	9%
Sales and marketing costs	10%	11%	11%
Administrative costs	12%	12%	12%
Total	33%	33%	33%

Parent Company

Total revenue in the Parent Company amounted to SEK 151 m (170), and earnings after financial items totaled SEK 27 m (658). These earnings included Group contributions of SEK 5 m (8) reported as dividends from subsidiaries, write-down of shares in subsidiaries of SEK -30 m (-63) and capital gains from the sale of subsidiaries amounting to SEK 7 m (612).

Comments on the balance sheet

Capitalized product development costs

Capitalized product development costs relate to software for the IBS Group's future product launches. During the year, SEK 371 m (339) was invested in product development, of which SEK 132 m (96) was capitalized.

In late 2005, the IBS Enterprise 6.0 business system was newly released. In 2006, work proceeded on expanding the functionality of the 6.0 release, which resulted in the releases of 6.20, 6.50 and 6.90. IBS also worked on a new Java interface. The development project involving a multiplatform version also proceeded during 2006. A test version of the Java-based business system will be installed, tested and evaluated in 2007.

Continued development of the Paper, Pharma, Rental, Publishing and Automotive vertical products also continued during the year. The aforementioned projects led to an increase in hours incurred in product development. Capitalized product development costs totaled SEK 280 m (204).

Goodwill and other intangible assets

Goodwill items amounted to SEK 423 m (436). The decrease was mainly attributable to translation differences pertaining to goodwill reported in foreign currency. Other intangible assets of SEK 31 m (43) were identified as customer relations and trademarks. Each intangible asset item is adjudged separately, as also shown in Note 11.

The Group's goodwill items have been analyzed individually. Impairment testing is based on a calculation of value in use. This value is based on estimated future cash flows, with figures for the first five years taken from the business plan established by Group management. The number of forecast periods is extended to infinity, with annual growth of 1 percent assumed for cash flows further in the future than five years. In calculating the present value of these flows, a risk factor was used that is based on the general risk premium of the market, the market's general view of the IBS share measured as a beta value and return requirements for borrowed capital. These factors are placed in relation to the IBS Group's capital structure. The forecast cash flows were calculated at present value using a discount rate of 11.6 percent before tax.

The test indicated that there was no need to recognize any impairment loss and that the recoverable value exceeds the value in use by a broad margin. Company management is of the opinion that no reasonable changes in the forecasts for the important assumptions would change the assessment.

Deferred tax assets

The IBS Group's taxable earnings are expected to improve further during the coming years, and actions have been taken to gradually even out surpluses and deficits. Most of the Group's loss carry-forwards have long or infinite durations. During the year, it was possible to utilize old loss carry-forwards in several countries. In view of the circumstances described here, IBS has capitalized the value for tax purposes of the Group's loss carryforwards. The Group's loss carry-forward amounted to SEK 479 m (475), all of which constituted the basis for capitalization of deferred tax assets. The value for tax purposes of capitalized loss carryforwards amounted to SEK 141 m (142). In total, the deferred tax assets amounted to SEK 146 m (135). This balance sheet item is specified in Note 23.

Current assets

Accounts receivable amounted to SEK 635 m (649). The volume of accounts receivable is linked to sales, which declined compared with the preceding year. Other receivables increased to SEK 191 m (158), due to a higher proportion of prepaid costs and to an increase in the number of projects in progress that had not yet been invoiced.

Inventories totaling SEK 9 m (7) consisted of hardware purchased on behalf of customers plus external software products for customers, which will be delivered and invoiced in early January.

Cash and cash equivalents decreased compared with the preceding year to SEK 405 m (676), due mainly to the dividend of SEK 167 m paid to shareholders in May 2006. Company shares were repurchased in an amount of SEK 45 m, which had a negative impact on cash assets, at the same time as the exercise of warrants increased cash assets by SEK 31 m. Product development activities had an adverse impact on cash flow.

Current liabilities

Accounts payable decreased to SEK 149 m (166) as a result of the reduced cost level in 2006 in relation to 2005. This also affected other current liabilities.

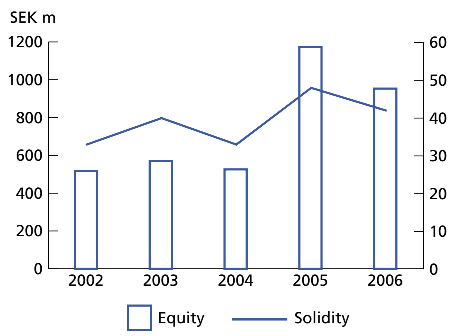
Liabilities to credit institutions

Total liabilities to credit institutions increased to SEK 470 m (459), due to increased acquisition credits.

Provisions

This item consists mainly of restructuring provisions of SEK 91 m (-). SEK 1 m is reported as a guarantee provision and SEK 9 m as a provision for pensions. Provisions are specified in Note 24 on page 65.

Financial position



Equity decreased by 19 percent to SEK 953 m (1 173), due mainly to dividend payments of SEK 167 m. The equity/assets ratio decreased to 42 percent (48). Cash and cash equivalents amounted to SEK 405 m (676) at year-end, excluding unutilized credit facilities totaling SEK 23 m (49). Liquidity decreased to 110 percent (136) compared with the preceding year. Interest-bearing liabilities amounted to SEK 440 m (459) at year-end. Interest-bearing liabilities at year-end amounted to SEK 470 m (459), of which liabilities to leasing companies accounted for SEK 27 m (29). In summary, it can be concluded that the IBS Group's financial position is strong.

Comments on the cash flow statement

Cash flow from operating activities, before changes in working capital, improved by SEK 18 m to SEK 158 m. Changes in working capital for the year affected cash flow by SEK -106 m (-59). Excluding divested companies, accounts receivable in the Group increased compared with 2005. This was because a higher proportion of customer invoices were sent at the end of 2006, when many major hardware and license transactions were invoiced. Cash flow from investing activities for the year amounted to SEK -142 m (330). The positive cash flow in 2005 was attributable to sales of subsidiaries that generated positive cash flow of SEK 650 m. The increase in investments in product development during the year had a negative impact on cash flow compared with the preceding year. Investments affected cash flow by SEK -134 m (97). Cash flow from financing activities amounted to SEK -166 m (105). The decrease was due largely to the dividend paid to shareholders.

Information on risks and uncertainty factors

The single largest revenue item within the IBS Group derives from professional services and accounts for 53 percent of net sales. With a large consulting organization and thus high personnel costs, the company is exposed to the risk of lower sales if the market declines. Accordingly, the analysis below focuses on revenue flows. Each component in the analysis was calculated separately based on the assumption that other parameters were unchanged.

Sensitivity analysis

Parameter	Change	Effect on operating earnings SEK m
No. of working days per year	+/- 1 day	+/- 6
Personnel costs	+/- 1%	-/+ 13
Professional services, hourly rate	+/- 1%	+/- 11
Utilization	+/- 1%	+/- 16
SEK/EUR	+/- 1%	+/- 1

IBS' business operations are primarily conducted by subsidiaries that apply standardized Group-wide contract terms. These terms are weighted to achieve a reasonable balance of responsibilities between IBS and the customers. The technical business risk in customer projects is limited significantly by the fact that the Group uses proven technology. In addition, the Group is insured for a portion of the subsidiary risk in conjunction with commercial commitments when installing business systems. Provisions for miscalculated projects and bad debt write-offs are made after individual risk assessment. Since hardware purchases in connection with customer projects are only made against firm customer orders, IBS normally incurs no price or obsolescence risk. Customer credit is normally only granted after credit rating. Like other change processes, the action program is associated with both opportunities and risks. Also refer to the section "restructuring reserves associated with action program" on page 43. Details relating to IBS' financial risks can be found in Note 21.

Significant estimates and assessments

When preparing the annual statements and the consolidated financial reports, the Board of Directors and the President make various accounting-related assessments and estimates pertaining to accounting principles and their application. Assumptions and assessments are usually based on historical experience as well as expectations concerning future events regarded as reasonable under current circumstances. If other assumptions and assessments were made, the results could differ and, naturally, the actual outcome could vary from the estimated outcome.

The estimates and assessments are reviewed regularly. Changes in estimates are reported during the period when the change is made, assuming that the change only affects that period, or in the period when the change is made and in future periods if the change affects both the current and future periods.

IBS has concluded that the estimates and assessments – in cases where changes in them could result in significant adjustments of the carrying amounts for assets and liabilities and for earnings – are those that are reported and discussed below.

Goodwill

The Group's goodwill is impairment tested every year. This is done by establishing the recoverable value of the cash-generating units on which the goodwill is allocated by calculating the value in use. When calculating the value in use, future cash flows are discounted; in addition, assumptions are made about future conditions. A more detailed account is presented in Note 11, where the carrying amount of goodwill SEK 423 m, is presented. The current-year impairment test of goodwill did not show an impairment need, since the calculated recoverable value exceeded the total carrying amount at the close of 2006. According to the Board of Directors and the President, no reasonable changes in the forecasts concerning the principal assumptions would give rise to an impairment requirement. If the conditions upon which these assumptions and estimates were based should change significantly above and beyond what was considered reasonable when preparing the accounts for 2006, this could have a significant effect on the value of goodwill.

Taxes

When preparing the financial reports, an assessment is made of the income tax for each tax jurisdiction in which the Group is active, as well as of deferred tax liabilities and deferred tax assets attributable to temporary differences and loss carry-forwards. On December 31, 2006, the Group reported deferred tax assets of SEK 146 m and deferred tax liabilities of SEK 11 m; see Note 23 for a more detailed description. Deferred tax assets attributable to loss carry-forwards are included in an amount of SEK 141 m. Deferred tax assets are recognized if the tax assets may be expected to be used to offset future taxable profits. In 2006, a not insignificant portion of previously capitalized deferred tax assets in loss carry-forwards was utilized. However, simultaneously during the year, mainly due to the year's restructuring measures, loss carry-forwards and deductible temporary differences resulted in new deferred tax assets. In the years ahead, taxable earnings in the IBS Group are expected to rise and actions will be taken to gradually equalize tax surpluses and deficits. Most of the Group's tax loss carry-forwards have a long or perpetual life. IBS' assessment is that deferred tax assets will probably be used to offset future taxable profits. However, changes in the assumptions regarding forecast future taxable revenues could result in material differences in the valuation of deferred tax assets.

Capitalized costs for development work
The carrying amount for capitalized expenditure for product development amounts to SEK 280 m. Following an impairment test performed as of the end of 2006, the conclusion was that there was no impairment requirement, based on assumptions regarding expected future cash flows related to capitalized product development. Software under development is subject to technological and market-related uncertainty, not least in terms of as yet unlaunched new functionality. According to management, these risks, to the extent considered reasonable, are being managed appropriately in terms of the valuation of capitalized development work and from an operational perspective.

Restructuring reserve pertaining to action program
The provision posted as a result of the action program approved in August 2006 in order to reduce product development and programming costs by relocating portions of such operations to mid- and low-cost countries entailed estimates regarding the timing and cost of the planned future activities. The most significant estimates pertain to personnel-related costs, such as costs for severance pay and other obligations resulting from lay-offs. Since such estimates are based, among other factors, on current assessments made in negotiations and similar discussions, the actual outcome could deviate from the previously made estimates. IBS has established procedures for controlling and following up the action program with the aim of achieving the desired result. In this connection, documentation was received for assessments of how the restructuring reserve should be handled in terms of the needs that result from a financial reporting perspective.

Personnel and non-financial profit indicators
The number of employees during 2006 was 1 851 (1 911), which was a reduction of 60. The number of professional employees was 1 057 (1 101). The average number of employees during 2006 was 1 873 (1 874), a reduction of one. Details on the number of employees in and outside Sweden, along with salaries, social costs and pensions, are presented in Note 2. IBS is a knowledge company whose success is highly dependent on the employees' competencies. Annual career-development talks ensure continuous skills development and enable an evaluation of work performance during the year. A system for a global mapping of competencies was implemented during the year, which means that IBS now has a sophisticated tool for the staffing of customer projects. An annual employee survey is conducted to assess job satisfaction and commitment. The employees' views on management, cooperation and competencies are also measured in the survey, on the basis of which local action plans are formulated. A project for identifying and highlighting IBS' CORE values – Customer focus, Openness, Respect and Excellence – was conducted during the year. Subsequently, each IBS unit, based on Group-wide material, was assigned responsibility for the local implementation process. For further HR information, refer to page 16.

Prospects for 2007
Market conditions for 2007 appear generally positive in most of IBS' international markets for software and professional services. However, IBS' hardware business is expected to be adversely affected by declining prices and thus lower volumes. The company's strategic orientation, including a streamlining of operations during recent years, combined with the focus on industry-specific solutions, has resulted in IBS' international software achieving a double-digit increase in its share of total revenues, while local and third-party products have shrunk. Example of verticals in which IBS anticipates sales growth and increased market share in the years ahead include pharmaceuticals, paper, electronics, publishing and a number of other niches at a local level. As a result of the action program, IBS anticipates an operating margin of about 7 percent for full-year 2007.

Share buybacks, share data
The Annual General Meeting on May 9, 2006 resolved to authorize the Board on one or more occasions, during the period until the next Annual General Meeting, to decide on the acquisition of the company's own shares. The authorization is subject to the restriction that the company's holding of treasury shares may not at any given time exceed 10 percent of all shares in the company. In view of IBS' strong financial position, the Board decided to authorize executive management to initiate on appropriate occasions the repurchase of shares in a maximum of SEK 50 m during the period up to December 31, 2006. Such acquisitions were conducted on the Stockholm Stock Exchange at a price within the registered share price interval on each occasion. By December 31, 2006, IBS had repurchased 2 076 300 shares at an average price of SEK 21.41 per share. Of these shares, 45 000 had been registered in the name of IBS AB by early 2007. For information on the number of shares, etc., reference is made to Note 22. The shares were repurchased for a total amount of SEK 44.5 m. The combined par value of these treasury shares is SEK 415 620 and they represent 2.5 percent of the share capital. The objective of the share repurchases is to adjust the capital structure and thus to create added value for the company's shareholders. According to a resolution passed at the Annual General Meeting in 2006, the acquired shares may also be used as payment for, or the financing of, company acquisitions.

Events after the close of the fiscal year
In February, the IBS Board decided to extend the executive management's authorization to repurchase shares for a total of SEK 50 m up to the 2007 Annual General Meeting. During the month of February, IBS repurchased shares with a value of SEK 5.5 m, which means that the authorization had been fully utilized.

Per-Arne Sendrén left his position as Executive Vice President and Chief Financial Officer on March 21, 2007. Per-Arne Sendrén had worked for IBS during 1985-1988 and since 1998, and in the capacity as Chief Financial Officer since 2002. Recruitment of a replacement has been initiated and will be completed during the months ahead. Peter Tauberman, Financial Director IBS Nordics, has been appointed acting Chief Financial Officer.

Proposed distribution of earnings
The following amounts are at the disposal of the Annual General Meeting:

Premium reserve SEK 29 839 700, translation reserve SEK -427 000, retained earnings SEK 442 476 108 and net profit for the year SEK 41 383 531, making a total of SEK 513 272 339. The Board of Directors proposes that no dividend be paid for the 2006 fiscal year and that the amount be distributed as follows: premium reserve SEK 29 839 700, translation reserve -427 000 and retained earnings SEK 483 859 639.

Group

Income statement

SEK million		2006	2005
Revenue			
Software licenses		511.8	519.4
Professional services		1 217.5	1 253.0
Hardware and other revenue		548.7	603.6
Total revenue	Note 1	**2 278.0**	**2 376.0**
Cost of revenue			
Software licenses		-44.1	-40.5
Professional fees		-935.1	-987.9
Hardware and other revenue		-439.8	-492.7
Total cost of revenue		**-1 419.0**	**-1 521.1**
Gross profit		**859.0**	**854.9**
Product development costs		-239.2	-242.8
Sales and marketing costs		-238.3	-259.2
General and administrative costs		-269.1	-284.8
Other operating income	Note 5	1.0	571.1
Restructuring costs	Note 24	-120.0	-
Operating profit	Note 1,2,3,4	**-6.6**	**639.2**
Financial items	Note 6		
Financial income		12.2	24.2
Financial expenses		-11.8	-9.7
Profit after financial items		**-6.2**	**653.7**
Taxes	Note 9	-1.1	-31.6
Net profit for the year		**-7.3**	**622.1**
Whereof majority owners share		-7.4	622.0
Whereof minority owners share		0.1	0.1
Earnings per share (SEK)	Note 22	-0.09	7.81
Earnings per share after dilution (SEK)		-0.09	7.58
Average number of shares (thousands)	Note 22	82 608	79 608
Average number of shares after dilution (thousands)		83 333	82 026

Balance sheet

SEK million **ASSETS**		2006 31 Dec	2005 31 Dec
Fixed Assets			
Intangible assets	Note 11		
Capitalized product development costs		280.1	204.2
Goodwill		423.0	435.8
Aquired software		6.2	7.0
Other intangible assets		31.1	42.5
		740.4	**689.5**
Tangible assets	Note 12	**97.5**	**104.1**
Financial assets			
Participations in associated companies	Note 15	0.2	0.4
Financial investments	Note 16	6.9	3.3
Other long-term receivables	Note 17	10.1	12.0
		17.2	**15.7**
Deferred tax receivables	Note 23	**146.1**	**135.2**
Total fixed assets		**1 001.2**	**944.5**
Current receivables			
Inventory	Note 18	8.5	6.8
Accounts receivable		635.2	648.7
Tax receivables		19.6	13.6
Prepaid expenses and accrued income	Note 19	159.2	122.9
Other receivables		31.3	35.5
Cash and cash equivalents	Note 20	405.4	676.4
Total current assets		**1 259.2**	**1 503.9**
TOTAL ASSETS		**2 260.4**	**2 448.4**

SEK million **EQUITY AND LIABILITIES**		2006 31 Dec	2005 31 Dec
Parent company shareholders			
Share capital		16.7	15.9
Other capital contribution		570.3	540.5
Transalation reserve		-9.7	21.9
Retained earnings incl. net profit for the year		374.9	592.9
Minority interests		1.0	1.9
Equity	Note 22	**953.2**	**1 173.1**
Liabilities			
Long-term liabilities			
Liabilities to credit institutions	Note 25	86.4	112.5
Deferred tax liabilities	Note 23	10.6	19.8
Provisions	Note 24	51.3	13.4
Other long-term liabilities		26.2	26.1
		174.5	**171.8**
Short-term liabilities			
Liabilities to credit institutions	Note 26	383.8	346.5
Provisions	Note 24	49.7	-
Accounts payable		148.5	165.7
Income tax liability		5.1	1.5
Accrued expenses and prepaid income	Note 28	445.2	493.9
Other liabilities		100.4	95.9
		1 132.7	**1 103.5**
Total liabilities		**1 307.2**	**1 275.3**
TOTAL EQUITY AND LIABILITIES		**2 260.4**	**2 448.4**

Information about the Group's pledged assets and contingent liabilities are enclosed in Note 29 and 30.

Change in equity

SEK million	Share capital	Other capital contribution	Translation reserve	Retained earnings incl. net profit for the year	Total	Minority interests	Equity
	Equty attributible to the parent company's shareholders						
Opening balance 2005-01-01	**15.9**	**540.5**	**-3.3**	**-29.1**	**524.0**	**1.8**	**525.8**
Translation differences for the year			25.2		25.2		25.2
Net profit for the year				622.0	622.0	0.1	622.1
Total equity transactions, excluding transactions with the company owners	**15.9**	**540.5**	**21.9**	**592.9**	**1 171.2**	**1.9**	**1 173.1**
Balance at 2005-12-31	**15.9**	**540.5**	**21.9**	**592.9**	**1 171.2**	**1.9**	**1 173.1**
Opening balance 2006-01-01	**15.9**	**540.5**	**21.9**	**592.9**	**1 171.2**	**1.9**	**1 173.1**
Translation differences for the year			-31.6		-31.6		-31.6
Net profit for the year				-6.4	-6.4	-0.9	-7.3
Total equity transactions, excluding transactions with the company owners	**15.9**	**540.5**	**-9.7**	**586.5**	**1 133.2**	**1.0**	**1 134.2**
Dividends paid to shareholders				-167.2	-167.2		-167.2
New share issue by warrants exercised	0.8	29.8			30.6		30.6
Own shares aquired				-44.5	-44.5		-44.5
Balance at 2006-12-31	**16.7**	**570.3**	**-9.7**	**374.9**	**952.2**	**1.0**	**953.2**

Cash flow analysis

SEK million		2006	2005
Operating activities			
Profit after financial items		-6.2	653.7
Adj. to reconcile profit after financial items to cash	Note 31	193.1	-489.3
Tax paid		-27.7	-24.5
Cash flow from operating activities before change in working capital		**159.2**	**139.9**
Changes in working capital			
Increase (-) decrease (+) in inventories		-2.2	-1.6
Increase (-) decrease (+) in current assets		-77.9	-9.1
Increase (+) decrease (-) in current liabilities		-25.9	-48.7
Cash flow from operating activities	Note 32	**53.2**	**80.5**
Investing activities			
Acquisition, intangible assets		-133.5	-96.7
Acquisition, tangible assets		-33.1	-34.8
Change, financial assets		4.1	-2.5
Acquisition of subsidiaries and operations	Note 33	-	-185.5
Sale of subsidiaries	Note 34	20.4	649.6
Cash flow from investing activities		**-142.1**	**330.1**
Financing activities			
Dividends paid to shareholders		-167.2	-
New share issue by warrants exercised		30.6	-
Own shares aquired		-44.5	-
New loans		14.9	104.5
Cash flow from financing activities		**-166.1**	**104.5**
Cash flow for the year		**-255.0**	**515.1**
Cash and cash equivalents, beginning of the year		**676.4**	**153.5**
Translation difference		-16.0	7.8
Cash and cash equivalents, end of the year		**405.4**	**676.4**

Parent company

Income statement

SEK million		2006	2005
Revenue			
Software licenses		8.6	15.0
Professional services		11.0	10.1
Hardware and other revenue		131.2	144.7
Total revenue	Note 1	**150.8**	**169.8**
Cost of revenue			
Software licenses		-3.9	-7.1
Professional services		-	-0.1
Hardware and other revenue		-	-
Total cost of revenue		**-3.9**	**-7.2**
Gross profit		**146.9**	**162.6**
Product development costs		-74.1	-80.5
Sales and marketing costs		-23.1	-36.5
General and administrative costs		-55.7	-36.8
Restructuring costs	Note 24	-20.5	-
Operating profit	Note 1,2,3,4	**-26.5**	**8.8**
Financial items			
Financial income	Note 6	28.6	38.7
Financial expenses	Note 6	-10.0	-7.9
Result from participations in subsidiaries	Note 7	46.9	607.1
Profit after financial items		**39.0**	**646.7**
Transfers from untaxed reserves	Note 8	-0.4	-3.2
Profit before tax		**38.6**	**643.5**
Taxes	Note 9	2.7	-15.1
Net profit for the year		**41.3**	**628.4**

Pledged assets and contingent liabilities

		2006	2005
Pledged assets	Note 29		
Corporate mortgages		0.3	0.3
Shares in subsidiaries		107.5	127.7
		107.8	**128.0**
Contingent liabilities	Note 30		
Guarantees, subsidiaries		**54.7**	**55.9**

Balance sheet

SEK million **ASSETS**		**2006 31 Dec**	**2005 31 Dec**
Fixed Assets			
Intangible assets	Note 11		
Capitalized product development costs		219.7	129.1
Aquired software		2.9	2.9
		222.6	**132.0**
Tangible assets	Note 12		
Equipment		5.4	2.7
		5,4	**2.7**
Financial assets			
Participation in subsidiaries	Note 13	496.0	507.5
Receivables from subsidiaries	Note 14	169.3	180.9
Deferred tax receivables	Note 23	42.7	38.1
Participations in associated companies	Note 15	-	-
Financial investments	Note 16	6.9	3.3
		714.9	**729.8**
Total fixed assets		**942.9**	**864.5**
Current assets			
Inventory	Note 18	**5.2**	**2.8**
Current receivables			
Accounts receivables		7.6	1.7
Tax receivables		2.1	2.5
Receivables from subsidiaries		169.1	214.7
Prepaid expenses, accrued income	Note 19	17.2	8.3
Other receivables		0.7	7.8
		196.7	**235.0**
Short-term investments	Note 20	-	174.9
Cash and bank balances	Note 20	195.4	293.1
Total current assets		**397.3**	**705.8**
TOTAL ASSETS		**1 340.2**	**1 570.3**

SEK million **EQUITY AND LIABILITIES**		**2006 31 Dec**	**2005 31 Dec**
Equity	Note 22		
Restricted equity			
Share capital		16.7	15.9
Statutory reserve		318.7	318.7
		335.4	**334.6**
Non-restricted equity			
Share premium reserve		29.8	-
Translation reserve (Fair value fund)		-0.4	11.6
Retained earnings		442.5	25.8
Net profit for the year		41.3	628.4
		513.2	**665.8**
Total equity		**848.6**	**1 000.4**
Untaxed reserves			
Accumulated excess depreciation		4.0	3.6
Total untaxed reserves		**4.0**	**3.6**
Liabilities			
Long-term liabilities			
Liabilities to credit institutions	Note 25	67.7	88.5
Other liabilities, interest-bearing		13.6	8.3
		81.3	**96.8**
Short-term liabilities			
Liabilities to credit institutions	Note 26	285.0	256.7
Accounts payable		16.1	17.1
Current liabilities to subsidiaries		67.2	147.8
Accrued expenses, prepaid income	Note 28	32.9	40.1
Other current liabilities		5.1	7.8
		406.3	**469.5**
Total liabilities		**487.6**	**566.3**
TOTAL EQUITY AND LIABILITIES		**1 340.2**	**1 570.3**

Change in equity

SEK million	Share capital	Statutory reserve	Premium reserve	Translation-reserve 1)	Retained earnings incl. net profit	Total
Opening balance 2005-01-01	**15.9**	**65.7**	**253.0**	**-**	**25.8**	**360.4**
Change in accounting principle 2)				2.0		2.0
Adjusted opening balance 2005-01-01				**2.0**		**362.4**
Translation difference booked directly against equity				9.6		9.6
Net profit for the year					628.4	628.4
Total equity transactions, excluding transactions with the company owners	**15.9**	**65.7**	**253.0**	**11.6**	**654.2**	**1 000.4**
Transfer to statutory reserve		253.0	-253.0			0.0
Balance at 2005-12-31	**15.9**	**318.7**	**0.0**	**11.6**	**654.2**	**1 000.4**
Opening balance 2006-01-01	**15.9**	**318.7**	**0.0**	**11.6**	**654.2**	**1 000.4**
Translation difference booked directly against equity				-12.0		-12.0
Net profit for the year					41.3	41.3
Total equity transactions, excluding transactions with the company owners	**15.9**	**318.7**	**0.0**	**-0.4**	**695.5**	**1 029.7**
Dividends paid to shareholders					-167.2	-167.2
New share issue by warrants exercised	0.8		29.8			30.6
Own shares aquired					-44.5	-44.5
Balance at 2006-12-31	**16.7**	**318.7**	**29.8**	**-0.4**	**483.8**	**848.6**

1) Translation reserve form part of Fair value fund.

2) Change in accounting principle according to RR32 and applies to internal loans that form an expanded foreign investment. See accounting principles page 54.

Cash flow analysis

SEK million		2006	2005
Operating activities			
Profit after financial items		39.0	646.7
Adj. to reconcile profit after financial items to cash	Note 31	48.7	-537.9
Tax paid		-1.4	-0.4
Cash flow from operating activities before changes in working capital		**86.3**	**108.4**
Changes in working capital			
Increase (-) decrease (+) in inventories		-2.4	-1.7
Increase (-) decrease (+) in current assets		-10.5	-23.2
Increase (+) decrease (-) in current liabilites		-76.7	-105.0
Cash flow from operating activities	Note 32	**-3.3**	**-21.5**
Investing activities			
Acquisition, intangible assets		-113.1	-116.6
Acquisition, tangible assets		-4.2	-1.6
Change, financial assets		41.5	-237.5
Acquisition of shares in subsidiaries		-	-3.0
Sales of shares in subsidiaries		7.4	678.2
Cash flow from investing activities		**-68.4**	**319.5**
Financing activities			
Dividends paid to shareholders		-167.2	-
New share issue by warrants exercised		30.6	-
Own shares aquired		-44.5	-
New loans		-	169.1
Amortization of loans		-19.8	-
Cash flow from investing activities		**-200.9**	**169.1**
Cash flow for the year		**-272.6**	**467.1**
Cash and cash equivalents, beginning of the year		**468.0**	**0.9**
Cash and cash equivalents, end of the year		**195.4**	**468.0**

Accounting principles

General

The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) plus the statements on interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, Recommendation RR 30 Supplementary Reporting Rules for Corporate Groups issued by the Swedish Financial Accounting Standards Council was applied.

The Parent Company applied the same accounting principles as the Group except in the cases described below in the section Parent Company accounting principles. The differences between the principles applied for the Parent Company and the Group are due to limitations in the ability to apply IFRS in the Parent Company resulting from the Swedish Annual Accounts Act and the Act on Safeguarding of Pension Commitments, as well as tax issues in certain cases.

Prerequisites for preparing the Parent Company and consolidated financial reports

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial reports are presented in SEK. Unless otherwise specified, all amounts are rounded to the nearest million with one decimal. Assets and liabilities are reported at historical acquisition values, except for financial assets and liabilities that are valued at fair value. Financial assets and liabilities valued at fair value consist of derivative instruments classified as financial assets that are measured at fair value via the income statement. The accounting principles below for the Group have been applied consistently for all periods presented in the consolidated financial statements, unless specified below. The Group's accounting principles have been applied consistently on the reporting and consolidation of the Parent Company, subsidiaries and associated companies.

Significant estimates and assessments

When preparing the annual statements and the consolidated financial reports, the Board of Directors and the President make various accounting-related assessments and estimates pertaining to accounting principles and their application. Assumptions and assessments are usually based on historical experience as well as expectations concerning future events regarded as reasonable under current circumstances. If other assumptions and assessments were made, the results could differ and, naturally, the actual outcome could vary from the estimated outcome.

The estimates and assessments are reviewed regularly. Changes in estimates are reported during the period when the change is made, assuming that the change only affects that period, or in the period when the change is made and in future periods if the change affects both the current and future periods.

IBS has concluded that the estimates and assessments – in cases where changes in them could result in significant adjustments of the carrying amounts for assets and liabilities and for earnings – are those that are reported and discussed below.

Goodwill

The Group's goodwill is impairment tested every year. This is done by establishing the recoverable value of the cash-generating units on which the goodwill is allocated by calculating the value in use. When calculating the value in use, future cash flows are discounted; in addition, assumptions are made about future conditions. A more detailed account is presented in Note 11, where the carrying amount of goodwill SEK 423m, is presented. The current-year impairment test of goodwill did not show an impairment need, since the calculated recoverable value exceeded the total carrying amount at the close of 2006. According to the Board of Directors and the President, no reasonable changes in the forecasts concerning the principal assumptions would give rise to an impairment requirement. If the conditions upon which these assumptions and estimates were based should change significantly above and beyond what was considered reasonable when preparing the accounts for 2006, this could have a significant effect on the value of goodwill.

Taxes

When preparing the financial reports, an assessment is made of the income tax for each tax jurisdiction in which the Group is active, as well as of deferred tax liabilities and deferred tax assets attributable to temporary differences and loss carryforwards. On December 31, 2006, the Group reported deferred tax assets of SEK 146m and deferred tax liabilities of SEK 11m; see Note 23 for a more detailed description. Deferred tax assets attributable to loss carryforwards are included in an amount of SEK 141m. Deferred tax assets are recognized if the tax assets may be expected to be used to offset future taxable profits. In 2006, a not insignificant portion of previously capitalized deferred tax assets in loss carryforwards was utilized. However, simultaneously during the year, mainly due to the year's restructuring measures, loss carryforwards and deductible temporary differences resulted in new deferred tax assets. In the years ahead, taxable earnings in the IBS Group are expected to rise and actions will be taken to gradually equalize tax surpluses and deficits. Most of the Group's tax loss carryforwards have a long or perpetual life. IBS' assessment is that deferred tax assets will probably be used to offset future taxable profits. However, changes in the assumptions regarding forecast future taxable revenues could result in material differences in the valuation of deferred tax assets.

Capitalized costs for development work

The carrying amount for capitalized expenditure for product development amounts to SEK 280m. Following an impairment test performed as of the end of 2006, the conclusion was that there was no impairment requirement, based on assumptions regarding expected future cash flows related to capitalized product development. Software under development is subject to technological and market-related uncertainty, not least in terms of as yet un-launched new functionality. According to management, these risks, to the extent considered reasonable, are being managed appropriately in terms of the valuation of capitalized development work and from an operational perspective.

Restructuring reserve pertaining to action programm

The provision posted as a result of the action program approved in August 2006 in order to reduce product development and programming costs by relocating portions of such operations to mid- and low-cost countries entailed estimates regarding the timing and cost of the planned future activities. The most significant estimates pertain to personnel-related costs, such as costs for severance pay and other obligations resulting from lay-offs. Since such estimates are based, among other factors, on current assessments made in negotiations and similar discussions, the actual outcome could deviate from the previously made estimates. IBS has established procedures for controlling and following up the action program with the aim of achieving the desired result. In this connection, documentation was received for assessments of how the restructuring reserve should be handled in terms of the needs that result from a financial reporting perspective.

Changed accounting principles

The new and revised standards and statements adopted by the IASB and approved by the EU that became effective on January 1, 2006 did not affect the company's financial reports.

New IFRS rules and interpretations to be applied under coming periods

The Group has decided not to prematurely apply any new standards or interpretative statements when preparing these financial reports. A number of new standards, revised standards interpretative statements do not become effective until the 2007 fiscal year, of which only IFRS 7 "Financial instruments: Disclosures" and associated revisions of IAS 1 "Presentation of Financial Statements" are expected to affect the consolidated financial statements. The new regulations require expanded disclosures concerning capital and concerning financial instruments and financial risks.

Consolidated accounts

The consolidated accounts comprise the Parent Company IBS AB, and all subsidiaries and associated companies in Sweden and elsewhere. The company's shares are traded on the Stockholm Stock Exchange's mid-cap list. IBS AB conducts its operations in the association form of a limited liability company with registered offices in Stockholm, Sweden. The address of IBS head office is Hemvärnsgatan 8, SE-171 26 Solna, Sweden. The corporate ID number of IBS AB is 556198-7289.

The term subsidiaries refers to companies in which the Parent Company, directly or indirectly, holds more than 50 percent of the voting rights, or by any other means exerts a controlling influence. When assessing whether a controlling influence exists, potential shares carrying voting rights are taken into account if they can be exercised or converted without delay. If companies are added during the year, they are included in the consolidated accounts as of the acquisition date. Companies divested during the year are included up until the date of divestment.

The consolidated accounts have been prepared in accordance with the purchase method. This means that the acquisition of a subsidiary is considered as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its debts and contingent liabilities. The consolidated acquisition value is determined through an acquisition analysis on the date of acquisition. This analysis determines the acquisition value of the shares or the operations, as well as the fair value on the acquisition date of the identifiable acquired assets and assumed debts and contingent liabilities. The acquisition value of the shares in the subsidiary or the operations comprise the fair value on the date of transfer of assets, assumed or arising debts and issued equity instruments transferred as payment in exchange for the acquired net assets plus transaction costs that are directly attributable to the acquisition. In cases where the acquisition cost for the acquired operations exceeds the net value of the acquired assets and assumed debts and contingent liabilities, the difference is reported as goodwill. If the difference it negative, it is reported directly in the income statement.

Associated companies are companies in which the Group has a significant, but not a controlling influence over the company's operational and financial management, usually corresponding to a shareholding between 20 and 50 percent of the voting rights. As of the date on which the significant influence arises and up until it ceases, shares in associated companies are reported in the consolidated accounts according to the equity method. The equity method means that the value of shares in associated companies reported in the consolidated accounts corresponds to the Group's share of the associated company's equity plus consolidated goodwill and other residual values from consolidated surplus and deficit values.

Inter-company receivables and liabilities, revenues and costs, and unrealized gains and losses arising from transactions between Group companies are eliminated in their entirety in the consolidated accounts.

Segment reporting

A segment is a Group unit identifiable for accounting purposes that is subject to risks and opportunities that differ from other segments. The primary basis for segmentation is geographic area. This segmentation is based on how IBS is organized and how its business operations are followed up. Lines of business is the secondary basis for division.

In July 2006, IBS introduced a new organizational structure based on a division into five new geographical regions: Nordics, which comprises Sweden, Norway, Denmark and Finland. Central Europe, which comprises Belgium, the Netherlands, Germany, Switzerland, Poland and the United Kingdom. Southern Europe and South America, which comprises Spain, Portugal, Italy, France, Brazil and Colombia. North and Central America, which comprises the United States and Mexico. Asia-Pacific, which comprises Australia, Singapore, Malaysia and China.

The new basis for dividing operations is included in the segment analysis in Note 1 and the way operations are divided has changed compared with the preceding year. In this annual report, the segment analysis has been restated for the first time in accordance with this new division, while the quarterly reports follow the former division of countries into segments.

The former division into segments comprised the following geographical areas: Sweden, which included all Swedish subsidiary. Rest of the Nordic region, which pertained to Denmark, Norway and Finland. Rest of Europe, which pertained to the UK, the Netherlands, Belgium, France, Spain, Portugal, Italy, Switzerland, Poland and Germany. Rest of the world, which pertained to the US, Mexico, Colombia, Brazil, Australia, Singapore, Malaysia and China.

Classification

Fixed assets and long-term liabilities consist in all essential respects of amounts that are expected to be recovered or paid more than 12 months from the closing date. Current assets and liabilities consist in all essential respects of amounts that are expected to be recovered or paid less than three months from the closing date.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate applying on the transaction date. The functional currency is the currency in the primary economic environments in which the Group conducts its business. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange-rate applying on the closing date. Exchange-rate differences arising through translation are reported in the income statement. Exchange-rate differences relating to operational assets and liabilities are recognized in operating earnings, whereas translation difference relating to financial assets and liabilities are recognized in net financial items. Non-monetary assets and liabilities that are reported at fair value are translated to the functional currency at the rate applying on the date of valuation at fair value.

Financial reporting of foreign subsidiaries
Assets and liabilities in foreign subsidiaries, including goodwill and other consolidated surplus and deficit values, are translated from the foreign subsidiary's functional currency to the Group's reporting currency SEK at the exchange rate applying on the closing date. Revenues and costs in foreign operations are translated to SEK at an average rate that approximates the rates applying at each transaction date. Translation differences arising in the translation of foreign operations are recognized directly in shareholders' equity as a translation reserve.

Net investments in foreign operations
Translation differences arising in conjunction with translation of a net foreign investment and the associated effects of hedging of net investments are recognized directly in the translation reserve included in shareholders' equity. When foreign operations are divested, the accumulated translation difference attributable to the operation is recognized in the consolidated income statement after deduction for any currency hedging. Accumulated translation differences are presented as a separate equity item and include translation differences accumulated since January 1, 2004. Accumulated translation differences prior to January 1, 2004 are distributed among other equity items and not reported separately.

Intangible assets
Intangible assets are capitalized product development costs, goodwill and acquired software, as well as other intangible fixed assets that consist of the fair value of customer relations, brands and similar items acquired in conjunction with company acquisitions. Acquired customer relations and computer software are reported at acquisition value less amortization and impairment losses. Acquired brands normally have an indefinite useful life and are reported at acquisition value less impairment losses.

IBS develops and sells its proprietary standard software. Product development costs are capitalized in the balance sheet if the product is technically and commercially usable and the required resources are available to complete its development and thereafter use and sell it. Costs for system development are only capitalized subject to the condition that the expense is expected to result in an identifiable economic benefit in the future. The reported value includes direct costs for salaries and indirect costs that can be attributed to the project in a reasonable and consistent manner. Other development expenses are reported in the income statement as costs as they are incurred. Costs for research intended to acquire new scientific or technical knowledge are expensed as they occur.

Goodwill represents the difference between the acquisition value of an acquired business operation and the fair value of the acquired assets, assumed debts and contingent liabilities.

In the transition to IFRS, goodwill attributable to acquisitions that took place prior to January 1, 2004 is reported at acquisition value reduced by accumulated amortization and write-downs up until December 31, 2003. As of January 1, 2004 and onward, the reported value consists of the consolidated acquisition value after impairment testing.

Goodwill is valued at acquisition value less any accumulated impairment losses. Goodwill is distributed among cash-generating units and tested each year for possible impairment losses. (See the section Impairment losses below.)

Tangible fixed assets
Tangible assets are reported at acquisition cost after deduction of accumulated depreciation according to plan and possible impairment losses. The acquisition value includes the purchase price, including costs directly attributable to putting the asset in place in a state suitable for its intended use. This balance sheet item includes PCs, servers, network equipment, office inventory, investments in rented premises and financial leasing agreements.

Leasing
In the consolidated accounts, leasing contracts are classified either as financial or operational leasing. Financial leasing applies when the economic risks and benefits associated with ownership in all significant respects have been transferred to the lessee. If this is not the case, leasing is considered operational. Financial leasing contracts are reported as a fixed asset initially valued at the lower of the leased item's fair value and the present value of the minimum leasing fee at the date of contract. The present value of remaining future lease payments are reported as a liability among interest-bearing current and long-term liabilities. The asset is depreciated over its useful life, which normally corresponds to the leasing period, with consideration taken to possible residual value at the end of the period. Leasing payments are distributed between interest and amortization of the liability. For operational leasing, leasing fees are distributed straight line over the leasing period.

Depreciation principles for fixed assets
Tangible fixed assets and intangible assets that may be amortized are depreciated from the date on which they become available for use. Depreciation and amortization is straight line over the estimated useful life. The following percentages are applied in depreciation and amortization of tangible and intangible fixed assets:

Intangible assets	
Capitalized product development costs	20%
System applications and development tools	25%
Acquired software rights	10%
Other intangible assets	20%
Tangible assets	
PCs	33%
Computers/Servers	25%
Other equipment	17-20%

Financial assets and liabilities
A financial asset or liability is reported in the balance sheet when the Company becomes a party to the instrument's terms. Liabilities are recognized when the counterparty has delivered and a contractual payment obligation exists, even if an invoice has not yet been received. A financial asset (or portion thereof) is eliminated from the balance sheet when the rights according to the contract have been realized, expired or the Company transfers in all essential respects the risks and benefits associated with ownership. A financial liability (or portion thereof) is eliminated from the balance sheet when the contractual obligation is fulfilled or otherwise expires.

Acquisition and divestment of financial assets is recognized on the transaction date, which is the date on which the company pledges to acquire or divest the assets. A financial instrument is offset and reported in a net amount in the balance sheet only when there is a legal right to offset the amount and there is an intention to settle the item with a net amount or to simultaneously realize the asset, thus settling the debt.

Financial instruments are initially reported at an acquisition value corresponding to the asset's fair value plus transaction costs for all financial assets except those belonging to the category financial assets reported at fair value via the income statement, which are reported at fair value excluding transaction costs. On the first reporting date, financial assets are reported based on the intention in acquiring the asset, which affects subsequent reporting.

Fair value of listed financial assets corresponds to the asset's listed market price on the closing date.

Fair value of unlisted financial assets is determined by using valuation methods, such as deriving the price from recently completed transactions, the price of similar instruments and discounted cash flows.

Accounts receivable and other current and long-term receivables
Receivables that are not derivatives with payments that can be determined and which are not listed on an active market are reported at accrued acquisition value. Accrued acquisition value is calculated on the basis of the initial effective interest on the receivable. Accounts receivable and other current receivables that normally have a remaining period of less than 12 months are reported at nominal value. Receivables are assessed individually with regard to anticipated risk of loss and are reported in the amounts that are expected to be received. Write-downs of operating-related receivables are reported under operating costs, while others are included in net financial items.

Financial investments
This category consists of two sub-groups, financial assets held for sale and other financial assets that the Company initially elected to place in this category. A financial asset is classed as held for sale if it was acquired with the intention of selling it over the short term. Financial investments also include derivative instruments, such as stock options that are held with the objective of achieving an increase in value. Financial investments are valued continuously at fair value with changes in value reported in the income statement among net financial items.

Derivative instruments
Derivative instruments are primarily currency hedging contracts to cover currency fluctuation risks. Changes in value of derivative instruments are reported as revenues or costs under operating earnings or under net financial items, depending on the objective in using the derivative instrument and whether use relates to an operating or a financial item.

Hedge accounting is applied in certain cases for currency risks in forecasted and contracted future cash flows in foreign currency, as well as to some extent when hedging currency risks in net foreign investments in subsidiaries. Hedge accounting is applied when there is a clear link to the hedged item, the hedge effectively protects the item, hedging documentation was prepared, and hedge efficiency can be measured.

In hedging future cash flows, forward contracts are normally employed for hedging and reported in the balance sheet at fair value. The effective portion of the change in value of the hedging instrument is recognized directly in equity in the hedging reserve until such time as the hedged flow is recognized in the income statement.

When the hedged flow is recognized in the income statement, the accumulated changes in value from the hedge reserve are transferred to the income statement to offset the effect on earnings of the hedged transaction.

In certain cases, investments in foreign subsidiaries can be hedged by raising currency loans or forward contracts. The hedging instruments are translated at the closing rate and the effective portion of the hedging instrument is recognized in equity in the hedging reserve.

In cases where hedging is not effective, the ineffective portion is recognized as a financial item in the income statement, under the operating items or financial items headings, depending on whether the underlying hedged item is operational or financial.

For hedging of currency risks in receivables and liabilities in foreign currency forward contracts are employed. Hedge accounting is not applied, since both the hedged item and the hedging instrument are translated at the closing rate with exchange-rate differences reported over the income statement.

During the fiscal year and the comparison year, the Group did not have any currency derivates or apply any hedge accounting.

Cash and cash equivalents
Cash and cash equivalents include cash and immediately available funds in banks and corresponding institutes, as well as current liquid investments with a maturity period of less than three months from the acquisition date and for which the risk of fluctuation in value is insignificant. Cash and bank balances are reported at nominal value. The definition of cash and cash equivalents is the same in the balance sheet as in the cash flow statement.

Interest-bearing liabilities
Borrowing is initially reported at an acquisition cost corresponding to the fair value of what was received with reduction for transaction costs and any surplus or deficit values. Thereafter, borrowing is reported at accrued acquisition cost according to the effective interest method, meaning that the value is adjusted by distributing any premiums or discounts in conjunction with raising the loan and costs for borrowing over the anticipated maturity period. Distribution of these amounts is calculated on the basis of the loan's initial effective interest. Gains and losses arising when loans are amortized are reported in the income statement at the date on which the loan was amortized. Dividend payments are reported as a liability after the Annual General Meeting has approved the dividend.

Accounts payable and other operating liabilities
Liabilities are reported at accrued acquisition value, which is determined based on the effective interest rate calculated at the acquisition date. This normally means nominal value.

Impairment losses
The reported values of the Group's assets are assessed on each closing date to determine if there is any need to recognize an impairment loss. With respect to other assets than financial instruments, inventories, assets available for sale, divestment

groups reported in accordance with IFRS 5, and deferred tax assets, IAS 36 is applied to determine the need for impairment losses. If such a need is indicated, the recoverable value is calculated in accordance with IAS 36 as the asset's fair value less selling expenses.

In calculating value in use, future cash flows are discounted at an interest rate that takes into consideration the market's assessment of risk-free interest and the risk linked to the specific assets. If it is not possible in assessing impairment losses to determine essential independent cash flows for an individual asset, assets are grouped at the lowest level at which it is possible to identify essential independent cash flows (cash-generating units). An impairment loss is reported when the value of an asset or a cash-generating unit exceeds the recoverable value. The impairment loss is recognized in the income statement.

For goodwill and other intangible assets with indefinite useful life and intangible assets not yet ready for use, the recoverable value is calculated at least once a year, as well as when there is any indication that a need to recognize an impairment loss exists.

Impairment of assets attributable to a cash-generating unit (group of units) is primarily allocated to goodwill. Thereafter, impairment losses are distributed proportionately among other assets included in the unit (group of units).

For assets that are not subject to IAS 36, the valuation is assessed in accordance with each applicable standard.

On each reporting date, the Company determines if there is any objective evidence that a need exists to recognize an impairment loss on any financial asset or group of assets. Objective evidence comprises observable circumstances that have occurred and which have a negative impact on the ability to recover the acquisition value.

The recoverable value of assets belonging to the category loan claims and accounts receivable that are reported at acquisition value is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was reported for the first time. Assets with short maturity periods are not discounted. Impairment losses are reported in the income statement.

An impairment loss is reversed if there is both an indication that the need to recognize an impairment loss no longer exists and if a change has occurred in the assumptions on which calculation of the recoverable value was based. Reversal only takes place to the extent that the reported value does not exceed the book value that would have been reported, with reduction for depreciation as applicable, if an impairment loss had not been recognized. Impairment of goodwill is never reversed. Impairments of loan claims and accounts receivable are reversed if a subsequent increase of the recoverable value can be objectively attributed to an event that occurred after the impairment loss was recognized.

Inventory
Inventory is reported at the lower of acquisition value according to the first-in, first-out (FIFO) principle and the net selling value with consideration taken to the risk of obsolescence. Inventory consists of third-party software licenses and hardware that has not yet been delivered.

Contingent liabilities
A contingent liability is booked when there is a possible obligation attributable to an arising circumstance the occurrence of which is only confirmed by one or several uncertain future events, or when there is an obligation that is not booked as a liability or provision because of doubt that an outflow of resources will be necessary.

Revenue recognition
IBS books revenue in accordance with IAS 18. Total revenue include invoiced professional services, software license fees (gross), IBM hardware and other hardware sales, along with re-invoiced goods and services.

The criteria for booking license revenues are:

›› a written contract, signed by both parties

›› delivery has taken place

›› the license fee is a fixed amount or can be calculated reliably

- the credit period must not exceed 12 months
- there must be no escape clause

›› receipt of payment is ensured

If no significant adaptations have been agreed, the license, meaning the right of use, is regarded as being delivered when the software has been submitted to the customer and the license fee has been fully recognized as revenue initially. If significant adaptations are included in the commitment, in accordance with the agreement with the customer, the initial license fees are recognized as revenue in pace with completion. Invoiced, non-performed revenue is booked as deferred income.

Professional service revenues are normally booked as revenues as they are invoiced, meaning as work is performed. Maintenance and support services are booked as professional services linearly over the contract period under the heading Professional services.

Hardware and other sales are recognized upon delivery and, as appropriate, at installation.

Revenue for fixed-price projects or those on current account with a pre-determined maximum cost, is booked according to the percentage-of-completion method. Current accounts with pre-set limits are normally invoiced on a monthly basis in arrears, according to work completed. At the end of a period, only that portion of the project's total revenue is recognized that corresponds to accrued costs as a percentage of estimated total costs. For risk projects deemed to include potential losses, there are reserves booked under Provisions in the balance sheet.

The right to utilize IBS software products is granted against license fees (i) initially, (ii) whenever utilization is expanded, or (iii) periodically in the form of renewal fees. The two former types of revenue are recognized in accordance with the principles described above. As regards renewal fees, customers have the right to cancel utilization rights not later than three months prior to the next 12-month licensing period. If the contract is not cancelled, the customer is obligated to pay the license fee for the next 12-month period. These renewal fees, which are paid in advance, are booked as revenue straight line over the contract period.

Reporting of costs in an income statement classified by function
IBS' internal accounting is based on an income statement based on type of costs, while that classified by function is created by allocating the cost of goods and services sold (direct costs) and indirect costs to the respective function. Certain types of costs are allocated in their entirety to a given function, while the allocation

of shared costs takes place using a distribution key based on the personnel mix.

Costs for software licenses
These costs relate to direct costs for goods and consist of costs for the purchase of third-party products that are subsequently sold to customers.

Costs for professional services
Direct costs related to professional service consist of personnel costs for the Company's own consultants and their share of joint costs plus costs for external consultants used in customer projects.

Hardware and other costs
These costs consist of the cost of goods for hardware. This also includes re-invoiced costs, such as travel costs.

Product development costs
These costs include personnel costs for those employees who work with product development plus their proportional share of joint costs. In addition, these costs include amortization of capitalized product development costs.

Sales and marketing costs
These costs include direct sales and marketing costs, such as advertising costs and costs for printed materials (product brochures and other customer material). Personnel costs for marketing and sales personnel plus their share of joint costs are also included.

Administrative costs
This function includes costs for administrative personnel plus their share of joint costs.

Provision, project reserve and warranty reserve
Estimated costs for product and project warranties are recognized as costs when deemed necessary. Such provisions are based on an individual evaluation of each customer project. The assessment is based on the company having a formal or informal commitment following a given event, and where it is plausible that an outflow of resources will be necessary to settle the commitment and a reliable estimate of the amount can be made. In the event that projects in progress are subject to a fixed final price and/or where a certain guarantee commitment, in addition to customary guarantees, has been provided and the assessment is that this could give rise to additional costs for IBS, a reserve is posted. The exact amount and the timing of any outflows from such provisions are subject to uncertainty. The item "other" comprises a provision for pay in connection with lay-offs.

Provision, restructuring
A provision for restructuring is reported when the Group has established a detailed and formal restructuring plan, and the restructuring has either been initiated or announced publicly. No provision is made for future operating expenses.

Employee benefits
Short-term remuneration to employees, such as salaries, paid vacation, paid sick leave, etc., plus social costs, are booked as employees perform services for which remuneration is received.

Any cost resulting from the lay-off of personnel is reported only if the company is unquestionably obligated, without any realistic opportunity to retract, by a formal detailed plan, without terminating employment prior to the normal date. When payment is made as an offer to encourage voluntary redundancy, a cost is reported if it is probable that the offer will be accepted, and it is possible to reliably estimate the number of employees who will accept the offer.

Pensions
Pension agreements and other remuneration after termination of employment are classified either as defined-contribution or defined-benefit plans. Virtually all pension plans within IBS are defined-contribution plans, with defined-benefit plans only as an exception. Pension plans insured with Alecta are defined-benefit plans comprising several employers but are reported as defined-contribution plans. Obligations relating to fees for defined-contribution plans are reported as costs in the income statement when they ariseo.

The information provided in a note form on defined-benefit pensions is limited, since this item is considered inconsequential.

The Group's net obligations relating to defined-benefit plans are calculated separately for each plan by estimating the future compensation that the employee has earned through service in both the current and previous periods. This compensation is discounted to a present value, and the fair value of any managed assets is deducted. The discount rate is the return on the closing date for Grade A corporate bonds with a maturity period corresponding to the Group's pension obligations. If there is no active market for such bonds, the market rate for government bonds with the corresponding maturity is used instead. The calculations are performed by a qualified actuary using what is called the projected unit credit method.

For actuarial gains and losses arising in the calculation of the Group's obligations after January 1, 2004 according to the various pension plans, the corridor rule is applied. The corridor rule means that the portion of the accumulated actuarial gains and losses that exceeds 10% of the greater of the present value of the obligation and fair value of the managed assets is reported in the income statement over the average remaining employment period for those employees covered by the plan. Actuarial gains and losses are not considered in other respects.

When the calculation results in an asset for the Group, the reported value of the asset is limited to the net of unreported actuarial losses plus unreported costs for employment during previous period and the present value of future bonus payments from the plan or reductions in future premium payments to the plan. When there is a difference between how pension costs are determined in a legal entity and in the Group, a provision or a claim is reported relating to the special employer's contribution (a specific Swedish tax) based on that difference.

Financial interest and costs
Interest revenue on receivables and interest costs on debts are calculated according to the effective interest method. During the effective interest term, this method equalizes the present value of all future cash receipts and disbursements with the booked value of the receivable or liability. Loan costs are charged during the periods to which they are assigned, regardless of how the borrowed capital has been employed. The Group does not capitalize interest on the acquisition value of assets. Dividend income is booked when the right to receive payment has been established.

Tax on net profit for the year
Total tax is made up of current tax and deferred tax.

Current tax comprises all tax to be paid or received for the current year, and includes tax adjustments attributable to previous periods. Deferred tax is calculated according to the balance sheet method, based on temporary differences between the book value and value for tax purposes of assets and liabilities.

Deferred tax receivables for deductible temporary differences and loss carry-forwards are only booked in so far as it is probable that these will entail future payment.

Own shares acquired

Repurchased shares are recognized as a deductible from shareholders' equity. Payment for the divestment of such shares equity instruments is recognized as an increase in shareholders' equity. Any transaction costs are recognized directly in shareholders' equity.

Parent Company accounting principles

The Parent Company prepares its annual report according to the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Council's recommendation RR 32:05 Reporting of legal entities. This recommendation states that the Parent Company in the reporting of the legal entity must apply all of the IFRS rules and interpretations adopted by the EU as far as possible within the limits of the Annual Accounts Act and with consideration taken to the relation between accounting and taxation. The recommendation specifies the exceptions and amendments to IFRS that must be applied.

Changed accounting principle. As of January 1, 2006, the rules pursuant to Annual Accounts Act, Chapter 4, Section 14 a-e have been applied regarding the fair valuation of certain financial instruments, and hedge reporting, which entailed a change of accounting principles. This has resulted in the Parent Company applying the same accounting principles as the Group for the reporting of financial instruments. Following this change, which has been applied retroactively by restating the comparative year, derivative instruments in the Parent Company are recognized in the balance sheet at fair value, with changes in value recognized in the income statement. As a result of this change of accounting principle, the Parent Company's earnings for 2005 rose by SEK 3.3m after taxes and, accordingly, closing shareholders' equity for 2005 rose by SEK 3.3m after taxes. The instruments were acquired in 2005, which means that the opening shareholders' equity for 2005 was not affected by the changed accounting principle.

As of January 1, 2006, exchange-rate differences on monetary transactions that constitute part of the Parent Company's net investment in foreign operations are recognized directly in shareholders' equity in a fair value reserve within the subcategory "translation reserve." According to previously applied accounting principle, exchange-rate differences were recognized in the Parent Company's income statement. The change in the Parent Company's accounting principle has been reported retroactively, which means that figures for the preceding year have been restated. The effect of this change of principle is that the Parent Company earnings before tax for 2005 were reduced by SEK –11.6m, after a deduction for tax effects, and the Parent Company's translation reserve rose by the same amount.

The *differences between the accounting principles for the Group and the Parent Company* are described below. The specified accounting principles for the Parent Company were applied consistently for all periods presented in the Parent Company's financial reports.

Shares in subsidiaries and associated companies are reported in the Parent Company according to the cost method. Dividends are only recognized in revenue subject to the condition that they are attributable to profit earned after the acquisition. Dividends that exceed earned profit are considered as a repayment of the investment and reduce the book value of the shareholding.

Anticipated dividends from subsidiaries are reported in cases where the Parent Company has the sole right to determine the dividend amount and the Parent Company has taken the decision on this amount prior to the publication of its financial report.

Leased assets. In the Parent Company, all leasing contracts are reported according to the rules for operational leasing.

Employee benefits. Other principles are applied in the Parent Company for calculating defined benefit plans than those specified in IAS 19. The Parent Company follows the Swedish Act on Safeguarding of Pension Commitments and the regulations issued by the Swedish Financial Supervisory Authority, since this is a prerequisite for deduction for tax purposes. The most important differences, compared with the rules in IAS 19, are how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary without assumptions regarding future salary increases and that all actuarial gains and losses are reported in the income statement when they arise.

The Parent Company's *financial guarantee agreements* consist of sureties on behalf of subsidiaries. Financial guarantees entail that the company has a commitment to reimburse the holder of an instrument of debt for losses incurred by the holder due to a specified debtor not fulfilling his payment obligations on maturity, according to the contractual terms and conditions. When reporting financial guarantee agreements, the Parent Company applies RR 32:06, Item 70, which signifies a relaxation compared with the rules of IAS 39, in respect of financial guarantee agreements provided on behalf of subsidiaries. The Parent Company recognizes financial guarantee agreements as a provision in the balance sheet when the company has an obligation the settlement of which will probably require a payment.

Taxes. The Parent Company reports untaxed reserves including deferred tax liabilities. In the consolidated accounts, on the other hand, untaxed reserves are divided between deferred tax liabilities and shareholders' equity.

The Company reports *Group contributions and shareholder contributions* in accordance with the statement issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force (URA 7). Shareholder contributions are recognized directly in equity by the recipient and booked against shares and participations by the issuer to the extent that impairments are not required. Group contributions are reported according to the financial intention.Group contributions that are the equivalent of a dividend are reported as a dividend. This means that the Group contribution received and its tax effects are reported in the income statement. Group contributions that are the equivalent of shareholder contributions are booked with consideration taken to the current tax effect directly against earnings brought forward by the recipient. The issuer reports Group contributions and their current tax effects as an investment in shares in subsidiaries, unless an impairment is needed.

Notes to the accounts

Amounts in SEK million unless otherwise specified

NOTE 1. INFORMATION ON PRIMARY (GEOGRAPHICAL AREAS) AND SECONDARY (LINES OF BUSINESS) SEGMENTS

Segment analysis (Primary) Geographical areas	**Nordics**		**Central Europe**		**South Europe and South America**		**North and Central America**		**Asia Pacific**		**Parent Company incl. Group adjustments**		**Total**	
SEK m	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Total revenue from external customers														
Software licenses	151.6	134.9	169.7	197.5	79.1	69.5	52.4	34.2	54.9	75.1	4.1	8.2	511.8	519.4
Professional services	503.2	546.4	333.1	334.1	143.3	168.4	107.7	84.2	127.2	109.7	2.9	10.1	1 217.5	1 253.0
Hardware and other revenue	213.5	256.7	193.8	208.8	96.8	93.9	15.7	16.1	26.6	26.6	2.4	1.6	548.7	603.6
	868.3	**938.0**	**696.6**	**740.4**	**319.2**	**331.8**	**175.8**	**134.5**	**208.7**	**211.4**	**9.5**	**19.9**	**2 278.0**	**2 376.0**
Total revenue from other IBS segments	17.1	14.1	24.9	14.5	17.9	0.6	4.7	0.1	5.1	0.7	-69.7	-30.1	0.0	0.0
Total revenue	**885.4**	**952.1**	**721.5**	**754.9**	**337.1**	**332.4**	**180.5**	**134.6**	**213.8**	**212.1**	**-60.3**	**-10.2**	**2 278.0**	**2 376.0**
Segment operating profit	**91.3**	**72.7**	**110.8**	**106.7**	**39.3**	**-4.9**	**23.8**	**9.6**	**3.2**	**25.1**	**-155.0**	**430.1**	**113.4**	**639.2**
Restructuring costs	-9.2	-	-8.8	-	-5.6	-	-	-	-15.8	-	-80.6	-	-120.0	-
Unallocated expenses													0.0	0.0
Operating profit	**82.1**	**72.7**	**102.0**	**106.7**	**33.7**	**-4.9**	**23.8**	**9.6**	**-12.6**	**25.1**	**-235.6**	**430.1**	**-6.6**	**639.2**
Financial items													0.4	14.5
Taxes													-1.1	-31.6
Net profit for the year													**-7.3**	**622.1**
Assets	383.6	477.2	528.2	551.3	358.5	340.5	123.1	99.9	293.2	320.6	410.4	508.5	2 097.0	2 298.0
Unallocated assets													163.4	150.4
Total assets													**2 260.4**	**2 448.4**
Liabilities	325.8	411.5	251.5	294.5	237.1	240.2	76.4	55.6	119.7	92.1	30.2	-31.9	1 040.7	1 062.0
Unallocated liabilities													266.5	213.3
Total liabilities													**1 307.2**	**1 275.3**
Investments	3.6	7.7	13.9	19.9	4.3	66.8	5.7	8.6	4.9	174.4	109.6	102.9	142.0	380.2
Depreciation	-4.4	-9.8	-15.6	-15.6	-3.4	-3.8	-2.6	-2.2	-10.6	-8.8	-66.3	-59.2	-102.8	-99.3
Other costs with no effect on cash incl. write-downs	-30.3	-44.9	6.5	-1.7	0.0	-12.2	0.0	0.0	-0.2	0.0	27.4	67.9	3.3	9.0

Segment analysis (Secondary) Lines of business	**Software licenses**		**Professional services**		**Hardware and other revenue**		**Total**	
SEK m	2006	2005	2006	2005	2006	2005	2006	2005
Total revenue	**511.8**	**519.4**	**1 217.5**	**1 253.0**	**548.7**	**603.6**	**2 278.0**	**2 376.0**
Assets	419.0	413.8	429.0	434.9	199.0	212.5	1 047.0	1 061.2
Unallocated assets							1 213.4	1 387.2
Total assets							**2 260.4**	**2 448.4**
Investments	74.8	251.8	74.7	105.9	19.0	22.5	142.0	380.2

The segment analysis is prepared for the geographical areas and lines of business. The Group's internal reporting system is based on the follow-up of the profitability of operations in different countries or different geographical areas and this is the reason why geographical areas is the primary basis of division. In accordance with the introduction of the new organization, the division of countries has changed compared to last year. The segment analysis is for the first time reported according to the basis for the new division in this annual report. The interim reports follow the former structure. For more information see the Accounting principles page 49.

Inter-segment pricing is based on market prices.

Segment results, assets and liabilities include items that are directly assignable or can be allocated to a segment in a reasonable and reliable way. Non-allocated items in the primary segment analysis consist mainly of deferred taxes and financial items. In the secondary segment analysis, a larger part of the assets and liabilities has not been possible to allocate in a reasonable and reliable way.

The segment investments in tangible and intangible assets include all investments except investments in expendable equipment and equipment of minor value.

Geographical areas
The Group's primary segment is divided into the following geographical areas:
Nordics: Refers to Sweden, Norway, Denmark and Finland.
Central Europe: Refers to Belgium, the Netherlands, Germany, Switzerland, Poland and the UK.
South Europe and South America: Refers to Spain, Portugal, Italy, France, Brazil and Colombia.
North and Central America: Refers to USA and Mexico.
Asia Pacific: Refers to Australia, Singapore, Malaysia and China.

The same types of activities are conducted within the different geographical areas, which means that subsidiaries sell, implement and maintain business systems, primarily IBS' own products, but also third-party products. In addition, the companies provide professional services as well as the sale of computer equipment and network solutions. Geographical areas are the Group's main basis for division and are grouped according to where the assets are located, which in the case of IBS concurs with the customers' locations. The Group's policy is that each IBS company is responsible for the customers in its own particular country. The few projects that deviate from this policy account for less than 10% of the total revenue.

Lines of Busniess
The Group has the following lines of business:
Software licenses: Includes the sale of in-house developed software and third-party products.
Professional services: Includes pre-studies, implementation, maintenance and other professional services.
Hardware and other revenue: Includes the sale of computer equipment and network solutions as well as other revenue such as further-chargeable costs.
Lines of business constitute the Group's secondary basis for division.

Parent Company
The majority of the Parent Company's revenue is derived from royalties and management fees. Revenues per geograpgical area were: Nordics SEK 62.5 m, Central Europe SEK 36.7 m, South Europe and South America SEK 25.1 m, North and Central America SEK 11.1 m and Asia Pacific SEK 15.4 m.

NOTE 2. STAFF, STAFF COSTS AND REMUNERATIONS TO BOARD MEMBERS AND AUDITORS

Average and total number of staff

	Average				Total	
	2006	whereof men	**2005**	whereof men	**2006** 31 Dec	**2005** 31 Dec
Parent Company:						
Sweden	130	66%	143	68%	123	145
Subsidiary:						
Sweden	348	71%	369	71%	344	345
Portugal	216	66%	171	64%	222	217
Australia	197	74%	150	75%	190	196
Belgium	184	83%	182	82%	183	182
Netherlands	172	83%	170	82%	174	172
Finland	139	55%	160	55%	128	146
USA	104	71%	87	79%	116	93
Denmark	90	69%	100	68%	84	99
France	89	59%	114	65%	74	99
Norway	31	68%	33	67%	30	34
UK	29	76%	42	80%	30	29
Italy	25	76%	18	67%	24	25
Germany	24	75%	23	65%	24	22
Switzerland	23	74%	23	77%	23	22
Poland	21	67%	20	85%	26	20
Spain	13	62%	19	68%	9	19
Brazil	11	73%	9	67%	12	9
Singapore	11	45%	7	70%	11	5
Colombia	8	63%	23	65%	8	17
Malaysia	6	50%	5	62%	6	6
Mexico	6	100%	3	100%	8	4
China	3	33%	3	66%	3	4
Total in subsidiaries	1 743	71%	1 731	71%	1 728	1 765
Total in Group	**1 873**	**71%**	**1 874**	**71%**	**1 851**	**1 910**

Gender distribution in corporate managements

	2006 31 Dec	**2005** 31 Dec
	Proportion of women	
Parent Company		
Board	29%	25%
Other key staff	14%	14%
Group, total		
Boards	11%	13%
Other key staff	16%	14%

Sickness absence in Parent Company

	2006	**2005**
Total sickness absence as a proportion of normal working hours	2.8%	2.5%
Men	2.2%	1.5%
Women	4.1%	4.4%
Aged 29 or younger	1.4%	1.7%
30-49	1.5%	0.9%
Aged 50 or older	6.6%	6.0%
Sickness absence > 60 days, as a proportion of total sickness absence	48.0%	50.0%

Salaries, remunerations and social security fees

	2006		2005	
	Salaries and remunerations	Social security (pension exp. thereof)	Salaries and remunerations	Social security (pension exp. thereof)
Parent Company	70.1	46.0	96.4	41.9
	1)	(20.3)	1)	(13.3)
Subsidiaries	851.2	210.3	870.8	234.4
	2)	(67.0)	2)	(64.6)
Total, Group	**921.3**	**256.3**	**967.2**	**276.3**
	2)	(87.3)	2)	(77.9)

1) Of Parent Company pension premium expenses, SEK 0.9 m (0.8) were attributable to the Board of Directors and the CEO.
2) Of Group pension premium expenses, SEK 3.6 m (4.1) were attributable to the Group's Board of Directors and Managing Directors.

Salaries and remunerations per country, and specified for the Boards of Directors, Managing Directors and other employees

	2006			**2005**		
	BoD, MD:s	Other empl.	Total	BoD, MD:s	Other empl.	Total
Parent Company	5.6	64.5	70.1	10.7	85.7	96.4
(whereof performance based)	*(0.9)*	*(4.7)*	*(5.6)*	*(6.5)*	*(5.5)*	*(12.0)*
Subsidaries	29.5	821.7	851.2	32.6	838.2	870.8
(whereof performance based)	*(7.1)*	*(63.5)*	*(70.6)*	*(8.4)*	*(68.1)*	*(76.5)*
Total, Group	**35.1**	**886.2**	**921.3**	**43.3**	**923.9**	**967.2**
(whereof performance based)	***(8.0)***	***(68.2)***	***(76.2)***	***(14.9)***	***(73.6)***	***(88.5)***

Remuneration to the Board of Directors, the CEO and Senior executives

Principles and decision-making process:
Remuneration to the Chairman and Board members is paid in accordance with AGM decisions.

There are no other obligations in the form of pension agreements, severance payment or benefits to these persons. IBS has a Remuneration Committe that handles issues regarding salaries and pensions for the Group management. The members of the committee are Sigrun Hjelmquist (chairman), Lars Nyberg and Kai Hammerich.

Remunerations and other benefits during the year:

	Board members´fees	Base salary	Bonuses	Pension costs	Total
Board:					
Lars Nyberg (chairman)	0.6				0.6
Stig Nordfeldt	0.3				0.3
Lars V Kylberg	0.3				0.3
Sigrun Hjelmqvist	0.3				0.3
Kai Hammerich	0.2				0.2
Johan Björklund	0.2				0.2
Elisabeth Annell	0.3				0.3
CEO Magnus Wastenson (Jan-March)		0.5		0.2	0.7
CEO Erik Heilborn (April-Dec)		2.0	0.9	0.7	3.6
Senior executives		5.7	1.8	3.7	11.2
Total	**2.2**	**8.2**	**2.7**	**4.6**	**17.7**

The above amounts have been expensed and charged against 2006 earnings and pertain to senior executives in the Parent Company (see Note 35), meaning seven persons including the CEO. On April 1, 2006, Erik Heilborn succeeded Magnus Wastenson as President and Chief Executive Officer. During 2006, the two President and CEOs received basic salary totaling SEK 2 497 thousand, of which SEK 1 966 thousand pertained to Erik Heilborn. During the year, variable remuneration of SEK 924 thousand was expensed for Erik Heilborn. In addition to salary, the President and CEO received the benefit of a company car, which amounted to SEK 31 thousand. In addition to salary, the other senior executives also received the benefit of a company car, for which SEK 184 thousand was charged against earnings. Each senior executive's shareholdings and holdings of options are specified on page 70. Pension benefits are paid in accordance with the normal ITP plan, with the above senior executives qualifying for pension as of age 65, apart from the President and CEO who has an individual pension agreement, for which the company pays an amount corresponding to 35% of his gross basic salary after any gross salary deductions for pension. The President and CEO's retirement age is also 65. In the event that so-called "ten-pointers" exist, the same premium as for a traditional ITP plan is applied. Pensionable income consists of fixed basic salary and vacation salary. The Board of Directors is entitled, with immediate effect, to dismiss the President and CEO, whereby the President and CEO, for his part, is entitled to payment corresponding to two fixed annual salaries. The President and CEO's period of notice is 12 months. If the IBS share is delisted and is not re-listed on a comparable exchange, the President and CEO is entitled to terminate his employment contract. Other senior executives (refer above and to Note 35) in the Parent Company are subject to period of notice of 6 - 12 months.

Remuneration to the Auditors

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
KPMG auditors				
audits	3.7	3.9	1.2	0.9
other tasks	1.2	1.1	0.9	0.8
	4.9	**5.0**	**2.1**	**1.7**

Audit tasks includes review of the annual report and the bookkeeping as well as the Board of Directors' and the CEO's management of the company, other audit tasks that are assigned to the company's auditors as well as advising or other assisting tasks caused by observations in connection with such review or carrying out such tasks. All other assignments are other tasks.

NOTE 3. DEPRECIATIONS AND WRITE-DOWNS OF FIXED ASSETS

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Depreciation according to plan, distributed per asset				
Capitalized product development costs	-53.9	-49.3	-21.2	-12.6
Other intangible assets	-8.6	-6.0	-	-
Acquired software	-2.0	-1.5	-1.2	-0.7
Financial leasing contracts	-9.7	-10.5	-	-
Equipment	-28.6	-28.6	-1.5	-1.0
	-102.8	**-95.9**	**-23.9**	**-14.3**
Write-downs distributed per asset				
Goodwill *)	-	-3.4	-	-
	-102.8	**-99.3**	**-23.9**	**-14.3**
Depreciation according to plan, distributed per function				
Total direct costs	-27.9	-27.1	-	-
Product development costs	-60.0	-55.0	-21.3	-12.9
Sales and marketing costs	-6.1	-5.9	-0.1	-0.1
Administrative costs	-8.8	-7.9	-2.5	-1.3
	-102.8	**-95.9**	**-23.9**	**-14.3**
Write-downs distributed per function				
Total direct costs	-	-2.0	-	-
Product development costs	-	-0.4	-	-
Sales and marketing costs	-	-0.4	-	-
Administrative costs	-	-0.6	-	-
	-102.8	**-99.3**	**-23.9**	**-14.3**

*) due to disposed subsidiary

NOTE 4. TOTAL COSTS DISTRIBUTED PER TYPE OF COST

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Total revenue	2 278.0	2 376.0	150.7	169.8
Cost for 3:rd party license sale	-44.1	-40.5	-3.9	-7.2
Cost of goods, HW and other	-439.8	-492.7	-	-
Cost of staff	-1 277.6	-1 332.3	-83.7	-95.1
Sales and marketing costs	-50.6	-57.9	-7.4	-22.1
Rent and other office costs	-188.8	-204.1	-23.9	-19.1
Depreciation	-102.8	-99.3	-23.9	-14.3
Administrative and other costs	-61.8	-81.1	-10.1	-3.2
	-2 165.5	**-2 307.9**	**-152.9**	**-161.0**
Operating profit *	112.4	68.1	-6.0	8.8

* excl. restructuring costs and capital gain from sale of subsidiaries

Operational leasing costs are included in "rent and other office costs" and consist mainly of rent for premises. Operational leasing contracts are due for payments per year as follows:

	2006		2005
This year's costs	**111.2**		**113.4**
2007	91.1	2006	95.2
2008	71.4	2007	70.9
2009	43.2	2008	49.9
2010	28.6	2009	29.2
2011	27.3	2010	23.7
Later years	33.9	Later years	34.2
Total future payments	**295.5**		**303.1**

NOTE 5. OTHER OPERATING INCOME

	Group 2006	Group 2005
Capital gain from sale of subsidiary	1.0	571.1
	1.0	**571.1**

NOTE 6. RESULT FROM FINANCIAL ITEMS

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Interest income from subsidiaries	-	-	22.6	20.1
Interest income from others	8.6	9.8	2.4	4.6
Income from revaluation of financial assets*)	3.6	3.6	3.6	3.3
Financial exchange rate diff.**)	-	10.8	-	10.7
Financial income	**12.2**	**24.2**	**28.6**	**38.7**
Interest expenses related to financial leasing	-2.0	-1.9	-	-
Interest expenses to subsidiaries	-	-	-3.0	-2.8
External interest expenses related to interest-bearing loans	-7.6	-7.8	-4.8	-5.1
Financial exchange rate diff. **)	-2.2	-	-2.2	-
Financial expenses	**-11.8**	**-9.7**	**-10.0**	**-7.9**

*) Received warrant in conjunction with the sale of the UK subsidiary IBS Public Services Ltd. The warrant was received in the company IBS OPENSystems PLC listed in the AIM list of the London Stock Exchange.

**) Exchange rate differences in receivables/liabilities of an operating character are included in the operating profit and not among financial items. In the Group's case, there is a total exchange rate income (the net of all exchange rate gains and losses) of SEK 4.5 mkr (-2.5) in the operating result.

In the case of the Parent Company income statement, there is a total exchange rate income of SEK 5.9 m (-2.0).

NOTE 7. RESULT FROM PARTICIPATIONS IN SUBSIDIARIES

	Parent Co. 2006	Parent Co. 2005
Dividends from subsidiaries	65.0	50.0
Capital gain from sale of subsidiaries	6.8	611.5
Group contribution received, booked as dividend	5.0	8.1
Write-down, shares in subsidiaries	-29.9	-62.5
	46.9	**607.1**

NOTE 8. UNTAXED RESERVES

	Parent Co. 2006	Parent Co. 2005
Additional depreciations	-0.4	-3.2
	-0.4	**-3.2**

NOTE 9. TAX ON PROFIT FOR THE YEAR

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Current tax	-24.8	-19.4	-1.8	-0.3
Deferred tax	23.7	-12.2	4.5	-14.8
	-1.1	**-31.6**	**2.7**	**-15.1**

Deferred tax booked directly against equity amount to SEK -3.7 m (3.6).

Reconciliation of effective tax

	Group			
	2006	**%**	**2005**	**%**
Pre-tax profit	*-6.2*		*653.7*	
Expected income tax according to domestic corporation tax rate	1.7	28%	-183.0	28%
Effect of tax rates in foreign jurisdictions	0.4	6%	-37.2	6%
Tax attributable to previous years and effect of changes in taxation rates	-3.4	-55%	1.2	0%
Utilization of formerly not capitalized tax losses	-	0%	1.7	0%
Write-down (-), Revaluation (+) of deferred tax receivables	-0.7	-11%	-2.8	0%
Non-deductible costs and non-taxable income	7.5	120%	151.5	-23%
Other, net	-6.6	-106%	37.0	-6%
Tax/effective tax rate (%)	**-1.1**	**-27%**	**-31.6**	**5%**

	Parent Co.			
	2006	**%**	**2005**	**%**
Pre-tax profit	*38.6*		*646.7*	
Expected income tax according to domestic corporation tax rate	-10.8	28%	-181.1	28%
Non-deductible costs and non-taxable income	13.5	-35%	166.3	-26%
Other, net	-	-	-0.3	0%
Tax/effective tax rate (%)	**2.7**	**-7%**	**-15.1**	**2%**

NOTE 10. ACQUIRES OPERATIONS

During 2006, the Group has not acquired any operations.
During 2005, the Group acquired the following operations:
On March 31, 100% of the shares of Australia's TMS, Tailor Made Systems Pty Ltd. (name changed to IBS (AUST) Pty Ltd) were acquired. *On May 1*, 100% of the shares of Australia's IDS Enterprise Systems Pty Ltd (name changed to IBS Automotive Pty Ltd) were acquired. *On July 31*, 100% of the shares of Portugal's Quatro Sistemas de Informacão S.A. were acquired. *On September 30*, assets and liabilities were acquired from Albatech in Italy. *On September 30*, assets and liabilities were acquired from Bookmaster in the US. *On October 1*, 100% of the shares of Iptor (name changed to IBS JavaSolutions AB) were acquired.

The acquired companies contributed to the year 2005 consolidated net profit with SEK 22.9 m. If the acquisitions would have occured on January 1, 2005, the consolidated net profit for 2005 and the total revenue would have amounted to SEK 648.5 m and SEK 2 648.6 m respectively.

Goodwill arose in all acquisitions and consists of acquired market shares, geographic presence, synergy effects, personnel and technical expertise. The adjustment of book values corresponds to acquired customer relations and product names. The effects of deferred tax were also taken into consideration in this adjustment.

Effects of acquisitions
The acquisition of IBS (AUST) had the following effects on the Group's assets and liabilities.

2005	Book value	Fair value adj.	Fair value reported in consolidated accounts
Tangible fixed assets	4.8		4.8
Intangible fixed assets	-	13.2	13.2
Inventory	-		-
Accounts receivable and other receivables	19.1		19.1
Cash and cash equivalents	14.9		14.9
Liabilities to credit institutions	-1.0		-1.0
Accounts payable and other liabilities	-27.6	-3.3	-30.9
Net assets and liabilities	**10.2**	**9.9**	**20.1**
Goodwill			55.0
Purchase price			**75.1**
Supplementary payment (not yet paid)			-
Cash payment			**75.1**
Cash (acquired)			-14.9
Net cash flow			**60.2**

The acquisition of IBS Automotive had the following effects on the Group's assets and liabilities:

2005	Book value	Fair value adj.	Fair value reported in consolidated accounts
Tangible fixed assets	3.1		3.1
Intangible fixed assets	-	26.7	26.7
Inventory	-		-
Accounts receivable and other receivables	31.2		31.2
Cash and cash equivalents	3.5		3.5
Liabilities to credit institutions	-1.4		-1.4
Accounts payable and other liabilities	-12.9	-7.0	-19.9
Net assets and liabilities	**23.5**	**19.7**	**43.2**
Goodwill			80.5
Purchase price			**123.7**
Supplementary payment (not yet paid)			-
Cash payment			**123.7**
Cash (acquired)			-3.5
Net cash flow			**120.2**

The acquisition of Quatro had the following effects on the Group's assets and liabilities:

2005	Book value	Fair value adj.	Fair value reported in consolidated accounts
Tangible fixed assets	3.5		3.5
Intangible fixed assets	-	8.5	8.5
Inventory	2.0		2.0
Accounts receivable and other receivables	22.9		22.9
Cash and cash equivalents	0.9		0.9
Liabilities to credit institutions	-16.7		-16.7
Accounts payable and other liabilities	-41.8	-1.8	-43.6
Net assets and liabilities	**-29.2**	**6.7**	**-22.5**
Goodwill			47.9
Purchase price			**25.4**
Supplementary payment (not yet paid)			-20.2
Cash payment			**5.2**
Cash (acquired)			-0.9
Net cash flow			**4.3**

The acquisitions of Albatech, Bookmaster and IBS JavaSolutions together had the following effects on the Group's assets and liabilities:

2005	Book value	Fair value adj.	Fair value reported in consolidated accounts
Tangible fixed assets	0.4		0.4
Intangible fixed assets	2.9		2.9
Inventory	-		-
Accounts receivable and other receivables	-0.4		-0.4
Cash and cash equivalents	0.4		0.4
Liabilities to credit institutions	-		-
Accounts payable and other liabilities	-2.6		-2.6
Net assets and liabilities	**0.7**	**-**	**0.7**
Goodwill			12.2
Purchase price			**12.9**
Supplementary payment (not yet paid)			-11.7
Cash payment			**1.2**
Cash (acquired)			-0.4
Net cash flow			**0.8**

In total, the aquisitions had the following effects on the Group's assets and liabilities:

2005	Book value	Fair value adj.	Fair value reported in consolidated accounts
Tangible fixed assets	11.8		11.8
Intangible fixed assets	2.9	48.4	51.3
Inventory	2.0		2.0
Accounts receivable and other receivables	72.8		72.8
Cash and cash equivalents	19.7		19.7
Liabilities to credit institutions	-19.1		-19.1
Accounts payable and other liabilities	-84.9	-12.1	-97.0
Net assets and liabilities	**5.2**	**36.2**	**41.5**
Goodwill			195.6
Purchase price			**237.1**
Supplementary payment (not yet paid)			-31.9
Cash payment			**205.2**
Cash (acquired)			-19.7
Net cash flow			**185.5**

NOTE 11. INTANGIBLE ASSETS

Capitalized product development costs	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Accumulated acquisition values				
Opening balance	408.9	312.5	152.0	30.0
Capitalized during the year	132.0	96.1	111.9	122.2
Translation differences for the year	-4.1	0.3	-	-
	536.8	**408.9**	**263.9**	**152.2**
Accumulated depreciation according to plan				
Opening balance	-204.7	-155.2	-23.0	-10.5
Depreciation according to plan for the year	-53.9	-49.3	-21.2	-12.6
Translation differences for the year	1.9	0.2	-	-
	-256.7	**-204.7**	**-44.2**	**-23.1**
Book value at year end	**280.1**	**204.2**	**219.7**	**129.1**

During the year SEK 371 m (339) was invested in product development in the Group, of which SEK 132 m (96) was capitalized.

Goodwill	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Accumulated acquisition values				
Opening balance	439.2	252.0	-	-
Acquisitions for the year	3.2	195.9	-	-
Disposals	-1.4	-15.0	-	-
Translation differences for the year	-14.6	6.3	-	-
	426.4	**439.2**	**-**	**-**
Accumulated depreciation according to plan				
Opening balance	-3.4	-	-	-
Write-down for the year	-	-3.4	-	-
	-3.4	**-3.4**	**-**	**-**
Book value at year end	**423.0**	**435.8**	**-**	**-**

Acquired Software	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Accumulated acquisition values				
Opening balance	23.4	17.4	7.2	3.8
Acquisitions for the year	1.4	4.8	1.2	3.4
Subsidiary acquisition	-	0.9	0.0	-
Disposals	-	-0.5	-	-
Reclassification	-	-	-	-
Translation differences for the year	-0.7	0.8	-	-
	24.1	**23.4**	**8.4**	**7.2**
Accumulated depreciation according to plan				
Opening balance	-16.4	-14.1	-4.4	-3.7
Subsidiary acquisition	-	-0.3	-	-
Disposals	-	0.2	-	-
Reclassification	-	-	-	-
Depreciation according to plan for the year	-2.0	-1.5	-1.2	-0.7
Translation differences for the year	0.5	0.7	-	-
	-17.9	**-16.4**	**-5.6**	**-4.4**
Book value at year end	**6.2**	**7.0**	**2.9**	**2.9**

Other intangible assets	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Accumulated acquisition values				
Opening balance	48.7	0.4	-	-
Acquisitions	-	47.2	-	-
Translation differences for the year	-3.1	1.1	-	-
	45.6	**48.7**	**-**	**-**
Accumulated depreciation according to plan				
Opening balance	-6.2	-0.4	-	-
Depreciation according to plan for the year	-8.6	-6.0	-	-
Translation differences for the year	0.3	0.2	-	-
	-14.5	**-6.2**	**-**	**-**
Book value at year end	**31.1**	**42.5**	**-**	**-**

The asset originated from acquisition of subsidiaries and represent acquired customer relations of SEK 27.3 m (38.5) and product names of SEK 3.8 m (4.0).

This year's depreciation and write-down of intangible assets per function.

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Cost of goods and services sold				
Software licenses	-	-	-	-
Professional services	-6.1	-6.3	-	-
Hardware and other revenue	-	-	-	-
Product development costs	-55.2	-50.6	-21.2	-12.5
Sales and marketing costs	-1.3	-1.4	-	-
Administrative costs	-1.9	-1.9	-1.2	-0.7
	-64.5	**-60.2**	**-22.4**	**-13.2**

Specification of cash-generating units for which goodwill and other intangible assets with indeterminate useful life are booked.

2006 Group	Goodwill	Product names	Total
IBS Nederland B.V	98.1	-	98.1
IBS Automotive Pty Ltd	76.3	1.6	77.9
IBS (Aust) Pty Ltd	51.2	1.4	52.6
QUATRO – Sistemas de Informação, SA	46.8	0.8	47.6
IBS France S.A.S	46.3	-	46.3
IBS Danmark A/S	16.9	-	16.9
IBS (Portugal) Il-Solucoes Informaticas S.A.	16.8	-	16.8
IBS JavaSolutions AB	10.8	-	10.8
Other cash-generating units	59.8	-	59.8
	423.0	**3.8**	**426.8**

These asset concist of goodwill SEK 423.0m and aquired product names SEK 3.8 m. They are not amortized according to plan but tested for impairment.

Impairment testing
Impairment testing for all units is based on calculating value in use. This value is based on future cash flows, where the first five years are obtained from the business plan established by company management.

The number of forecast periods is assumed to be infinite, with cash flows further in the future assigned annual growth of 1%. The present value of the forecasted cash flows was calculated at a discount rate of 11.6% before tax.

All assumptions and parameters in the impairment test are generalized to all cash-generating units.

Critical variables in the five-year business plan, as well as the methods used to set their values, are described in the presentation below.

Market share and volume growth
A weighted average of analysis results from the forecast institutes IDC, Gartner and AMR.

Hourly rate and utilization
Utilization is estimated on the basis of previous experience and historical averages. The ability to maintain or increase the hourly rate is based on the company's market position, number of new competitors and the customer offering. Management's assessment is that increased focus on a few industries and vertical specialization will allow IBS to offer specialist expertise, thus allowing a favorable price level to be maintained for services.

Discount factor
Interest before tax calculated as a weighted average of cost of capital including a risk premium.

For all cash-generating units, the recoverable value exceeds the reported value. Management considers that any reasonable and possible change in the critical variables described above would not have a sufficiently great effect that each on its own would reduce the recoverable value to a level lower than the reported value.

NOTE 12. TANGIBLE FIXED ASSETS

Equipment

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Accumulated acquisition values				
Opening balance	353.9	321.4	14.4	12.8
Acquisitions for the year	31.9	34.8	4.2	1.6
Acquisition of subsidiary	-	36.7	-	-
Disposals	-65.8	-69.7	-	-
Reclassification	-1.2	9.8	-	-
Translation differences for the year	-19.5	20.9	-	-
	299.3	**353.9**	**18.6**	**14.4**
Accumulated depreciation according to plan				
Opening balance	-278.9	-258.9	-11.7	-10.7
Acquisition of subsidiary	-	-26.8	-	-
Disposals	62.0	61.8	-	-
Reclassification	1.4	-9.5	-	-
Depreciation according to plan for the year	-28.6	-28.6	-1.5	-1.0
Translation differences for the year	15.4	-16.9	-	-
	-228.7	**-278.9**	**-13.2**	**-11.7**
Book value at year end	**70.6**	**75.0**	**5.4**	**2.7**

Reclassification refers to transfers from and to financial leasing.

Leasing

	Group	
	2006	**2005**
Equipment under financial leasing contracts is included to the following amounts		
Acquisition values	42.0	50.2
Accumulated depreciation	-15.2	-21.1
	26.8	**29.1**

Financial leasing includes primarily the leasing of cars and computer equipment. For information about this year's payments and future payments , see Note 27.

NOTE 13. PARTICIPATIONS IN SUBSIDIARIES

	Parent Co.	
	2006	**2005**
Opening balance	**507.5**	**408.1**
Shareholders' contribution given/New share issue	19.0	145.2
Write-down, shares in subsidiaries	-30.0	-62.5
Acquisition of shares in subsidiaries	-	22.2
Sale of shares in subsidiaries	-0.5	-5.5
Book value at year end	**496.0**	**507.5**

Specification of Parent Company and Group shares and participations in subsidiaries

Parent Company IBS AB's holdings Subsidiary holdings	Corporate ID No.	Domicile	No. of shares	Holding %	Book value **2006**	Book value **2005**
IBS Sverige AB	556284-3812	Stockholm, Sweden	1 000	100	0.0	0.0
IBS Konsult AB	556494-8148	Göteborg, Sweden	1 000	100	10.5	24.3
IBS Norra Norrland AB	556303-1458	Umeå, Sweden	700	100	5.6	19.5
Mapics Solutions AB	556576-6382	Stockholm, Sweden	1 000	100	-	0.5
IBS Integrator AB (sold 2006)	556590-4330	Stockholm, Sweden	412 500	100	8.3	8.3
IBS Verksamhetsutveckling	556640-9867	Stockholm, Sweden	1 000	100	0.1	0.1
IBS JavaSolutions AB	556598-2617	Stockholm, Sweden	1 250	100	11.3	11.4
IBS Norge A/S	936 723 349	Olso, Norway	751	100	4.0	4.0
IBS Danmark A/S	71 13 32 14	Farum, Denmark	40	100	35.7	35.7
Oy International Business Systems IBS Ab	1150908	Helsinki, Finland	40 000	100	9.1	9.1
International Business Systems N.V.	426 362 015	Sint-Martens-Latems, Belgium	4 249	100	40.5	40.5
International Business Systems (IBS) Singapore Pte Ltd	1 999 055 53G	Singapore	2	100	0.0	0.0
IBS Benelux B.V.	86 06 493	Nieuwegein, Netherlands	23 400	100	114.4	114.4
IBS Nederland B.V.	007 677 169	Nieuwegein, Natherlands	300	100		
IBS Technology and Services N.V.	436 179 948	Zaventem, Belgium	2 500	100		
International Business Systems (IBS) Hongkong Ltd	741 639	Hong Kong	2	100		
IBS APCC Sdn Bhd	457 204	Kuala Lumpur, Malaysia	2	100		
IBS France S.A.S	62 309 844 918	Paris, France	280 000	100	63.2	50.5
Assistance á la Gestion et l'Informatique (AGI) S.A.S	66 300 569 068	Paris, France	20 000	100		
International Business Systems Consulting S.A.S	23 314 269 751	Paris, France	20 300	100		
Ilsys Consulting S.A.S (sold 2006)	69 381 879 998	Lyon, France	10 000	100		
Advanced Consulting Systems (ACS) S.A.S	03 432 193 100	Paris, France	10 000	100		
Excelsius Consulting Group S.A.S	18 408 374 270	Paris, France	10 000	100	10.7	10.7
International Business Systems (IBS) GmbH	HRB 51346	Hamburg, Germany	-	100	5.3	5.3
IBS Polska Sp zoo	8951008330	Wroclaw, Poland	7 511	100	5.7	5.7
International Business Systems (IBS) Ltd	2670201	London, UK	4 890 000	100	42.0	42.0
IBS Italia S.p.a.	1594539	Milan, Italy	-	90	2.2	1.6
IBS Switzerland Holding AG	035 3 013 178-0	Niederwangen, Switzerland	2 300	100	3.6	4.2
IBS Switzerland AG	035 3 002 298-5	Niederwangen, Switzerland	800	100		
IBS (Portugal) Il-Solucoes Informaticas S.A.	502 183 012	Porto, Portugal	340 000	100	34.5	34.5
Quatro Sistemas de Infomacão S.A.	502 028 220	Porto, Portugal	400 000	100		
IBS Brasil Informatica Ltda	CNPJ 03 076 905/ 0001-33	São Paolo, Brazil	77 169	100	2.4	2.4
IBS Proyectos e Sistemas Informaticas España S.L.	816 00 512	Madrid, Spain	40 000	100	1.8	1.8
GTM Consultores S.A.	582 35 854	Barcelona, Spain	12 000	100	5.4	5.4
IBS Australia Pty.Ltd.	090 079 208	Sydney, Australia	8 163 394	100	40.6	34.9
IBS (AUST) Pty.Ltd.	002 814 039	Sydney, Australia	10 800 000	100		
IBS Automotive Pty. Ltd.	003 566 514	Sydney, Australia	7 504 058	100		
IBS Network400 Pty, Ltd A.C.N.	067 559 031	Melbourne, Australia	1 081	100	3.2	3.4
IBS Solutions Pty. Ltd.	084 987 477	Melbourne, Australia	2	100	0.0	0.0
IBS Business Solutions S.A.	830060653-7	Bogotá, Colombia	292 425 173	94	1.7	3.1
IBS Solutions Mexico S.A.de C.V.	ISM 000 919 6C2	Monterrey, Mexico	1 583 000	100	0.0	0.0
International Business Systems United States	-	Folsom, California, USA	50 000	100	33.2	33.2
IBS (Shanghai) Co. Ltd.	777 147 80-2	Shanghai, China	1	100	1.0	1.0
					496.0	**507.5**

NOTE 14. RECEIVABLES IN SUBSIDIARIES

	Parent Co.	
	2006	**2005**
Opening balance	180.9	46.3
Additional items	0.0	158.8
Settled items	-11.6	-24.2
Book value at year end	**169.3**	**180.9**

Of the Parent Company's sales during the fiscal year, which totaled SEK 150.8m, SEK 143.0m is accounted for by sales to other Group companies, which consist largely of management fees and royalties. Of the Parent Company's purchases, operating expenses account for SEK -173.4m and purchases in the form of consultants leased from other Group companies for SEK -45.6m.

NOTE 15. PARTICIPATIONS IN ASSOCIATED COMPANIES

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Accumulated acquisition values				
Opening balance	0.4	0.4	-	0.1
Additional participations	-	0.2	-	-
Participations disposed of, and write-downs	-0.2	-0.2	-	-0.1
Net profit for the year	0.0	0.0	-	-
Book value at year end	**0.2**	**0.4**	**-**	**-**

Specification of Group and Parent Company participations in associated companies

Associated company	Share in % 1)	Value of share of capital
Indirectly owned		
Verto A/S, Denmark	20%	0.2
Expand to the world N.V, Belgium	26%	0.0
		0.2

1) Refers to the proportion of equity held, which also corresponds to the proportion of the total number of votes held.

NOTE 16. FINANCIAL INVESTMENTS

Financial investments classed as fixed assets

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Financial assets valued at fair value via the income statement				
Warrant in IBS OPENSystems PLC	6.9	3.3	6.9	3.3
	6.9	**3.3**	**6.9**	**3.3**

In conjunction with the sale of the UK subsidiary IBS Public Services a warrant was received in the company IBS OPENSystems PLC listed in the AIM list of the London Stock Exchange. The warrant, which expires on March 23, 2009, entitles the holder to subscribe to up to 1 200 000 shares at an exercise price of GBP 1.40 per share. The warrant was valued based on the current market price of the IBS OPENSystems PLC share on December 31, 2006.

NOTE 17. OTHER LONG-TERM RECEIVABLES

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Opening balance	12.0	11.8	0.1	0.1
Additional receivables	0.2	3.3	-	-
Settled receivables	-1.7	-3.2	-0.1	-
Amount attributable to sale of subsidiary	-	-1.3	-	-
Translation differences for the year	-0.3	1.4	-	-
Book value at year end	**10.2**	**12.0**	**0.0**	**0.1**

The item includes, among other, rental deposits and blocked pension assets.

NOTE 18. INVENTORY

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Software licenses, 3rd party	5.2	2.8	5.2	2.8
Hardware equipment	3.3	4.0	-	-
	8.5	**6.8**	**5.2**	**2.8**

Hardware equipment consist of computers that have been delivered and invoiced to customers in January 2007 (2006) and valued at acquisition value.

NOTE 19. PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Prepaid rent	6.8	11.7	1.0	2.0
Other prepaid expenses	18.2	16.3	6.5	4.6
Accrued interest income	0.2	0.6	-	0.2
Accrued software licenses income	31.5	22.0	-	1.5
Accrued professional services income	85.1	59.0	-	-
Accrued hardware and other income	13.8	6.0	9.7	-
Other accrued income	3.6	7.3	-	-
	159.2	**122.9**	**17.2**	**8.3**

NOTE 20. CASH AND CASH EQUIVALENTS

The following components are included in cash and cash equivalents

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Cash and bank balances	387.1	468.6	182.3	283.6
Balances in Group accounts in Parent company	13.1	13.1	13.1	9.5
Deposits	-	80.0	-	60.1
Cash investments equivalent to cash	5.2	114.7	-	114.8
	405.4	**676.4**	**195.4**	**468.0**

Current investments were classified as cash equivalents based on the following criteria:
- The risk of fluctuations in value is insignificant
- They can easily be converted to cash
- The maturity date is at most three months from the acquisition date.

NOTE 21. RISK ANALYSIS

Finance policy

Through its business, the Group is exposed to various types of financial risks. Risk management is intended to identify, quantify and reduce or eliminate risks. Financial risks refer to fluctuations in the Company's earnings and cash flow resulting from changes in exchange rates, interest levels, refinancing and credit risks. A financial risk not only entails a risk of losses, but also an opportunity for profit. The IBS policy for management of financial risks is based on profit being generated by operating units, not through investment in financial instruments. This means that only low-risk investments are permitted. Financing activities within the IBS Group are intended to support the Group's business operations and to identify and limit the Group's financial risks in the best possible manner. These activities are organized and conducted within the Parent Company's finance function. Financing activities should clarify the Group's risk exposure and contribute to predicting financial results with some lead time. Financial risks are managed in accordance with the finance policy established by the Board of Directors.

Terms, effective interest and maturity structure

2006	Nominal amount	Effective interest	Average interest period in months	1 year or shorter	1-5 years
Bank loans					
SEK 67.7 m (variable)	67.7	2.97%	-	-	67.7
USD 0.1 m (variable)	0.2	0.00%	3	-	0.2
EUR 0.1 m (variable)	1.0	5.00%	1	-	1.0
CHF 0.1 m (variable)	0.5	3.00%	1	-	0.5
Financial leasing liabilities (variable)	17.0	3.00%	1	-	17.0
Financial leasing liabilities (variable)	9.8	3.00%	1	9.8	-
Other short-term loans					
SEK 20.9 m (variable)	20.9	2.97%	-	20.9	-
EUR 0.6 m (fixed)	5.6	5.05%	12	5.6	-
USD 0.4 m (fixed)	0.6	2.00%	-	0.6	-
CHF 0.1 m (fixed)	0.4	4.80%	12	0.4	-
Overdraft facilities (variable)	346.5	3.05%	1	346.5	-
	470.2			**383.8**	**86.4**

2005	Nominal amount	Effective interest	Average interest period in months	1 year or shorter	1-5 years
Bank loans					
SEK 88.5 m (variable)	88.5	2.97%	-	-	88.5
USD 0.1 m (variable)	0.4	0.00%	3	-	0.4
EUR 0.3 m (variable)	2.7	5.00%	1	-	2.7
CHF 0.1 m (variable)	0.5	3.00%	1	-	0.5
Financial leasing liabilities (variable)	20.4	3.00%	1	-	20.4
Financial leasing liabilities (variable)	8.7	3.00%	1	8.7	-
Other short-term loans					
SEK 20.9 m (variable)	20.9	2.97%	-	20.9	-
EUR 0.7 m (fixed)	6.9	5.00%	12	6.9	-
USD 0.4 m (-)	2.8	0.00%	-	2.8	-
COP 250.0 (variable)	0.9	11.52%	12	0.9	-
CHF 0.1 m (fixed)	0.6	4.80%	12	0.6	-
Overdraft facilities (variable)	305.7	2.98%	1	305.7	-
	459.0			**346.5**	**112.5**

Unspecified currency means SEK 88% of leasing debts och 84% of overdraft facilities are in SEK. Also see Note 25 and 26.

Interest risk
Interest risk refers to the risk of a negative change in value when interest rates change, meaning that the value of interest-bearing liabilities increases and the value of interest-bearing assets decreases. Since the degree of self-financing is high within IBS, the interest risk is low. Cash and cash equivalents amounted to SEK 405m at December 31, 2006, while interest-bearing debt amounted to SEK 470m. The equity/assets ratio and liquidity amounted to 42% and 110%, respectively. Investments of surplus liquidity are based on minimizing risk levels, while IBS strives to maximize return within established risk limits. Surplus liquidity may only be invested in short-term government securities or the most highly rated institutions. However, the Parent Company's finance function may invest at most 15% of the Group's surplus liquidity in higher yield securities following careful risk analysis. Borrowing is primarily at variable interest rates, meaning that IBS is exposed to a cash flow risk in that interest rates may fluctuate.

Credit risk
Within IBS, credit risk consists almost exclusively of accounts receivable where customer losses are low. The Company's customers are large, well-established companies with good payment ability that are spread over several geographic markets. Credit assessments are performed at an early stage in the business process. Unpaid customer invoices are followed up regularly, and reserves are allocated for doubtful claims, if there is a significant risk that payment will not be received or if the customer's payment is more than five months overdue. Apart from accounts receivable with customary credit terms, the Group does not have any significant financial assets.

Currency risk
Currency risk arises when assets and liabilities in foreign currency change in value as a result of exchange-rate fluctuations. The Group's earnings and share-holders' equity are affected when the income statements and balance sheets of foreign subsidiaries are translated to SEK. For 2006, this translation exposure had a negative effect of SEK -32 m (25) on consolidated equity and a negative effect of SEK -7 m (36) on consolidated net sales.

Translation exposure
Net foreign assets (total assets less liabilities) are distributed as follows:

	2006		2005	
Currency	Amount	%	Amount	%
EUR	406.2	74%	325.9	70%
AUD	50.2	9%	53.3	11%
USD	42.1	8%	39.6	8%
DKK	29.4	5%	34.1	7%
Other	19.5	4%	17.6	4%
	547.4		**470.5**	

The Company's policy is not to protect against translation exposure in foreign currency.

Transaction exposure

	2006	2005
Currency	**Net flows SEK m/yr**	**Net flows SEK m/yr**
EUR	91.4	70.6
AUD	12.5	5.0
USD	12.2	13.5
GBP	8.0	8.4
DKK	9.3	7.3
NOK	4.5	4.5
Other	7.0	5.1
	144.9	**114.4**

Currency flows arising from the purchase and sale of goods and services in other currencies than each Group company's local currency result in transaction exposure. Currency risk in the business that IBS conducts is limited in that the operative subsidiaries invoice in the same currency in which costs are incurred and because transaction exposure is limited in time. The above currency flows represent in large part the Parent Company's exposure, since invoicing of management fees and royalties is not always made in SEK but in each subsidiary's local currency.

Fair value
The fair value of IBS' financial assets, such as shares and participations (apart from shares in subsidiaries and associated companies), and accounts receivable complies favorably with the carrying amount. To the extent possible, the fair value is established on the basis of market listings. Instruments traded on an active market have been valued at official market listings. Stock options traded on an active market have been valued on the basis of an option-valuation model, whereby input is based on market data. For other derivative instruments for which reliable market listings are not available, fair value has been established by discounting future payment flows to the current market interest rate and exchange rate for equivalent instruments. For accounts receivable, accounts payable and other current interest-free financial receivables and liabilities reported at accrued acquisition value, the fair value is considered to correspond to the carrying amount.

Financing and liquidity risk
In the case that the IBS Group's equity/assets ratio should fall below 25% and internally generated profit is not considered adequate to be able to finance continued expansion according to prevailing market prerequisites, capital requirements should primarily be satisfied through a preferential new issue to shareholders or a directed issue to institutional investors.

Liquidity risk
Liquidity risk is the risk that the Company should experience difficulty in maintaining cash and cash equivalents at a level corresponding to its commitments through financial instruments. The risk to which IBS is exposed is the risk that the Company should not meet the requirements placed on it by banks, meaning that the Company does not achieve the financial targets agreed when loans or credit facilities were raised.

Risk management
IBS works with risk management through a number of different quality processes and standardized contracts that are intended to guarantee business risks in the various customer projects. Furthermore, IBS has developed Group-wide insurance solutions that provide coordination benefits and minimize the Group's total damage risk.

NOTE 22. SHAREHOLDERS' EQUITY

Share capital
According to IBS AB's Articles of Association, the share capital shall amount to not less than SEK 10 000 000 and not more than SEK 40 000 000. There are 83 608 030 shares, of which 3 150 000 are A shares and 80 458 030 are B shares. The A shares entitle the holder to ten votes, while the B shares carry one vote per share. All shares are fully paid and have a par value of SEK 0.20 per share. The share capital trend is presented on page 32.

Other capital contributions
This refers to capital contributed by the owners and includes premium reserves that has been paid in connection to new share issues.

Own shares acquired
Repurchased shares include the acquisition cost of IBS shares held by the Parent Company. At December 31, 2006, the Group's holding of own shares amounted to 2 076 300.

	Number of shares (amount)		Value (SEKm)	
	2006	2005	2006	2005
Own shares, opening balance	-	-	-	-
Purchased during the year	2 076 300	-	44.5	-
Own shares, closing balance	2 076 300	-	44.5	-

The reasons for buying back shares include providing the Board of Directors with an opportunity to adjust the capital structure and thus to create added value for the company's shareholders.

Translation reserve
The translation reserve includes all exchange-rate differences arising in the translation of financial reports from foreign operations that prepare their reports in another currency than that in which the Group presents its financial reports. The Parent Company and the Group present their reports in SEK.

	2006	2005
Translation reserve on opening date	21.9	-3.3
Translation differences for the year	-31.4	-28.1
Less translation differences attributable to divested operations	-0.2	-2.9
Translation differences on closing date	**-9.7**	**21.9**

Retained earnings including net profit for the year
Retained earnings including profit for the year comprises retained earnings in the Parent Company and its subsidiaries. Prior allocations to the statutory reserve, excluding transferred premium reserves, are included in this equity item.

Earnings per share

	2006	2005
Earnings per share before dilution		
Profit for the period	-7.4	622.0
Avgerage no. of outstanding common shares (thousands)	82 608	79 608
Earnings per share before dilution	-0.09	7.81
Earnings per share after dilution		
Profit for the period	-7.4	622.0
Avg. no. of outstanding common shares (thousands)	82 608	79 608
Adjustment for dilution of warrants	0	2 418
No. of shares for calculation of earnings per share	82 608	82 026
Earnings per share after dilution	-0.09	7.58

During the year, a warrants program comprising 4 million warrants that were issued in 2003 matured. All of the warrants were exercised, which contributed shareholders' equity of SEK 30.6m to the company. The exercise price for the warrants was SEK 7.66 each and the subscription price for them on issue was SEK 2.26 each. The Group's holding of own shares amounts to 2 076 300. When calculating the average number of shares before dilution, the total number of shares at the end of each quarter has been used. During the second quarter of 2006, new shares were issued when 4,000,000 warrants were exercised, which resulted in the number of shares outstanding rising by the same number. When calculating the average number of shares after dilution, the number of outstanding warrants expected to be redeemed was calculated. This calculation places the sum total of the exercise price for the options in relation to the average share price, which results in the estimated dilution of the number of shares. Since all the warrants were exercised during the second quarter of 2006, only the number of shares during the first quarter was affected.

Changed accounting principles in the Parent Company
The change applies to financial instruments and so-called expanded investment. A detailed description is presented on page 54, Accounting principles for the Parent Company.
Statutory reserves in the Parent Company
The purpose of the statutory reserves has been to save a portion of the net profit not required for covering accumulated losses. The statutory reserves also include an amount that prior to January 1, 2006 was allocated to the premium reserve.
Premium reserve in the Parent Company
When shares are issued at a premium, which means that payment for the shares exceeds the par value of the shares, an amount corresponding to the amount received in excess of the par value of the shares is allocated to the premium reserve. On December 31, 2005, the premium reserve was transferred to statutory reserves in accordance with the Swedish Companies Act. New amounts arising as of January 1, 2006 are entered in a new premium reserve, which belongs to the unrestricted shareholders' equity category. As named above, however, such premiums in the Group belong the category of other capital contributions.
Translation reserve in the Parent Company
This item comprises translation differences arising on internal loans that constitute expanded investment. The translation reserve is part of a "fair value fund" in the Parent Company. Changes in value caused by a change in the exchange rate for a monetary item constituting part of the company's net investment in a foreign unit are recognized in shareholders' equity in accordance with Chapter 4, Section 14d of the Swedish Companies Act.
Retained earnings in the Parent Company
This comprises the preceding year's unrestricted shareholders' equity. Together with net profit for the year, the premium reserve and the translation reserve (fair value fund), it constitutes unrestricted shareholders' equity, meaning the amount available for distribution to the shareholders.

Dividend
The Board of Directors proposes that no dividend be paid for 2006.

	2006	2005
SEK 0.00 per common share (2.00)	-	167.2

NOTE 23. DEFERRED TAX RECEIVABLES AND LIABILITIES

	Group					
	Deferred tax receivables		Deferred tax liabilities		Net	
	2006	2005	2006	2005	2006	2005
Fixed assets	-	-	-22.2	-26.8	-22.2	-26.8
Current assets	13.7	1.9	-	-0.2	13.7	1.7
Provisions and current liabilities	10.2	7.9	-6.5	-7.9	3.7	0.0
Tax allocation reserve	-	-	-1.1	-1.1	-1.1	-1.1
Capitalised tax loss	141.4	141.6	-	-	141.4	141.6
Total	**165.3**	**151.4**	**-29.8**	**-36.0**	**135.5**	**115.4**
Nettning	-19.2	-16.2	19.2	16.2	0.0	0.0
Total according to balance sheet	**146.1**	**135.2**	**-10.6**	**-19.8**	**135.5**	**115.4**

	Group			
	2006		2005	
	Accumulated loss carry-forward	Tax value (deferred tax receivables)	Accumulated loss carry-forward	Tax value (deferred receivables)
Total loss carry-forward	479.1	141.4	474.5	141.6
Less non-capitalizable tax loss	-	-	-	-
Total	**479.1**	**141.4**	**474.5**	**141.6**

The Group's taxable results are expected to improve further in the coming years. Steps have been identified and initiated to gradually level out the surpluses and deficits. The majority of the Group's loss carry-forward has a long or infinite duration. During the course of the year, it has been possible to utilise old loss carry-forward in several countries. With this situation in mind, IBS has capitalized a fiscal value for the Group's loss carry-forward. The Parent Company's deferred tax receivables of SEK 42.7 m (38.1) is a capitalization of the tax value for loss carry-forward. The total fiscal loss carry-forward for the Parent Company is SEK 152.4 m (136.1).

NOTE 24. PROVISIONS

Group	Project reserves and guarantee commitments	Other	Pensions	Restructuring reserve	Total
Book value on the opening date	**1.1**	**2.2**	**10.1**	**-**	**13.4**
Provisions allocated during the period	4.5	-	0.1	120.0	124.6
Amount utilized during the period	0.4	-	-	-28.9	-28.5
Unutilized amount reversed during the period	-5.1	-1.8	-1.6	-	-8.5
Book value on the closing	**0.9**	**0.4**	**8.6**	**91.1**	**101.0**
Long-term provision	0.9	0.4	8.6	41.4	51.3
Short-term provision	-	-	-	49.7	49.7

The provisions for project and guarantee reserves and other pertain to obligations in Belgium, France, Switzerland and Germany. The item "other" comprises a provision for severance pay. The Group's pensions are predominantly defined-contribution plans. Commitments for retirement pensions and family pensions for salaried employees in Sweden are guaranteed via insurance in Alecta. Fees for pension insurance issued by Alecta amounted to SEK 16m (13) during the year. Alecta's surplus may be distributed to the insurance policy holders and/or the insured. At year-end 2006, Alecta's surplus in the form of the collective solvency rate was 143% (129). The collective solvency rate corresponds to the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial assumptions, which does not comply with IAS 19 Employee Benefits. The provision for defined-benefit pension solutions applies to Sweden and the Netherlands. There is one person in IBS Sweden whose pension is a defined-benefit plan valued at SEK 3m for which no costs were expensed during the year. In the IBS subsidiary in the Netherlands, 13 senior executives have defined-benefit pension plans. Provisions for the net of these commitments (pension liabilities less managed assets) amounted to SEK 6m. The information provided on defined-benefit pensions is limited, since this item is considered inconsequential. An action program was implemented during the year whose aims included a relocation of parts of product development and programming to mid- and low-cost countries. The action program resulted in a provision of SEK 120m for restructuring costs. SEK 29m of this provision was used for such actions as the discontinuation of offices (premature redemption) and personnel cutbacks (severance pay) during the year. The Group estimates that SEK 49.4m of the reserve will be used in 2007 and SEK 41.4m after the close of 2007.

NOTE 25. LONG-TERM INTEREST BEARING LIABILITIES

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Due date 1-5 years from closing date	69.0	86.4	67.7	83.3
Due date later than five years from closing date	0.4	5.7	-	5.2
Financial leasing agreements	17.0	20.4	-	-
	86.4	**112.5**	**67.7**	**88.5**

Collateral for long-term loans to credit institutes consists of shares in subsidiaries. Leasing agreements are for company cars and computer equipment, which are also given as security for the leases.

NOTE 26. SHORT-TERM INTEREST BEARING LIABILITIES

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Bank overdraft facilities granted	369.1	354.3	264.1	264.0
Unused portion	-22.6	-48.6	0.0	-7.3
Used overdraft facility *)	346.5	305.7	264.1	256.7
Financial leasing agreements	9.8	8.7	-	-
Other short-term loans *)	27.5	32.1	20.9	20.8
	383.8	**346.5**	**285.0**	**277.5**

*) Liabilities have terms and conditions linked to result and financial position, so-called covenance.

Collateral for bank overdraft facilities consists of shares in subsidiaries and accounts receivable. Leasing agreements are for company cars and computer equipment, which are also given as security for these leases.

NOTE 27. FINANCIAL LEASE OBLIGATIONS

This year's payments, along with future financial leasing contracts due for payment per year as follows:

	2006		2005
This year's payments	**9.7**		**10.5**
2007	8.2	2006	10.2
2008	7.2	2007	8.0
2009	4.9	2008	6.1
2010	2.8	2009	3.1
2011	0.6	2010	1.0
Later	-	Later	-
Total future payments	**23.7**		**28.4**

Financial leasing includes primarily the leasing of cars and computer equipment.

NOTE 28. ACCRUED EXPENSES AND DEFERRED INCOME

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Accrued interest expenses	0.2	0.2	-	-
Accrued staff-related expenses	174.6	213.1	21.9	28.2
Other accrued expenses	60.9	60.8	11.0	10.9
Prepaid income	209.5	219.8	0.0	1.0
	445.2	**493.9**	**32.9**	**40.1**

Prepaid income primarily include renewal fees.

NOTE 29. PLEDGED ASSETS

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Corporate mortgages	0.3	0.3	0.3	0.3
Shares in subsidiaries	107.5	127.7	107.5	127.7
Assets charged with ownership reservation	63.3	62.9	-	-
	171.1	**190.9**	**107.8**	**128.0**

Collateral to secure liabilities (short- and long-term) to credit institutions are included in 'Assets charged with ownership reservation' and 'Shares in subsidiaries'.

NOTE 30. CONTINGENT LIABILITIES

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Guarantees, subsidiaries	-	-	54.7	55.9
Other contingent liabilities	14.8	22.3	-	-
	14.8	**22.3**	**54.7**	**55.9**

Other contingent liabilities consist of the Danish subsidiary's fulfilment guarantees related to IBM and Hertz financing. The amounts reflect the calculated commitment at the closing day.

Claims and legal proceedings

There are no ongoing claims or proceedings in which IBS and its subsidiaries involved and which will have a material impact on IBS' position, profit or cash flow.

NOTE 31. ADJUSTMENTS FOR NON-CASH FLOW ITEMS

	Group 2006	Group 2005	Parent Co. 2006	Parent Co. 2005
Provisions	88.7	-2.0	5.3	-
Depreciations and write-downs	102.8	99.3	53.8	76.8
Unrealized exchange rate differences	6.2	-12.2	-	-
Capital gain from disposal of subsidiary	-1.0	-571.1	-6.8	-611.4
Value change in financial investments	-3.6	-3.3	-3.6	-3.3
	193.1	**-489.3**	**48.7**	**-537.9**

NOTE 32. INTEREST PAID AND DIVIDENDS RECEIVED

	Group		Parent Co.	
	2006	**2005**	**2006**	**2005**
Dividends received	-	-	65.0	50.0
Interest received	6.7	9.8	25.0	24.7
Interest paid	-9.4	-7.8	-7.8	-7.9
	-2.7	**2.0**	**82.2**	**66.8**

NOTE 33. ACQUISITION OF SUBSIDIARIES

	Group	
	2006	**2005**
Acquired assets and liabilities		
Intangible fixed assets	-	246.9
Tangible fixed assets	-	11.8
Financial fixed assets	-	-
Inventory	-	2.0
Other assets	-	72.8
Cash and cash equivalents	-	19.7
Total assets	**-**	**353.2**
Long-term liabilities	-	-19.1
Short-term liabilities	-	-97.0
Total liabilities	**-**	**-116.1**
Purchase sum not paid	-	-31.9
Purchase sum paid	**-**	**205.2**
Less: Cash and cash equiv. in acquired operations	-	-19.7
Change in Cash and cash equivalents	**-**	**185.5**

NOTE 34. DISPOSAL OF SUBSIDIARIES

	Group	
	2006	**2005**
Disposed assets and liabilities		
Intangible fixed assets	1.2	15.5
Tangible fixed assets	0.3	4.1
Financial fixed assets	0.0	1.2
Other assets	25.5	65.7
Cash and cash equivalents	8.4	28.5
Total assets	**35.4**	**115.0**
Long-term liabilities	0.2	-2.0
Short-term liabilities	7.4	-6.0
Total liabilities	**7.6**	**-8.0**
Capital gain from sale of subsidiary	1.0	571.1
Purchase sum received	28.8	678.1
Less: Cash and cash equiv. in disposed operations	-8.4	-28.5
Change in Cash and cash equivalents	**20.4**	**649.6**

NOTE 35. INSIDER INFORMATION

The Parent Company has insider relations that include controlling influence over its subsidiaries. (See Note 13.)

		Sale of goods to insiders	Purchase of goods from insiders	Debts to insiders as of Dec. 31	Claims on insiders as of Dec. 31
Subsidiaries	2006	143.0	45.6	67.2	338.4
Subsidiaries	2005	149.2	22.7	147.8	395.6

The Parent Company's sales to subsidiaries consist predominantly of management fees and royalties. Purchases consist of external consulting services. The debt of SEK 67.2 m (147.8), consists of accounts payable. Of receivables totaling SEK 338.4 m (395.6), SEK 169.1 m (214.7) corresponds to accounts receivable. Interest income from subsidiaries amount to SEK 22.6 m (20.1). Interest costs to subsidiaries amount to SEK -3.0 m (-2.8). The Parent Company has received dividend from subsidiaries amounting to SEK 65.0 m (50.0) during the year. Transactions with the subsidiaries is priced according to market pricing. The Parent Company has not been involved in any insider transactions with associated companies or key persons in executive positions. The Group's key persons include the Board of Directors and senior executives. Members of the Board of Directors and senior executives, including their families and via companies, hold 4.3% of the shares in IBS. The Board of Directors is presented on page 71 of the Annual Report. IBS senior executives include the President and CEO Erik Heilborn, Executive Vice President and CFO Per-Arne Sendrén, Senior Vice President Products & Development Kjell Nilson, Senior Vice President Global Operations Ole Fritze, Senior Vice President Sales and Marketing Henrik Stache, Senior Vice President Legal & HR Eva Bergenheim-Holmberg and Senior Vice President Communications and IR John Womack. Note 2 presents salaries and other remuneration, costs, pension obligations and similar benefits, as well as terms regarding termination of employment, for these persons.

NOTE 36. EVENTS AFTER THE CLOSING DATE

In February, the IBS Board decided to extend the executive management's authorization to repurchase shares for a total of SEK 50m up to the 2007 Annual General Meeting. During the month of February, IBS repurchased shares with a value of SEK 5.5m, which means that the authorization had been fully utilized.

Per-Arne Sendrén left his position as Executive Vice President and Chief Financial Officer on March 21, 2007. Per-Arne Sendrén had worked for IBS during 1985-1988 and since 1998, and in the capacity as Chief Financial Officer since 2002.

Recruitment of a replacement has been initiated and will be completed during the months ahead. Peter Tauberman, Financial Director IBS Nordics, has been appointed acting Chief Financial Officer.

The undersigned certify that the annual report was prepared in accordance with the Annual Accounts Act and generally accepted accounting practices for exchange-listed companies, that the information provided agrees with actual conditions and that nothing of material importance has been omitted that could affect the perception of the company provided by the annual report.

Solna, March 23, 2007

Lars Nyberg
CHAIRMAN

Lars V Kylberg	Sigrun Hjelmquist	Johan Björklund
Stig Nordfelt	Kai Hammerich	Elisabet Annell

Erik Heilborn
CEO

Our audit report was submitted on March 23, 2007

KPMG Bohlins AB

Anders Malmeby
AUTHORIZED PUBLIC ACCOUNTANT

As above stated, the Annual Report and the consolidated accounts were approved by the Board of Directors on March 23, 2007. The Consolidated and Parent Company income statements and balance sheets will be proposed for adoption at the General Annual Meeting on May 9, 2007.

Audit report

To the Annual General Meeting of the shareholders of IBS AB, corporate identity number 556198-7289.

We have examined the annual report, the consolidated accounts, the financial statements and the administration by the Board of Directors and the President of IBS AB for the 2006 fiscal year. The Board of Directors and the President are responsible for the accounting records and administration of the Company, as well as the application of the Annual Accounts Act in preparing the annual accounts and the application of the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual report, the financial statements and the administration on the basis of our audit.

The audit was conducted in accordance with generally accepted accounting principles in Sweden. This means that we planned and conducted the audit to obtain reasonable but not absolute assurance that the annual report and the consolidated accounts do not contain material misstatement. An audit includes an examination on a test basis of documentation concerning values and other information contained in the financial statements. An audit also includes an examination of the accounting principles and their application by the Board of Directors and the President, and an assessment of the overall information in the annual report and the consolidated accounts. We have examined decisions, measures and circumstances of material importance in order to be able to determine possible liability to the company of any member of the Board or the President, or whether they have acted in some other way in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We consider that our audit gives me a reasonable basis for our opinion, which is presented below.

The annual report has been prepared in accordance with the Annual Accounts Act and with generally accepted accounting principles in Sweden and thus provide a fair representation of the earnings and financial position of the company. The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and provide a fair representation of the earnings and financial position of the Group. The Board of Directors' report is consistent with the annual report and the consolidated accounts in other respects.

We therefore recommend that the income statements and balance sheets for the Parent Company and the Group be adopted, that the earnings in the Parent Company be disposed of as proposed in the Board of Directors' report and that members of the Board and the President be discharged from liability for the fiscal year.

Stockholm, March 23, 2007

KPMG Bohlins AB

Anders Malmeby
AUTHORIZED PUBLIC ACCOUNTANT

Financial definitions

Adjusted equity Taxed equity plus the after-tax amount of the difference between market value and book value of short-term investments.

Adjusted equity per share Adjusted equity divided by the total number of shares.

Adjusted equity per share after dilution Adjusted equity including subscription capital for warrants divided by the total number of shares, plus the number of new shares that are calculated to be issued when a conversion of warrants into shares takes place.

Balance sheet total Total assets.

Capital turnover ratio Total revenue for the year divided by average total assets.

Capital employed Total assets minus non-interest bearing liabilities.

Days of sales outstanding Average accounts receivable excluding VAT divided by total revenue, multiplied by the number of days in the period.

Equity to total assets ratio Adjusted equity as a percentage of total assets.

Interest cost cover ratio Profit after financial items plus interest expense, divided by interest expense.

Liquidity Current assets minus inventories, as a percentage of current liabilities.

Market capitalization Share price multiplied by the total number of shares.

Net loan debt Interest-bearing liabilities reduced by cash and cash equivalents.

Operating margin Operating profit as a percentage of total revenue.

p/e ratio Share price divided by profit per share.

Profit per share Net profit for the year divided by the average number of shares.

Profit per share after dilution Net profit for the year divided by average number of shares plus the average number of new shares that are calculated to be issued when a conversion of warrants into shares takes place.

Return on capital employed Profit after financial items plus interest expense, as a percentage of the average capital employed during the year.

Return on equity Net profit for the year as a percentage of average adjusted equity.

Return on total capital Profit after financial items plus interest expenses, as a percentage of average total assets during the year.

Revenue/employee Total revenue divided by the average number of employees.

Risk capital ratio Adjusted equity as a percentage of total assets.

Value added Operating profit plus cost of staff.

Glossary

ASP See Facilities Management.

Business intelligence Software that gives users the ability to retrieve information, whenever required, from business data stored in different sources, so that it can be analysed and used for decision support and business performance measurement.

Business software/solutions/system Software that is developed to handle the flow of information, products and resources within an entire organization. Business software includes functionality for processes such as sales and logistics, financials and business intelligence, e-business and manufacturing.

Collaborative commerce Integrated digital supply chain management through collaboration between business partners.

Customer Relationship Management (CRM) CRM is a business strategy, targeting relations between employees and customers, and which is supported by certain processes and systems. The goal is to build long-term relationships through the understanding of individual needs and preferences, thus adding value to the enterprise and to the customer.

Data warehousing A system or a method for collecting and storing data, from different systems or different parts of a system, that can be used at a later time for analysis and decision support.

e-business Having computers and networks connect all those who participate in business transactions within a company's sphere of business, i.e. customers, staff, suppliers and business partners. This enables increased speed and lower costs, due to business being done with reduced manual handling in the communication chain. The medium could be e.g. Internet, EDI or email.

Electronic Data Interchange (EDI) The electronic transfer of information between the computer systems of separate parties. Pre-defined documents and forms are sent electronically, instead of on paper. EDI is often used to handle purchase orders, invoicing, quotes and claims, etc.

Facilities management/ASP Having a third party be responsible for the maintenance and hosting of the computer and business software.

Hardware platform The specific combination of computers, operating systems and other system software sufficient or necessary for installing and executing one or more applications.

Industry solutions Business software that supports industry-specific 'best practice' operations and which has functionality that makes it particularly suited to the requirements of these industries. Sometimes referred to as vertical industry solutions.

Middleware Program or system infrastructure within a network that makes for easier communication between individual users' machines and, for example, a database. An example of this is IBS Integrator.

Intranet Computer-stored information that is only accessible to a company's employees.

Network Two or more workstations (PC or terminals) which are connected locally, nationally or internationally, for shared data handling or communication.

Object-oriented A software programming technology whereby several independent program parts, so-called objects, can be combined into larger units, aimed at performing a given task. Also called component or component-based technology.

Radio Frequency Identification (RFID) Electronic labels that can contain large quantities of information for products and product transport, which can be scanned and transmitted through radio technology. RFID is one of most vital means of providing product information throughout the supply chain, from original suppliers to final customers.

Return on Investment (ROI) A calculation and a value analysis that uses real values, such as changes in sales figures. The calculation determines when the savings and gains that have been achieved through the implementation of new business software will outweigh the capital invested in the software.

Sales force automation Software that automates business tasks such as inventory control, sales processing, and tracking of customer interactions, as well as analyzing sales forecasts and performance.

SCOR (Supply-Chain Operations Reference-model) A supply chain diagnostic tool that allows companies to examine and measure supply chain processes, determine where weak links exist, and identify how to make improvements. SCOR creates a unified framework by creating a common language of standardized metrics and mapping analyzis procedures.

Server/hardware Consists of electronic and mechanical components. The task of the machine, i.e. computer, is to receive, store, handle and present data.

Supply chain execution The efficient handling of information and order management between customers and suppliers, as well as internal functions for inventory control and optimization. It deals with getting the job done, and decisions are made just minutes, hours, or weeks in advance.

Supply chain management (SCM) Supply chain management means the electronic coordination of material, information and payment flows between companies and their suppliers and customers, i.e. the supply chain. This reduces lead-times and inventory, while achieving improved customer service and better delivery precision.

Supply chain planning Includes supply chain network design, demand planning and forecasting, supply planning, manufacturing planning and scheduling, and distribution planning. It focuses on preparing for a job with decisions made from weeks to years in advance.

XML Extensible Markup Language is a flexible way to create common information formats and share both the format and the data on the web, intranets, and other networks. Similar to HTML (Hyper Text Markup Language), it contains tags that identify the nature of the content, such as whether a number series is a telephone number or an order number.

IBS Group Management

John Womack, Per-Arne Sendrén, Kjell Nilson, Henrik Stache, Eva Bergenheim-Holmberg, Ole Fritze
Mark Cockings, Erik Heilborn, Esa Parjanen, Rajiv Parrab, Luis Costa, Barry Christian

Erik Heilborn
CEO and President
Born 1962
Employed since 2006
Shares: 20 000
Warrants: 0

Per-Arne Sendrén
Executive Vice President and CFO
Born 1959
Employed 1985-1988 and 1998-2007.
Employment ceased March 21, 2007.
Acting CFO is Peter Tauberman.

John Womack
Senior Vice President,
Communications and IR
Born 1966
Employed since 2003
Shares: 20 000
Warrants: 0

Eva Bergenheim-Holmberg
Senior Vice President,
Legal & HR
Born 1957
Employed since 2001
Shares: 6 000
Warrants: 0

Henrik Stache
Senior Vice President,
Sales and Marketing
Born 1969
Employed 1997-1999 and since 2004.
Shares: 0
Warrants: 0

Ole Fritze
Senior Vice President,
Global Operations
Born 1966
Employed since 1990
Shares: 0
Warrants: 0

Kjell Nilson
Senior Vice President,
Products & Development
Born 1949
Employed 1980-1996 and since 2004.
Shares: 0
Warrants: 0

Esa Parjanen
Area President,
IBS Nordics
Born 1965
Employed since 2005
Shares: 0
Warrants: 0

Mark Cockings
Area President,
IBS Central Europe
Born 1969
Employed since 1996
Shares: 25 000
Warrants: 0

Luis Costa
Area President,
IBS South Europe and South America
Born 1953
Employed since 1991
Shares: 50 000
Warrants: 0

Barry Christian
Area President,
IBS North and Cental America
Born 1956
Employed since 1988
Shares: 0
Warrants: 0

Rajiv Parrab
Area President,
IBS Asia Pacific
Born 1955
Employed since 2006
Shares: 0
Warrants: 0

IBS Board of Directors and Auditors

Kai Hammerich, Johan Björklund, Elisabet Annell, Sigrun Hjelmquist, Lars Nyberg, Stig Nordfelt, Lars V. Kylberg

Kai Hammerich Born 1943.
Board member since 1998. Independent board member.

Education: Bachelor's degree in Law and Philosophy, Diplômé d´Etudes Supérieures Européennes.

Board assignments: Chairman of Swedish Agency for Economic and Regional Growth (Nutek) and Almi Företagspartner AB. President of World Association of Investment Promotion Agencies (Waipa).

Present employments: Director-General of Invest in Sweden Agency (ISA).

Work experience: Saab-Scania AB 1980-1995, the Council of Europe 1977-1980, Journalism 1970-1977.

Committees: Member of the remuneration committee.

Presence: Attended 12 of 14 board meetings.

Shares: 160 000

Johan Björklund Born 1958.
Board member since 2001. Dependent board member.

Education: Master's degree in Business Administration.

Board assignments: Board member of e.g. The Sagentia Group AG.

Present employments: MD of Catella AB.

Presence: Attended 14 of 14 board meetings.

Shares: 107 000

Elisabet Annell Born 1945.
Board member since 2001. Independent board member.

Education: Master's degree in Political Science.

Board assignments: Board member of e.g. Axel Johnson International, Catella AB, JM, Sardus, Skandia Liv, TradeDoubler and Danderyds Sjukhus.

Work experience: KPMG for 14 years – CPA and corporate finance consultant. 11 years as VP and MD for three different service companies - MGruppen, Tönnerviksgruppen and Sifo Group. MD and strategy consultant for SMG for six years, President and CEO for Univero (fka Temogruppen) for 4 years.

Committees: Member of the audit committee.

Presence: Attended 13 of 14 board meetings.

Shares: 7 000

Sigrun Hjelmquist Born 1956.
Board member since 2003. Independent board member.

Education: Master's degree in Engineering and Licentiat in Technology.

Board assignments: Chairman and partner in Sight Executive Group. Board member of Svenska Handelsbanken, RAE Systems Inc., Sandvik, E.ON Sverige, Audiodev, Symsoft and AuSystems.

Work experience: Various positions within Ericsson 1979-2000 including MD Ericsson Components 1998-2000, partner BrainHeart Capital 2000-2005.

Committees: Chairman of the remuneration committee.

Presence: Attended 13 of 14 board meetings.

Shares: 16 350 (incl. family).

Lars Nyberg, Chairman Born 1951.
Board member since 2005. Independent board member.

Education: Master's degree in Business Administration.

Board assignments: Chairman of Micronic and Datacard Inc. Board member of Snap-On Tools Inc. and Autoliv Inc.

Work experience: Chairman and CEO of NCR 1995-2003, thereafter Chariman only until 2005. Various management positions at Philips Electronics 1974-1995.

Committees: Member of the remuneration committee.

Presence: Attended 14 of 14 board meetings.

Shares: 200 000 A shares

Stig Nordfelt Born 1940.
Board member since 1984. Dependent board member.

Education: Master's degree in Business Administration.

Board assignments: Board member of e.g. H&M and CGU Life.

Present employments: Consulting operations focused on board related activities.

Work experience: 1986-2006 MD for Pilen AB, Stockholm, 1982-1985, MD for Tornet AB, Stockholm, 1964-1981 CPA for Reveko AB, Stockholm, from 1971 Senior Partner.

Committees: Member of the audit committee.

Presence: Attended 14 of 14 board meetings.

Shares: 32 500

Lars V. Kylberg Born 1940.
Board member since 1996. Independent board member.

Education: Master's degree in Engineering.

Board assignments: Chairman of the Rejlers Group. Vice Chairman of Vasakronan and Civitas. Board member of e.g. Sagentia Group AG.

Work experience: President and CEO Saab Scania 1991-1995, President and CEO Alfa-Laval 1989-1991, President and CEO Incentive 1984-1989, Vice President Saab-Scania 1982-1984, MD ASEA SKANDIA 1976-1982.

Committees: Chairman of the audit committee.

Presence: Attended 13 of 14 board meetings.

Shares: 304 000 (incl. family).

Share-ownership details gathered at time of print of this annual report.

KPMG BOHLINS AB Anders Malmeby, Authorized Public Accountant

IBS history

For nearly 30 years, IBS has helped more than 5 000 customers to increase their efficiency and become more competitive.

1978 2006

The history of IBS began in the 1970s, when the global management consulting company Ekonomisk Företagsledning, EF, founded an IT division to deliver even greater value to their customers. The two founders, Staffan Ahlberg and Gunnar Rylander, quickly saw the opportunities to use information technology to help customers achieve even higher levels of efficiency and customer service and in 1978 transformed the division into an independent company, International Business Systems (IBS). Their vision was quickly transformed into an international one, when later the same year IBS was awarded the assignment to develop an order processing system for all subsidiaries in the Alfa Laval Group.

Today, nearly 30 years later, more than 5 000 customers use IBS solutions to support their business operations.

IBS expanded through acquisitions in Northern Europe and was listed on the Stockholm Stock Exchange in 1986. During the late 1980s and 1990s, the company continued to grow, noting the following milestones:

- Further acquisitions in the UK, France and the US
- Joint ventures in Poland and Portugal
- Investments and partnerships in Germany, Spain, Malaysia and Singapore.

Early in the new millennium, IBS expanded globally through organic growth, acquisitions and partnerships in Europe, South America and North America, Australia and Asia. Other important events were:

- In capacity tests performed by IBM in Rochester, New York in the US, IBS set a record in achieving the highest transaction volumes ever recorded
- IBS Pharma, an advanced distribution solution for pharmaceuticals, was launched in 2002
- Additional acquisitions were made in France, Australia and Sweden, including Accima Technologies
- IBS and IBM jointly launch an integrated supply chain solution based on IBS software and a specially designed IBM eServer
- Magnus Wastenson was appointed new CEO in autumn 2002
- IBS received the Development Award from the Supply Chain Council of Europe for its work on introducing the SCOR performance measurement standard in the IBS Enterprise business solution
- IBS Integrator was launched, providing a powerful tool for linking together different platforms and applications
- IBS expanded its global strategic alliance with IBM in supply chain integration and management
- During 2004, the supply chain division of Janis Group Inc. was acquired in the eastern United States.

During 2005, a number of important transactions took place to streamline IBS and strengthen its position internationally within selected industries:

- Lars Nyberg became new Chairman of the Board, succeeding Gunnar Rylander, who had been Chairman since IBS was founded in 1978
- The subsidiary IBS Public Services Ltd., with local operations in the UK in such areas as property management systems, was divested
- IBS acquired the software companies TMS, specializing in publishing companies, and IDS, with its focus on the automotive industry
- The IT company Quatro with operations in Portugal and Spain was acquired
- New international software contracts were signed with such major customers as PaperlinX and Cramo.

2006

- Erik Heilborn was appointed President and CEO. He took over after Magnus Wastenson, who left IBS after 20 years of service
- A new organization and control model was introduced on July 1 in order to increase internationalization and initiate the relocation of product and software development to medium and low-cost countries
- IBS' profit margin for full-year 2006 improves to 5 percent
- Major customer agreements were signed with, among others, Sonepar Nordics and SELGA (Rexel), advancing IBS' position in the electronics distribution market segment
- IBS enters into strategic cooperation with Cognos concerning solutions for operational control and business analysis.

Annual General Meeting

The Annual General Meeting (AGM) will be held on Wednesday, May 9, 2007 at 6 pm at Moderna Museet (Modern Art Museum), Skeppsholmen, Stockholm, Sweden. Registration starts at 5.15 pm.

Qualifications for participation
Shareholders wishing to participate in the Annual General Meeting must:

›› Be registered in the Swedish Central Securities Depository (VPC) on Thursday, May 3, 2007, and

›› Give prior notice of participation to IBS no later than 12 noon on Thursday, May 3, 2007.

Shares registered in the name of an agent must be temporarily registered in the owner's name to qualify for participation in the AGM. Shareholders wishing to change such registration must notify their agents well before Thursday, May 3, 2007.

Notice of participation
Notice of participation in the AGM may be given as follows:

›› Web: www.ibs.se

›› Telephone: +46-8-627 45 10

›› Fax: +46-8-29 16 60

›› Email: arsstamma@ibs.net

›› Post: IBS AB, Attn: Annual General Meeting, P.O. Box 1350, 171 26 Solna, Sweden

Such notice must be accompanied by the shareholder's name, personal/corporate identity number, address, telephone number and number of shares.

Reporting dates

Information on IBS is planned for publication as follows:

›› Interim report for the period January-March to be published on May 9, 2007.

›› Annual General Meeting to be held on May 9, 2007. Report from the AGM to be published on May 10, 2007.

›› Interim report for the period January-June to be published on July 19, 2007.

›› Interim report for the period January-September to be published on October 26, 2007.

›› Year-end report for 2007 to be published in February 2008.

All communication with shareholders, media or other interested parties should be conducted via the CEO of the IBS Group, Erik Heilborn or Senior Vice President Communications and IR, John Womack.

Reports and other printed matter can be obtained by writing to:

IBS AB, Investor Relations, P.O. Box 1350, 171 26 Solna, Sweden.

Information is also available on IBS web site **www.ibs.net**

Addresses

IBS has subsidiaries in 22 countries. Headquarters information for each country is listed below.
For current information about IBS offices and business partners, please call us at +46-8-627 23 00
or visit our web site at **www.ibs.net**

IBS HEADQUARTERS
IBS AB
P.O. Box 1350
171 26 SOLNA, SWEDEN
Visitors: Hemvärnsgatan 8, Solna
Tel: +46-8-627 23 00
Fax: +46-8-764 59 65
info@ibs.net
www.ibs.net

AUSTRALIA
IBS Australia
IBS House
Level 2, 12 Julius Avenue
North Ryde NSW 2113
Tel: +61-2 8875 9000
Fax: +61-2 8875 9099
info@ibsaustralia.com
www.ibsaustralia.com

BELGIUM
IBS NV
X. De Cocklaan 70
9830 SINT-MARTENS-LATEM
Tel: +32-9-280 22 22
Fax: +32-9-280 22 99
info@ibsbe.be
www.ibsbe.be

BRAZIL
IBS Brasil Informática Ltda
Av. Queiroz Filho, 455 - 2° andar VI.
Hamburguesa
SÃO PAULO – SP
CEP: 05319-000
Tel: +55 11 3534-7860
Fax: +55 11 3534-7861
ibs@ibsbrasil.com.br
www.ibsbrasil.com.br

CHINA
IBS Shanghai
Suite 409, 4th Floor
Cimic Tower
1090 Century Blvd
Pu Dong New Area
SHANGHAI
Tel: +86 21 5836 2300/2500/2700
Fax: +86 21 5836 2900
info@ibsap.com
www.ibsap.com

COLOMBIA
IBS Business Solutions S.A.
Calle 114, # 6-A- 92
Office D501A, Centro Comercial
Hacienda Santa Bárbara
BOGOTÁ
Tel: +57-1-637 60 99
Fax: +57-1-213 69 40
ibscol@ibsco.com.co
www.ibsco.com.co

DENMARK
IBS Danmark A/S
Rådhustorvet 5
3520 FARUM
Tel: +45-70 15 13 11
Fax: +45-44 99 29 95
ibs@ibs.dk
www.ibs.dk

FINLAND
Oy International Business Systems
IBS Ab
P.O. Box 879, Tietokuja 2
00101 HELSINKI
Tel: +358 201 333 11
Fax: +358 201 333 476
info@ibs.fi
www.ibs.fi

FRANCE
IBS France
Le Linéa
Rue du Général Leclerc
92047 PARIS LA DÉFENSE CEDEX
Tel.: +33 (0) 1 46 92 97 00
Fax.: +33 (0) 1 46 92 97 30
contact@ibs-france.com
www.ibsenterprise.fr

GERMANY
International Business Systems
(IBS) GmbH
Deelbögenkamp 4c
22297 HAMBURG
Tel: +49-40-514 51 0
Fax: +49-40-514 51 111
ibsinfo@ibs-software.de
www.ibs-software.de

IBERIA
IBS Iberia
Edificio Central Park
Rua Central Park , 2 – 2nd floor
2975- 292 – LINDA-A-VELHA,
PORTUGAL
Tel: +351 214 190 906
Fax : +351 214 191 030
ibs@ibs.pt
www.ibs.pt

IBS Iberia
C/ Raimundo Fernández
Villaverde nº 26
Escalera 2ª planta 3ª Oficina 233
ESP 28003 MADRID, SPAIN
Tel: +34-91-383 43 20
Fax: +34-91-383 50 25
info@ibsesp.com
www.ibsesp.com

ITALY
IBS Italia S.p.A.
Via Vincenzo Monti 171
Sesto San Giovanni
20099 MILAN
Tel: +39 02 24416562
Fax: +39 02 24416345
info@ibs-italy.com
www.ibs-italy.com

MALAYSIA
IBS APCC Sdn Bhd
Suite 19b
19th Floor
Empire Tower
182 Jln Tun Razak
50400, KUALA LUMPUR
Tel: +60 3 2161 8300
Fax: +60 3 2162 8300
info@ibsap.com
www.ibsap.com

MEXICO
IBS Solutions México S.A. de C.V.
Blvd. Diaz Ordaz No. 140, Piso 18
Oficinas en el Parque Torre II
Col. Santa Maria
MONTERREY N.L. 64650
Tel: +52-81-8865 4510
Fax: +52-81-8865 4599
info@ibsus.com
www.ibsus.com

NETHERLANDS
IBS Nederland B.V.
Postbus 500, Nevelgaarde 20
3430 AM NIEUWEGEIN
Tel: +31-30-602 66 66
Fax: +31-30-602 10 50
info@ibs.nl
www.ibs.nl

NORWAY
International Business Systems
Norge AS
Ole Deviks Vei 2
0666 OSLO
Tel: +47-23 06 89 00
Fax: +47-23 06 89 50
ibsnorge@ibs.no
www.ibs.no

POLAND
IBS Polska Sp. z o.o.
al. Armii Krajowej 61
50-541 WROCLAW
Tel: +48-71-79 11 500
Fax: +48-71-79 11 511
ibs@ibs.com.pl

SINGAPORE
IBS Singapore Pte Ltd
10 Anson Road
#31-13 International Plaza
079903 SINGAPORE
Tel: +65-6221 9300
Fax: +65-6225 8200
info@ibsap.com
www.ibsap.com

SWEDEN
IBS Sverige AB
P.O. Box 1350
171 26 SOLNA
Visitors: Hemvärnsgatan 8, Solna
Tel: +46-8-627 23 00
Fax: +46-8-28 85 58
info@ibs.se
www.ibs.se

SWITZERLAND
IBS Switzerland AG
Freiburgstrasse 634
3172 NIEDERWANGEN
Tel: +41-31-980 09 00
Fax: +41-31-980 09 05
info@ibs.ch
www.ibs.ch

UK
IBS Ltd.
IBS House
Elstree Way
BOREHAMWOOD, Herts. WD6 1HZ
Tel: +44-20-8207 5655
Fax: +44-20-8207 6770
info@ibsuk.com
www.ibsuk.com

USA
International Business Systems US
90 Blue Ravine Road
FOLSOM, CA 95630
Tel: +1-916-985 3900
Fax: +1-916-985 4922
info@ibsus.com
www.ibsus.com

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Powerful software
Passionate people

IBS AB, P.O. Box 1350, SE-171 26 Solna, Sweden
Visitors' address: Hemvärnsgatan 8, Solna
Tel: +46-8-627 23 00 info@ibs.net www.ibs.net