



# INTERIM REPORT

## JANUARY–MARCH 2011

### Strong growth in revenue and earnings

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

### JANUARY–MARCH 2011 (FIRST QUARTER)

- License revenue amounted to SKr 74 million (Q1 '10: SKr 65 million), an improvement of 23 percent currency adjusted.
- Maintenance revenue was SKr 196 million (Q1 '10: SKr 199 million), an improvement of 6 percent currency adjusted.
- Consulting revenue amounted to SKr 335 million (Q1 '10: SKr 322 million), an improvement of 12 percent currency adjusted.
- Net revenue was SKr 607 million (Q1 '10: SKr 589 million) an improvement of 11 percent currency adjusted.
- EBIT amounted to SKr 10 million (Q1 '10: SKr 8 million). Cash flow after investments was SKr 43 million (Q1 '10: SKr 74 million).
- Earnings per share after full dilution amounted to SKr 0.15 (Q1 '10: SKr 0.11).

## OUTLOOK

IFS expects good organic growth in 2011, with stronger license sales and an improvement in EBIT.

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## CHIEF EXECUTIVE SUMMARY

### Strong growth in revenue and earnings

All revenue streams, currency adjusted, showed strong growth compared with the first quarter last year. We continued to successfully focus on customers in growth markets such as infrastructure, renewable energy, offshore oil and gas, defense, and homeland security. Interest in IFS Applications within these sectors remains high.

During the quarter, we concluded a number of important and competitive contracts in our targeted industries, for instance with Kendrion, a global provider of high-tech electromagnetic components for the automotive market. Furthermore, we benefited from good license sales to two of our defense customers in the United States: Lockheed Martin and the U.S. Army. As a result, license revenue currency adjusted increased 23 percent compared with the first quarter of last year.

The strength of the Swedish krona in relation to the major currencies continued to have a noticeable effect on our reported numbers. This is particularly true for our maintenance revenue, which grew by 6 percent currency adjusted. The underlying margin reached 65 percent, an improvement over the 63 percent for the corresponding period the year before.

New sales, global roll-outs, and customers upgrading to the latest release of IFS Applications have generated a strong demand for our implementation services, which in turn has led to a 12 percent growth in consulting revenue currency adjusted. The corresponding margin improved from 17 percent in the first quarter of last year to 18 percent this year.

Although the global economic situation is improving, recovery is slow and hampered by a sluggish growth outlook in the key economies of the United States and Western Europe. However, IFS's market as a whole continued to improve, as reflected by the 11 percent growth in our net revenue for the quarter, currency adjusted, compared with the previous year.

The first months of 2011 were dominated by the political unrest in North Africa and the Middle East as well as the earthquake in Japan and its devastating consequences. The direct impact of these events on revenue and EBIT is estimated to be SKr 6 million and SKr 4 million respectively.

The software market in general, and the enterprise application market in particular, has developed well in the first quarter and the view among industry analysts is that it will continue to grow in the remainder of 2011. Analyst firms Forrester and Gartner forecast such growth to be 5–10 percent for the whole year.






The market is increasingly picking up our message that our product is a superior alternative to the solutions provided by our giant competitors. IFS Applications is superior in that it offers a lower total cost of ownership, a higher return on investment, and enables speedier and more reliable implementations. Furthermore, we continue to focus on enhancing our product according to our agile methodology, wherein customers are involved early in the development cycle to ensure high usability, better quality, and strong industry functionality. The new mobile solution launched during the quarter is an example of this. Our market positioning and world-class customers make us well-positioned to benefit from the expected, albeit still cautious, upturn in the economy, and our long-term target to achieve an EBIT margin of 15 percent remains in place.

Acquisitions in our key verticals remain a priority, an objective that is well facilitated by our continued strong cash flow. IFS expects good organic growth in 2011, with stronger license sales and an improvement in EBIT.



## SIGNIFICANT EVENTS DURING THE QUARTER

A number of significant agreements were signed in the first quarter, including:



### Aerospace and defense

-  Alitalia Maintenance Systems
-  Celebi Ground Handling Hungary Kft.
-  Klimov
-  Lockheed Martin
-  U.S. Army — Army Material Command (AMC)



### Automotive

-  TRI Poland
-  UzDongYang JV



### Construction and contracting

-  Brookfield Corporate Operations LP
-  Taiwan Railway Administration



### Energy and utilities










-  Eltur Wapore Sp. z o.o.
-  Energa Elektrownie Ostrołęka SA

### High tech



-  Kendrion
-  Kitron ASA

### Industrial manufacturing

-  Camfil Farr Power Systems
-  COM.40 Limited Sp. z o.o.

-  D Samson & Sons Limited
-  Ensival Moret
-  Greens Holdings
-  Halopolymer
-  Inno-Comp Kft.
-  Lymington Precision Engineering
-  Marmon Retail Services Asia-Leader
-  Pellenc
-  Ponsse Oyj





### Oil and gas

-  Bergen Group Rosenberg
-  Rockfin Group Sp. z o.o.

### Retail and wholesale

-  Neoteric Informatique Pvt. Ltd.

### Service providers

-  Bhilai Engineering Corporation Limited
-  Honeywell Life Safety AS
-  Oslo Airport
-  Static Systems Group

### Other

-  Silverbridge Software Solutions

### New mobile solution for the asset-intensive industry

IFS launched a new mobile solution for maintenance-oriented industries, a solution developed in accordance with IFS's agile methodology. Employees from Mälarenergi have participated in formulating requirement specifications as well as testing and verifying functionality in a live production environment. The solution facilitates a high level of integration and automation, and eliminates previously manual work processes.

### Beta release of a new sales configurator

IFS's new sales configurator was made available as a beta release for selected early-adoption customers. The solution is implemented as a layer on the existing configure-to-order (CTO) solution in IFS Applications and supports online configuration. Examples of functionality included are sales rules, categorization of characteristics, visual guidance, and direct feedback from selected alternatives during configuration.

### First Project-Based Industry Advisory Council

The Project-Based Industry Advisory Council was established as a platform for the exchange of knowledge and experience between IFS and its customers in the project-based industry. The first participants were all leaders in their respective fields, and the agenda revolved around opportunities and challenges facing the industry today. IFS regularly hosts such councils within its focused industries as a point of convergence where customers and IFS's experts can discuss needs, requirements, and ideas in a frank and open manner.

## IFS appointed one of the best workplaces in Sweden

Great Place to Work® Institute Sweden named IFS among the best workplaces in the country. Following up on last year's seventh place, IFS proves its attractiveness as an employer by advancing to the top five of the list for 2011. IFS has recorded strong and profitable growth in recent years and has accumulated a large pool of knowledge and know-how, mainly thanks to the targeting of Sweden's leading IT competence—freshly graduated as well as experienced seniors—as potential employees. Apart from having the right competence, high importance is placed on new employees understanding and respecting the core values on which the corporate culture is founded.

## FINANCIAL OVERVIEW

SKr million	Q1 2011	Q1 2010	April–March 2010/11	April–March 2009/10	Full year 2010
<b>Net revenue</b>	<b>607</b>	<b>589</b>	<b>2,603</b>	<b>2,560</b>	<b>2,585</b>
whereof					
License revenue	74	65	411	417	402
Maintenance and support revenue	196	199	808	792	811
Consulting revenue	335	322	1,370	1,339	1,357
<b>Gross earnings</b>	<b>253</b>	<b>239</b>	<b>1,202</b>	<b>1,127</b>	<b>1,188</b>
whereof					
Licenses	64	58	369	370	363
Maintenance and support	128	125	506	493	503
Consulting	60	54	322	260	316
<b>EBIT</b>	<b>10</b>	<b>8</b>	<b>223</b>	<b>176</b>	<b>221</b>
<b>EBIT margin</b>	<b>2%</b>	<b>1%</b>	<b>9%</b>	<b>7%</b>	<b>9%</b>
<b>Earnings before tax</b>	<b>5</b>	<b>4</b>	<b>190</b>	<b>157</b>	<b>189</b>
<b>Earnings for the period</b>	<b>4</b>	<b>3</b>	<b>135</b>	<b>116</b>	<b>134</b>
<b>Cash flow after investment operations</b>	<b>43</b>	<b>74</b>	<b>203</b>	<b>139</b>	<b>234</b>

*All comments refer to figures for the quarter unless otherwise stated.*

### Revenue

Net revenue amounted to SKr 607 million (589), an increase of 3 percent including, and 11 percent excluding, currency effects. License revenue increased by 14 percent including, and 23 percent excluding, currency effects, whereas maintenance and support revenue decreased by 2 percent including, but increased by 6 percent excluding, currency effects. Consulting revenue increased by 4 percent including, and 12 percent excluding, currency effects.

### Costs

Total costs amounted to SKr 597 million (581), an increase of 3 percent including, and 10 percent excluding, currency effects. The increase in costs is to an extent related to higher direct costs deriving from the increase in revenue. License costs increased in comparison with the corresponding period last year as a result of a higher share of third-party licenses, whereas direct consulting costs grew due to a higher level of purchased services in certain projects.

### Earnings

EBIT increased to SKr 10 million (8). In comparison with the previous year, the *Europe North*, *Europe Central*, and *Americas* segments contributed most to the improvement in Group earnings.

Earnings before tax amounted to SKr 5 million (4). Interest expenses amounted to SKr -1 million (-1). Net financial items as a whole were affected by currency effects and higher interest income and amounted to SKr -5 million (-4).

Earnings for the period amounted to SKr 4 million (3).

## Cash flow and investments

Cash flow after investments amounted to SKr 43 million (74). The change in working capital amounted to SKr 49 million (82), a decrease following less capital released from accounts receivable during the quarter compared with last year.

Due to the aforementioned situation in the Middle East and Africa, currently uncollectable receivables amount to SKr 10 million.

Investments amounted to SKr -57 million (-41), whereof capitalized product development was SKr -39 million (-35), and SKr -7 million was paid for an increased ownership in IFS Russia.

Cash and cash equivalents totaled SKr 430 million (341) at the end of the period. Available liquid assets, including unutilized lines of credit, amounted to SKr 910 million (641). Liabilities to credit institutions were SKr 21 million (15) at the end of the period.

## OUTLOOK

IFS expects good organic growth in 2011, with stronger license sales and an improvement in EBIT.

## OTHER INFORMATION

### Parent Company

Net revenue for the first quarter amounted to SKr 4 million (5), with earnings of SKr 4 million (-1) before tax. Available assets, including unutilized lines of credit, amounted to SKr 673 million (416).

During the quarter, the number of shares increased by 13,000 B shares as previously issued warrant programs were exercised. Furthermore, 12,262 A shares were converted into B shares. At the end of the period, 617,987 B shares were in the company's own custody, of which 117,987 were acquired during the quarter for SKr 12 million.

### Annual general meeting of stockholders

The annual general meeting of stockholders (AGM) held on March 25 resolved, among other things, in respect of a dividend to stockholders, an incentive program, a reduction in capital stock, and the repurchase of treasury shares. The dividend, SKr 3.00 per share, amounted in total to SKr 78 million, which was paid on April 4. A resolution was adopted to establish an incentive program by means of which the company will offer senior executives and key personnel the opportunity to subscribe for warrants in the company. The resolution entails the issue of a maximum of 265,000 warrants, each of which carries the right to subscribe for one (1) B share. A resolution was adopted to reduce the company's capital stock by SKr 10 million by cancelling 500,000 B shares that were repurchased during the second quarter of 2010. The AGM further resolved to authorize the board to acquire, on one or more occasions, during the period leading up to the next AGM, a maximum of 10 percent of the total number of shares in the company.

### Miscellaneous

The report for the second quarter of 2011 will be published on July 21, 2011.

Linköping, April 21, 2011

**The Board of Directors**

### Audit report

This interim report has not been subject to review by the company's auditors.

## CONSOLIDATED INCOME STATEMENT

SKr million	Q1 2011	Q1 2010	April–March 2010/11	April–March 2009/10	Full year 2010
License revenue	74	65	411	417	402
Maintenance and support revenue	196	199	808	792	811
Consulting revenue	335	322	1,370	1,339	1,357
Other revenue	2	3	14	12	15
<b>Net revenue</b>	<b>607</b>	<b>589</b>	<b>2,603</b>	<b>2,560</b>	<b>2,585</b>
License expenses	-10	-7	-42	-47	-39
Maintenance and support expenses	-68	-74	-302	-299	-308
Consulting expenses	-275	-268	-1,048	-1,079	-1,041
Other expenses	-1	-1	-9	-8	-9
<b>Direct expenses</b>	<b>-354</b>	<b>-350</b>	<b>-1,401</b>	<b>-1,433</b>	<b>-1,397</b>
<b>Gross earnings</b>	<b>253</b>	<b>239</b>	<b>1,202</b>	<b>1,127</b>	<b>1,188</b>
Product development expenses	-55	-53	-217	-197	-215
Sales and marketing expenses	-122	-108	-485	-459	-471
Administration expenses	-62	-64	-259	-260	-261
Other operating revenue*	1	1	3	-7	3
Other operating expenses	-5	-7	-21	-28	-23
<b>Indirect expenses, net</b>	<b>-243</b>	<b>-231</b>	<b>-979</b>	<b>-951</b>	<b>-967</b>
<b>EBIT</b>	<b>10</b>	<b>8</b>	<b>223</b>	<b>176</b>	<b>221</b>
Result from participations in associated companies	1	0	2	-1	1
Interest expenses	-1	-1	-6	-5	-6
Other financial items	-5	-3	-29	-13	-27
<b>Earnings before tax</b>	<b>5</b>	<b>4</b>	<b>190</b>	<b>157</b>	<b>189</b>
Tax	-1	-1	-55	-41	-55
<b>Earnings for the period</b>	<b>4</b>	<b>3</b>	<b>135</b>	<b>116</b>	<b>134</b>
<b>Earnings for the period are allocated as follows:</b>					
Owners of the Parent Company (SKr million)	4	3	135	116	134
Non-controlling interests (SKr million)	0	0	0	0	0
Earnings per share pertaining to Parent Company shareholders (SKr)	0.15	0.11	5.20	4.37	5.06
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	0.15	0.11	5.09	4.30	4.96
<b>Number of shares</b> (thousands)					
At the end of the period	25,838	26,553	25,838	26,553	25,943
At the end of the period, after full dilution	26,236	26,852	26,236	26,852	26,418
Average for the period	25,919	26,553	25,986	26,553	26,488
Average for the period, after full dilution	26,355	26,999	26,525	26,964	27,029

\* Other operating revenue includes exchange rate differences (net) and other operating revenue.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SKr million	Q1 2011	Q1 2010	April–March 2010/11	April–March 2009/10	Full year 2010
<b>Earnings for the period</b>	<b>4</b>	<b>3</b>	<b>135</b>	<b>116</b>	<b>134</b>
Other comprehensive income					
Exchange rate differences	-24	-15	-52	-61	-43
<b>Other comprehensive income for the period, net of tax</b>	<b>-24</b>	<b>-15</b>	<b>-52</b>	<b>-61</b>	<b>-43</b>
<b>Total comprehensive income for the period</b>	<b>-20</b>	<b>-12</b>	<b>83</b>	<b>55</b>	<b>91</b>
<b>Total comprehensive income allocated as follows:</b>					
Owners of the Parent Company	-20	-12	83	55	91
Non-controlling interests	0	0	0	0	0

## CONSOLIDATED BALANCE SHEET

<b>Assets</b> SKr million	March 31 2011	March 31 2010	Dec. 31 2010
Capitalized expenditure for product development	503	484	501
Goodwill	287	260	302
Other intangible fixed assets	60	24	65
<b>Intangible fixed assets</b>	<b>850</b>	<b>768</b>	<b>868</b>
<b>Tangible fixed assets</b>	<b>85</b>	<b>79</b>	<b>84</b>
Participations in associated companies	4	2	3
Deferred tax receivables	189	243	189
Other long-term receivables and other participations	36	39	36
<b>Financial fixed assets</b>	<b>229</b>	<b>284</b>	<b>228</b>
<b>Non-current assets</b>	<b>1,164</b>	<b>1,131</b>	<b>1,180</b>
Accounts receivable	503	557	664
Other receivables	258	284	227
Cash and cash equivalents	430	341	445
<b>Current assets</b>	<b>1,191</b>	<b>1,182</b>	<b>1,336</b>
<b>Assets</b>	<b>2,355</b>	<b>2,313</b>	<b>2,516</b>
<b>Equity and liabilities</b> SKr million	March 31 2011	March 31 2010	Dec. 31 2010
Share capital	529	531	529
Other capital contributed	700	697	699
Accumulated earnings, including earnings for the period and other reserves	26	53	67
<b>Shareholders' equity pertaining to Parent Company shareholders</b>	<b>1,255</b>	<b>1,281</b>	<b>1,295</b>
Non-controlling interests	0	0	0
<b>Shareholders' equity</b>	<b>1,255</b>	<b>1,281</b>	<b>1,295</b>
Liabilities to credit institutions	0	1	1
Pension obligations	49	69	57
Other provisions and other liabilities	18	7	17
<b>Non-current liabilities</b>	<b>67</b>	<b>77</b>	<b>75</b>
Accounts payable	72	68	91
Liabilities to credit institutions	21	14	59
Other provisions and other liabilities	940	873	996
<b>Current liabilities</b>	<b>1,033</b>	<b>955</b>	<b>1,146</b>
<b>Liabilities</b>	<b>1,100</b>	<b>1,032</b>	<b>1,221</b>
<b>Equity and liabilities</b>	<b>2,355</b>	<b>2,313</b>	<b>2,516</b>
Pledged assets	627	955	851
Contingent liabilities	9	10	9

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SKr million	Pertaining to parent company shareholders					Non-controlling interests	Total stockholders' equity
	Share capital	Other contributed capital	Reserves	Profit brought forward	Total		
Opening balance January 1, 2010	531	697	-14	91	<b>1,305</b>	0	<b>1,305</b>
Total comprehensive income for the period	-	-	-15	3	<b>-12</b>	-	<b>-12</b>
Repurchase of own shares	-	-	-	-12	<b>-12</b>	-	<b>-12</b>
<b>Closing balance March 31, 2010</b>	<b>531</b>	<b>697</b>	<b>-29</b>	<b>82</b>	<b>1,281</b>	<b>0</b>	<b>1,281</b>
Opening balance January 1, 2011	529	699	-57	124	<b>1,295</b>	0	<b>1,295</b>
Total comprehensive income for the period	-	-	-24	4	<b>-20</b>	0	<b>-20</b>
New share issue	0	1	-	-	<b>1</b>	-	<b>1</b>
Repurchase of own shares	-	-	-	-12	<b>-12</b>	-	<b>-12</b>
Repurchase of call options	-	-	-	-2	<b>-2</b>	-	<b>-2</b>
Changes in participating interest in subsidiaries	-	-	-	-7	<b>-7</b>	-	<b>-7</b>
<b>Closing balance March 31, 2011</b>	<b>529</b>	<b>700</b>	<b>-81</b>	<b>107</b>	<b>1,255</b>	<b>0</b>	<b>1,255</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Q1 2011	Q1 2010	April–March 2010/11	April–March 2009/10	Full year 2010
Earnings before tax	5	4	190	157	189
Adjustments for items not included in the cash flow	46	29	201	171	184
<b>Cash flow from operations before change in working capital</b>	<b>51</b>	<b>33</b>	<b>391</b>	<b>328</b>	<b>373</b>
Change in working capital	49	82	60	26	93
<b>Cash flow from current operations</b>	<b>100</b>	<b>115</b>	<b>451</b>	<b>354</b>	<b>466</b>
Acquisition of subsidiaries	-7	-	-60	-44	-53
Acquisition of intangible fixed assets	-40	-36	-158	-152	-154
Cash flow from other investment operations	-10	-5	-30	-19	-25
<b>Cash flow after investment operations</b>	<b>43</b>	<b>74</b>	<b>203</b>	<b>139</b>	<b>234</b>
Dividend distributed	0	-	-53	-33	-53
Repurchase of own shares	-12	-12	-50	-12	-50
Cash flow from other financing operations	-39	-72	6	-88	-27
<b>Cash flow for the period</b>	<b>-8</b>	<b>-10</b>	<b>106</b>	<b>6</b>	<b>104</b>
Cash and cash equivalents at the beginning of the period	445	355	341	346	355
Exchange rate differences in cash and cash equivalents	-7	-4	-17	-11	-14
<b>Cash and cash equivalents at the end of the period</b>	<b>430</b>	<b>341</b>	<b>430</b>	<b>341</b>	<b>445</b>

## CONSOLIDATED ORGANIC NET REVENUE

SKr, million	Q1				
	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010
License revenue	74	6	-3	77	65
Maintenance and support revenue	196	15	-2	209	199
<b>Total product revenue</b>	<b>270</b>	<b>21</b>	<b>-5</b>	<b>286</b>	<b>264</b>
Consulting revenue	335	26	-2	359	322
<b>Net revenue (including other revenue)</b>	<b>607</b>	<b>47</b>	<b>-7</b>	<b>647</b>	<b>589</b>

## CONSOLIDATED ORGANIC OPERATING EXPENSES

SKr, million	Q1				
	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010
Operating expenses	597	45	-7	635	581
Capital gains/losses	0	0	-	0	0
Exchange rate gains/losses	-3	0	0	-3	-6
Restructuring costs/ redundancy costs	-1	0	-	-1	-2
Reversal of restructuring costs	-	-	-	-	1
Amortization/depreciation and net capitalization of product development	-8	-1	0	-9	-4
<b>Adjusted operating expenses</b>	<b>585</b>	<b>44</b>	<b>-7</b>	<b>622</b>	<b>570</b>



## CONSOLIDATED SEGMENT REPORTING, FIRST QUARTER

FIRST QUARTER SKr million	Europe North		Europe West		Europe Central	
	2011	2010	2011	2010	2011	2010
License revenue	21	22	10	12	8	8
Maintenance and support revenue	79	78	34	32	18	17
Consulting revenue	165	139	40	39	43	38
Other revenue	0	1	0	0	1	0
<b>Total external revenue</b>	<b>265</b>	<b>240</b>	<b>84</b>	<b>83</b>	<b>70</b>	<b>63</b>
Internal revenue	6	13	11	9	3	3
<b>Total revenue</b>	<b>271</b>	<b>253</b>	<b>95</b>	<b>92</b>	<b>73</b>	<b>66</b>
External operating expenses	-187	-181	-70	-67	-57	-57
Internal operating expenses	-17	-15	-3	-4	-4	-4
Other operating items, net	-1	-1	0	0	0	0
<b>Operating expenses</b>	<b>-205</b>	<b>-197</b>	<b>-73</b>	<b>-71</b>	<b>-61</b>	<b>-61</b>
<b>EBIT, undistributed</b>	<b>66</b>	<b>56</b>	<b>22</b>	<b>21</b>	<b>12</b>	<b>5</b>
<b>Numbers of employees</b>						
Average for the period	576	581	270	243	188	195
At the end of the period	581	580	275	239	190	193

FIRST QUARTER SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2011	2010	2011	2010	2011	2010
License revenue	13	6	15	6	6	10
Maintenance and support revenue	13	15	29	31	14	17
Consulting revenue	23	29	37	35	20	35
Other revenue	0	0	0	0	1	1
<b>Total external revenue</b>	<b>49</b>	<b>50</b>	<b>81</b>	<b>72</b>	<b>41</b>	<b>63</b>
Internal revenue	4	5	8	8	3	1
<b>Total revenue</b>	<b>53</b>	<b>55</b>	<b>89</b>	<b>80</b>	<b>44</b>	<b>64</b>
External operating expenses	-46	-49	-63	-60	-50	-46
Internal operating expenses	0	0	-3	-1	-1	-9
Other operating items, net	-1	0	0	0	1	-2
<b>Operating expenses</b>	<b>-47</b>	<b>-49</b>	<b>-66</b>	<b>-61</b>	<b>-50</b>	<b>-57</b>
<b>EBIT, undistributed</b>	<b>6</b>	<b>6</b>	<b>23</b>	<b>19</b>	<b>-6</b>	<b>7</b>
<b>Numbers of employees</b>						
Average for the period	267	273	196	193	294	297
At the end of the period	266	272	197	194	287	299

FIRST QUARTER SKr million	Defense		Corporate items *		GROUP	
	2011	2010	2011	2010	2011	2010
License revenue	0	1	1	0	74	65
Maintenance and support revenue	7	7	2	2	196	199
Consulting revenue	7	6	0	1	335	322
Other revenue	0	-	0	1	2	3
<b>Total external revenue</b>	<b>14</b>	<b>14</b>	<b>3</b>	<b>4</b>	<b>607</b>	<b>589</b>
Internal revenue	5	3	-40	-42	0	0
<b>Total revenue</b>	<b>19</b>	<b>17</b>	<b>-37</b>	<b>-38</b>	<b>607</b>	<b>589</b>
External operating expenses	-12	-13	-108	-102	-593	-575
Internal operating expenses	-6	-6	34	39	0	0
Other operating items, net	0	0	-3	-3	-4	-6
<b>Operating expenses</b>	<b>-18</b>	<b>-19</b>	<b>-77</b>	<b>-66</b>	<b>-597</b>	<b>-581</b>
<b>EBIT, undistributed</b>	<b>1</b>	<b>-2</b>	<b>-114</b>	<b>-104</b>	<b>10</b>	<b>8</b>
<b>Numbers of employees</b>						
Average for the period	45	52	854	823	2,690	2,657
At the end of the period	45	52	854	829	2,695	2,658

\* Undistributed corporate revenue and expenses

**INCOME STATEMENT OF THE PARENT COMPANY**

SKr million	Q1 2011	Q1 2010	April–March 2010/11	April–March 2009/10	Full year 2010
<b>Net revenue</b>	<b>4</b>	<b>5</b>	<b>17</b>	<b>19</b>	<b>18</b>
Administration expenses	-4	-6	-27	-29	-29
Other operating revenue	0	0	0	0	0
Other operating expenses	-	-	-	-4	-
<b>EBIT</b>	<b>0</b>	<b>-1</b>	<b>-10</b>	<b>-14</b>	<b>-11</b>
Result from participations in subsidiaries	0	0	197	0	197
Result from participations in associated companies	-	-	-	0	-
Financial revenue	14	13	64	73	63
Financial expenses	-10	-13	-56	-61	-59
<b>Earnings before tax</b>	<b>4</b>	<b>-1</b>	<b>195</b>	<b>-2</b>	<b>190</b>
Tax	-1	-1	2	-3	2
<b>Earnings for the period</b>	<b>3</b>	<b>-2</b>	<b>197</b>	<b>-5</b>	<b>192</b>

**BALANCE SHEET OF THE PARENT COMPANY**

SKr million	March 31 2011	March 31 2010	Dec. 31 2010
<b>Assets</b>			
Participations in subsidiaries	979	978	979
Deferred tax receivables	75	80	76
Receivables in subsidiaries	70	26	72
Other long-term receivables and other participations	8	12	8
<b>Financial fixed assets</b>	<b>1,132</b>	<b>1,096</b>	<b>1,135</b>
<b>Non-current assets</b>	<b>1,132</b>	<b>1,096</b>	<b>1,135</b>
Receivables in subsidiaries	655	598	700
Prepaid expenses and accrued income	12	7	12
Cash and cash equivalents	193	116	164
<b>Current assets</b>	<b>860</b>	<b>721</b>	<b>876</b>
<b>Assets</b>	<b>1,992</b>	<b>1,817</b>	<b>2,011</b>
<b>Equity and liabilities</b>			
SKr million	March 31 2011	March 31 2010	Dec. 31 2010
Share capital	529	531	529
Statutory reserve	573	573	573
Retained earnings, including earnings for the period and share premium reserve	563	448	573
<b>Shareholders' equity</b>	<b>1,665</b>	<b>1,552</b>	<b>1,675</b>
<b>Provisions for pensions and similar commitments</b>	<b>2</b>	<b>4</b>	<b>2</b>
Liabilities to credit institutions	-	-	-
<b>Non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities to credit institutions	20	10	56
Liabilities to subsidiaries	290	236	258
Other liabilities	15	15	20
<b>Current liabilities</b>	<b>325</b>	<b>261</b>	<b>334</b>
<b>Shareholders' equity and liabilities</b>	<b>1,992</b>	<b>1,817</b>	<b>2,011</b>

**OUTSTANDING SHARES**

	Series A	Series B	TOTAL
Number of shares on January 1, 2011	1,387,270	25,055,652	<b>26,442,922</b>
Conversion of series-A shares into series-B shares	-12,262	12,262	-
Use of options T06B and T07B	-	13,000	<b>13,000</b>
<b>Number of shares on March 31, 2011</b>	<b>1,375,008</b>	<b>25,080,914</b>	<b>26,455,922</b>
Repurchasing of shares, in own custody	-	-617,987	<b>-617,987</b>
<b>Number of outstanding shares on March 31, 2011</b>	<b>1,375,008</b>	<b>24,462,927</b>	<b>25,837,935</b>
<b>Number of voting rights on March 31, 2011</b>	<b>1,375,008</b>	<b>2,446,293</b>	<b>3,821,301</b>
Additional shares after full dilution	-	398,320	<b>398,320</b>
<b>Number of shares on March 31, 2011 after full dilution</b>	<b>1,375,008</b>	<b>24,861,247</b>	<b>26,236,255</b>

## KEY FIGURES FOR THE GROUP

		Q1 2011	Q1 2010	April–March 2010/11	April–March 2009/10	Full year 2010
<b>Revenue indicator</b>						
Net revenue per employee	SKr, '000	226	222	981	963	978
<b>Expense and expenditure indicators</b>						
Product development expenses/net revenue	%	9%	9%	8%	8%	8%
Sales and marketing expenses/net revenue	%	20%	18%	19%	18%	18%
Administration expenses/net revenue	%	10%	11%	10%	10%	10%
Amortization and depreciation	SKr, M	-47	-39	-181	-146	-173
of which amortization of capitalized product development expenditure	SKr, M	-36	-32	-140	-120	-136
Capitalized product development expenditure	SKr, M	39	35	161	142	157
<b>Margin indicators</b>						
License margin	%	86%	89%	90%	89%	90%
Maintenance and support margin	%	65%	63%	63%	62%	62%
Consulting margin	%	18%	17%	24%	19%	23%
Gross margin	%	42%	41%	46%	44%	46%
EBIT margin	%	2%	1%	9%	7%	9%
Earnings margin	%	1%	1%	7%	6%	7%
Return on average operating capital	%	1%	1%	25%	18%	23%
<b>Capital indicators</b>						
Equity/assets ratio	%	53%	55%	53%	55%	51%
Accounts receivable (average 12 months)/net revenue (rolling 12 months)	%	20%	22%	21%	23%	21%
Interest-bearing liabilities	SKr, M	70	84	70	84	117
<b>Liquidity indicators</b>						
Net liquidity	SKr, M	409	326	409	326	385
Debt/equity ratio	times	0.1	0.1	0.1	0.1	0.1
<b>Employees</b>						
Average for the period		2,690	2,657	2,653	2,657	2,644
At the end of the period		2,695	2,658	2,695	2,658	2,675

## DEFINITIONS

**available assets.** Cash and cash equivalents plus unutilized lines of credit.

**consulting margin.** Consulting revenue minus consulting expenses in relation to consulting revenue. In addition to expenses related to sub-contracted consultants, consulting expenses include mainly payroll expenses, travel expenses, and office rental pertaining to personnel staffing the Consulting service.

**debt/equity ratio.** Interest-bearing liabilities in relation to equity, at the end of the period.

**earnings margin.** Earnings before tax in relation to net revenue.

**equity/assets ratio.** Equity in relation to total assets, at the end of the period.

**interest-bearing liabilities.** Liabilities to credit institutions and pension obligations.

**license margin.** License revenue minus license expenses in relation to license revenue. License expenses include only expenses related to partners and third-party suppliers.

**maintenance and support margin.** Maintenance and support revenue minus maintenance and support expenses in relation to maintenance and support revenue. In addition to external expenses related to partners and third-party suppliers, maintenance and support expenses include mainly payroll expenses, travel expenses, and office rental pertaining to personnel staffing the Maintenance and Support service.

**net liquidity.** Cash and cash equivalents minus interest-bearing liabilities to credit institutions, at the end of the period.

**organic change.** Year-on-year figures adjusted for currency effects on consolidation as well as changes in structure.

**return on average operating capital.** EBIT in relation to average operating capital. Operating capital refers to total assets, excluding liquid assets, and other interest-bearing assets, less total liabilities excluding interest-bearing liabilities.

## FINANCIAL TREND FOR THE GROUP

SKr million	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
License revenue	74	135	99	103	65	176	90	86	74
Maintenance and support revenue	196	206	201	205	199	204	196	193	196
Consulting revenue	335	383	309	343	322	366	294	357	356
Other revenue	2	5	3	4	3	4	1	4	8
<b>Net revenue</b>	<b>607</b>	<b>729</b>	<b>612</b>	<b>655</b>	<b>589</b>	<b>750</b>	<b>581</b>	<b>640</b>	<b>634</b>
License expenses	-10	-7	-15	-10	-7	-11	-12	-17	-10
Maintenance and support expenses	-68	-79	-72	-83	-74	-84	-72	-69	-78
Consulting expenses	-275	-270	-249	-254	-268	-284	-241	-286	-299
Other expenses	-1	-3	-1	-4	-1	-3	-2	-2	-4
<b>Direct expenses</b>	<b>-354</b>	<b>-359</b>	<b>-337</b>	<b>-351</b>	<b>-350</b>	<b>-382</b>	<b>-327</b>	<b>-374</b>	<b>-391</b>
<b>Gross earnings</b>	<b>253</b>	<b>370</b>	<b>275</b>	<b>304</b>	<b>239</b>	<b>368</b>	<b>254</b>	<b>266</b>	<b>243</b>
Product development expenses	-55	-51	-53	-58	-53	-51	-45	-48	-50
Sales and marketing expenses	-122	-136	-107	-120	-108	-124	-113	-114	-111
Administration expenses	-62	-70	-65	-62	-64	-72	-63	-61	-67
Other operating revenue	1	0	1	1	1	5	-4	-9	18
Other operating expenses	-5	-3	-12	-1	-7	-10	-10	-1	-3
<b>Indirect expenses, net</b>	<b>-243</b>	<b>-260</b>	<b>-236</b>	<b>-240</b>	<b>-231</b>	<b>-252</b>	<b>-235</b>	<b>-233</b>	<b>-213</b>
<b>EBIT</b>	<b>10</b>	<b>110</b>	<b>39</b>	<b>64</b>	<b>8</b>	<b>116</b>	<b>19</b>	<b>33</b>	<b>30</b>
Result from participations in associated companies	1	1	0	0	0	-1	1	-1	0
Interest expenses	-1	-2	-2	-1	-1	1	-4	-1	-2
Other financial items	-5	-8	-4	-12	-3	2	-7	-5	-13
<b>Earnings before tax</b>	<b>5</b>	<b>101</b>	<b>33</b>	<b>51</b>	<b>4</b>	<b>118</b>	<b>9</b>	<b>26</b>	<b>15</b>
Tax	-1	-32	-7	-15	-1	-28	-3	-9	-5
<b>Earnings for the period</b>	<b>4</b>	<b>69</b>	<b>26</b>	<b>36</b>	<b>3</b>	<b>90</b>	<b>6</b>	<b>17</b>	<b>10</b>
Cash flow after investment operations	43	70	-2	92	74	96	-63	32	121
Number of employees at the end of the period	2,695	2,675	2,621	2,628	2,658	2,664	2,690	2,656	2,711

## RISKS AND UNCERTAINTIES

In its operations, the IFS Group is exposed to certain risks that can affect earnings to a greater or lesser extent. Apart from the general concern about the economy, our assessment is that no new significant risks or uncertainties have arisen. For a detailed account of risks and uncertainty factors, please see the annual report for fiscal 2010.

## ESTIMATES AND CRITICAL ASSUMPTIONS

To present the financial reports in accordance with the IFRS, the management must make certain estimates and assumptions that affect the application of the accounting principles and the reported amounts pertaining to assets, liabilities, revenue, and expenses. Actuals may differ from the estimates and assumptions.

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

## ACCOUNTING PRINCIPLES

This consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, recommendation RFR 1, Supplementary Accounting Rules for Groups, of the Swedish Financial Reporting Board (RFR) has been applied.

This interim report for the Group has been prepared in accordance with the Swedish Annual Report Act and with IAS 34, Interim Financial Reporting. For the Parent Company, the Swedish Annual Report Act and RFR recommendation RFR 2, Accounting for Legal Entities, have been applied.

As of January 1, 2011, certain amendments to existing standards and new interpretations (IFRIC) came into force. Our assessment is that these will not have any impact on Group accounting.

For detailed information about the accounting principles: see annual report 2010.

## FINANCIAL INFORMATION 2011

Interim report January–June 2011

July 21, 2011

Interim report January–September 2011

October 27, 2011

## ABOUT IFS

IFS is a public company (OMX STO: IFS) founded in 1983 that develops, supplies, and implements IFS Applications™, a fully-integrated, component-based extended ERP suite built on SOA technology. The company has more than 2,000 customers in more than 50 countries and focuses on seven main industries: aerospace & defense, utilities & telecom, manufacturing, process industries, automotive, retail & wholesale distribution, and construction contracting & service management. IFS has 2,700 employees and net revenue in 2010 was SKr 2.6 billion.

**[www.IFSWORLD.com](http://www.IFSWORLD.com)**

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