

f. Software
Innovation

Software
Innovation



4th Quarter 2008
Financial Report and Status

Presentation
Oslo, February 26th 2009

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- Highlights
- Group financials
- A closer look at operations
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A profitable quarter – increased focus as a software vendor

Financial performance and highlights Q4 2008

- Operating revenues growing by 4 % to MNOK 125,5
- Earnings before interests and tax (EBIT) MNOK 0,4
- Licence sales growing by 69%, reaching MNOK 23
- Satisfactory cash and cash equivalents MNOK 83
- 471 employees, down from 502 in Q3/08 and down from 541 in Q4/07
- ProArc 6 successfully launched – fully integrated with Microsoft® Office System
- Partner agreements signed with Fujitsu Denmark and Bouvet
- Offshoring facility established in Bangalore/India

Several new contracts signed in fourth quarter

Selected contracts in fourth quarter of 2008

Norway

- Tafjord Kraft (360° 4.0)
- Statkraft (360° 4.0)
- Finansnæringens hovedorg. (360° 4.0)
- Seawell (ProArc)

Sweden

- Stockholms stad (360° 4.0)
- Södertälje kommun (360°)
- VA Syd (360° 4.0)

Denmark

- Danmarks Radio (360° 4.0)
- Middelfart kommune (360° 4.0)
- Valora Trade (CRM)
- Integrationsministeriet (360° services)

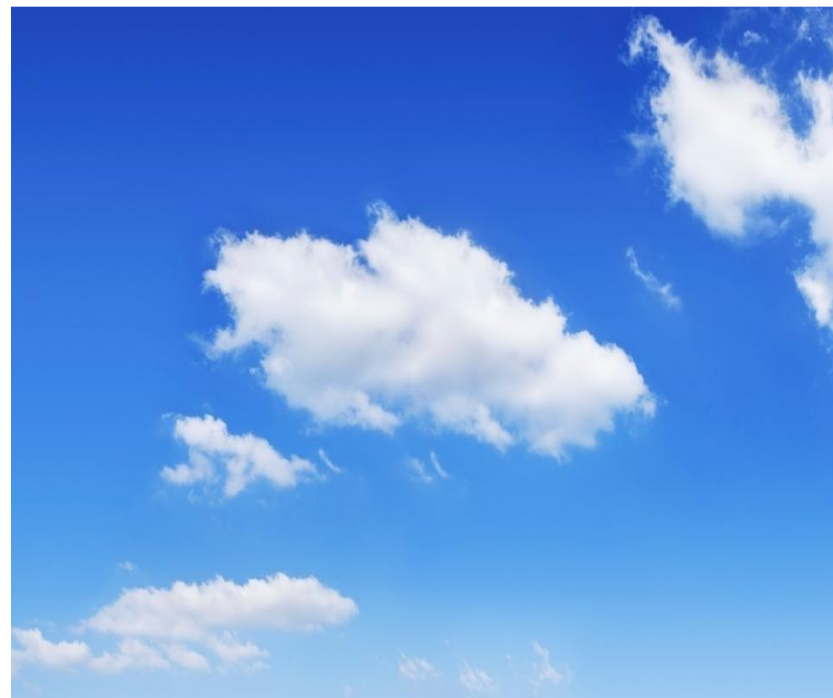
Finland

- TS-Yhtymä (CRM)
- Oy Turku Energia (CRM)
- Jyväskylän ammattikorkeakoulu (CRM)



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Strong underlying growth – positive EBIT

P&L | Balance | Cash Flow

(All figures in TNOK)	Q4 08	Q4 07	▲ %	2008	2007	▲ %
Operating revenues	125 463	120 284	4 %	456 608	436 409	5 %
Cost of goods sold	8 950	20 244	-56 %	31 803	43 782	-27 %
Salaries and personnel expenses	93 455	93 744	0 %	353 079	347 525	2 %
Other operating expenses	19 560	16 900	16 %	77 076	72 043	7 %
Total operating expenses	121 965	130 888	-7 %	461 953	463 350	0 %
EBITDA	3 498	-10 604	n/a	-5 343	-26 941	80 %
<i>EBITDA margin %</i>	<i>3 %</i>	<i>-9 %</i>		<i>-1 %</i>	<i>-6 %</i>	
Depreciation	3 137	4 259		13 066	13 138	
EBIT	362	-14 863	n/a	-18 409	-40 079	54 %
<i>EBIT margin %</i>	<i>0 %</i>	<i>-12 %</i>		<i>-4 %</i>	<i>-9 %</i>	
One-time effects	0	0				
Net financial items	4 045	-1 929		-2 456	-6 507	
EBT	4 407	-16 792	n/a	-20 865	-46 586	55 %
Tax expenses [28%]	9 390	121		9 282	8 641	
Net profit	-4 983	-16 913	71 %	-30 147	-55 227	45 %

Controlled growth in accounts receivable – satisfactory cash position

P&L | **Balance** | Cash Flow

(All figures in TNOK)	2008	2007	▲ %
Non-current assets			
Goodwill	85 716	87 310	
Deferred tax asset	39 084	47 083	
Other non-current assets	32 532	41 657	
Total non-current assets	157 332	176 050	-11 %
Current assets			
Inventory	712	927	
Accounts receivable	90 615	92 754	
Work in progress	21 114	5 453	
Other receivables	16 836	14 811	
Cash and cash equivalents	83 048	106 122	
Total current assets	212 325	220 067	-4 %
Total assets	369 657	396 117	-7 %

Reduced, but satisfactory equity ratio

P&L | **Balance** | Cash Flow

(All figures in TNOK)	2008	2007	▲ %
Equity			
Share capital	7 523	7 435	
Other equity	105 663	132 196	
Minority interests	1 262	860	
Total equity	114 448	140 491	-19 %
Long-term debt			
Pensions	12 128	11 417	
Other long-term debt	2 426	82 050	
Total long-term debt	14 554	93 467	-84 %
Current liabilities			
Debt to financial institutions	83 001	5 125	
Accounts payable	15 291	36 550	
Tax / Public duties	41 327	34 382	
Other current liabilities	101 038	86 102	
Total current liabilities	240 657	162 159	48 %
Total liabilities	255 211	255 626	0 %
Total equity and liabilities	369 657	396 117	-7 %
Equity ratio	31 %	35 %	-13 %

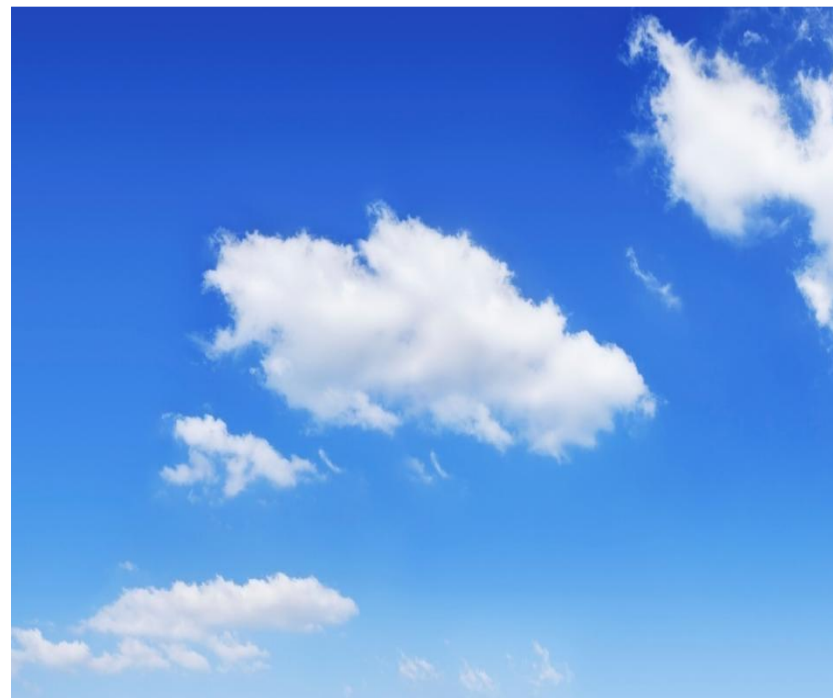
Strong improvement in cash flow from operating activities

P&L | Balance | **Cash Flow**

(All figures in TNOK)	Q4 08	Q4 07	▲ %	2008	2007	▲ %
Profit (loss) before tax	4 406	-16 792		-20 872	-46 586	
Net cash flow from operating activities	24 590	2 883	753 %	-16 788	-34 377	51 %
Net cash flow from investment activities	-2 750	-2 834	3 %	-7 005	-32 995	79 %
Net cash flow from financing activities	256	2 509	-90 %	720	69 569	-99 %
Net change in cash and bank deposits	22 096	2 558		-23 073	2 197	
Cash and bank deposits as at period start	60 953	103 564		106 122	103 925	
Cash and bank deposits as at period end	83 049	106 122	-22 %	83 049	106 122	-22 %

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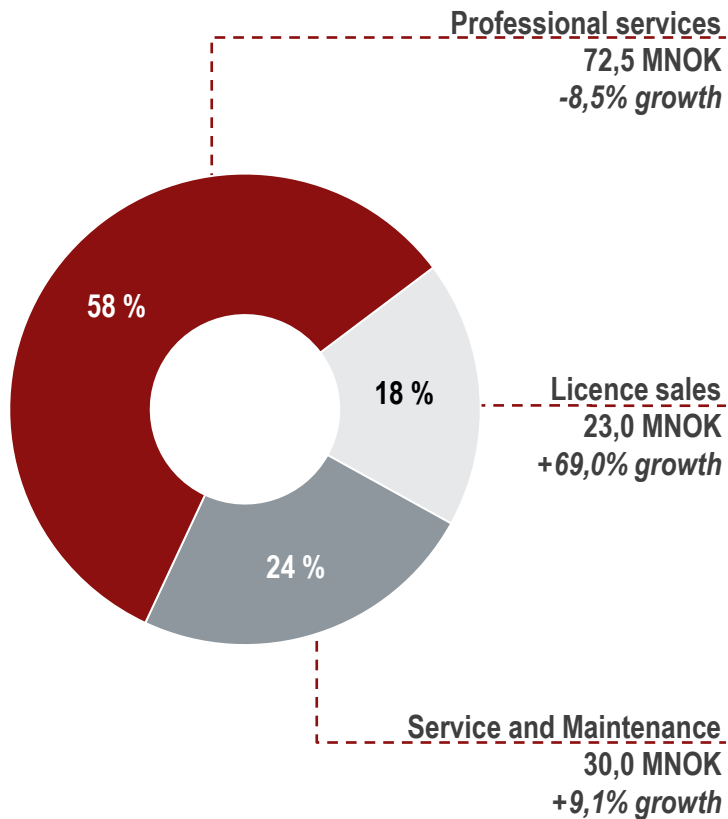
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Satisfactory growth in licence, service & maintenance revenue

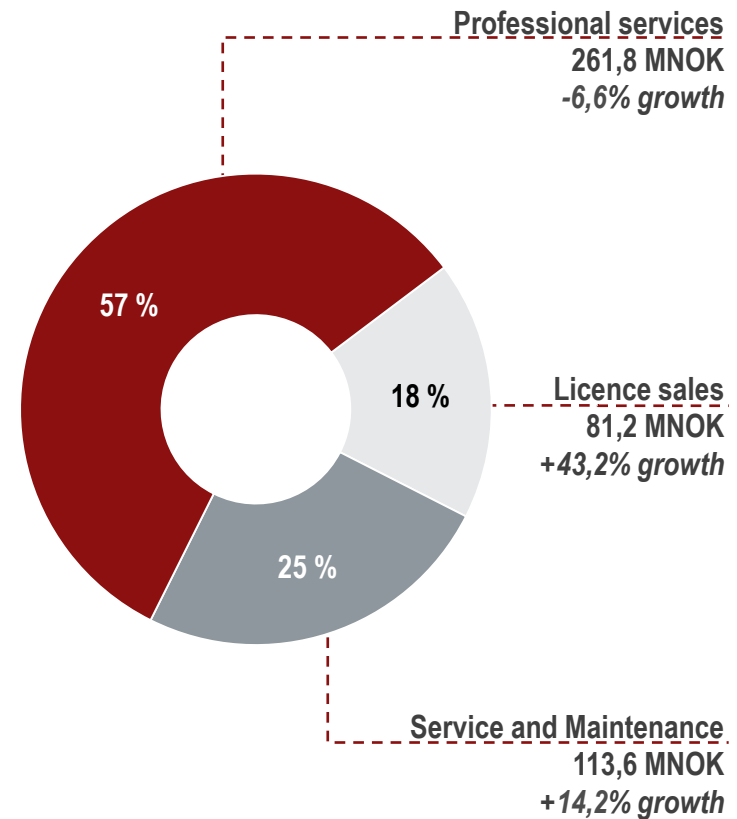
Revenue analysis | Cost analysis | Results analysis

Revenues by source – Q4 2008



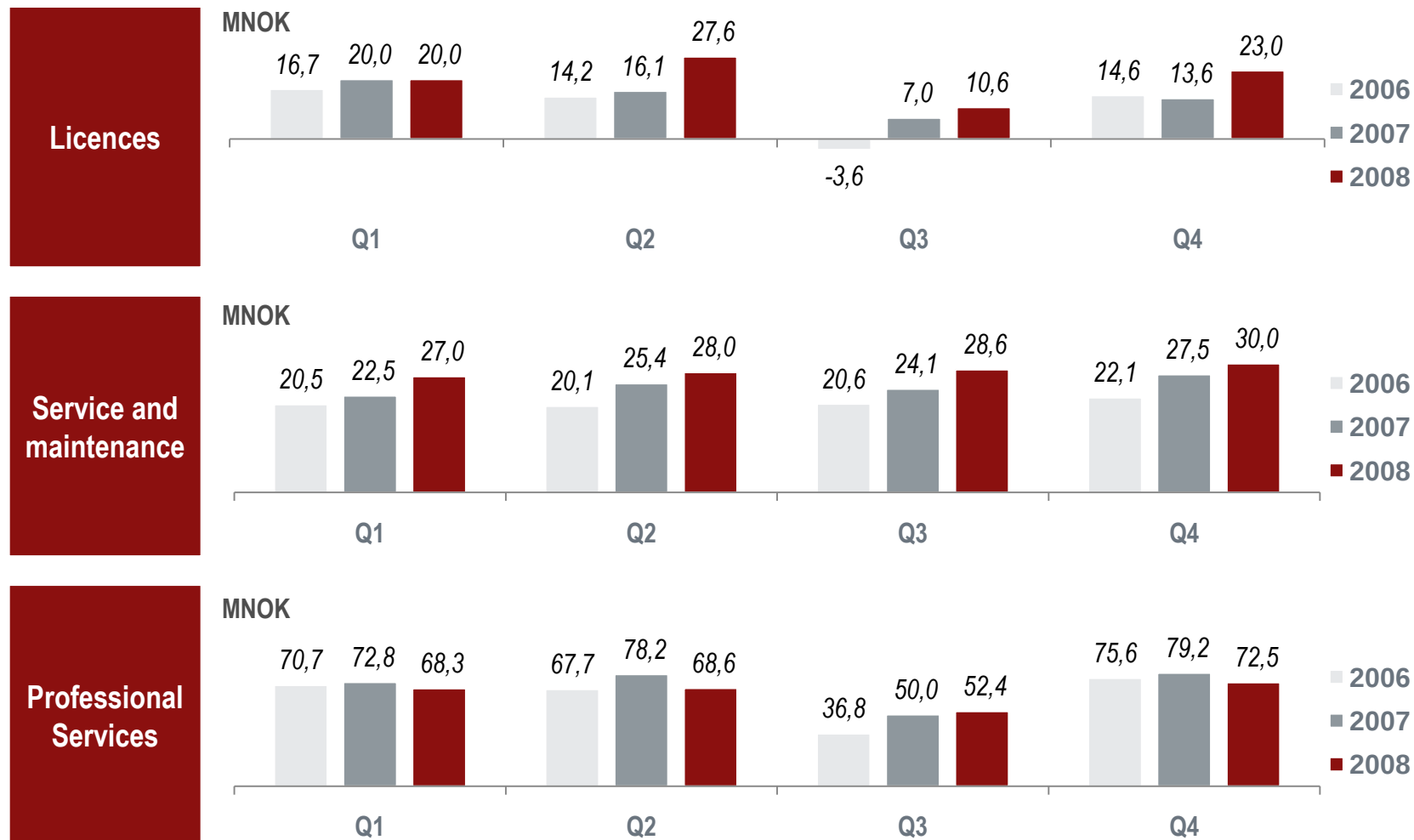
Growth compared to same period last year

Revenues by source – 2008



Satisfactory development in licence and service & maintenance revenue

Revenue analysis | Cost analysis | Results analysis

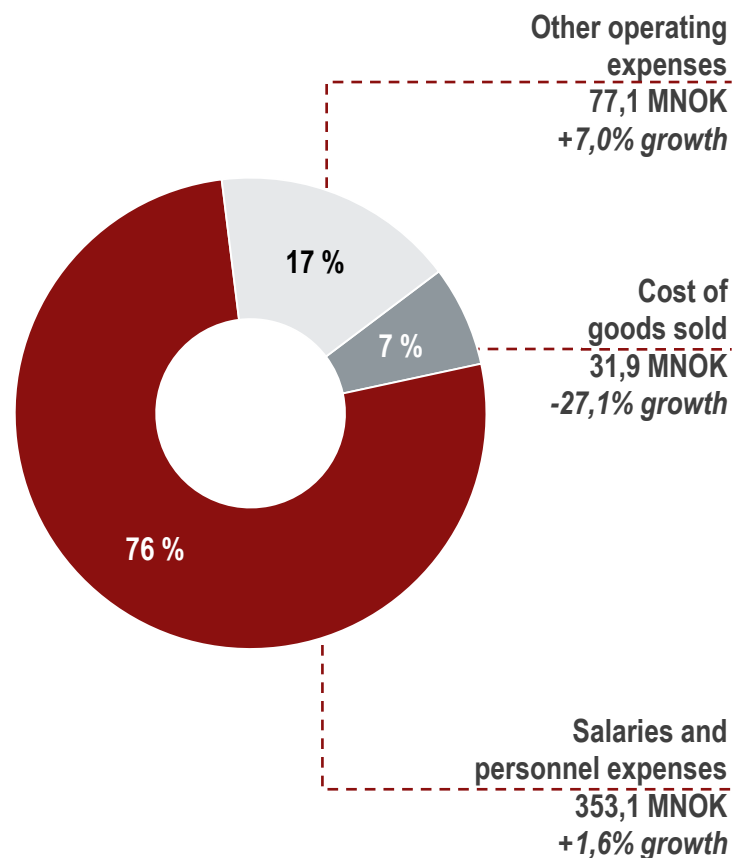
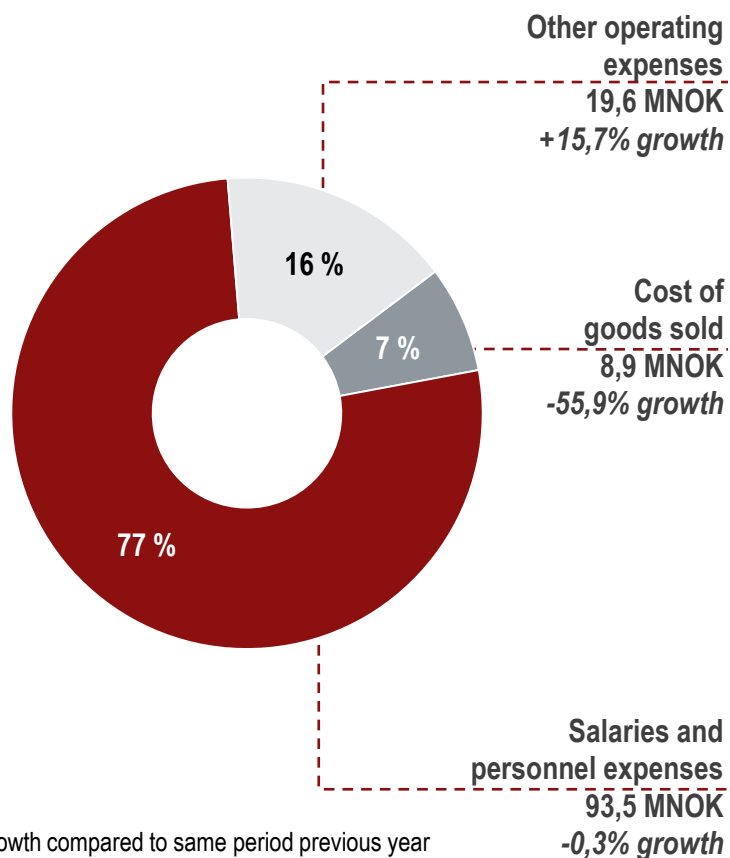


Reduction in cost of goods sold, stable development in personnel costs

Revenue analysis | **Cost analysis** | Results analysis

Cost by source – Q4 2008

Cost by source – 2008

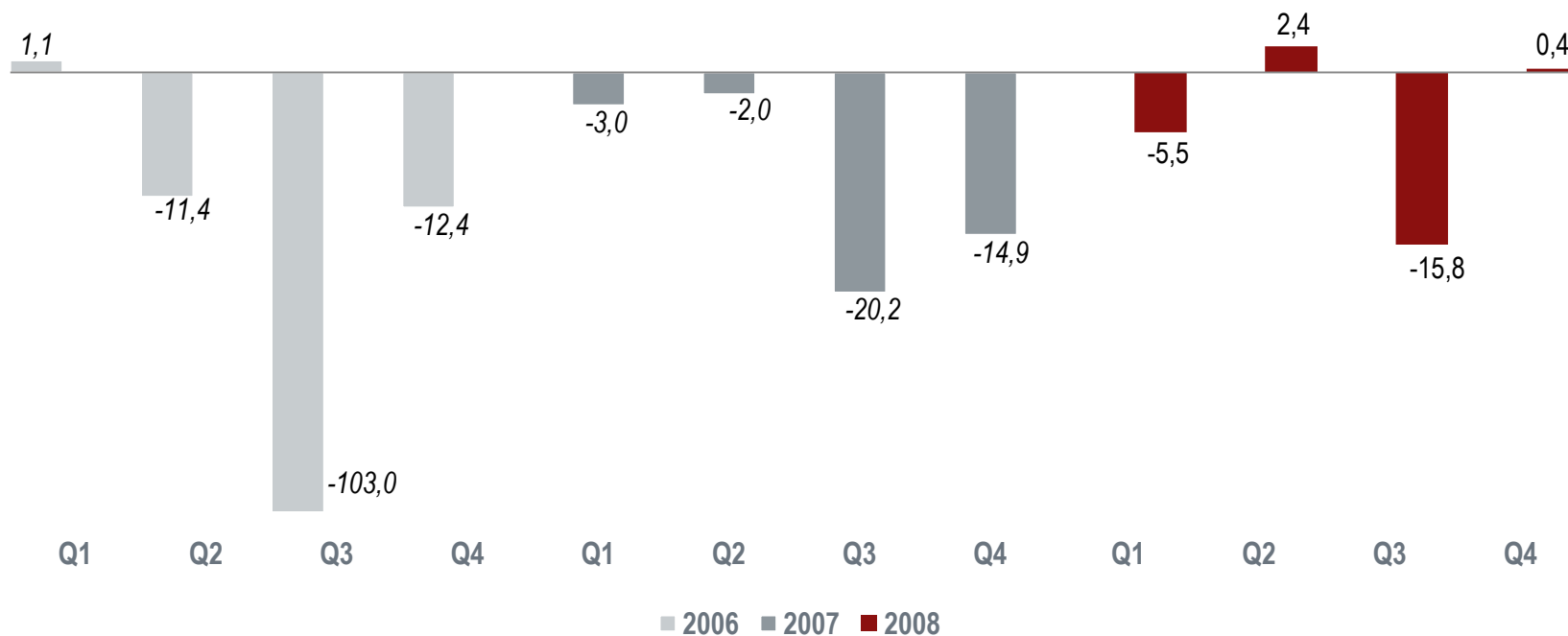


Positive EBIT following previous quarter with downsizing and provisions

Revenue analysis | Cost analysis | **Results analysis**

EBIT Quarterly

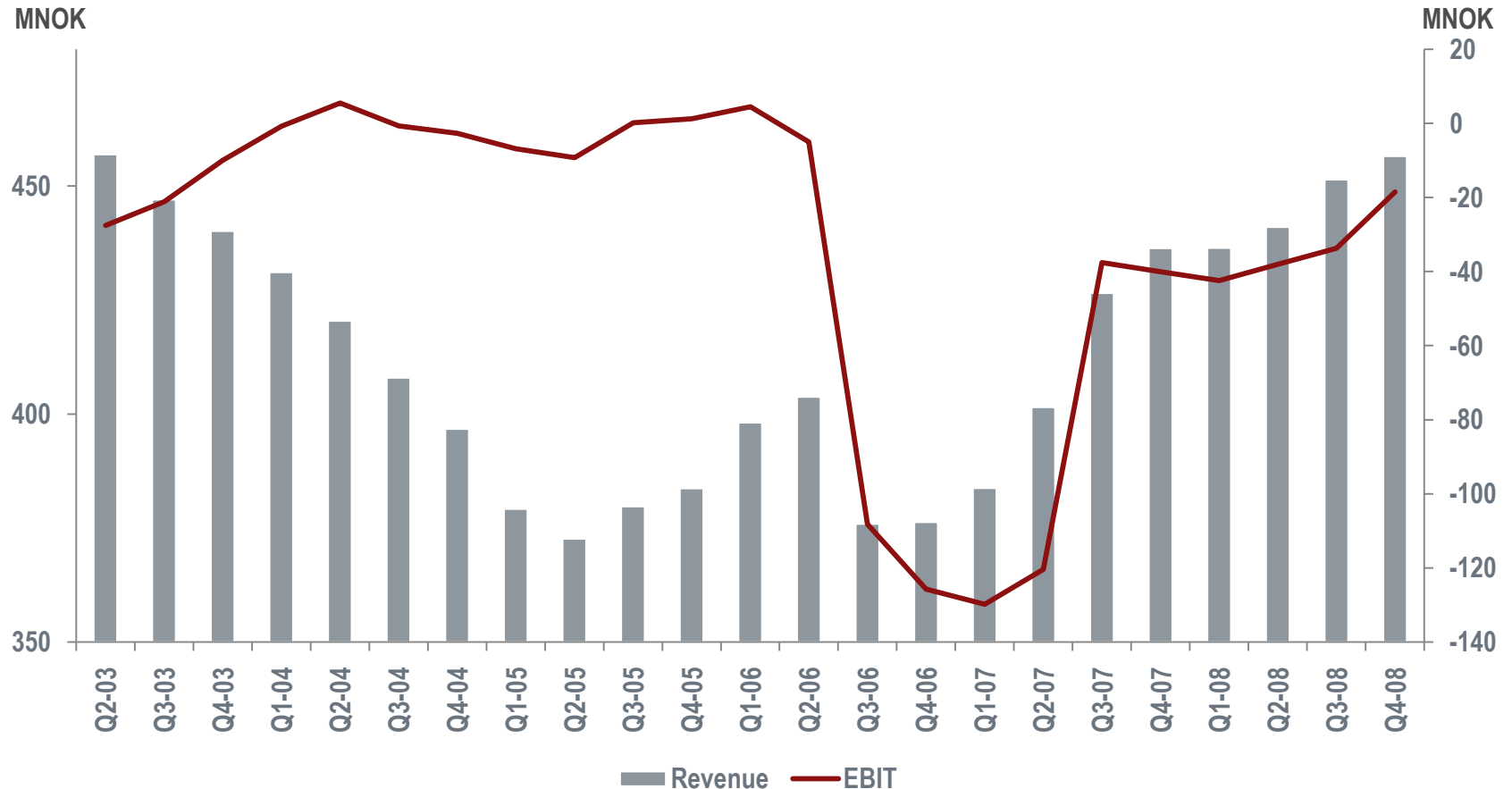
MNOK



Underlying operational improvement over the last 18 months

Revenue analysis | Cost analysis | **Results analysis**

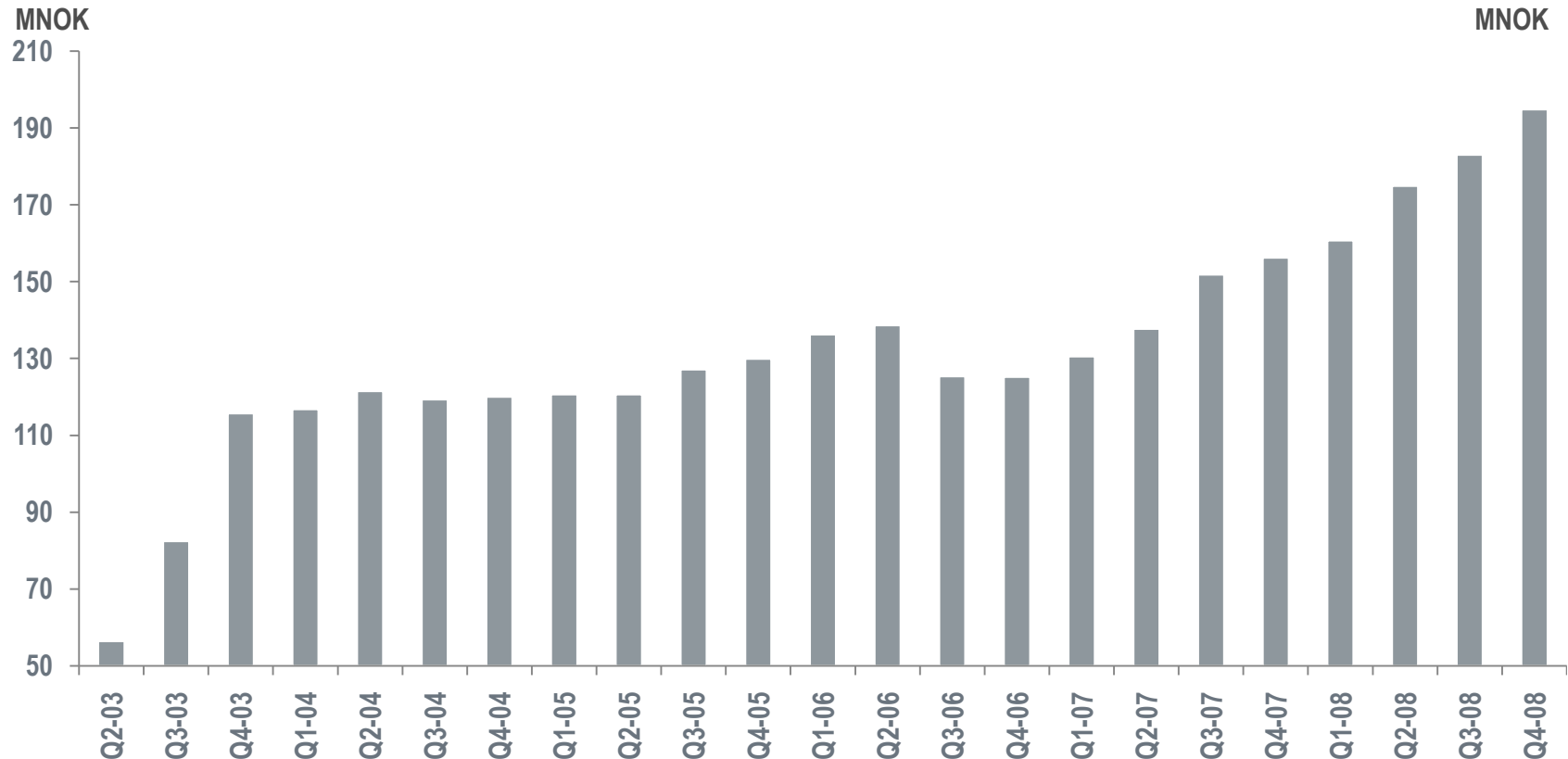
Rolling 12 months revenues and EBIT



Underlying improvement over the last 18 months in software revenue

Revenue analysis | Cost analysis | **Results analysis**

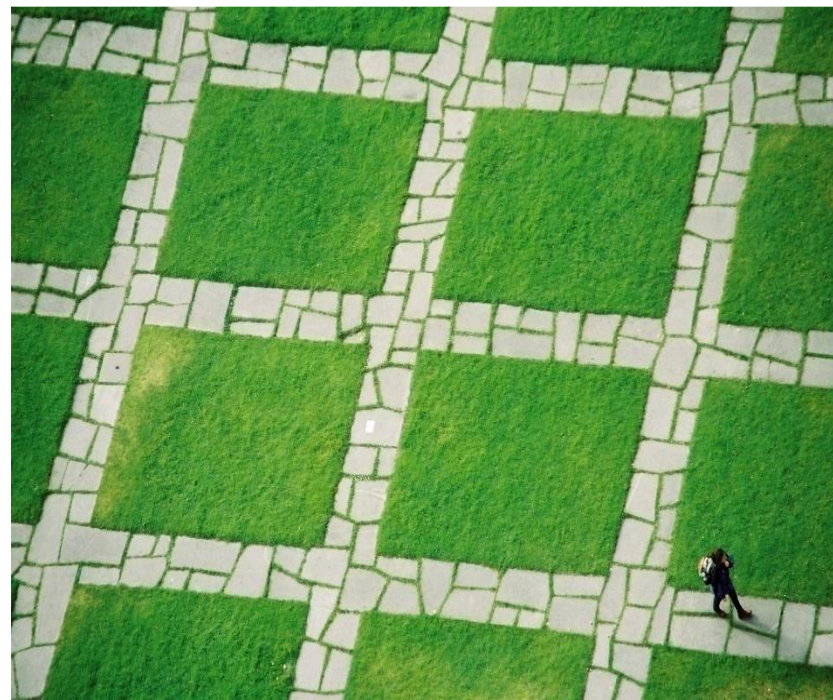
Rolling 12 months revenues from Licence and S&M



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Markets | Products | Organisation



Quarter as expected – satisfactory development in hourly rates in all countries

Markets | Products | Organisation

Norway

- Licence revenue as expected
- Growth in service and maintenance revenue
- Satisfactory hourly rates
- Utilisation is satisfactory
- Partnership agreement signed with Bouvet

Sweden

- Satisfactory licence revenue
- Satisfactory development in hourly rates
- Unsatisfactory utilisation

Denmark

- Satisfactory licence revenue
- Continued satisfactory development in hourly rates
- Satisfactory utilisation
- Partnership agreement signed with Fujitsu

Finland

- Fourth quarter weaker than expected
- Unsatisfactory licence revenue
- Growth in consulting revenue
- Continued growth in service & maintenance revenue

Our cutting edge solutions derives from 20 years of experience with world leading innovators

Markets | **Products** | Organisation



A product suite for document-, record-, case- and relationship management

Fully integrated with Microsoft® Office, Microsoft® Outlook and Microsoft® SharePoint

The new generation, 360° launched in 2008

Innovative customer driven product development

- Public sector in the Nordics is the worlds leading in utilising technology
- Nordic oil and engineering industry represent global best practice in utilising technology
- Our solutions are developed in close cooperation with leading clients in these sectors – probably the most demanding clients in the world



A complete solution for management of technical documents and drawings

New generation ProArc 6 launched in Q4 2008

Fully integrated with Microsoft® Office, Microsoft® Outlook and Microsoft® SharePoint in Q2 2009

Reduction in employees driven by strategic focus as well as cost awareness

Markets | Products | **Organisation**

Organisation

- 471 employees in the end of fourth quarter compared to 541 employees at the same time in 2007 and 502 at the end of Q3 2008
- Organisational adjustments made in Norway and Denmark during Q3/Q4 to ensure a competitive cost base
- Organizational change – focusing as a software vendor:
 - ✓ Separation of the consulting units in Software Innovation Norway – Visiti AS and IT Consult
 - ✓ Integrated support & maintenance unit, to ensure high efficiency and customer satisfaction



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Software Innovation is prepared to meet challenging market conditions in 2009, however the market visibility is low

Market Outlook

- A slowdown in the Nordic IT-market is a reality
- Software Innovation is well positioned to meet a challenging market
 - Solid market base in Nordic public sector
 - Solutions to increase productivity and reduce cost
 - Reduced cost base
- The slowdown in the market will still be challenging for Software Innovation

Business Focus

- Core business as a software vendor – both within the Nordic countries and internationally
- Continued focus on partner strategy and leverage offshoring capabilities
- Cultivation of the consulting business – Visiti AS and IT Consult AS
- Pursue our primary goals:
 - Regain profitability
 - Increase customer satisfaction
 - Increase employee satisfaction



Summary – Q4 2008 in brief

- A profitable quarter
- One of our best quarters on licence revenue. Strong growth in own products
- Continued growth in support & maintenance revenues
- Organisational focus and development of core business
- Satisfactory cash position
- Continued focus on partner strategy – agreements signed with Fujitsu Denmark and Bouvet





Q&A

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Segment revenues

Revenue split (MNOK)	Q4 08	Q4 07	▲ %	2008	2007	▲ %
Licence sales	23,0	13,6	69 %	81,2	56,7	43,3 %
Service and Maintenance	30,0	27,5	9 %	113,6	99,5	14,2 %
Professional services	72,5	79,2	-8 %	261,8	280,2	-6,6 %
Total	125,5	120,3	4 %	456,6	436,4	5 %

Revenue (MNOK)	Q4 08	Q4 07	▲ %	2008	2007	▲ %
Norway	88,9	101,8	-13 %	326,3	349,7	-7 %
Sweden	8,9	10,9	-18 %	32,2	40,1	-20 %
Denmark	25,2	5,8	335 %	88,0	50,9	73 %
Finland	4,0	4,9	-18 %	19,0	16,6	15 %
SI Software	11,9	0,0		41,5	0,0	
Eliminations	-13,5	-3,0	-350 %	-50,2	-20,9	-141 %
Total	125,5	120,3	4 %	456,6	436,4	5 %

Revenue for SI Software consists of the royalties derived from licence sales and service and maintenance income of standard group products.

Unit Contribution

Unit contribution (MNOK)	Q4 08	Q4 07	▲ NOK	2008	2007	▲ NOK
Norway % margin	16,6 19 %	13,9 14 %	2,7	46,2 14 %	54,1 15 %	-7,9
Sweden % margin	0,6 6 %	1,1 10 %	-0,5	-2,4 -7 %	1,4 4 %	-3,8
Denmark % margin	1,8 7 %	-15,5 -267 %	17,3	-1,8 -2 %	-47,6 -94 %	45,8
Finland % margin	-1,2 -30 %	0,5 11 %	-1,7	0,7 3 %	0,0 0 %	0,6
SI Software Corporate	-10,6 -6,8	-9,6 -5,4	-1,0 -1,4	-41,1 -20,0	-32,8 -16,9	-8,3 -3,1
Total EBIT % margin	0,4 0 %	-14,9 -12 %	15,4	-18,5 -4 %	-40,1 -9 %	21,6

Unit Contribution consist of EBIT, royalties derived from licence sales and service and maintenance income of standard group products as well as the business units share of corporate cost.

Organisation

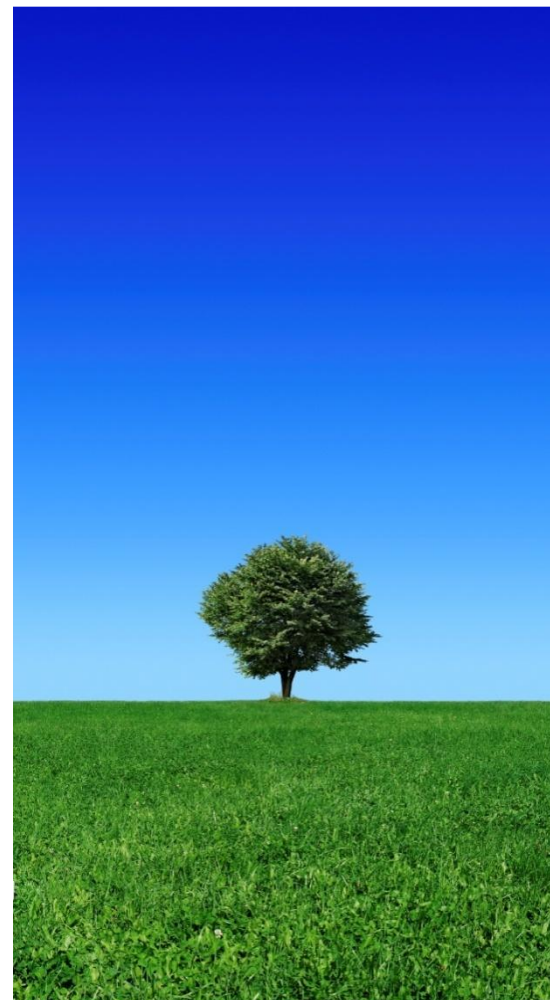
No of employees	Q4 08	Q4 07	▲ %	Q3 08	Q3 07	▲ %
Norway	282	305	-8 %	299	309	-3 %
Sweden	40	51	-22 %	42	58	-28 %
Denmark	73	110	-34 %	85	114	-25 %
Finland	25	26	-4 %	26	26	0 %
Corporate	4	7	-43 %	5	6	-17 %
SI Software	47	42	12 %	45	42	7 %
Total	471	541	-13 %	502	555	-10 %

Shareholder information – Q4 2008

Earnings per share	Q4 08	Q4 07	▲ NOK	2008	2007	▲ NOK
Average no. of shares fully diluted [000']	22 086	21 849		21 926	19 790	
EPS	-0,23	-0,77	0,55	-1,38	-2,79	1,42
Average no of shares outstanding [000']	22 086	21 849		21 926	19 790	
EPS	-0,23	-0,77	0,55	-1,38	-2,79	1,42
No of shares outstanding	22 128	21 869		22 128	21 869	

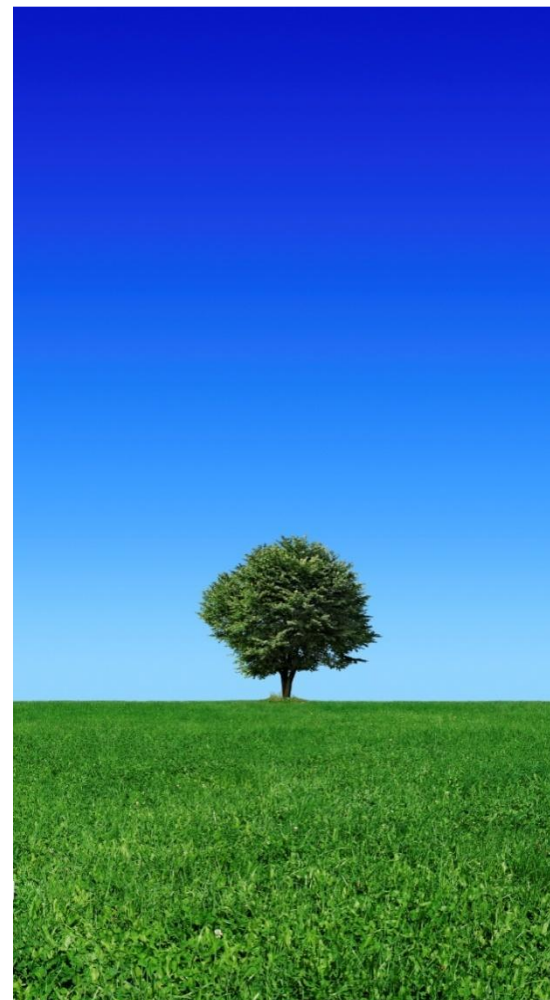
20 Largest Shareholders per 31.12.2008

	Shareholder	Shares	% share
1	Borea Opportunity IV	13 737 391	62,1 %
2	Sanden AS	1 584 763	7,2 %
3	Bridago AS	389 020	1,8 %
4	NHO Arbeidsmiljøfond	384 654	1,7 %
5	Rosenfonn Investering	301 000	1,4 %
6	Birdrock AS	286 875	1,3 %
7	Kveim Øystein	241 902	1,1 %
8	T-INTERNATIONAL	231 873	1,0 %
9	Citibank N.A. New York A/C DFA-INTL.	224 659	1,0 %
10	Walla & Co AS	224 000	1,0 %
11	Kveim Per	190 173	0,9 %
12	Jahatt AS	150 000	0,7 %
13	Lindalen Holding NOR	143 437	0,6 %
14	Vanem Cecilie	126 563	0,6 %
15	Hartvig Wennberg AS	121 000	0,5 %
16	Berg Kristian	107 225	0,5 %
17	Care Holding AS v/ Bernt Endrerud	100 000	0,5 %
18	Edorf Invest AS	94 000	0,4 %
19	Nordea Bank Denmark	79 363	0,4 %
20	Virtua Business Ltd	76 000	0,3 %
	Sum 20 Largest Shareholders per 31-12-2008	18 793 898	84,9 %
	Total number of shares	22 127 574	100,0 %



20 Largest Shareholders per 23.02.2009

	Shareholder	Shares	% share
1	Borea Opportunity IV	19 240 274	87,0 %
2	NHO Arbeidsmiljøfond	384 654	1,7 %
3	Kveim Øystein	241 902	1,1 %
4	T-INTERNATIONAL	231 873	1,0 %
5	Jahatt AS	150 000	0,7 %
6	Hartvig Wennberg AS	121 000	0,5 %
7	Virtua Business Ltd	76 000	0,3 %
8	Caiano AS	66 133	0,3 %
9	Luthman Per Yngve	62 908	0,3 %
10	Danske Bank A/S Operations sec.	58 148	0,3 %
11	Brekka Reidar	55 000	0,2 %
12	Deadline2online AS	52 000	0,2 %
13	Opdal Knut	39 105	0,2 %
14	Nordnet Securities	37 284	0,2 %
15	Monsen Frode	33 424	0,2 %
16	Crown Hill Chartering	28 581	0,1 %
17	Jacob Venture AS	26 000	0,1 %
18	Mamar Bygg AS	25 934	0,1 %
19	Øverås Trond Steinar	25 196	0,1 %
20	Arctic Securities AS	22 893	0,1 %
	Sum 20 Largest Shareholders per 23-02-2009	20 978 309	94,8 %
	Total number of shares	22 127 574	100,0 %



Statement of changes in Equity per 31.12.2008

2007

(All figures in TNOK)	Share capital and share premium reserve	Other paid in capital	Other equity	Minority interests	Total equity
Equity 01.01.07	114 801	7 151	4 087	698	126 737
Stock options		3 898			3 148
Currency translation differences			-2 246		-2 246
Share issue	1 986	66 093			68 079
Change in minority interests			226	-226	0
Profit (loss) YTD			-55 615	388	-55 227
Equity 31.12.07	116 787	77 142	-53 548	860	140 491

2008

(All figures in TNOK)	Share capital and share premium reserve	Other paid in capital	Other equity	Minority interests	Total equity
Equity 01.01.08	128 351	11 048	0	860	140 260
Stock options		802			802
Currency translation differences			1 883		1 883
Change in Minority interests				218	218
Share issue	1 417				1 417
Profit (loss) YTD			-30 316	184	-30 132
Equity 31.12.08	129 768	11 850	-28 433	1 262	114 448

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