INTERIM REPORT

JANUARY–SEPTEMBER 2004

Q3

Third quarter 2004

- Earnings before restructuring costs and other one-time items improved to SKr2m (2003: SKr57m loss). Restructuring costs and one-time items entailed an SKr28m, net, charge on earnings, resulting in an operating loss of SKr26m (2003: SKr55m loss). After net financial items, the loss amounted to SKr37m (2003: SKr84m loss), and after tax, to SKr36m (2003: SKr85m loss). The loss per share after tax was SKr0.35 (2003: SKr1.18 loss).
- Net sales increased to SKr503m (2003: SKr492m). License sales totaled SKr218m (2003: SKr191m). Consulting revenue was SKr267m (2003: SKr272m). Order intake was good, and order backlog increased by SKr7m to SKr1,019m (2003: SKr954m).
- License sales have grown for the fourth quarter in succession in fixed currency terms. License revenue during the past 12 months amounted to SKr934m (2003: SKr890m).
- Operating expenses were reduced to SKr569m (2003: SKr585m). Operating expenses, excluding restructuring costs and other one-time items, totaled SKr540m (2003: SKr586m).
- Cash flow from current operations was SKr–78m (2003: SKr–3m). Cash flow after investments amounted to SKr–116m (2003: SKr–43m).

January–September 2004

- IFS reported an operating loss of SKr103m (2003: SKr79m loss) for the first nine months of 2004. After net financial items, the loss amounted to SKr150m (2003: SKr157m loss). The loss after tax amounted to SKr158m (2003: SKr165m loss). The loss per share after tax amounted to SKr1.66 (2003: SKr2.30 loss).
- Net sales amounted to SKr1,541m (2003: SKr1,680m). License sales totaled SKr635m (2003: SKr619m). Consulting revenue was SKr847m (2003: SKr978m).
- Stockholders' equity was increased by SKr189m by means of a stock issue to offset liabilities and conversion of debenture loans.
- Operating expenses were reduced to SKr1,812m (2003: SKr1,882m).
- Cash flow from current operations was SKr–1m (2003: SKr14m). Cash flow after investments amounted to SKr–83m (2003: SKr–143m).

After the end of the report period

- To strengthen the balance sheet and accelerate changes in sales strategy IFS will implement a guaranteed rights issue of SKr267m and a convertible debenture loan of SKr160m to Förvaltnings AB Wasatornet (Wasatornet) and SEB to be set off against liabilities. The loan will be offered to those who exercise subscription rights to subscribe for shares in the rights issue.

The market

The market for business applications continued to be characterized by uncertainty about economic developments on the part of customers. The result, among other things, is that sales cycles continue to be long, which primarily affected sales of major new projects. However, it appears that projects that have previously been on hold are now being accelerated, and the demand for upgrades and modernization is stable. Business analysts such as AMR and Gartner consider that the market for business applications in the third quarter was at the same level as the corresponding quarter last year. AMR expects the trend to remain unchanged in the fourth quarter, whereas Gartner forecasts growth of 4–6%.

Group performance

The operating profit in the third quarter, excluding restructuring costs and other one-time items amounting to SKr28m, improved by SKr59m to SKr2m as a result of lower costs and increased license sales. License sales grew for the fourth successive quarter in fixed currency terms, compared with corresponding quarters in previous years, which reflects the competitiveness of IFS Applications. License sales amounted to SKr218m (2003: SKr191m) in the third quarter, SKr635m (2003: SKr619m) for the first 9 months, and SKr934m (2003: SKr890m) for the past 12 months. The increase during the third quarter was partly related to contracts in the aerospace and defense industries being deducted from the license order backlog and partly because revenue, primarily from upgrades and add-ons in the customer base, developed well. Order intake continued to be good, and the order backlog increased by SKr7m to SKr1,019m (2003: SKr954m).

The amount of new license revenue generated by partners and recognized as income during the third quarter was 27% (2003: 13%) and 16%(2003: 11%)during the first 9 months. The increase in the first 9 months was mainly related to the fact that several major agreements won in collaboration with industry partners were recognized as income.

Consulting revenue during the third quarter amounted to SKr267m (2003: SKr272m). Actions to adapt capacity continued. In the third quarter, the average number of consultants was 100 fewer than during the corresponding quarter in 2003. The consulting margin was 21% (2003: 14%) in the third quarter compared with 19% in the second quarter of 2004. Consulting revenue for the first 9 months was SKr847m (2003: SKr978m), and the margin was 20% (2003: 20%).

Net sales increased to SKr503m (2003: SKr492m) during the third quarter. For the first 9 months, net sales fell to SKr1,541m (2003: SKr1,680m) as a result of lower consulting revenue. Exchange rates had a negative effect on revenue of 2% during the third quarter and 3% during the first 9 months.

Operating expenses fell as a result of the cost containment program. Operating expenses decreased by SKr16m to SKr569m (2003: SKr585m) in the third quarter. Restructuring costs and other one-time items amounting to SKr29m, pertaining mainly to personnel reductions in Sweden, are included in the operating expenses. Operating expenses, adjusted for these items, decreased by SKr46m to SKr540m (2003: SKr586m). For the first 9 months of the year, operating expenses were reduced by SKr70m. Exchange rate effects entailed a 1% reduction in operating expenses during the third quarter and a 3% reduction during the first 9 months. Actions to reduce costs continue, and provisions for restructuring costs are being made successively. Considering the implemented and ongoing cost-containment programs, the breakeven level for the company, given the present corporate structure and exchange rates, is expected to be approximately SKr2,300m for full-year 2004 and SKr2,150m for 2005. In addition, the changes to increase efficiency and streamline operations, outlined in Change in sales strategy, below, are expected to further reduce breakeven levels.

During the third quarter, product development centered on IFS Applications 2005, focusing on developing supply chain management functionality and on the demands identified in selected segments. A specific solution for suppliers to the automotive industry is being developed in collaboration with NEC.

As part of the company's focus on core operations, IFS divested its operations in AtIFS AB during the first quarter. In the second quarter, IFS sold its 30% holding in Manpower Service Center AB, which provides payroll administration services.

Change in sales strategy

IFS operates primarily in two market segments: lifecycle management and midmarket ERP. Lifecycle management includes support for engineering, manufacturing, after sales, and service and maintenance for capital-intensive companies. IFS is one of the market leaders with approximately 10% of the global market for service and maintenance solutions, providing favorable conditions for profitable growth in this segment, both organically and via acquisitions. In midmarket ERP, which includes support for midsize manufacturing and distribution companies, competition and price pressure have increased. As a result, IFS considers that the cost of marketing and direct sales is too high in many markets in relation to sales volumes and price levels.

The change in sales strategy means that IFS will continue to drive midmarket ERP sales in markets with high profitability. Divestments may be made if conditions are favorable. In markets where profitability is low, IFS intends to transfer operations to local partners. Operations in lifecycle management, often conducted in collaboration with industry partners, will be concentrated, and competence centers will be established in strategic markets. The change in sales strategy is expected to be completed by 2006. The goal of the change in sales strategy is to:

- Improve economies of scale and create the conditions for increased license sales through wider market penetration in collaboration with different types of partners.

- Replace variable revenue and fixed costs in today's geographically dispersed sales and consulting organization with a larger proportion of recurring revenue. This consists of maintenance fees for the right to use IFS Applications, standard upgrades, and support. Further, IFS intends to reduce the fixed costs of its own direct operations.
- Find a more flexible means of being present in small markets and thereby reduce fixed costs.

When the strategy has been implemented, the company's corporate functions will have a clearer interface to the various sales channels and will work with research and development, product marketing, and support for systems integrators, its own and independent distributors, and industry partners. Revenue will consist mainly of license and maintenance fees from direct sales or sales via partners. Today, these operations have approximately 800 employees and can handle significantly larger license volumes without substantially increasing resources.

Financing and cash flow

Cash flow in the third quarter deteriorated compared with the previous year, primarily because of lower sales during the second quarter. DSO based on invoicing for 12 months rolling was 61 days at the end of the third quarter (2003: 57). Stockholders' equity increased by SKr189m during the first 6 months as the result of a stock issue that was offset against liabilities and the conversion of a convertible debenture loan. SKr95m remained of the KV3B convertible debenture loan, which corresponds to 19 million shares on conversion. The offering to subscribe for the KV4B (2004–2007) convertible debenture loan that was directed to employees or previous employees to replace the existing KV1B (2001–2005) convertible debenture loan was completed. SKr45m of the KV1B loan remains and falls due for payment in 2005. On September 30, liquid assets amounted to SKr100m (2003: SKr113m). Liquid assets on September 20 amounted to SKr100m (2003: SKr113m) In addition, the Group had access to unutilized lines of credit and loan commitments of SKr129m (2003: SKr153m).

issue of shares and convertible debenture loan

To better utilize and develop the values that exist in the company, streamline the company and make it more efficient, and reduce liabilities, the financial position must be strengthened. After the end of the report period, the board of directors, conditional upon the approval of the extraordinary general meeting of shareholders, resolved to implement a new share issue, guaranteed by Wasatornet, of approximately SKr267m at a subscription price of SKr2.60, which corresponds to one new share for each existing share. Further, the board of directors also proposes to issue a convertible debenture loan of SKr160m to Wasatornet and SEB to be offset against liabilities to these creditors. The convertible debentures subscribed for by SEB will be acquired by Wasatornet, which will offer the entire loan, at a price corresponding to the nominal value of the convertible debenture, to those who exercise subscription rights to subscribe for shares in the new issue. The conversion price will be established during the period in which subscription rights in the rights issue are traded and shall be the sum of i) the average price for subscription rights and ii) the subscription price of the rights issue multiplied by 1.15. However, the conversion price shall not be lower than SKr3.25. The interest on the convertible debenture loan, which matures on March 31, 2008, is 5% per annum. An extraordinary general meeting of stockholders will be held on November 5. Subscription for shares and application to acquire convertible debentures will take place between November 24 and December 10, inclusive, and subscription rights will be traded between November 24 and December 7, inclusive. The record day for the rights issue is November 18. The prospectus will be distributed on or around November 22. In connection with the issues, new credit agreements have been entered into, under the terms of which loans totaling SKr152m will be amortized and the redemption time of remaining loans will be extended. As a result, guarantees extended by Wasatornet will cease to apply. Moreover, as part of the implementation of the new sales strategy, IFS intends to strengthen its capital base by divesting operations. The board considers that the accumulated capital infusion will provide IFS with the stability it requires to attain profitability, implement the new sales strategy, and, in the long term, participate in the ongoing consolidation in the industry.

Parent company

The Parent Company reported net sales during the first 9 months of SKr11m (2003: SKr12m) and a loss of SKr125m (2003: SKr240m) after net financial items. Earnings were charged with write-downs of stock in subsidiaries of SKr79m (2003: SKr154m). Parent Company liquidity on September 30, including unutilized lines of credit, amounted to SKr75m (SKr113m).

Outlook

IFS believes that license sales will follow market developments during the fourth quarter. For full-year 2004, the order backlog, actions taken to lower costs, and the focusing of operations are expected to improve earnings and cash flow.

Linköping October 20, 2004

Michael Hallén
President and CEO

DEVELOPMENT BY REGION

In the Nordic region, profitability continued to be good in the third quarter as a result of add-on sales to existing customers. Price pressure appears to have abated in the third quarter and demand is generally good. Costs related to personnel reductions are included in operating earnings.

EMEA comprises continental Europe (excluding Eastern Europe), the British Isles, the Middle East, and Africa. During the third quarter, sales to the customer base increased in the entire area. The highest growth occurred in the British Isles and the Middle East, where activities among customers and prospects increased, and several major orders were signed with new and existing customers. Streamlining and cost-containment efforts have enabled license sales to grow while reducing costs. Several countries are working actively to recruit new partners, and the amount of partner resources used in project is increasing. However, the focus on partnerships has not yet resulted in significant new agreements.

The fall in license revenue in North America is primarily the result of a change in business model. New partners contributed only to a limited degree to license revenue in the third quarter, and direct sales in the aerospace and defense industry did not result in any major agreements in the third quarter. The fall in consulting revenue is related mainly to cuts in the consulting force, which are partly due to the fact that operations targeting midsize manufacturers are increasingly being driven by partners. In the third quarter, IFS commenced collaboration with brij, in Greensboro, North Carolina, who will target the midmarket ERP market in Southern and Southeast U.S.A. Partnerships enable wider market penetration and have contributed to reducing fixed costs. The strategy of having a strong presence in the U.S.A. remains.

Growth Markets consists of Asia, Australia, Japan, Latin America, and Eastern Europe. License and consulting revenue increased in the third quarter, primarily due to strong sales in P.R. China, Southeast Asia, and Australia. Agreements are becoming increasingly larger, and sales to the customer base are increasing, which has a positive effect on profitability. Japan and Eastern Europe reported weak license sales, which have not been full compensated for by lower costs. In Russia, IFS acquired a majority share in IFS Russia, which focuses on lifecycle management in Russia, Ukraine, Kazakhstan, and the Baltic states. Restructuring continues in Latin America toward almost entirely partner-oriented operations. The ongoing change in business model in Latin America will result in more even license revenue flows, but will also entail some delay as they will generally be received as monthly fees.

January–September (SKr m)	Nordic		EMEA		North America		Growth markets		Group and eliminations		**Group**	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
License revenue	219	217	212	157	107	125	94	113	3	7	**635**	**619**
Consulting revenue	368	419	231	241	159	215	88	99	1	4	**847**	**978**
Other revenue	13	52	3	3	3	4	38	17	2	7	**59**	**83**
Total external revenue	**600**	**688**	**446**	**401**	**269**	**344**	**220**	**229**	**6**	**18**	**1 541**	**1 680**
Internal revenue	27	30	13	12	26	10	10	8	-76	-60	**0**	**0**
Total revenue	**627**	**718**	**459**	**413**	**295**	**354**	**230**	**237**	**-70**	**-42**	**1 541**	**1 680**
Operating profit/loss	**164**	**182**	**81**	**48**	**9**	**-1**	**-19**	**18**	**-338**	**-326**	**-103**	**-79**
Number of employees, average	715	792	461	487	310	367	492	577	691	663	**2 669**	**2 886**

Accounting principles

This interim report has been established in conformity with Recommendation RR 20, Interim Reports, of the Swedish Financial Accounting Standards Council.

As of January 1, 2004, IFS applies Recommendation RR 29 (Remuneration of Employees) in its consolidated accounts. By applying RR 29, IFS reports defined benefits pension schemes within all its subsidiaries according to common principles. In IFS' financial reports up to and including 2003, such schemes were reported according to the rules and regulations of their respective countries. In accordance with the transition regulations of the recommendation, an initial liability is established, calculated as of January 1, 2004. This initial liability exceeds the liability reported on December 31, 2003, according to other principles, by SKr30m. Therefore, the excess value has been reported as of January 1, 2004, as an increase in provisions for pensions and similar commitments. After deductions for deferred tax, stockholders' equity is reduced by SKr22m, net. This amount may be adjusted as estimates for pensions for employees in IFS Defence (pty) Ltd. are expected to be finalized later in the year. As of 2004, secondary segment accounts will not be provided as IFS has only one line of business, i.e. selling and implementing IFS Applications. In other cases, the accounting principles and calculation methods are the same as those applied in the latest annual report.

Review report

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Securities and Clearance Act and the Annual Accounts Act.

Stockholm, October 20, 2004
Öhrlings PricewaterhouseCoopers AB
Göran Tidström – Authorized public accountant

ORDER BACKLOG (SKr m)	September 2004	September 2003	December 2003
Order backlog at the end of the period	**1 019**	**954**	**952**

INCOME STATEMENT (SKr m)	July–Sep 2004	July–Sep 2003	Jan–Sep 2004	Jan–Sep 2003	Oct–Sep 2003/2004	Oct–Sep 2002/2003	Jan–Dec 2003
License revenue	218	191	635	619	934	890	918
Consulting revenue	267	272	847	978	1 171	1 379	1 302
Other revenue	18	29	59	83	91	118	115
Net sales	**503**	**492**	**1 541**	**1 680**	**2 196**	**2 387**	**2 335**
Capitalized work for own use	39	37	122	118	177	173	173
Other operating income	1	1	46	5	57	16	16
Total operating income	**543**	**530**	**1 709**	**1 803**	**2 430**	**2 576**	**2 524**
External costs	176	184	549	549	776	860	776
Personnel costs	299	340	1 022	1 147	1 392	1 588	1 517
Depreciation	65	62	203	193	263	486	253
Other operating expenses	29	-1	38	-7	52	162	7
Total operating expenses	**569**	**585**	**1 812**	**1 882**	**2 483**	**3 096**	**2 553**
Operating profit/loss	**-26**	**-55**	**-103**	**-79**	**-53**	**-520**	**-29**
Financial items, net	-11	-29	-47	-78	-78	-153	-110
Profit/loss after financial items	**-37**	**-84**	**-150**	**-157**	**-131**	**-673**	**-139**
Tax on profit/loss for the period	1	-4	-10	-13	-15	-57	-17
Minority interest	0	3	2	5	2	3	5
Profit/loss for the period	**-36**	**-85**	**-158**	**-165**	**-144**	**-727**	**-151**
Key ratios per share (SKr)							
Profit/loss after tax *	-0.35	-1.18	-1.66	-2.30	-1.61	-10.12	-2.10
Stockholders' equity *	2.80	4.50	2.80	4.50	2.80	4.50	4.50
Number of shares (thousands)							
At the end of the accounting period	102 824	71 830	102 824	71 830	102 824	71 830	73 059
Average for the period	102 778	71 830	95 037	71 827	89 323	71 825	71 942

* In accordance with RR18, dilution is not calculated when it improves earnings.

INCOME STATEMENT BY FUNCTION (SKr m)	July–Sep 2004	July–Sep 2003	Jan–Sep 2004	Jan–Sep 2003	Oct–Sep 2003/2004	Oct–Sep 2002/2003	Jan–Dec 2003
License revenue	218	191	635	619	934	890	918
Consulting revenue	267	272	847	978	1 171	1 379	1 302
Other revenue	18	29	59	83	91	118	115
Net sales	**503**	**492**	**1 541**	**1 680**	**2 196**	**2 387**	**2 335**
Costs of licenses and support	58	71	206	189	281	281	264
Costs of consulting	212	235	679	779	931	1 133	1 031
Other costs	15	25	44	59	68	89	83
Total direct costs	**285**	**331**	**929**	**1 027**	**1 280**	**1 503**	**1 378**
Gross profit/loss	**218**	**161**	**612**	**653**	**916**	**884**	**957**
Research and development costs	71	64	222	200	294	281	272
Sales and marketing costs	88	106	318	352	438	472	472
Administration costs	57	48	183	192	242	284	251
Other operating items, net	28	-2	-8	-12	-5	367	-9
Total indirect costs	**244**	**216**	**715**	**732**	**969**	**1 404**	**986**
Operating profit/loss	**-26**	**-55**	**-103**	**-79**	**-53**	**-520**	**-29**

License revenue (SKr m)	Jan–Sep 2004	Jan–Sep 2003
License fees	263	287
Maintenance fees	320	279
Third-party license and maintenance fees	52	53
License revenue	**635**	**619**

Research and development costs (SKr m)	Jan–Sep 2004	Jan–Sep 2003
Product development expenditure	185	184
Amortization of capitalized development costs	142	115
Other amortization related to R&D operations	17	19
Capitalized work for own use	-122	-118
Research and development costs	**222**	**200**

BALANCE SHEET (SKr m)	Sep 30, 04	Sep 30, 03	Dec 31, 03
ASSETS			
Capitalized development costs	582	572	596
Goodwill	199	239	215
Other intangible fixed assets	29	46	43
Intangible fixed assets	**810**	**857**	**854**
Tangible fixed assets	119	153	146
Other financial fixed assets	144	148	153
Total fixed assets	**1 073**	**1 158**	**1 153**
Inventories	**5**	**3**	**4**
Accounts receivable	458	474	599
Other current receivables	95	92	94
Prepaid expenses and accrued income	120	119	89
Current receivables	**673**	**685**	**782**
Short-term investments	0	-	0
Cash and bank	100	113	137
Total current assets	**778**	**801**	**923**
Tillgångar	**1 851**	**1 959**	**2 076**

	Sep 30, 04	Sep 30, 03	Dec 31, 03
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity	**278**	**307**	**315**
Minority interest	**10**	**16**	**14**
Restructuring reserve	28	43	24
Other provisions	36	20	18
Provisions	**64**	**63**	**42**
Convertible debenture loan	109	215	220
Long-term liabilities to credit institutions	211	225	216
Other long-term liabilities	17	21	18
Total long-term liabilities	**337**	**461**	**454**
Accounts payable	149	163	163
Current portion of conv. debenture loan *	45	-	-
Current liabilities to credit institutions	318	267	328
Other current liabilities	147	155	175
Accrued expenses and deferred income	503	527	585
Total current liabilities	**1 162**	**1 112**	**1 251**
Stockholders' equity and liabilities	**1 851**	**1 959**	**2 076**

* Convertible debenture loan KV1B.

Number of shares outstanding	Series A shares	Series B shares	Total
No. of shares Jan 1, 2004	7 154 824	65 903 713	**73 058 537**
Conversion of KV3B	-	24 039 752	**24 039 752**
Stock issue through offset	-	5 725 930	**5 725 930**
Conversion of Series A shares to Series B shares	-1 450	1 450	**-**
No. of shares Sep 30, 2004	**7 153 374**	**95 670 845**	**102 824 219**
Additional shares on full conversion	-	21 645 432	21 645 432
No. of shares Sep 30, 2004 on full conversion	**7 153 374**	**117 316 277**	**124 469 651**

Terms of convertible debenture programs KV1B and KV3B: see Annual Report 2003.

The KV4B convertible debenture loan was offered to holders of KV1B convertible debentures as a replacement for the latter. The annual interest on the loan corresponds to the SEB basic interest rate plus 1.5 percentage points. The conversion price is SKr10 per Series B share, and conversion may be effected between January 15, 2005 and July 15, 2007, inclusive. The loan matures on August 15, 2007.

Changes in stockholders' equity (SKr m)	Sep 30, 04	Sep 30, 03	Dec 31, 03
Opening balance according to the adopted balance sheet	315	428	428
Effect of change in accounting principles	-22	-	-
Opening balance adjusted according to the new accounting principles	**293**	**428**	**428**
Translation differences, etc.	1	-27	-33
Profit/loss for the period	-158	-165	-151
Convertible debenture, warrant component	-	64	64
Premature redemption of warrant component of convertible debenture	-47	-	-
Ongoing stock issues	-	7	-
New stock issue	189	-	7
Closing balance	**278**	**307**	**315**

Accrued expenses and deferred income (SKr m)	Sep 30, 04	Sep 30, 03	Dec 31, 03
Deferred license revenue	4	13	3
Deferred maintenance revenue	192	179	214
Accrued payroll expenses, including social security fees	220	223	241
Other accrued expenses & deferred income	87	112	127
Accrued expenses and deferred income	**503**	**527**	**585**

Pledged assets and contingent liabilities (SKr m)	Sep 30, 04	Sep 30, 03	Dec 31, 03
Accounts receivable (factoring)	88	250	122
Chattel mortgages	139	139	139
Shares in subsidiaries	356	110	531
Other pledged assets	103	81	112
Contingent liabilities	27	40	5
Pledged assets and contingent liabilities	**713**	**620**	**909**

Transactions with related companies

The claim assumed by IFS AB concerning a deposit of SKr3m owed to IFS International Flight Service by Greenfield AB was settled during the second quarter of 2004. Greenfield is 90% owned by Bengt Nilsson deputy chairman (formerly president and CEO) of IFS, and 10% owned by Jan Moodh, COO of IFS.

Current liabilities to credit institutions include interest-bearing liabilities to Förvaltnings AB Wasatornet of SKr45m. The current rate of interest is 7.0%. During the first six months, Förvaltnings AB Wasatornet exercised its right to offset a financial liability of SKr69m against IFS stock. Förvaltnings AB Wasatornet has underwritten credit facilities of SKr127m. The underwriter's fee is 2.5%. Interest expenses and financial reimbursements amounted to SKr7m for the first nine months.

CASH FLOW STATEMENT (SKr m)

	July–Sep 2004	July–Sep 2003	Jan–Sep 2004	Jan–Sep 2003	Oct–Sep 2003/2004	Oct–Sep 2002/2003	Jan–Dec 2003
Cash flow from current operations before changes in working capital	38	-40	24	-23	119	-74	72
Changes in working capital	-116	44	-25	37	-64	105	-2
Cash flow from current operations	**-78**	**4**	**-1**	**14**	**55**	**31**	**70**
Cash flow from investment operations	-38	-47	-82	-157	-163	-242	-239
Cash flow after investment operations	**-116**	**-43**	**-83**	**-143**	**-108**	**-211**	**-169**
Cash flow from financing operations	101	-17	49	157	104	222	213
Cash flow for the period	**-15**	**-60**	**-34**	**14**	**-4**	**11**	**44**
Liquid funds at the beginning of the period	117	174	137	106	113	109	106
Exchange rate difference in liquid funds	-2	-1	-3	-7	-9	-7	-13
Liquid funds at the end of the period	**100**	**113**	**100**	**113**	**100**	**113**	**137**

KEY RATIOS

	July–Sep 2004	July–Sep 2003	Jan–Sep 2004	Jan–Sep 2003	Oct–Sep 2003/2004	Oct–Sep 2002/2003	Jan–Dec 2003
Change in license revenue	14%	-12%	3%	-21%	5%	-16%	-13%
License margin	73%	63%	68%	69%	70%	68%	71%
Change in consulting revenue	-2%	-20%	-13%	-14%	-15%	-14%	-16%
Consulting margin	21%	14%	20%	20%	20%	18%	21%
Change in net sales	2%	-16%	-8%	-17%	-8%	-15%	-14%
Gross margin	43%	33%	40%	39%	42%	37%	41%
Research and development expenses/net sales	11%	11%	12%	11%	12%	12%	12%
Costs of research and development/net sales	14%	13%	14%	12%	13%	12%	12%
Research and development expenses/license revenue	27%	29%	29%	30%	29%	31%	29%
Costs of research and development/license revenue	33%	34%	35%	32%	31%	32%	30%
Costs of marketing/license revenue	40%	55%	50%	57%	47%	53%	51%
Costs of administration/net sales	11%	10%	12%	11%	11%	12%	11%
Net sales per employee (SKr thousands)	189	177	577	582	818	811	820
External costs per employee (SKr thousands)	66	66	206	190	289	292	273
Costs of personnel per employee (SKr thousands)	113	122	383	397	519	539	533
Days sales outstanding (DSO)	61	57	61	57	61	57	75
Equity/assets ratio 1 *	16%	16%	16%	16%	16%	16%	16%
Equity/assets ratio 2 *	21%	31%	21%	31%	21%	31%	30%
Number of employees at the end of the period	2 639	2 737	2 639	2 737	2 639	2 737	2 684
Average number of employees	2 655	2 783	2 669	2 886	2 684	2 945	2 846

* Equity/assets ratio 1: Stockholders' equity, including minority interests, at the end of the period in relation to total assets.
Equity/assets ratio 2: Equity/assets ratio 1 including full conversion of ongoing convertible debenture programs.

FINANCIAL TREND (SKr m)

	July–Sep 2004	April–June 2004	Jan–March 2004	Oct–Dec 2003	July–Sep 2003	April–June 2003	Jan–March 2003	Oct–Dec 2002
License revenue	218	208	209	300	191	212	216	272
Consulting revenue	267	288	292	324	272	351	355	401
Other revenue	18	21	20	31	29	31	23	34
Net sales	**503**	**517**	**521**	**655**	**492**	**594**	**594**	**707**
Capitalized work for own use	39	42	41	55	37	38	43	56
Other operating income	1	4	41	11	1	1	3	10
Total operating income	**543**	**563**	**603**	**721**	**530**	**633**	**640**	**773**
External costs	176	202	171	227	184	179	186	311
Personnel costs	299	361	362	370	340	389	418	441
Depreciation	65	68	70	60	62	64	67	293
Other operating expenses	29	5	4	14	-1	-14	8	169
Total operating expenses	**569**	**636**	**607**	**671**	**585**	**618**	**679**	**1 214**
Operating profit/loss	**-26**	**-73**	**-4**	**50**	**-55**	**15**	**-39**	**-441**
Financial items, net	-11	-19	-17	-32	-29	-27	-22	-75
Profit/loss after financial items	**-37**	**-92**	**-21**	**18**	**-84**	**-12**	**-61**	**-516**
Order backlog at the end of the period	**1 019**	**1 012**	**1 005**	**952**	**954**	**853**	**904**	**934**

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