



## Continued strong growth

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

#### JANUARY–MARCH 2014 (FIRST QUARTER)

- License revenue amounted to SKr 107 million (Q1 '13: SKr 86 million), an increase of 24 percent currency adjusted.
- Maintenance revenue was SKr 249 million (Q1 '13: SKr 221 million), an improvement of 13 percent currency adjusted.
- Consulting revenue amounted to SKr 335 million (Q1 '13: SKr 304 million), an increase of 11 percent currency adjusted.
- Net revenue was SKr 694 million (Q1 '13: SKr 613 million), an improvement of 14 percent currency adjusted.
- EBIT amounted to SKr 25 million (Q1 '13: SKr -91 million).
- Cash flow after investments was SKr 133 million (Q1 '13: SKr 77 million).
- Earnings per share after full dilution amounted to SKr 0.60 (Q1 '13: SKr -2.94).

### OUTLOOK

For 2014, IFS expects strong license growth and a significant improvement in EBIT.

### INQUIRIES

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## CHIEF EXECUTIVE SUMMARY

### Continued strong growth

Our strategy of targeting, with highly-focused solutions, markets that are expanding and investing continues to enable us to deliver strong license growth. The growth in license revenue, 24 percent in the quarter adjusted for currency, will add to the recognition we gained in 2013 for leading the ERP market in terms of license growth.

Strong performance in license sales not only has the obvious positive impact of driving our long-term maintenance and consulting revenues; but also has the additional strategic benefit of increasing interest in IFS from the partner community so enabling us to continue to grow our ecosystem. This in turn allows us to attract larger international customers and so scale up our global business.

Both maintenance and consulting revenue grew, by 13 percent and 11 percent, respectively, adjusted for currency, with an improvement of the consulting margin to 17 percent. The cost structure of our consulting business is changing in line with expectations. We now have an increased level of variable cost arising from the use, when required, of external partners together with the reduced fixed cost of having fewer permanent employed consultants. As per example, the improved revenue

in the quarter has been delivered with 140 less consultants than in the same quarter last year.

The stronger revenue together with the effects from the efficiency-improvement program undertaken last year contributed to the improved EBIT for the quarter.

Companies are showing regained interest in the ERP market and those in need of consolidating their business solution or expanding its functionality are moving forward with their investments. The gradual improvement of the buying environment seen over the last couple of years is expected to continue. This leads industry analyst firms such as Gartner to anticipate the ERP market to grow in 2014 in the region of 5 to 6 percent.



The outcome for the first quarter represents a good start to the year and so underlines our outlook of strong license revenue growth and a significant improvement in EBIT for the full year.

**Alastair Sorbie**  
PRESIDENT & CEO



## SIGNIFICANT EVENTS DURING THE QUARTER

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



### Aerospace and Defense

-  BAE Systems
-  Lockheed Martin JSF


### Asset-Intensive

-  Kangra Coal
-  Unimin Corporation

### Automotive

-  Toyota Lanka
-  Wright Bus



### Construction and Contracting

-  Baltic Yachts
-  Eurofeu
-  IHC Merwede Holding




### Energy and Utilities

-  Brookfield Renewable Power
-  ENEA Wytwarzanie
-  GDF Suez Énergie Services
-  Hafslund
-  PGNIG Termika
-  Renova
-  Warsaw Water and Sewerage Co. (MPWiK)

### High Tech

-  Axis Communications
-  Renco Electronics

### Industrial Manufacturing

-  Hymer-Leichtmetallbau
-  Promag
-  Samson AG Meß- und Regeltechnik



### Oil and Gas

-  Odfjell Drilling
-  PGS Geophysical
-  Songa Offshore
-  Teledyne ODI
-  Thalassa Holdings



### Process Manufacturing

-  Benders Paper Cup Company
-  Guangzhou Taiqi Food Co.
-  Nature's Path Foods
-  Omni Industries



### Retail

-  D Samson & Sons
-  Shanghai Garnor Sealing Technology Co.

### Service Providers

-  Dover Harbour Board
-  Polygon International

### Other

-  General Dynamics Information Technology
-  Municipality of Uppsala

### Leading bus manufacturer Wrights Group chose IFS Applications

February 28. IFS announced that Wrights Group, one of Europe's leading suppliers of public transport vehicles, had chosen IFS Applications to assist in optimizing its expanding global operations. The agreement included licenses, maintenance, and services worth approximately £1.2 million.

### Oil & Gas drilling contractor Songa Offshore selected IFS

March 10. IFS announced that Songa Offshore, an International midwater drilling contractor active in the North Atlantic basin, had chosen to deploy IFS Applications for Offshore Service to support its onshore and offshore operations. The contract included licenses and services worth approximately Nkr 40 million.

### Port of Dover chose IFS Applications to integrate business processes

March 26. Port of Dover, operating Europe's busiest international roll-on roll-off ferry port, chose IFS Applications to integrate and streamline key business processes such as asset and project management. IFS Applications will replace a number of existing solutions and integrate information across the company's business areas. When fully implemented, the solution will be used by over 300 employees throughout the organization to help improve efficiency and control.

### IFS partners with Telvent Global Services

During the first quarter, IFS signed a global partnership agreement with Telvent Global Services, part of Schneider Electric, Global Solutions business unit. The partnership is aimed at delivering added value to new and existing IFS customers in the EMEA region and Latin America, primarily targeting industries such as energy and utilities and telecommunications.

## FINANCIAL OVERVIEW

SKr million	Q1 2014	Q1 2013	April–March 2013/14	April–March 2012/13	Full year 2013
<b>Net revenue</b>	<b>694</b>	<b>613</b>	<b>2,785</b>	<b>2,621</b>	<b>2,704</b>
<i>whereof</i>					
License revenue	107	86	556	474	535
Maintenance and support revenue	249	221	930	888	902
Consulting revenue	335	304	1,287	1,238	1,256
<b>Gross earnings</b>	<b>335</b>	<b>274</b>	<b>1,449</b>	<b>1,288</b>	<b>1,388</b>
<i>whereof</i>					
Licenses	90	77	508	444	495
Maintenance and support	186	150	684	609	648
Consulting	58	48	251	224	241
<b>EBIT</b>	<b>25</b>	<b>-91</b>	<b>318</b>	<b>94</b>	<b>202</b>
<b>EBIT margin</b>	<b>4%</b>	<b>-15%</b>	<b>11%</b>	<b>4%</b>	<b>7%</b>
<b>Earnings before tax</b>	<b>21</b>	<b>-94</b>	<b>299</b>	<b>87</b>	<b>184</b>
<b>Earnings for the period</b>	<b>15</b>	<b>-74</b>	<b>232</b>	<b>57</b>	<b>143</b>
<b>Cash flow after investment operations</b>	<b>133</b>	<b>77</b>	<b>178</b>	<b>-61</b>	<b>122</b>

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

### Revenue

Net revenue amounted to SKr 694 million (613), an increase of 14 percent currency adjusted. Africa, Asia, and Pacific contributed most with an increase of 40 percent, currency adjusted, partly related to a payment of SKr 10 million of previously deferred revenue. Europe Central contributed to the increase through higher license revenue, including a resale of third-party licenses of SKr 10 million, whereas Europe North had higher license and increased consulting revenue.

### Costs

Total costs amounted to SKr 669 million (704), where the previous year contained one-off costs of SKr 92 million for an efficiency program. The increase in total costs, adjusted for the one-off costs for the efficiency program, was 9 percent. This was mainly driven by an increase in direct costs by 54 percent, currency adjusted, partly as a result of the sale of third-party products, partly coming from the continued transition towards a higher degree of partners implementing IFS Applications. Indirect costs were in line with previous year, currency adjusted, whereof personnel costs was 2 percent lower, currency adjusted. There was a SKr 5 million restructuring charge in Europe West relating to the reorganization and acquisition of the joint venture IFS Defence Ltd and a further SKr 6 million in legal costs from the arbitration process in Singapore. Amortization of intangibles relating to acquisitions was SKr 9 million whereas capitalization of product development net of amortization reduced costs with SKr 3 million.

### Earnings

EBIT increased to SKr 25 million (-91), where the previous year was affected by the one-off costs for the cost efficiency program. EBIT improved significantly also adjusted for these one-off costs.

Earnings before tax amounted to SKr 21 million (-94). Net financial items amounted to SKr -4 million (-3), whereof SKr -1 million (6) pertain to realized/unrealized exchange losses. Net interest was SKr -1 (-1): interest income was SKr 1 million (1) and interest expenses were SKr -2 million (-2).

Earnings for the period amounted to SKr 15 million (-74).

### Cash flow and investments

The change in working capital amounted to SKr 124 million (123). Investments amounted to SKr -54 million (-68), whereof capitalized product development was SKr -44 million (-50). Cash flow after investments amounted to SKr 133 million (77).

Cash and cash equivalents totaled SKr 431 million (314) at the end of the period. Available liquid assets, including unutilized lines of credit, amounted to SKr 791 million (648). Liabilities to credit institutions were SKr 140 million (166) at the end of the period.

## OUTLOOK

For 2014, IFS expects strong license growth and a significant improvement in EBIT.

## OTHER INFORMATION

### Application of IFRS 11 “Joint Arrangements”

As of January 1, 2014, IFRS 11 “Joint Arrangements” joint ventures must be consolidated according to the equity method. Previously, assets, liabilities, revenue, and expenses were recognized on the basis of the party’s interest according to the proportional method. As the new principles affect reporting retrospectively, the new standard has an impact on the consolidation of the joint venture, IFS Defence Ltd. The holding was restructured on December 31, 2013. Thereafter, neither shares in IFS Defence Ltd nor earnings from shares in IFS Defence Ltd are included. This change of principle has no impact on net income or equity.

The effect of the change in accounting principle on holdings in joint ventures is detailed in the following tables.

### CONSOLIDATED INCOME STATEMENT

SKr million	Q1 2013	Full year 2013
Net revenue	-8	-36
Direct expenses	6	19
<b>Gross earnings</b>	<b>-2</b>	<b>-17</b>
Product development, sales, marketing, and administration expenses	3	10
Other operating revenue/expenses, net	0	-54
Result from joint venture	0	59
<b>EBIT</b>	<b>1</b>	<b>-2</b>
Financing expenses and other financial items, net	-1	2
<b>Earnings before tax</b>	<b>0</b>	<b>0</b>
Tax	-	-
<b>Earnings for the period</b>	<b>0</b>	<b>0</b>

### CONSOLIDATED BALANCE SHEET

SKr million	March 31 2013	Dec. 31 2013
Intangible fixed assets	-22	-
Tangible fixed assets	-1	-
Participation in joint venture	15	-
Deferred tax receivables	-17	-
<b>Non-current assets</b>	<b>-25</b>	<b>-</b>
Current assets	-53	-
<b>Assets</b>	<b>-78</b>	<b>-</b>
Shareholders' equity	-	-
Non-current liabilities	-68	-
Current liabilities	-10	-
<b>Equity and liabilities</b>	<b>-78</b>	<b>-</b>

### CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Q1 2013	Full year 2013
Cash flow from operations before change in working capital	4	8
Change in working capital	7	18
<b>Cash flow from current operations</b>	<b>11</b>	<b>26</b>
<b>Cash flow after investment operations</b>	<b>10</b>	<b>2</b>
<b>Cash flow for the period</b>	<b>10</b>	<b>63</b>
Cash and cash equivalents at the beginning of the period	-63	-63
Exchange rate differences in cash and cash equivalents	0	0
<b>Cash and cash equivalents at the end of the period</b>	<b>-53</b>	<b>0</b>

### Fair value of financial instruments

The Group’s financial assets and liabilities measured at fair value amounted to SKr 4 million (2) and SKr -7 million (0), respectively. The derivatives consist of forward exchange contracts and currency options, which are used for hedging purposes. The fair value is based on inputs other than quoted prices that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2). Investments are fair valued based on non-observable inputs (Level 3).

There have been no transfers between Level 2 and Level 3 during the period.

### Parent Company

Net revenue amounted to SKr 5 million (6), with earnings of SKr 0 million (7) before tax. Available liquid assets, including unutilized lines of credit, amounted to SKr 569 million (489).

During the quarter, 105,440 A shares were converted into the same number of B shares. At the end of the period, 200,000 B shares were in the company’s own custody.

### Legal dispute

As previously reported, IFS has since 2002 been involved in a legal dispute concerning the partly-owned company IFS Sri Lanka. The counterparty has initiated legal proceedings against IFS with the Singapore International Arbitration Centre, on the basis of a shareholders’ agreement between the parties, with an initial claim for damages amounting to US\$ 76 million incl. interest. By changing the calculation method but without modifying the legal grounds, the claim has since been revised upwards. The revised claim is not specified but, based on the hypothetical calculations that have been presented, may be understood as that IFS’s half-owned company IFS Sri Lanka is to be paid an amount in the range of US\$ 237–535 million incl. interest, and that an unspecified amount be distributed as dividends to the owners. Since the beginning of this legal dispute, IFS has deemed the counterparty’s allegations as completely unsubstantiated and without any merit. Based on information available to IFS and supported by its external legal counsel, IFS’s position with

respect to the dispute remains unchanged: IFS rejects the counterparty's claims as being frivolous and completely unmeritorious and unfounded, and rejects the claims in their entirety. Since the proceedings have been formally concluded the arbitration award is now pending and is expected, according to IFS's assessment, to be delivered some time during the second or third quarter of 2014.

#### **Annual general meeting of shareholders**

The annual general meeting of stockholders (AGM) held on March 26 resolved, among other things, in respect of a dividend to stockholders, an incentive program, and the repurchase of treasury shares. The dividend, SKr 3.50 per share, amounted in total to SKr 87 million, which was paid on

April 3. 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 247,000 warrants, each of which carries the right to subscribe for one (1) B share. 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 2014 will be published on July 17, 2014.

Linköping, April 16, 2014

**The Board of Directors**

#### **Audit report**

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

## CONSOLIDATED INCOME STATEMENT

SKr million	Q1 2014	Q1 2013	April–March 2013/14	April–March 2012/13	Full year 2013
License revenue	107	86	556	474	535
Maintenance and support revenue	249	221	930	888	902
Consulting revenue	335	304	1,287	1,238	1,256
Other revenue	3	2	12	21	11
<b>Net revenue</b>	<b>694</b>	<b>613</b>	<b>2,785</b>	<b>2,621</b>	<b>2,704</b>
License expenses	-17	-9	-48	-30	-40
Maintenance and support expenses	-63	-71	-246	-279	-254
Consulting expenses	-277	-256	-1,036	-1,014	-1,015
Other expenses	-2	-3	-6	-10	-7
<b>Direct expenses</b>	<b>-359</b>	<b>-339</b>	<b>-1,336</b>	<b>-1,333</b>	<b>-1,316</b>
<b>Gross earnings</b>	<b>335</b>	<b>274</b>	<b>1,449</b>	<b>1,288</b>	<b>1,388</b>
Product development expenses	-71	-64	-267	-273	-260
Sales and marketing expenses	-150	-136	-605	-580	-591
Administration expenses	-79	-69	-299	-271	-289
Other operating revenue*	1	2	15	41	16
Other operating expenses	-11	-98	-34	-119	-121
Result from joint venture	-	0	59	8	59
<b>Indirect expenses, net</b>	<b>-310</b>	<b>-365</b>	<b>-1,131</b>	<b>-1,194</b>	<b>-1,186</b>
<b>EBIT</b>	<b>25</b>	<b>-91</b>	<b>318</b>	<b>94</b>	<b>202</b>
Result from associated companies	0	-1	1	-1	0
Interest expenses	-2	-2	-10	-8	-10
Other financial items	-2	0	-10	2	-8
<b>Earnings before tax</b>	<b>21</b>	<b>-94</b>	<b>299</b>	<b>87</b>	<b>184</b>
Tax	-6	20	-67	-30	-41
<b>Earnings for the period</b>	<b>15</b>	<b>-74</b>	<b>232</b>	<b>57</b>	<b>143</b>
<b>Earnings for the period are allocated as follows:</b>					
Owners of the Parent Company (SKr million)	15	-74	233	58	144
Non-controlling interests (SKr million)	0	0	-1	-1	-1
Earnings per share pertaining to Parent Company shareholders (SKr)	0.61	-2.99	9.41	2.33	5.81
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	0.60	-2.94	9.24	2.28	5.72
<b>Number of shares</b> (thousands)					
At the end of the period	24,772	24,772	24,772	24,772	24,772
At the end of the period, after full dilution	25,192	25,078	25,192	25,078	25,192
Average for the period	24,772	24,772	24,772	24,871	24,772
Average for the period, after full dilution	25,192	25,151	25,206	25,468	25,196

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

SKr million	Q1 2014	Q1 2013	April–March 2013/14	April–March 2012/13	Full year 2013
<b>Earnings for the period</b>	<b>15</b>	<b>-74</b>	<b>232</b>	<b>57</b>	<b>143</b>
<b>Other comprehensive income</b>					
<i>Items not to be reversed in the income statement</i>					
Revaluation of defined-benefit pension plans	-32	15	-3	19	44
Revaluation of defined-benefit pension plans related to joint venture	-	-8	13	-29	5
<i>Items that can later be reversed in the income statement</i>					
Exchange rate differences	10	-14	20	-34	-4
<b>Other comprehensive income for the period, net of tax</b>	<b>-22</b>	<b>-7</b>	<b>30</b>	<b>-44</b>	<b>45</b>
<b>Total comprehensive income for the period</b>	<b>-7</b>	<b>-81</b>	<b>262</b>	<b>13</b>	<b>188</b>
<b>Total comprehensive income allocated as follows:</b>					
Owners of the Parent Company	-7	-81	263	14	189
Non-controlling interests	0	0	-1	-1	-1



## CONSOLIDATED BALANCE SHEET

SKr million	March 31 2014	March 31 2013	Dec. 31 2013
<b>ASSETS</b>			
Capitalized expenditure for product development	596	571	594
Goodwill	402	365	398
Other intangible fixed assets	104	100	111
<b>Intangible fixed assets</b>	<b>1,102</b>	<b>1,036</b>	<b>1,103</b>
<b>Tangible fixed assets</b>	<b>95</b>	<b>97</b>	<b>96</b>
Participations in associated companies	3	3	3
Participation in joint venture	-	15	-
Deferred tax receivables	144	166	132
Other long-term receivables and other participations	24	27	23
<b>Financial fixed assets</b>	<b>171</b>	<b>211</b>	<b>158</b>
<b>Non-current assets</b>	<b>1,368</b>	<b>1,344</b>	<b>1,357</b>
Accounts receivable	527	490	740
Other receivables	271	293	238
Cash and cash equivalents	431	314	354
<b>Current assets</b>	<b>1,229</b>	<b>1,097</b>	<b>1,332</b>
<b>Assets</b>	<b>2,597</b>	<b>2,441</b>	<b>2,689</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	499	508	499
Other capital contributed	702	699	701
Accumulated earnings, including earnings for the period and other reserves	30	-154	37
<b>Shareholders' equity pertaining to Parent Company shareholders</b>	<b>1,231</b>	<b>1,053</b>	<b>1,237</b>
Non-controlling interests	-1	0	0
<b>Shareholders' equity</b>	<b>1,230</b>	<b>1,053</b>	<b>1,237</b>
Liabilities to credit institutions	0	0	0
Pension obligations	99	101	39
Other provisions and other liabilities	49	43	52
<b>Non-current liabilities</b>	<b>148</b>	<b>144</b>	<b>91</b>
Accounts payable	76	81	111
Liabilities to credit institutions	140	166	197
Other provisions and other liabilities	1,003	997	1,053
<b>Current liabilities</b>	<b>1,219</b>	<b>1,244</b>	<b>1,361</b>
<b>Liabilities</b>	<b>1,367</b>	<b>1,388</b>	<b>1,452</b>
<b>Equity and liabilities</b>	<b>2,597</b>	<b>2,441</b>	<b>2,689</b>
Pledged assets	718	506	721
Contingent liabilities	21	15	21

## 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, 2013	508	701	-90	17	<b>1,136</b>	1	<b>1,137</b>
Total comprehensive income for the period	-	-	-14	-67	<b>-81</b>	-1	<b>-82</b>
Repurchase of call options	-	-2	-	-	<b>-2</b>	-	<b>-2</b>
<b>Closing balance March 31, 2013</b>	<b>508</b>	<b>699</b>	<b>-104</b>	<b>-50</b>	<b>1,053</b>	<b>0</b>	<b>1,053</b>
Opening balance January 1, 2014	499	701	-94	131	<b>1,237</b>	0	<b>1,237</b>
Total comprehensive income for the period	-	-	10	-17	<b>-7</b>	-1	<b>-8</b>
Issue of call option program, T011B	-	1	-	-	<b>1</b>	-	<b>1</b>
<b>Closing balance March 31, 2014</b>	<b>499</b>	<b>702</b>	<b>-84</b>	<b>114</b>	<b>1,231</b>	<b>-1</b>	<b>1,230</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Q1 2014	Q1 2013	April–March 2013/14	April–March 2012/13	Full year 2013
Earnings before tax	21	-94	299	87	184
Adjustments for items not included in the cash flow	42	116	78	252	152
<b>Cash flow from operations before change in working capital</b>	<b>63</b>	<b>22</b>	<b>377</b>	<b>339</b>	<b>336</b>
Change in working capital	124	123	71	-58	70
<b>Cash flow from current operations</b>	<b>187</b>	<b>145</b>	<b>448</b>	<b>281</b>	<b>406</b>
Acquisition of subsidiaries	-	-	-	-123	-
Acquisition of intangible fixed assets	-48	-51	-239	-184	-242
Cash flow from other investment operations	-6	-17	-31	-35	-42
<b>Cash flow after investment operations</b>	<b>133</b>	<b>77</b>	<b>178</b>	<b>-61</b>	<b>122</b>
Dividend distributed	-	-	-87	-88	-87
Repurchase of own shares	-	-	-	-38	-
Cash flow from other financing operations	-57	-14	31	147	74
<b>Cash flow for the period</b>	<b>76</b>	<b>63</b>	<b>122</b>	<b>-40</b>	<b>109</b>
Cash and cash equivalents at the beginning of the period	354	253	314	362	253
Exchange rate differences in cash and cash equivalents	1	-2	-5	-8	-8
<b>Cash and cash equivalents at the end of the period</b>	<b>431</b>	<b>314</b>	<b>431</b>	<b>314</b>	<b>354</b>

**CONSOLIDATED ORGANIC NET REVENUE**

SKr, million	Q1				
	Actual 2014	Translation effect	Structural changes	Adjusted 2014	Actual 2013
License revenue	107	0	-2	105	86
Maintenance and support revenue	249	0	-6	243	221
<b>Total product revenue</b>	<b>356</b>	<b>0</b>	<b>-8</b>	<b>348</b>	<b>307</b>
Consulting revenue	335	3	-7	331	304
<b>Net revenue (including other revenue)</b>	<b>694</b>	<b>3</b>	<b>-16</b>	<b>681</b>	<b>613</b>

**CONSOLIDATED ORGANIC OPERATING EXPENSES**

SKr, million	Q1				
	Actual 2014	Translation effect	Structural changes	Adjusted 2014	Actual 2013
Operating expenses	669	5	-10	664	704
Other operating income/costs net	-1	0	-	-1	-1
Capital gains/losses	0	0	-	0	-
Exchange rate gains/losses	-6	0	0	-6	-3
Restructuring costs/redundancy costs	-5	0	-	-5	-92
Amortization of capitalized product development expenditure	-41	-	-	-41	-38
Amortization of acquired intangibles	-9	0	-	-9	-7
Other amortization/depreciation	-7	0	0	-7	-6
Capitalized product development	44	-	-	44	50
<b>Adjusted operating expenses</b>	<b>644</b>	<b>5</b>	<b>-10</b>	<b>639</b>	<b>607</b>

## CONSOLIDATED SEGMENT REPORTING, FIRST QUARTER

SKr million	Europe North		Europe West		Europe Central	
	2014	2013	2014	2013	2014	2013
License revenue	30	22	23	22	14	5
Maintenance and support revenue	85	85	51	43	26	21
Consulting revenue	163	152	45	37	37	31
Other revenue	0	0	1	1	1	0
<b>Total external revenue</b>	<b>278</b>	<b>259</b>	<b>120</b>	<b>103</b>	<b>78</b>	<b>57</b>
Internal revenue	4	6	18	13	7	11
<b>Total revenue</b>	<b>282</b>	<b>265</b>	<b>138</b>	<b>116</b>	<b>85</b>	<b>68</b>
External operating expenses	-180	-180	-96	-84	-70	-56
Internal operating expenses	-22	-19	-7	-9	-7	-3
Other operating items, net	-1	-43	-5	-4	0	-9
<b>Operating expenses</b>	<b>-203</b>	<b>-242</b>	<b>-108</b>	<b>-97</b>	<b>-77</b>	<b>-68</b>
<b>EBIT, undistributed</b>	<b>79</b>	<b>23</b>	<b>30</b>	<b>19</b>	<b>8</b>	<b>0</b>
<b>Numbers of employees*</b>						
Average for the period	443	526	328	342	197	200
At the end of the period	446	506	328	338	200	196
SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2014	2013	2014	2013	2014	2013
License revenue	6	5	26	26	8	6
Maintenance and support revenue	16	15	47	41	24	15
Consulting revenue	18	15	52	50	20	18
Other revenue	1	0	0	0	0	1
<b>Total external revenue</b>	<b>41</b>	<b>35</b>	<b>125</b>	<b>117</b>	<b>52</b>	<b>40</b>
Internal revenue	4	4	14	14	3	5
<b>Total revenue</b>	<b>45</b>	<b>39</b>	<b>139</b>	<b>131</b>	<b>55</b>	<b>45</b>
External operating expenses	-38	-43	-100	-87	-45	-45
Internal operating expenses	0	0	-6	-12	-2	-3
Other operating items, net	-2	-5	7	-1	-2	-3
<b>Operating expenses</b>	<b>-40</b>	<b>-48</b>	<b>-99</b>	<b>-100</b>	<b>-49</b>	<b>-51</b>
<b>EBIT, undistributed</b>	<b>5</b>	<b>-9</b>	<b>40</b>	<b>31</b>	<b>6</b>	<b>-6</b>
<b>Numbers of employees*</b>						
Average for the period	222	269	282	286	255	277
At the end of the period	221	256	282	285	253	259
SKr million			Corporate items **		GROUP	
			2014	2013	2014	2013
License revenue			0	0	107	86
Maintenance and support revenue			0	1	249	221
Consulting revenue			0	1	335	304
Other revenue			0	0	3	2
<b>Total external revenue</b>			<b>0</b>	<b>2</b>	<b>694</b>	<b>613</b>
Internal revenue			-50	-53	0	0
<b>Total revenue</b>			<b>-50</b>	<b>-51</b>	<b>694</b>	<b>613</b>
External operating expenses			-130	-113	-659	-608
Internal operating expenses			44	46	0	0
Other operating items, net			-7	-31	-10	-96
<b>Operating expenses</b>			<b>-93</b>	<b>-98</b>	<b>-669</b>	<b>-704</b>
<b>EBIT, undistributed</b>			<b>-143</b>	<b>-149</b>	<b>25</b>	<b>-91</b>
<b>Numbers of employees*</b>						
Average for the period			888	899	2,615	2,799
At the end of the period			898	898	2,628	2,738

\* Employees previously reported in the segment Defense are included in the financial statements in Europe West.

\*\* Undistributed corporate revenue and expenses

## INCOME STATEMENT OF THE PARENT COMPANY

SKr million	Q1 2014	Q1 2013	April–March 2013/14	April–March 2012/13	Full year 2013
<b>Net revenue</b>	<b>5</b>	<b>6</b>	<b>21</b>	<b>20</b>	<b>22</b>
Administration expenses	-13	-9	-44	-23	-40
Other operating revenue	-	-	-	0	-
<b>EBIT</b>	<b>-8</b>	<b>-3</b>	<b>-23</b>	<b>-3</b>	<b>-18</b>
Result from participations in subsidiaries	0	-1	1	20	0
Financial revenue	13	19	52	90	58
Financial expenses	-5	-8	-20	-30	-23
<b>Earnings before tax</b>	<b>0</b>	<b>7</b>	<b>10</b>	<b>77</b>	<b>17</b>
Tax	0	-1	-3	-23	-4
<b>Earnings for the period</b>	<b>0</b>	<b>6</b>	<b>7</b>	<b>54</b>	<b>13</b>

## BALANCE SHEET OF THE PARENT COMPANY

SKr million	March 31 2014	March 31 2013	Dec. 31 2013
<b>ASSETS</b>			
Participations in subsidiaries	992	992	992
Deferred tax receivables	10	13	10
Receivables in subsidiaries	73	67	73
Other long-term receivables and other participations	2	2	2
<b>Financial fixed assets</b>	<b>1,077</b>	<b>1,074</b>	<b>1,077</b>
<b>Non-current assets</b>	<b>1,077</b>	<b>1,074</b>	<b>1,077</b>
Receivables in subsidiaries	749	782	867
Prepaid expenses and accrued income	10	13	10
Cash and cash equivalents	209	155	121
<b>Current assets</b>	<b>968</b>	<b>950</b>	<b>998</b>
<b>Assets</b>	<b>2,045</b>	<b>2,024</b>	<b>2,075</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	499	508	499
Statutory reserve	573	573	573
Retained earnings, including earnings for the period and share premium reserve	461	531	461
<b>Shareholders' equity</b>	<b>1,533</b>	<b>1,612</b>	<b>1,533</b>
<b>Provisions for pensions and similar commitments</b>	<b>7</b>	<b>2</b>	<b>7</b>
Liabilities to credit institutions	140	166	197
Liabilities to subsidiaries	340	231	312
Other liabilities	25	13	26
<b>Current liabilities</b>	<b>505</b>	<b>410</b>	<b>535</b>
<b>Shareholders' equity and liabilities</b>	<b>2,045</b>	<b>2,024</b>	<b>2,075</b>

## OUTSTANDING SHARES

	Series A	Series B	TOTAL
Number of shares on January 1, 2014	1,262,445	23,709,385	<b>24,971,830</b>
Conversion of series-A shares into series-B shares	-105,440	105,440	-
<b>Number of shares on March 31, 2014</b>	<b>1,157,005</b>	<b>23,814,825</b>	<b>24,971,830</b>
Repurchase of shares, in own custody	-	-200,000	<b>-200,000</b>
<b>Number of outstanding shares on March 31, 2014</b>	<b>1,157,005</b>	<b>23,614,825</b>	<b>24,771,830</b>
<b>Number of voting rights on March 31, 2014</b>	<b>1,157,005</b>	<b>2,361,483</b>	<b>3,518,488</b>
Additional shares after full dilution	-	420,125	<b>420,125</b>
<b>Number of shares on March 31, 2014 after full dilution</b>	<b>1,157,005</b>	<b>24,034,950</b>	<b>25,191,955</b>

## KEY FIGURES FOR THE GROUP

		Q1 2014	Q1 2013	April–March 2013/14	April–March 2012/13	Full year 2013
<b>Revenue indicator</b>						
Net revenue per employee	SKr, '000	265	219	1,055	929	1,006
<b>Expense and expenditure indicators</b>						
Product development expenses/net revenue	%	10%	10%	10%	10%	10%
Sales and marketing expenses/net revenue	%	22%	22%	22%	22%	22%
Administration expenses/net revenue	%	11%	11%	11%	10%	11%
Amortization and depreciation	SKr, M	-57	-52	-217	-206	-212
of which amortization of capitalized product development expenditure	SKr, M	-41	-38	-156	-154	-153
Capitalized product development expenditure	SKr, M	44	50	182	187	188
<b>Margin indicators</b>						
License margin	%	84%	90%	91%	94%	93%
Maintenance and support margin	%	75%	68%	74%	69%	72%
Consulting margin	%	17%	16%	20%	18%	19%
Gross margin	%	48%	45%	52%	49%	51%
EBIT margin	%	4%	-15%	11%	4%	7%
Earnings margin	%	3%	-15%	11%	3%	7%
Return on average operating capital	%	2%	-9%	33%	10%	19%
<b>Capital indicators</b>						
Equity/assets ratio	%	47%	43%	47%	43%	46%
Accounts receivable (average 12 months)/net revenue (rolling 12 months)	%	18%	20%	18%	19%	19%
Interest-bearing liabilities	SKr, M	239	267	239	267	236
<b>Liquidity indicators</b>						
Net liquidity	SKr, M	291	148	291	148	157
Debt/equity ratio	times	0.2	0.3	0.2	0.3	0.2
<b>Employees</b>						
Average for the period		2,615	2,799	2,640	2,822	2,688
At the end of the period		2,628	2,738	2,628	2,738	2,616

## 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	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2
License revenue	107	207	114	128	86	183	109	92	83	166	98	93
Maintenance and support revenue	249	234	221	226	221	231	224	232	222	220	208	199
Consulting revenue	335	337	286	329	304	353	268	327	335	355	288	333
Other revenue	3	4	2	3	2	2	11	1	3	4	2	3
<b>Net revenue</b>	<b>694</b>	<b>782</b>	<b>623</b>	<b>686</b>	<b>613</b>	<b>769</b>	<b>612</b>	<b>652</b>	<b>643</b>	<b>745</b>	<b>596</b>	<b>628</b>
License expenses	-17	-11	-7	-13	-9	-7	-6	-8	-6	-3	-7	-5
Maintenance and support expenses	-63	-59	-57	-67	-71	-71	-67	-72	-71	-75	-64	-65
Consulting expenses	-277	-270	-224	-265	-256	-270	-229	-266	-282	-267	-234	-252
Other expenses	-2	-3	-2	1	-3	-1	-5	-1	-3	-3	-3	-2
<b>Direct expenses</b>	<b>-359</b>	<b>-343</b>	<b>-290</b>	<b>-344</b>	<b>-339</b>	<b>-349</b>	<b>-307</b>	<b>-347</b>	<b>-362</b>	<b>-348</b>	<b>-308</b>	<b>-324</b>
<b>Gross earnings</b>	<b>335</b>	<b>439</b>	<b>333</b>	<b>342</b>	<b>274</b>	<b>420</b>	<b>305</b>	<b>305</b>	<b>281</b>	<b>397</b>	<b>288</b>	<b>304</b>
Product development expenses	-71	-69	-61	-66	-64	-72	-72	-65	-61	-56	-60	-58
Sales and marketing expenses	-150	-179	-138	-138	-136	-175	-136	-138	-137	-144	-116	-128
Administration expenses	-79	-77	-71	-72	-69	-69	-66	-68	-71	-65	-58	-66
Other operating revenue	1	6	7	1	2	39	2	-2	3	0	6	1
Other operating expenses	-11	-16	-6	-1	-98	-12	-4	-5	-2	-6	-15	-1
Result from joint venture	-	58	1	0	0	-	-	-	-	-	-	-
<b>Indirect expenses, net</b>	<b>-310</b>	<b>-277</b>	<b>-268</b>	<b>-276</b>	<b>-365</b>	<b>-289</b>	<b>-276</b>	<b>-278</b>	<b>-268</b>	<b>-271</b>	<b>-243</b>	<b>-252</b>
<b>EBIT</b>	<b>25</b>	<b>162</b>	<b>65</b>	<b>66</b>	<b>-91</b>	<b>131</b>	<b>29</b>	<b>27</b>	<b>13</b>	<b>126</b>	<b>45</b>	<b>52</b>
Result from participations in associated companies	0	1	0	0	-1	0	0	0	0	-1	1	0
Interest expenses	-2	-3	-3	-2	-2	-2	-2	-2	-2	-2	-1	-2
Other financial items	-2	0	1	-9	0	1	2	-3	-2	-1	-1	-3
<b>Earnings before tax</b>	<b>21</b>	<b>160</b>	<b>63</b>	<b>55</b>	<b>-94</b>	<b>130</b>	<b>29</b>	<b>22</b>	<b>9</b>	<b>122</b>	<b>44</b>	<b>47</b>
Tax	-6	-34	-14	-13	20	-36	-7	-7	-2	-36	-11	-14
<b>Earnings for the period</b>	<b>15</b>	<b>126</b>	<b>49</b>	<b>42</b>	<b>-74</b>	<b>94</b>	<b>22</b>	<b>15</b>	<b>7</b>	<b>86</b>	<b>33</b>	<b>33</b>
Cash flow after investment operations	133	83	-43	13	67	55	-28	-162	94	18	33	0
Number of employees at the end of the period	2 628	2 616	2 613	2 656	2 738	2 829	2 839	2 851	2 822	2 821	2 742	2 695

Values are adjusted to conform with new IFRS11 as of Q1 2013.

## 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 and the political unrest in

North Africa, the Middle East, and Ukraine, the 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 2013.

## 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, 2014, the standard IFRS 11 “Joint Arrangements” has come into force. According to this new standard, an interest in a joint venture is to be recognized via the equity method and the use of the proportional method is no longer permitted. As a result of the new standard, accounting principles for joint ventures have been changed compared with the Group’s accounting principles in Annual Report 2013 and in previously published interim reports in 2013. See section “Other information” for the effect of the change in the accounting principle.

For detailed information about the accounting principles: see annual report 2013.

## FINANCIAL INFORMATION 2014

Interim report January–June 2014	July 17, 2014
Interim report January–September 2014	October 23, 2014
Year-end report 2014	February 2015

## ABOUT IFS

IFS is a globally recognized leader in developing and delivering business software that helps companies increase agility in three core areas: enterprise resource planning (ERP), enterprise asset management (EAM), and enterprise service management (ESM). Using deep industry-focused expertise, IFS empowers customers in targeted sectors to become as agile as their thinking. IFS is a public company (XSTO: IFS) that was founded in 1983, and currently has over 2,600 employees. IFS supports more than 2,200 customers worldwide from local offices and through partners in more than 60 countries.

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