



INTERIM REPORT

JANUARY–SEPTEMBER 2011

Strong growth in product revenue

FINANCIAL AND OPERATIONAL HIGHLIGHTS

JULY–SEPTEMBER 2011 (THIRD QUARTER)

- License revenue amounted to SKr 98 million (Q3 '10: SKr 99 million), an improvement of 5 percent currency adjusted.
- Maintenance revenue was SKr 208 million (Q3 '10: SKr 201 million), an increase by 8 percent currency adjusted.
- Consulting revenue amounted to SKr 288 million (Q3 '10: SKr 309 million), a decrease by 4 percent currency adjusted.
- Net revenue was SKr 596 million (Q3 '10: SKr 612 million), an improvement of 1 percent currency adjusted.
- EBIT amounted to SKr 45 million (Q3 '10: SKr 39 million). Cash flow after investments was SKr 33 million (Q3 '10: SKr -2 million).
- Earnings per share after full dilution amounted to SKr 1.26 (Q3 '10: SKr 1.00).

JANUARY–SEPTEMBER 2011 (NINE MONTHS)

- License revenue amounted to SKr 265 million (YTD '10: SKr 267 million), an improvement of 7 percent currency adjusted.
- Maintenance revenue was SKr 603 million (YTD '10: SKr 605 million), an increase by 6 percent currency adjusted.
- Consulting revenue amounted to SKr 956 million (YTD '10: SKr 974 million), an improvement of 4 percent currency adjusted.
- Net revenue was SKr 1,831 million (YTD '10: SKr 1,856 million), an increase by 5 percent currency adjusted.
- EBIT amounted to SKr 107 million (YTD '10: SKr 111 million). Cash flow after investments was SKr 76 million (YTD '10: SKr 164 million).
- Earnings per share after full dilution amounted to SKr 2.67 (YTD '10: SKr 2.44).

OUTLOOK

For the full year, the outlook remains unchanged. IFS expects good organic growth in 2011, with stronger license sales and an improvement in EBIT.

INQUIRIES

IFS

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CHIEF EXECUTIVE SUMMARY

During Quarter Three we saw a great deal of instability emerge in the global financial markets. This has had little if any effect upon the level of business experienced in the quarter and product revenue, adjusted for currency effects, grew by 7 percent. During the financial recession of 2008/09, we managed to grow throughout the period due to the fact that customers in our target markets (e.g. oil and gas, defense and security, etc.) continued to invest despite the down turn. So far we expect the same to apply in the current financial instability. License sales, adjusted for currency, grew over the same period last year during which we secured a significant defense deal; the absence of such a deal during the same quarter this year indicates that the underlying performance is strong.

We continue to expand our customer base by offering an attractive alternative to the global giants of the ERP market. IFS Applications offers lower cost of ownership, a speedier return on investment, and very importantly quicker and more predictable global implementations. Also by focusing on specific target markets we are able to provide better solutions for the opportunities in those markets.

Maintenance & support revenue grew by 8 percent, currency adjusted, and the margin continued to improve achieving 69 percent (64 percent) for the quarter. This is due to the increase and strong retention of the customer base. Although consulting revenue for the quarter declined compared with the previous year, the margin remained flat at 19 percent. The decline in consulting revenue resulted from a softening of demand during the summer; however, the outlook for the fourth quarter is stronger.




Following the possible downturn of the US and European economies, the outlook for the software market in general, and the enterprise application market in particular, will most likely see slowing, though still positive, growth in 2012. Growth in 2011 is expected to be somewhat better, since demand was generally good before the economic uncertainty surfaced during the third quarter, and industry analysts such as Forrester and Gartner forecast growth for the whole year to be 5–10 percent.

Our solid business performance and profitable growth supports our overall growth plans, even though high valuations sought by target acquisitions causes us to proceed more carefully in our M&A activity. Looking ahead, the volume of ongoing license deals and business opportunities remains solid for the foreseeable future, and we continue to expect 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 third quarter, including:

Aerospace and Defense

-  Lockheed Martin
-  SEAKR Engineering
-  TLT-Babcock

Automotive

-  Linamar Corporation






Batch Manufacturing





-  Akbar Brothers Pvt Ltd
-  Konimpex Sp. z o.o
-  Premiere Products
-  Richardson International Limited

Construction and Contracting

-  Alliance Contracting Pty Ltd
-  Bhilai Engineering Corporation Limited
-  Stocznia Gdańsk S.A
-  Szabadics Közmű és Mélyépítő Zrt

Energy and Utilities



-  AS Latvenergo
-  Calsonic Kansei (China) Holding Co
-  Communications Systems Inc
-  Guo Tou Yi Li Energy Development Co., Ltd
-  ITT

-  TCIL (Telecommunications Consultants India Limited)
-  VA Tech Wabag
-  Yoigo
-  Yun Nan Lan Cang River Hydroelectric Power Generation

High Tech

-  Mediq Sweden AB

Industrial Manufacturing

-  Specma Hydraulic AB
-  Vishva Vishal Engineering Limited

Oil and Gas

-  Midco Limited

Retail

-  Singer

Service Providers

-  EDB ErgoGroup ASA
-  Future FM Zrt
-  MicroSeismic Inc
-  Synergy Health plc
-  York Telecom
-  European marketing communications group

IFS was identified as one of the world's major vendors within three different enterprise asset management (EAM) fields by ARC Advisory Group. The group placed IFS as the single largest vendor within aerospace and defense, the second largest within the oil and gas industry and the third within power generation. The combined rankings make IFS the third largest EAM software vendor globally.

IFS Defence received a Certificate of Commendation by the Chief of Defence Material (CDM) for its work with the UK Royal Navy. The commendation was awarded in acknowledgment of the IFS Defence team's outstanding achievement in developing and delivering a coherent support solution while displaying professionalism and commitment.

IFS was awarded the prestigious Frost & Sullivan Customer Value Enhancement Award in the enterprise asset management (EAM) segment. The award was given in recognition of IFS's tireless efforts in enhancing customer value and providing a standardized EAM solution with unique capabilities.

FINANCIAL OVERVIEW

SKr million	Q3 2011	Q3 2010	Jan–Sept 2011	Jan–Sept 2010	Oct–Sept 2010/11	Oct–Sept 2009/10	Full year 2010
Net revenue	596	612	1 831	1 856	2 560	2 606	2 585
whereof							
License revenue	98	99	265	267	400	443	402
Maintenance and support revenue	208	201	603	605	809	809	811
Consulting revenue	288	309	956	974	1 339	1 340	1 357
Gross earnings	288	275	845	818	1 215	1 186	1 188
whereof							
Licenses	91	84	243	235	371	400	363
Maintenance and support	144	129	406	376	533	496	503
Consulting	54	60	195	203	308	285	316
EBIT	45	39	107	111	217	227	221
EBIT margin	8%	6%	6%	6%	8%	9%	9%
Earnings before tax	44	33	96	88	197	206	189
Earnings for the period	33	26	70	65	139	155	134
Cash flow after investment operations	33	-2	76	164	146	260	234

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

Revenue

Net revenue amounted to SKr 596 million (612), an increase of 1 percent currency adjusted. *Europe West* contributed most, with an increase in net revenue of 53 percent currency adjusted, mainly due to some large license deals. *Americas* also increased its revenue, primarily its license revenue, which increased by 39 percent currency adjusted. Lower consultancy led to a decrease in revenue in *Europe North*.

Costs

Total costs amounted to SKr 551 million (573), which is in line with the previous year, currency adjusted. Total costs include SKr 16 million for restructuring in *Europe North*.

Earnings

EBIT increased to SKr 45 million (39), an increase with 21 percent currency adjusted. The segments contributing most to the improvement were *Europe West* and *Americas*. *Europe North* had a lower EBIT, resulting from lower revenue but also due to restructuring costs.

Earnings before tax amounted to SKr 44 million (33). Net financial items amounted to SKr -1 million (-6), whereof SKr -1 million (-4) pertain to realized/unrealized exchange losses. Net interest improved to SKr 0 (-1): interest income was SKr 1 million (1) and interest expenses were SKr -1 million (-2).

Earnings for the period amounted to SKr 33 million (26).

Cash flow and investments

Cash flow after investments amounted to SKr 33 million (-2). The change in working capital amounted to SKr -16 million (-41). The changes in working capital between the years are mainly explained by a movement in accounts receivables.

Investments amounted to SKr -43 million (-41), whereof capitalized product development was SKr -36 million (-35).

Cash and cash equivalents totaled SKr 333 million (377) at the end of the period. Available liquid assets, including unutilized lines of credit, amounted to SKr 833 million (826). Liabilities to credit institutions were SKr 2 million (59) at the end of the period.

OUTLOOK

For the full year, the outlook remains unchanged. IFS expects good organic growth in 2011, with stronger license sales and an improvement in EBIT.

OTHER INFORMATION

Legal dispute

As previously reported, IFS has been involved since 2002 in a legal dispute concerning the partly-owned company IFS Sri Lanka. This dispute was initiated in Sri Lankan court by one of the other shareholders and pertained to an alleged violation of the articles of association and an agreement between the shareholders. The Court of First Instance dismissed the plaintiff's action in 2008, upon which the plaintiff appealed to the Sri Lankan Court of Appeal. That appeal was subsequently withdrawn in November 2010. The counterparty has now indicated its intention to instigate arbitration proceedings in Singapore, though no formal proceedings have been initiated as yet. Supported by its external legal counsels, IFS's position with respect to the dispute remains unchanged: IFS rejects the counterparty's claims as being completely unmeritorious and unfounded.

Parent Company

Net revenue for the third quarter amounted to SKr 5 million (4), with earnings of SKr 9 million (-7) before tax. Available assets, including unutilized lines of credit, amounted to SKr 589 million (584).

During the quarter, the number of shares increased by 23,000 B shares, as previously issued warrant programs were exercised. At the end of the period, 996,565 B shares were in the company's own custody, of which 237,416 were acquired during the quarter for SKr 24 million. At the end of the quarter, 500,000 B shares were in the process of being cancelled; the cancellation was finalized in October.

Annual general meeting of shareholders

The annual general meeting of shareholders for 2012 will be held on March 29, 2012 in Stockholm, Sweden. The board of directors will submit the notification convening the annual general meeting on March 1, 2012, at the latest.

Miscellaneous

The year-end report for 2011 will be published on February 8, 2012.

Linköping, October 27, 2011

Alastair Sorbie
President & CEO

CONSOLIDATED INCOME STATEMENT

SKr million	Q3 2011	Q3 2010	Jan–Sept 2011	Jan–Sept 2010	Oct–Sept 2010/11	Oct–Sept 2009/10	Full year 2010
License revenue	98	99	265	267	400	443	402
Maintenance and support revenue	208	201	603	605	809	809	811
Consulting revenue	288	309	956	974	1 339	1 340	1 357
Other revenue	2	3	7	10	12	14	15
Net revenue	596	612	1 831	1 856	2 560	2 606	2 585
License expenses	-7	-15	-22	-32	-29	-43	-39
Maintenance and support expenses	-64	-72	-197	-229	-276	-313	-308
Consulting expenses	-234	-249	-761	-771	-1 031	-1 055	-1 041
Other expenses	-3	-1	-6	-6	-9	-9	-9
Direct expenses	-308	-337	-986	-1 038	-1 345	-1 420	-1 397
Gross earnings	288	275	845	818	1 215	1 186	1 188
Product development expenses	-60	-53	-173	-164	-224	-215	-215
Sales and marketing expenses	-116	-107	-366	-335	-502	-459	-471
Administration expenses	-58	-65	-186	-191	-256	-263	-261
Other operating revenue*	6	1	8	3	8	8	3
Other operating expenses*	-15	-12	-21	-20	-24	-30	-23
Indirect expenses, net	-243	-236	-738	-707	-998	-959	-967
EBIT	45	39	107	111	217	227	221
Result from participations in associated companies	1	0	2	0	3	-1	1
Interest expenses	-1	-2	-4	-4	-6	-3	-6
Other financial items	-1	-4	-9	-19	-17	-17	-27
Earnings before tax	44	33	96	88	197	206	189
Tax	-11	-7	-26	-23	-58	-51	-55
Earnings for the period	33	26	70	65	139	155	134
Earnings for the period are allocated as follows:							
Owners of the Parent Company (SKr million)	33	27	70	66	138	156	134
Non-controlling interests (SKr million)	0	-1	0	-1	1	-1	0
Earnings per share pertaining to Parent Company shareholders (SKr)	1.29	1.02	2.72	2.49	5.34	5.88	5.06
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	1.26	1.00	2.67	2.44	5.25	5.77	4.96
Number of shares (thousands)							
At the end of the period	25 483	25 942	25 483	25 942	25 483	25 942	25 943
At the end of the period, after full dilution	26 075	26 607	26 075	26 607	26 075	26 607	26 418
Average for the period	25 638	26 441	25 779	26 503	25 821	26 515	26 488
Average for the period, after full dilution	26 240	27 107	26 247	27 047	26 305	27 035	27 029

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SKr million	Q3 2011	Q3 2010	Jan–Sept 2011	Jan–Sept 2010	Oct–Sept 2010/11	Oct–Sept 2009/10	Full year 2010
Earnings for the period	33	26	70	65	139	155	134
<i>Other comprehensive income</i>							
Exchange rate differences	26	-54	8	-47	12	-41	-43
Other comprehensive income for the period, net of tax	26	-54	8	-47	12	-41	-43
Total comprehensive income for the period	59	-28	78	18	151	114	91
Total comprehensive income allocated as follows:							
Owners of the Parent Company	59	-27	78	19	150	115	91
Non-controlling interests	0	-1	0	-1	1	-1	0

CONSOLIDATED BALANCE SHEET

Assets	Sept 30 2011	Sept 30 2010	Dec 31 2010
SKr million			
Capitalized expenditure for product development	510	490	501
Goodwill	304	247	302
Other intangible fixed assets	55	20	65
Intangible fixed assets	869	757	868
Tangible fixed assets	91	75	84
Participations in associated companies	4	3	3
Deferred tax receivables	182	226	189
Other long-term receivables and other participations	36	43	36
Financial fixed assets	222	272	228
Non-current assets	1 182	1 104	1 180
Accounts receivable	473	488	664
Other receivables	276	253	227
Cash and cash equivalents	333	377	445
Current assets	1 082	1 118	1 336
Assets	2 264	2 222	2 516
Equity and liabilities	2 264	2 222	2 516
SKr million	Sept 30 2011	Sept 30 2010	Dec 31 2010
Share capital	530	529	529
Other capital contributed	703	699	699
Accumulated earnings, including earnings for the period and other reserves	2	-2	67
Shareholders' equity pertaining to Parent Company shareholders	1 235	1 226	1 295
Non-controlling interests	1	-1	0
Shareholders' equity	1 236	1 225	1 295
Liabilities to credit institutions	1	1	1
Pension obligations	51	65	57
Other provisions and other liabilities	26	6	17
Non-current liabilities	78	72	75
Accounts payable	67	57	91
Liabilities to credit institutions	1	58	59
Other provisions and other liabilities	882	810	996
Current liabilities	950	925	1 146
Liabilities	1 028	997	1 221
Equity and liabilities	2 264	2 222	2 516
Pledged assets	703	964	851
Contingent liabilities	8	10	9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Mkr	Pertaining to parent company shareholders						
	Share capital	Other contributed capital	Reserves	Profit brought forward	Total	Minority interest	Total stockholders' equity
Opening balance January 1, 2010	531	697	-14	91	1 305	0	1 305
Total comprehensive income for the period	-	-	-47	66	19	-1	18
New share issue	1	2	-	-	3	-	3
Issue of call option program, T08B	-	-	-	2	2	-	2
Dividend	-	-	-	-53	-53	-	-53
Repurchase of own shares	-	-	-	-50	-50	-	-50
Cancellation of repurchased shares	-3	-	-	3	0	-	0
Closing balance September 30, 2010	529	699	-61	59	1 226	-1	1 225
Opening balance January 1, 2011	529	701	-57	122	1 295	0	1 295
Total comprehensive income for the period	-	-	8	70	78	1	79
New share issue	1	2	-	-	3	-	3
Issue of call option program, T09B	-	-	-	1	1	-	1
Dividend	-	-	-	-78	-78	-	-78
Repurchase of own shares	-	-	-	-54	-54	-	-54
Repurchase of call options	-	-	-	-3	-3	-	-3
Changes in participating interest in subsidiaries	-	-	-	-7	-7	-	-7
Closing balance September 30, 2011	530	703	-49	51	1 235	1	1 236

CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Q3 2011	Q3 2010	Jan–Sept 2011	Jan–Sept 2010	Oct–Sept 2010/11	Oct–Sept 2009/10	Full year 2010
Earnings before tax	44	33	96	88	197	206	189
Adjustments for items not included in the cash flow	48	47	145	118	211	154	184
Cash flow from operations before change in working capital	92	80	241	206	408	360	373
Change in working capital	-16	-41	-17	89	-13	78	93
Cash flow from current operations	76	39	224	295	395	438	466
Acquisition of subsidiaries	-	-	-9	-	-62	-	-53
Acquisition of intangible fixed assets	-35	-38	-119	-113	-160	-156	-154
Cash flow from other investment operations	-8	-3	-20	-18	-27	-22	-25
Cash flow after investment operations	33	-2	76	164	146	260	234
Dividend distributed	-	-	-78	-53	-78	-53	-53
Repurchase of own shares	-24	-	-54	-50	-54	-50	-50
Cash flow from other financing operations	-18	41	-59	-27	-59	-46	-27
Cash flow for the period	-9	39	-115	34	-45	111	104
Cash and cash equivalents at the beginning of the period	336	354	445	355	377	282	355
Exchange rate differences in cash and cash equivalents	6	-16	3	-12	1	-16	-14
Cash and cash equivalents at the end of the period	333	377	333	377	333	377	445

CONSOLIDATED ORGANIC NET REVENUE

SKr, million	Q3					January–September				
	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010
License revenue	98	6	-4	100	99	265	20	-10	275	267
Maintenance and support revenue	208	9	-3	214	201	603	40	-8	635	605
Total product revenue	306	15	-7	314	300	868	60	-18	910	872
Consulting revenue	288	8	0	296	309	956	57	-3	1 010	974
Net revenue (including other revenue)	596	23	-7	612	612	1 831	117	-21	1 927	1 856

CONSOLIDATED ORGANIC OPERATING EXPENSES

SKr, million	Q3					January–September				
	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010
Operating expenses	551	21	-7	565	573	1 724	112	-23	1 813	1 745
Capital gains/losses	0	0	-	0	0	0	0	-	0	0
Exchange rate gains/losses	9	0	0	9	-7	6	0	0	6	-10
Restructuring costs/ redundancy costs	-16	0	-	-16	-4	-19	0	-	-19	-9
Reversal of restructuring costs	-	-	-	-	0	-	-	-	-	1
Amortization/depreciation and net capitalization of prod. development	-11	0	0	-11	-7	-19	-2	0	-21	-13
Adjusted operating expenses	533	21	-7	547	555	1 692	110	-23	1 779	1 714

CONSOLIDATED SEGMENT REPORTING, THIRD QUARTER

THIRD QUARTER SKr million	Europe North		Europe West		Europe Central	
	2011	2010	2011	2010	2011	2010
License revenue	10	24	37	16	4	3
Maintenance and support revenue	84	80	39	30	19	17
Consulting revenue	124	134	42	34	35	42
Other revenue	1	1	0	0	0	1
Total external revenue	219	239	118	80	58	63
Internal revenue	9	9	11	9	7	4
Total revenue	228	248	129	89	65	67
External operating expenses	-134	-149	-78	-62	-55	-53
Internal operating expenses	-16	-18	-7	-4	-5	-6
Other operating items, net	-16	-2	0	0	1	0
Operating expenses	-166	-169	-85	-66	-59	-59
EBIT, undistributed	62	79	44	23	6	8
Numbers of employees						
Average for the period	575	573	280	236	195	189
At the end of the period	583	579	286	235	196	189
THIRD QUARTER	Europe East		Americas		Africa, Asia, and Pacific	
SKr million	2011	2010	2011	2010	2011	2010
License revenue	11	29	23	18	12	9
Maintenance and support revenue	13	15	29	31	15	18
Consulting revenue	23	23	35	37	23	32
Other revenue	1	0	0	0	0	0
Total external revenue	48	67	87	86	50	59
Internal revenue	4	3	10	10	5	2
Total revenue	52	70	97	96	55	61
External operating expenses	-47	-52	-61	-65	-46	-48
Internal operating expenses	0	-1	-2	-5	-3	-3
Other operating items, net	5	-5	0	0	1	2
Operating expenses	-42	-58	-63	-70	-48	-49
EBIT, undistributed	10	12	34	26	7	12
Numbers of employees						
Average for the period	269	270	193	194	284	292
At the end of the period	271	270	192	193	289	293
THIRD QUARTER	Defense		Corporate items *		GROUP	
SKr million	2011	2010	2011	2010	2011	2010
License revenue	1	1	0	-1	98	99
Maintenance and support revenue	7	7	2	3	208	201
Consulting revenue	5	7	1	0	288	309
Other revenue	0	0	0	1	2	3
Total external revenue	13	15	3	3	596	612
Internal revenue	3	10	-49	-47	0	0
Total revenue	16	25	-46	-44	596	612
External operating expenses	-12	-13	-109	-120	-542	-562
Internal operating expenses	-4	-6	37	43	0	0
Other operating items, net	0	-1	0	-5	-9	-11
Operating expenses	-16	-20	-72	-82	-551	-573
EBIT, undistributed	0	5	-118	-126	45	39
Numbers of employees						
Average for the period	46	44	866	824	2 708	2 622
At the end of the period	46	41	879	821	2 742	2 621

* Undistributed corporate revenue and expenses

CONSOLIDATED SEGMENT REPORTING, NINE MONTHS

JANUARY–SEPTEMBER	Europe North		Europe West		Europe Central	
SKr million	2011	2010	2011	2010	2011	2010
License revenue	62	69	68	69	22	21
Maintenance and support revenue	246	241	107	95	54	52
Consulting revenue	450	432	124	102	118	125
Other revenue	1	2	0	0	1	1
Total external revenue	759	744	299	266	195	199
Internal revenue	23	37	34	29	15	11
Total revenue	782	781	333	295	210	210
External operating expenses	-501	-500	-227	-202	-166	-168
Internal operating expenses	-50	-49	-15	-20	-15	-17
Other operating items, net	-17	-3	0	0	0	0
Operating expenses	-568	-552	-242	-222	-181	-185
EBIT, undistributed	214	229	91	73	29	25
Numbers of employees						
Average for the period	576	575	276	239	191	192
At the end of the period	583	579	286	235	196	189
JANUARY–SEPTEMBER	Europe East		Americas		Africa, Asia, and Pacific	
SKr million	2011	2010	2011	2010	2011	2010
License revenue	35	47	51	29	26	30
Maintenance and support revenue	42	45	86	95	44	50
Consulting revenue	70	81	111	118	62	91
Other revenue	2	1	0	0	2	3
Total external revenue	149	174	248	242	134	174
Internal revenue	11	13	26	31	12	8
Total revenue	160	187	274	273	146	182
External operating expenses	-138	-156	-182	-193	-143	-141
Internal operating expenses	-1	-1	-6	-7	-6	-18
Other operating items, net	3	-2	0	0	3	-4
Operating expenses	-136	-159	-188	-200	-146	-163
EBIT, undistributed	24	28	86	73	0	19
Numbers of employees						
Average for the period	268	271	195	193	288	295
At the end of the period	271	270	192	193	289	293
JANUARY–SEPTEMBER	Defense		Corporate items *		GROUP	
SKr million	2011	2010	2011	2010	2011	2010
License revenue	1	2	0	0	265	267
Maintenance and support revenue	20	22	4	5	603	605
Consulting revenue	18	22	3	3	956	974
Other revenue	0	0	1	3	7	10
Total external revenue	39	46	8	11	1 831	1 856
Internal revenue	13	17	-134	-146	0	0
Total revenue	52	63	-126	-135	1 831	1 856
External operating expenses	-37	-40	-317	-328	-1 711	-1 728
Internal operating expenses	-15	-18	108	130	0	0
Other operating items, net	0	-3	-2	-5	-13	-17
Operating expenses	-52	-61	-211	-203	-1 724	-1 745
EBIT, undistributed	0	2	-337	-338	107	111
Numbers of employees						
Average for the period	45	48	856	826	2 695	2 639
At the end of the period	46	41	879	821	2 742	2 621

* Undistributed corporate revenue and expenses

INCOME STATEMENT OF THE PARENT COMPANY

SKr million	Q3 2011	Q3 2010	Jan-Sept 2011	Jan-Sept 2010	Oct-Sept 2010/11	Oct-Sept 2009/10	Full year 2010
Net revenue	5	4	13	15	16	20	18
Administration expenses	-7	-8	-15	-20	-24	-27	-29
Other operating revenue	0	0	0	0	0	0	0
Other operating expenses	-	-	-	-	-	0	-
EBIT	-2	-4	-2	-5	-8	-7	-11
Result from participations in subsidiaries	-1	-1	22	-1	220	-1	197
Result from participations in associated companies	-	-	-	-	-	0	-
Financial revenue	17	23	46	41	68	71	63
Financial expenses	-5	-25	-23	-45	-37	-64	-59
Earnings before tax	9	-7	43	-10	243	-1	190
Tax	-3	1	-6	2	-6	-2	2
Earnings for the period	6	-6	37	-8	237	-3	192

BALANCE SHEET OF THE PARENT COMPANY

SKr million	Sept 30 2011	Sept 30 2010	Dec 31 2010
Assets			
Participations in subsidiaries	979	978	979
Deferred tax receivables	71	83	76
Receivables in subsidiaries	73	24	72
Other long-term receivables and other participations	8	16	8
Financial fixed assets	1 131	1 101	1 135
Non-current assets	1 131	1 101	1 135
Receivables in subsidiaries	704	552	700
Prepaid expenses and accrued income	12	10	12
Cash and cash equivalents	89	135	164
Current assets	805	697	876
Assets	1 936	1 798	2 011
Equity and liabilities			
Share capital	530	529	529
Statutory reserve	573	573	573
Retained earnings, including earnings for the period and share premium reserve	479	356	573
Shareholders' equity	1 582	1 458	1 675
Provisions for pensions and similar commitments	2	4	2
Liabilities to credit institutions	-	56	56
Liabilities to subsidiaries	336	266	258
Other liabilities	16	14	20
Current liabilities	352	336	334
Shareholders' equity and liabilities	1 936	1 798	2 011

OUTSTANDING SHARES

	A shares	B shares	TOTAL
Number of shares on January 1, 2011	1 387 270	25 055 652	26 442 922
Conversion of series-A shares into series-B shares	-12 262	12 262	-
Ongoing cancellation, shares in own custody	-	-500 000	-500 000
Cancellation of shares bought back	-	-	-
Use of options T06B and T07B	-	37 000	37 000
Number of shares on September 30, 2011	1 375 008	24 604 914	25 979 922
Repurchasing of shares, in own custody	-	-496 565	-496 565
Number of outstanding shares on September 30, 2011	1 375 008	24 108 349	25 483 357
Number of voting rights on September 30, 2011	1 375 008	2 410 835	3 785 843
Additional shares after full dilution	-	591 616	591 616
Number of shares on September 30, 2011 after full dilution	1 375 008	24 699 965	26 074 973

KEY FIGURES FOR THE GROUP

		Q3 2011	Q3 2010	Jan–Sept 2011	Jan–Sept 2010	Oct–Sept 2010/11	Oct–Sept 2009/10	Full year 2010
Revenue indicator								
Net revenue per employee	SKr, '000	220	233	679	703	954	985	978
Expense and expenditure indicators								
Product development expenses/net revenue	%	10%	9%	9%	9%	9%	8%	8%
Sales and marketing expenses/net revenue	%	19%	17%	20%	18%	20%	18%	18%
Administration expenses/net revenue	%	10%	11%	10%	10%	10%	10%	10%
Amortization and depreciation	SKr, M	-46	-42	-138	-122	-189	-161	-173
of which amortization of capitalized product development expenditure	SKr, M	-36	-35	-108	-101	-143	-133	-136
Capitalized product development expenditure	SKr, M	36	35	120	109	168	146	157
Margin indicators								
License margin	%	93%	85%	92%	88%	93%	90%	90%
Maintenance and support margin	%	69%	64%	67%	62%	66%	61%	62%
Consulting margin	%	19%	19%	20%	21%	23%	21%	23%
Gross margin	%	48%	45%	46%	44%	47%	46%	46%
EBIT margin	%	8%	6%	6%	6%	8%	9%	9%
Earnings margin	%	7%	5%	5%	5%	8%	8%	7%
Return on average operating capital	%	5%	4%	12%	12%	24%	23%	23%
Capital indicators								
Equity/assets ratio	%	55%	55%	55%	55%	55%	55%	51%
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	20%	21%	20%	22%	20%	22%	21%
Interest-bearing liabilities	SKr, M	53	124	53	124	53	124	117
Liquidity indicators								
Net liquidity	SKr, M	331	318	331	318	331	318	385
Debt/equity ratio	times	0.0	0.1	0.0	0.1	0.0	0.1	0.1
Employees								
Average for the period		2 708	2 622	2 695	2 639	2 683	2 647	2 644
At the end of the period		2 742	2 621	2 742	2 621	2 742	2 621	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 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3
License revenue	98	93	74	135	99	103	65	176	90
Maintenance and support revenue	208	199	196	206	201	205	199	204	196
Consulting revenue	288	333	335	383	309	343	322	366	294
Other revenue	2	3	2	5	3	4	3	4	1
Net revenue	596	628	607	729	612	655	589	750	581
License expenses	-7	-5	-10	-7	-15	-10	-7	-11	-12
Maintenance and support expenses	-64	-65	-68	-79	-72	-83	-74	-84	-72
Consulting expenses	-234	-252	-275	-270	-249	-254	-268	-284	-241
Other expenses	-3	-2	-1	-3	-1	-4	-1	-3	-2
Direct expenses	-308	-324	-354	-359	-337	-351	-350	-382	-327
Gross earnings	288	304	253	370	275	304	239	368	254
Product development expenses	-60	-58	-55	-51	-53	-58	-53	-51	-45
Sales and marketing expenses	-116	-128	-122	-136	-107	-120	-108	-124	-113
Administration expenses	-58	-66	-62	-70	-65	-62	-64	-72	-63
Other operating revenue	6	1	1	0	1	1	1	5	-4
Other operating expenses	-15	-1	-5	-3	-12	-1	-7	-10	-10
Indirect expenses, net	-243	-252	-243	-260	-236	-240	-231	-252	-235
EBIT	45	52	10	110	39	64	8	116	19
Result from participations in associated companies	1	0	1	1	0	0	0	-1	1
Interest expenses	-1	-2	-1	-2	-2	-1	-1	1	-4
Other financial items	-1	-3	-5	-8	-4	-12	-3	2	-7
Earnings before tax	44	47	5	101	33	51	4	118	9
Tax	-11	-14	-1	-32	-7	-15	-1	-28	-3
Earnings for the period	33	33	4	69	26	36	3	90	6
Cash flow after investment operations	33	0	43	70	-2	92	74	96	-63
Number of employees at the end of the period	2 742	2 695	2 695	2 675	2 621	2 628	2 658	2 664	2 690

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 and the Middle East, 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 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.

REVIEW REPORT

We have reviewed this report for the period January 1, 2011 to September 30, 2011 for Industrial and Financial Systems, IFS AB (publ.). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Linköping, October 27, 2011

PricewaterhouseCoopers AB

Lars Wennberg
AUTHORISED PUBLIC ACCOUNTANT
AUDITOR IN CHARGE

FINANCIAL INFORMATION 2011–2012

Year-end report 2011	February 8, 2012
Interim report January–March 2012	April 20, 2012
Interim report January–June 2012	July 19, 2012
Interim report January–September 2012	October 25, 2012

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.

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