January–June 2003 Interim Report

Intentia focuses on enhancing efficiency and retains its competitive strength in a market that remains weak

- License orders received were SEK 194 million (347) for the quarter and SEK 457 million (496) for the first half of the year. License revenue totaled SEK 206 million (307) in the quarter and SEK 413 million (518) in the first half of the year.
- Consulting revenue amounted to SEK 562 million (665) in April–June and SEK 1,107 million (1,339) in January–June. The consulting margin was 16 percent (16) for the quarter and 14 percent (17) for the first half of the year.
- The break-even point on a rolling full-year basis decreased by SEK 442 million from SEK 3,909 million on June 30, 2002 to SEK 3,467 million on June 30, 2003. The reduction for the second quarter alone was SEK 175 million.
- Operating earnings were SEK –40 million (6) in April–June and SEK –127 million (–27) in January–June.
- Cash flow after investments amounted to SEK –75 million (150) for the second quarter and SEK 33 million (–84) for the first half of the year.
- The holders of convertible notes were offered a repurchase option during the quarter on the condition that financing could be obtained by issuing new shares. Eighty-six percent of the noteholders accepted the offer and the issue was fully subscribed for during July. The uncertainty generated by the repurchase had a negative impact on volumes during the quarter.

Group Progress

Market Remains Weak

The state of the market has not changed. In terms of license sales, customers are postponing decisions and splitting up orders into smaller ones. Consulting operations are impacted by virtue of heavier downward pressure on prices and a generally greater focus on contractual terms. Furthermore, the size of projects is affected in that many customers are initially seeking to limit them. The majority of the agreements that Intentia is entering into now stem from a perception on the part of customers that the current state of the market represents an opportunity to change and improve their business processes, as well as to make them more efficient. Companies are investing almost exclusively for the purpose of promoting cost effectiveness. Given that the costs for and complexity of business transactions have increased considerably in recent years, industry generally finds it highly necessary to modify its internal processes and render them more efficient. However, such developments will not impact the enterprise applications sector's business volumes until the global economy improves.

The weaker market has led to fiercer competition. Customers are increasingly focused on the various suppliers' long-term ability to deliver. Ongoing restructuring talks among Oracle, PeopleSoft and J.D. Edwards during the quarter generated uncertainty about the future structural direction of the sector. As a result, customers postponed investment decisions and the impact of the slower market was further exacerbated.

Intentia believes that it will benefit in the longer term from the ongoing structural talks, the reason being that customers are questioning the product offering of some of Intentia's competitors, as well as their future ability to deliver. That trend is expected to make an impact—favorable for Intentia—in late 2003 and, above all, in 2004.

Progress in April–June 2003

Volumes in the enterprise applications sector have performed poorly for an extended period of time. During that time, Intentia has maintained its competitive strength and market position, fending off the impact of reduced demand by steadily adjusting its costs.

The Weak Market Had a Negative Impact on License and Consulting Revenue

Volumes for ongoing procurement projects progressed favorably. Intentia's offer to repurchase convertible notes and its proposed issue of new shares negatively affected business transactions in the latter part of the second quarter. Some customers wanted to see the outcome of the repurchase and the stock issue before signing contracts, since they regarded these as key to Intentia's long-term competitiveness. Uncertainty about the repurchase, along with the weak market and general lack of clarity about potential consolidation of the sector, had an unfavorable impact on business volumes for the quarter. During the slower market of recent years, license orders received and license revenue have varied considerably from one quarter to the next. License orders received were high in both the first quarter of 2003 and the second quarter of 2002. April–June license orders received declined from their strong performance in the first quarter. Orders received amounted to SEK 194 million (347) as opposed to SEK 263 million for the first quarter. The backlog of orders amounted to SEK 563 million (574) at the end of the quarter.

License revenue of SEK 206 million (307) was in line with the first quarter but down 33 percent from the second quarter of 2002. All regions reported license revenue below the same period of last year.

Consulting revenue rose above that of the first quarter. In each region, consulting revenue was equal to or better than in January–March. Consulting revenue totaled SEK 562 million (665), as opposed to SEK 545 million for the first quarter. The trend for consulting revenue attributable to new installations was affected by generally lower license orders received, particularly during the latter part of 2002. Furthermore, customers were less inclined to expand existing solutions for both upgrades and supplementary orders to broaden functionality. Downward pressure on the prices of consulting services, as well as more demanding requirements by customers when it comes to contractual terms, continued. Customers are also increasingly intent on limiting the scope of implementation, thereby minimizing a project's billable days. In-house skills development linked to Java technology is continuing to affect productivity.

Net Revenue for the Period

Net revenue during the quarter was down by 22 percent to SEK 771 million (991).

Intentia Continues to Reduce Costs

The measures that Intentia has taken to reduce costs and enhance efficiency continue to have a positive impact on earnings trends. The size of the organization is being adapted to changes in internal processes and structure, as well as to poorer demand. The ongoing efficiency effort stresses the maintenance of existing competitiveness and service levels towards Intentia's group of customers. In addition to staff reductions, the Company's cost trends have been favorably impacted by changes to the payroll model and by general cost-saving measures.

The number of employees decreased by 100 to 3,095 during the second quarter. There were 310 fewer employees than on June 30, 2002 (3,405). The number of employees in Asia, where demand is rising, increased somewhat. Of employees who received notices of termination during the first half of the year, 102 left the company during the second quarter. Thirty-two employees received notices of termination during the second quarter, while 45 employees who have received notices of termination will leave Intentia after the second quarter. A total of SEK 11 million in severance pay and salary expenses during the period of notice was charged to the quarter's earnings, of which SEK 5 million was for severance pay.

Consulting costs and indirect expenses during the quarter totaled SEK 795 million (972), a decrease of SEK 177 million from the same period of 2002. Consulting costs amounted to SEK 474 million (559), while sales and marketing expenses were SEK 176 million (248). Product development expenses were SEK 71 million (102) for the period. While SEK 34 million (47) of product development expenditures was capitalized, SEK 15 million (9) in product development previously capitalized was depreciated. Administrative expenses were higher than the second quarter of 2002, reflecting the setting up of a central IT department that had earlier been run within the consulting organization. The new department started affecting administrative expenses in the third quarter of 2002. Administrative expenses totaled SEK 75 million (63).

The break-even point, which was SEK 3,642 million on a rolling full-year basis at the end of the first quarter, continued downward. The June 30 figure was SEK 3,467 million, a decline of SEK 175 million during the quarter and was SEK 442 million less than on the same date in 2002.

Lower Costs Only Partially Offset the Impact of Decreased Volumes

The period's gross earnings of SEK 257 million (409) represented a gross margin of 36 percent (41). The poorer margin reflected lower license sales than in the second quarter of 2002, while the consulting margin remained unchanged at 16 percent. Operating earnings were SEK –40 million (6) and earnings after financial items amounted to SEK –49 million (–13). Exchange rate effects attributable to convertible notes had a SEK 4 million positive impact on financial items. Earnings after tax were SEK –63 million (–6).

Progress in January–June 2003

Net Revenue Trends

License orders received for January–June totaled SEK 457 million (496). High orders received during the first quarter partially offset the lower figure during the second quarter. License revenue amounted to SEK 413 million (518), whereas consulting revenue was SEK 1,107 million (1,339). Net revenue declined by 19 percent to SEK 1,532 million (1,894). Exchange rate effects upon consolidation had a negative impact of 3 percentage points on the period's net revenue.

Costs Were Substantially Lower During the Period

A decrease of SEK 272 million, or 14 percent, brought consulting costs and indirect costs down to SEK 1,623 million (1,895) for the period. Severance pay increased costs by a total of SEK 31 million during the first half of the year. Salary expenses for employees who had received notices of termination but remained at the company during the period of notice were SEK 15 million during the quarter. The average number of employees declined by 206 to 3,192 (3,398) during the period. Staff reductions carried out during the year will have a favorable impact of more than SEK 90 million on full-year 2003 costs. In addition, personnel cutbacks made in the second half of 2002 will lower costs by more than SEK 50 million for 2003. The organizational cutbacks will not fully impact costs in 2003, one reason being the severance pay and salary expenses that accrue during the period of notice, the other reason being the fact that cost savings will not affect the entire year. The staff reductions made during the first half of the year will have an impact of more than SEK 170 million on full-year costs.

In January–June, consulting costs fell by 14 percent to SEK 952 million (1,108), while sales and marketing expenses were down by 17 percent to SEK 385 million (462). Product development expenses were SEK 144 million (194). While SEK 79 million (74) of product development expenditures was capitalized, SEK 31 million (12) in product development previously capitalized was depreciated. Administrative expenses for the period totaled SEK 142 million (131).

Earnings Trends During the Period

Gross earnings of SEK 531 million (745) represented a 35 percent gross margin, as opposed to 39 percent during the first half of 2002. The consulting margin weakened somewhat, dropping by 3 percentage points to 14 percent from January–June 2002.

Operating earnings amounted to SEK –127 million (–27), while earnings after financial items were SEK –154 million (–47). Earnings after tax totaled SEK –179 million, in contrast to SEK –45 million for the same period of last year.

Trends by Region

Northern Europe: Although the market remained weak, volumes for ongoing procurement projects showed a positive trend. Postponed contracts negatively affected the quarter's license orders received, while the state of the market had an unfavorable impact on consulting operations. License orders received for the region declined in January–June, while license revenue was down by 19 percent to SEK 142 million (176) from the same period of 2002. Consulting revenue decreased by 11 percent to SEK 547 million (618). Operating earnings for the period were SEK 8 million (32). Employees numbered 1,163 (1,231) at the end of the period, down 68 from the same time last year. Among customers in the region with which the Company signed new agreements during the second quarter are Alfa Laval, JD Stenqvist, KWH Pipe and MIO.

Central Europe: The region's economic situation had a substantial negative impact on both demand and price trends. Price competition, particularly for consulting services, was fierce. License orders received were lower in the first half of the year than in the corresponding period of 2002. License revenue fell by 22 percent to SEK 56 million (72), while consulting revenue for the period was SEK 151 million (177). Operating earnings amounted to SEK –12 million (–3). Employees numbered 367 at the end of the period, as opposed to 424 at the same time last year. Customers with which Intentia signed new agreements during the second quarter include Burton, Continental, Kotányi and Olympus.

Northwestern Europe: Given that the market is not exhibiting any signs of a short-term recovery, contracts with customers are smaller and competition remains stiff. License orders received were stronger than for the same period of 2002. License revenue was SEK 60 million (60). Consulting revenue for the period declined by 34 percent to SEK 134 million (204). Operating earnings fell to SEK 8 million (16) from the first half of 2002. The number of employees totaled 249 (321). Among the customers with which Intentia entered into new agreements during the second quarter are Baxi, Econocom, Federa, La Brea and Silvo.

Southern Europe: Market trends were slow throughout the region during the period, while volumes for ongoing procurement projects improved. License orders received were higher than in the first half of 2002, whereas license revenue was down by 27 percent to SEK 84 million (115). Consulting revenue for the period amounted to SEK 205 million, a decrease of 17 percent from SEK 247 million in the first half of 2002. Operating earnings declined from January–June 2002 by SEK 17 million to SEK 25 million (42). The region employed 410 people, as opposed to 477 at the same time last year. Intentia entered into new agreements during the period with customers such as Eliokem, Finimetal, Gred SA and Manoirs Industries.

The Americas: The weak market notwithstanding, volumes for ongoing procurement projects progressed favorably. License orders received were higher than the same period of 2002. License revenue was down by 38 percent to SEK 24 million (39). Consulting revenue decreased by 39 percent to SEK 57 million (94). The period's operating loss improved further to SEK –25 million (–43). At 99 (139), the total number of employees at the end of the period was 40 less than on June 30, 2002. Companies with which Intentia signed new agreements during the second quarter include Domco Tarkett, La Brea och Propper International.

Asia and Australia/NZ: The region continued to show improvement, including high volumes for ongoing procurement projects and a further increase in the demand for consulting services. The fashion segment's positive trend held, particularly in Hong Kong and southern China. Japanese operations developed favorably as well. License orders received were lower during the first half of the year than the same period of 2002. License revenue was down by 43 percent to SEK 42 million (74). Consulting revenue rose during the period by an additional 37 percent to SEK 125 million (91). Operating earnings amounted to SEK –10 million, an improvement over SEK –13 million in January–June 2002. In order to handle greater demand, the number of employees increased from 277 on June 30, 2002 to 332 at the end of the second quarter. Among the customers with which Intentia signed new agreements during the second quarter are British India Cotier, Nippon Paints Singapore, Omegatrend International, Roche Diagnostics Asia Pacific and Tsukishima Foods Industry.

Cash Flow After Investments Remained Positive

Cash flow after investments for January–June amounted to SEK 33 million, as opposed to SEK –84 million for the corresponding period of 2002. Cash flow before change in working capital totaled SEK –44 million (46), while the change in working capital was SEK 155 million (35). Investments were SEK 79 million (165), of which capitalized product development accounted for SEK 79 million (74). Cash flow after investments for April–June amounted to SEK –75 million (150). Cash flow before the change in working capital rose by SEK 47 million from the first quarter to SEK 1 million (69) for January–June. Due to a decrease in non-interest-bearing liabilities and a modest increase in accounts receivable, the period's change in working capital was negative at SEK –45 million (138). Accounts receivable were unfavorably affected by delayed payments at the end of the quarter, as a result of which liquidity also suffered. Accounts receivable totaled SEK 813 million (847) at the end of the period, down SEK 304 million from the beginning of the year but up SEK 12 million since March 31. Accounts receivable increased from 21 percent to 25 percent of rolling full-year revenue from the same period of 2002. The increase from the end of the first quarter was 2 percentage points. Working capital tied up remained positive, operating liabilities exceeding current non-interest-bearing assets. Working capital was SEK –125 million (–32), in contrast to SEK –174 million at the end of March.

Liquidity was SEK 362 million (481), while interest-bearing liabilities excluding convertible notes amounted to SEK 324 million (321), representing a net cash position of SEK 38 million (160). Cash and bank balances thereby continued to exceed interest-bearing liabilities. A new one-year syndicated loan for EUR 32 million was arranged in June. That facility replaced the one-year facility of EUR 37 million that fell due in June.

Progress from July 2002 through June 2003

License orders received totaled SEK 941 million (1,166) and license revenue totaled SEK 952 million (1,207) for July 2002 through June 2003. Consulting revenue was SEK 2,307 million (2,781). Net revenue for the period declined by 19 percent to SEK 3,287 million (4,050). Consulting costs and indirect expenses amounted to SEK 3,400 million, a decrease of SEK 441 million from SEK 3,841 million for the previous 12-month period. Operating earnings fell to SEK –207 million (82), whereas earnings after financial items were SEK –258 million (12).

Cash flow from operating activities was SEK 116 million (298), while cash flow after investments was SEK –63 million (5).

Parent Company

Net revenue totaled SEK 25 million (41) for the Parent Company, while earnings after financial items were SEK –68 million (–38). The Parent Company's investments totaled SEK 0 million (0). Whereas liquidity at the end of the quarter amounted to SEK 65 million (184), external borrowings excluding convertible notes were SEK 0 million (0).

Outlook for 2003

The market remains difficult to predict. The decline in volumes for consulting operations will have a negative impact on the year's consulting revenue, whereas the Company is cautiously optimistic about license revenue trends for the full year. Full-year costs are expected to decline by substantially more than the SEK 150 million figure previously indicated.

Uncertainty in the market may lead to both positive and negative variations for consulting and license revenue, either of which could have a considerable impact on Intentia's earnings. Thus, no earnings forecast is being given for the full year.

Repurchase of Convertible Notes and Completed Issue of New Shares

During the second quarter, Intentia offered to repurchase convertible notes from their holders at 65 percent of their nominal value over and above a 5 percent rate of interest. The offer was conditional on obtaining financing by issuing an equivalent number of shares. The offer was accepted by 86 percent of the holders, and the issue of new shares upon which the offer was conditioned was fully subscribed for during July, as a result of which 86 percent of the convertible notes will be repurchased in July.

Stockholm, July 23, 2003

Björn Algkvist
President and Chief Executive Officer

Accounting Principles

This interim report has been prepared in accordance with Recommendation 20 of the Swedish Financial Accounting Standards Council. As of January 1, 2003, the following recommendations are being employed for the first time: presentation of financial statements (RR 22), segment reporting (RR 25), events after the balance sheet date (RR 26), and financial instruments, recognition and measurement (RR 27). Compliance with these recommendations has not had any significant impact on the Company's earnings or position. Otherwise, the same accounting principles have been used as in the 2002 annual report.

The Company's auditors have not reviewed this interim report.

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Upcoming Reports

Information on the Group's development during 2003 will be provided as follows:

Interim report January–September 2003: October 22, 2003

Announcement of 2003 accounts: January/February 2004

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FINANCIAL INFORMATION

	Apr–Jun 2003	Apr–Jun 2002	Jan–Jun 2003	Jan–Jun 2002	Full Year Jul '02–Jun '03	Full Year Jan–Dec 2002
ORDER DATA (SEK million)						
Orders received	193.9	347.1	456.5	495.5	940.9	979.9
Order backlog basic, end of period	562.6	573.7	562.6	573.7	562.6	519.3
INCOME STATEMENT GROUP (SEK million)						
License revenue	206.2	307.3	413.2	517.9	952.0	1,056.7
Consulting revenue	561.7	665.4	1,106.6	1,338.5	2,307.4	2,539.3
Other revenue	3.5	18.1	11.7	37.3	27.3	52.9
Net revenue	**771.4**	**990.8**	**1,531.5**	**1,893.7**	**3,286.7**	**3,648.9**
Consulting cost	–473.6	–559.2	–952.0	–1,108.3	–1,942.4	–2,098.7
Cost for license	–8.3	–13.0	–30.8	–18.4	–96.7	–84.3
Cost for other revenues	–14.3	–9.2	–17.8	–22.2	–27.1	–31.5
Gross earnings	**275.2**	**409.4**	**530.9**	**744.8**	**1,220.5**	**1,434.4**
Other operating items net	**6.2**	**9.0**	**12.5**	**15.0**	**30.2**	**32.7**
Product development expenses	–71.1	–102.0	–143.5	–193.7	–338.1	–388.3
Sales and marketing expenses	–175.8	–247.5	–385.3	–461.9	–836.0	–912.6
Administration expenses	–74.5	–63.1	–141.9	–131.2	–283.9	–273.2
Operating earnings	**–40.0**	**5.8**	**–127.3**	**–27.0**	**–207.3**	**–107.0**
Financial income and expenses	–8.8	–18.4	–27.4	–19.8	–49.1	–41.5
Participation in associated companies' earnings	0.3	–0.1	0.5	–0.4	–1.3	–2.2
Earnings after financial items	**–48.5**	**–12.7**	**–154.2**	**–47.2**	**–257.7**	**–150.7**
Earnings before tax	**–48.5**	**–12.7**	**–154.2**	**–47.2**	**–257.7**	**–150.7**
Tax on profit/loss for the period	–15.6	7.3	–27.7	2.5	–24.0	6.2
Minority interest in profit/loss for the period	1.5	–0.7	3.2	–0.6	4.8	1.0
Profit/loss for the period	**–62.6**	**–6.1**	**–178.7**	**–45.3**	**–276.9**	**–143.5**
Earnings per share (SEK)						
Basic, average for period	–1.7	–0.2	–4.9	–1.2	–7.6	–3.9
Diluted, average for period	–1.7	–0.2	–4.9	–1.2	–7.6	–3.9
Number of outstanding shares (thousand)						
Basic, end of period	36,573	36,573	36,573	36,573	36,573	36,573
Basic, average for period	36,573	36,573	36,573	36,406	36,573	36,490
Diluted, average for period	40,598	40,633	40,598	40,466	40,598	40,514

BALANCE SHEET GROUP (SEK million)

	30 June 2003	30 June 2002	December 31 2002
Capitalized product development	296.9	195.3	249.6
Goodwill	314.0	380.2	348.7
Tangible fixed assets	192.4	246.1	222.5
Financial fixed assets	536.7	549.5	559.0
Total fixed assets	**1,340.0**	**1,371.1**	**1,379.8**
Accounts receivable	812.7	847.0	1,116.7
Other current assets	438.1	666.0	515.4
Liquid funds	361.5	480.7	402.8
Total current assets	**1,612.3**	**1,993.7**	**2,034.9**
Total assets	**2,952.3**	**3,364.8**	**3,414.7**
Stockholders' equity	642.8	867.8	779.4
Minority interests	14.8	21.2	20.1
Provisions	44.3	53.2	49.6
Convertible notes	549.8	544.9	551.6
Interest bearing long-term liabilities	56.7	63.2	64.0
Other long-term liabilities	–	11.6	9.8
Interest bearing current liabilities	267.7	257.8	312.0
Other current liabilities	1,376.2	1,545.1	1,628.2
Total stockholders' equity, provisions and liabilities	**2,952.3**	**3,364.8**	**3,414.7**

CHANGE IN STOCKHOLDERS' EQUITY (SEK million)

	30 June 2003	30 June 2002	December 31 2002
Stockholders' equity at beginning of period	779.4	850.3	850.3
New stock issued	–	44.3	44.3
Profit/loss for the period	–178.7	–45.3	–143.5
Translation differences for the period	42.1	18.5	28.3
Stockholders' equity at end of period	**642.8**	**867.8**	**779.4**

CASH FLOW ANALYSIS GROUP (SEK million)

	Apr–Jun 2003	Apr–Jun 2002	Jan–Jun 2003	Jan–Jun 2002	Full Year Jul '02–Jun '03	Full Year Jan–Dec 2002
Cash flow from operations before change in working capital	1.3	68.7	–44.0	46.3	–9.5	80.8
Change in working capital	–44.8	137.6	155.1	34.5	125.5	4.9
Cash flow from operations	**–43.5**	**206.3**	**111.1**	**80.8**	**116.0**	**85.7**
Cash flow from investments	–31.6	–56.6	–78.6	–165.2	–178.6	–265.2
Cash flow after investing activities	**–75.1**	**149.7**	**32.5**	**–84.4**	**–62.6**	**–179.5**
Cash flow from financing	–78.7	20.5	–73.1	–98.3	–33.4	–58.6
Cash flow for the period	**–153.8**	**170.2**	**–40.6**	**–182.7**	**–96.0**	**–238.1**
Liquid funds, beginning of period	**510.0**	**310.4**	**402.8**	**644.4**	**480.7**	**644.4**
Exchange rate difference in liquid funds	5.3	0.1	–0.7	19.0	–23.2	–3.5
Liquid funds, end of period	**361.5**	**480.7**	**361.5**	**480.7**	**361.5**	**402.8**

DEVELOPMENT PER QUARTER

		Net revenue	License revenue	Operating earnings before depreciation	Operating earnings	Earnings after financial items	Number of employees*
2001	Q3	878.6	246.2	37.9	2.4	–77.1	3,358
	Q4	1,277.4	443.1	152.7	106.4	135.7	3,325
2002	Q1	902.9	210.6	7.5	–32.8	–34.5	3,392
	Q2	990.8	307.3	57.1	5.8	–12.7	3,405
	Q3	758.3	222.8	–30.4	–77.2	–92.0	3,379
	Q4	996.9	316.0	49.1	–2.8	–11.5	3,319
2003	Q1	760.1	207.0	–40.8	–87.2	–105.7	3,195
	Q2	771.4	206.2	5.6	–40.0	–48.5	3,095

**at end of period*

FINANCIAL RATIOS

	Apr–Jun 2003	Apr–Jun 2002	Jan–Jun 2003	Jan–Jun 2002	Full Year Jul '02–Jun '03	Full Year Jan–Dec 2002
OPERATIONAL						
Growth over previous period						
License revenue	–33%	12%	–20%	1%	–21%	–12%
Consulting revenue	–16%	–3%	–17%	2%	–17%	–8%
Net revenue	–22%	1%	–19%	2%	–19%	–9%
Orders received license	–44%	27%	–8%	–13%	–19%	–21%
Order backlog license	–2%	–7%	–2%	–7%	–2%	–13%
Margins						
Consulting margin	16%	16%	14%	17%	16%	17%
Gross margin	36%	41%	35%	39%	37%	39%
Operating margin	–5%	1%	–8%	–1%	–6%	–3%
Net profit margin	–8%	–1%	–12%	–2%	–8%	–4%
Expenses and efficiency						
Product development/license revenue	34%	33%	35%	37%	36%	37%
Sales and marketing/license revenue	85%	81%	93%	89%	88%	86%
Administration/net revenue	9%	6%	9%	7%	8%	7%
Average number of employees for period	3,133	3,402	3,192	3,388	3,269	3,370
Revenue per employee	246	291	480	559	1,005	1,083
Added value per employee	176	185	328	367	688	723
Personnel expenses per employee	174	168	339	348	693	698
FINANCIAL POSITION						
Working capital 4 quarters/net revenue 12 months	0%	2%	0%	2%	0%	0%
Debt/equity ratio (excluding convertible notes)	–0.1	–0.2	–0.1	–0.2	–0.1	0.0
Average capital employed	1,460	1,645	1,498	1,653	1,516	1,594
Share of riskbearing capital	47%	52%	47%	52%	47%	47%
Equity/assets ratio	22%	26%	22%	26%	22%	23%
Cash flow/net revenue	–10%	15%	2%	–4%	–2%	–4%
RETURN						
On average capital employed	–3%	1%	–8%	0%	–13%	–5%
On average stockholders' equity	–10%	–1%	–27%	–6%	–40%	–19%
NET INDEBTEDNESS (excluding convertible notes)						
At beginning of period	117.2	23.6	26.8	215.7	159.7	215.7
At end of period	37.1	159.7	37.1	159.7	37.1	26.8
Cash flow for the period	–153.8	170.2	–40.6	–182.7	–96.0	–238.1
Funds borrowed	247.1	81.6	497.1	287.4	897.1	687.4
Amortization of loans	–323.2	–58.1	–553.0	–423.7	–919.6	–790.3
SHARE DATA						
Riskbearing capital per share at end of period	33.4	40.6	33.4	40.6	33.4	38.3
Stockholders' equity per share at end of period	17.6	23.7	17.6	23.7	17.6	21.3
Cash flow per average number of shares, basic	–2.1	4.1	0.9	–2.3	–1.7	–4.9

DEVELOPMENT PER REGION JANUARY–JUNE

Amounts in SEK million	Northern Europe			Central Europe			Northwestern Europe		
	2003	2002	Change	2003	2002	Change	2003	2002	Change
License revenue	141.9	176.3	–34.4	56.2	72.4	–16.2	60.2	60.3	–0.1
Consulting revenue	547.3	617.8	–70.5	151.3	176.5	–25.2	134.3	204.2	–69.9
Other revenue	6.2	16.4	–10.2	3.4	6.2	–2.8	5.0	2.0	3.0
Net revenue	**695.4**	**810.5**	**–115.1**	**210.9**	**255.1**	**–44.2**	**199.5**	**266.5**	**–67.0**
Of which internal divesting	52.4	85.9	–33.5	17.8	19.2	–1.4	21.2	43.4	–22.2
Operating expenses	–687.2	–778.3	91.1	–222.4	–257.6	35.2	–191.9	–250.8	58.9
Of which depreciation	–7.1	–7.8	0.7	–5.4	–6.2	0.8	–2.5	–3.6	1.1
Operating earnings	**8.2**	**32.2**	**–24.0**	**–11.5**	**–2.5**	**–9.0**	**7.6**	**15.7**	**–8.1**
Number of employees	1,163	1,231	–68	367	424	–57	249	321	–72
Operating assets	1,148.8	1,032.4	116.4	207.8	207.1	0.7	263.9	272.7	–8.8
Current liabilities	688.6	779.8	–91.2	101.8	135.0	–33.2	144.2	170.6	–26.4
Investments									
Tangible fixed assets	2.3	10.8	–8.5	1.3	8.7	–7.4	0.7	1.5	–0.8
Intangible fixed assets	–	–	–	–	–	–	–	–	–

Amounts in SEK million	Southern Europe			Americas			Asia and Australia/ New Zealand		
	2003	2002	Change	2003	2002	Change	2003	2002	Change
License revenue	84.1	115.0	–30.9	23.6	39.1	–15.5	42.0	73.7	–31.7
Consulting revenue	204.7	246.5	–41.8	57.3	93.6	–36.3	125.3	91.2	34.1
Other revenue	2.0	3.3	–1.3	0.8	0.4	0.4	4.6	7.4	–2.8
Net revenue	**290.8**	**364.8**	**–74.0**	**81.7**	**133.1**	**–51.4**	**171.9**	**172.3**	**–0.4**
Of which internal divesting	28.5	23.0	5.5	13.6	14.1	–0.5	5.8	11.6	–5.8
Operating expenses	–265.5	–322.5	57.0	–106.8	–175.7	68.9	–181.9	–185.7	3.8
Of which depreciation	–4.4	–4.2	–0.2	–12.0	–14.7	2.7	–4.8	–9.6	4.8
Operating earnings	**25.3**	**42.3**	**–17.0**	**–25.1**	**–42.6**	**17.5**	**–10.0**	**–13.4**	**3.4**
Number of employees	410	477	–67	99	139	–40	332	277	55
Operating assets	570.9	473.9	97.0	81.9	111.3	–29.4	154.1	186.1	–32.0
Current liabilities	316.0	292.8	23.2	57.4	54.2	3.2	133.4	163.6	–30.2
Investments									
Tangible fixed assets	1.0	2.2	–1.2	–	0.3	–0.3	4.3	4.0	0.3
Intangible fixed assets	–	–	–	–	–	–	–	–	–

Amounts in SEK million	Other Operations			Eliminations/Adjustments			Total		
	2003	2002	Change	2003	2002	Change	2003	2002	Change
License revenue	295.0	161.8	133.2	–289.8	–180.7	–109.1	413.2	517.9	–104.7
Consulting revenue	32.0	114.3	–82.3	–145.6	–205.6	60.0	1,106.6	1,338.5	–231.9
Other revenue	21.6	70.5	–48.9	–19.4	–53.9	34.5	24.2	52.3	–28.1
Net revenue	**348.6**	**346.6**	**2.0**	**–454.8**	**–440.2**	**–14.6**	**1,544.0**	**1,908.7**	**–364.7**
Of which internal divesting	294.2	178.7	115.5	–433.5	–375.9	–57.6	–	–	–
Operating expenses	–432.2	–414.9	–17.3	416.6	449.8	–33.2	–1,671.3	–1,935.7	264.4
Of which depreciation	–36.6	–17.8	–18.8	–19.3	–27.7	8.4	–92.1	–91.6	–0.5
Operating earnings	**–83.6**	**–68.3**	**–15.3**	**–38.2**	**9.6**	**–47.8**	**–127.3**	**–27.0**	**–100.3**
Number of employees	475	536	–61	–	–	–	3,095	3,405	–310
Operating assets	4,117.1	3,069.2	1,047.9	–4,875.4	–3,446.9	–1,428.5	1,669.1	1,905.8	–236.7
Not allocated assets	–	–	–	–	–	–	1,283.2	1,459.0	–175.8
Total assets	–	–	–	–	–	–	2,952.3	3,364.8	–412.5
Current liabilities	2,300.4	1,556.5	743.9	–2,365.7	–1,650.5	–715.2	1,376.1	1,502.0	–125.9
Not allocated liabilities	–	–	–	–	–	–	933.4	995.0	–61.6
Investments									
Tangible fixed assets	0.4	6.7	–6.3	–	–	–	10.0	34.2	–24.2
Intangible fixed assets	75.8	63.1	12.7	2.7	64.4	–61.7	78.5	127.5	–49.0

Intentia has defined six primary segments based upon geographic area. This division is based upon how the company is organized and how its internal reporting system is constructed, which reflects the risks and differences that exist among different markets.

The geographic areas are the following: Northern Europe consisting of Denmark, Finland, Norway and Sweden; Central Europe consisting of Austria, the Czech Republic, Germany, Poland and Switzerland; Northwestern Europe consisting of Ireland, the Netherlands, the United Kingdom and a branch in Belgium; Southern Europe consisting of France, Italy, Portugal, Spain and Brazil; Americas consisting of the operations in the US; and Asia and Australia/New Zealand consisting of Australia with a subsidiary in New Zealand, Japan, and Singapore with a subsidiary in China. Other operations consist of the parent company, holding companies, development operations and an internal bank.

Secondary segments are not reported since Intentia only has a line of business that consists of supplying and implementing Movex through total project responsibility.

Internal pricing is based on market prices.

Number of employees reflects the total number of employees at the end of the period.

Results reporting per segment has been established in accordance with RR 25. Where Intentia's operations are not primarily of a financial nature, financial items, such as interest, earnings upon disposal of financial investments, tax expenses and extraordinary records, and revenue and costs per segment, are not included. Likewise, assets and payables of a financial nature, as well as prepaid taxes and tax liabilities, per segment are excluded.

For further information about the Group's earnings beyond operating earnings, refer to the Group's Income Statement.