



INTERIM REPORT

JANUARY–JUNE 2011

Challenging half year but full-year outlook remains in place

FINANCIAL AND OPERATIONAL HIGHLIGHTS

APRIL–JUNE 2011 (SECOND QUARTER)

- License revenue amounted to SKr 93 million (Q2 '10: SKr 103 million), a decrease by 2 percent currency adjusted.
- Maintenance revenue was SKr 199 million (Q2 '10: SKr 205 million), an improvement of 5 percent currency adjusted.
- Consulting revenue amounted to SKr 333 million (Q2 '10: SKr 343 million), an improvement of 4 percent currency adjusted.
- Net revenue was SKr 628 million (Q2 '10: SKr 655 million), an improvement of 3 percent currency adjusted.
- EBIT amounted to SKr 52 million (Q2 '10: SKr 64 million). Cash flow after investments was SKr 0 million (Q2 '10: SKr 92 million).
- Earnings per share after full dilution amounted to SKr 1.26 (Q2 '10: SKr 1.35).

JANUARY–JUNE 2011 (SIX MONTHS)

- License revenue amounted to SKr 167 million (YTD '10: SKr 168 million), an improvement of 8 percent currency adjusted.
- Maintenance revenue was SKr 395 million (YTD '10: SKr 404 million), an improvement of 5 percent currency adjusted.
- Consulting revenue amounted to SKr 668 million (YTD '10: SKr 665 million), an improvement of 8 percent currency adjusted.
- Net revenue was SKr 1,235 million (YTD '10: SKr 1,244 million), an improvement of 7 percent currency adjusted.
- EBIT amounted to SKr 62 million (YTD '10: SKr 72 million). Cash flow after investments was SKr 43 million (YTD '10: SKr 166 million).
- Earnings per share after full dilution amounted to SKr 1.41 (YTD '10: SKr 1.46).

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

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CHIEF EXECUTIVE SUMMARY

In Quarter Two we continued to be affected by adverse global factors. As commented upon in previous reports, the strength of the Swedish krona relative to major currencies continues to have a noticeable impact on our results. The ongoing political unrest in North Africa, and to a lesser extent in other areas, has reduced our level of expected business.

Despite these setbacks we continue to successfully target customers that are in growth segments such as renewable energy, oil and gas, infrastructure, homeland security, and defense. This is evident from the new accounts signed during the quarter.

Our license revenue continues to be affected by the ‘lumpy’ timing of the larger contracts that we are seeking in the above segments. Performance should therefore be viewed over the longer time horizon. Considered on a twelve-month basis, key performance indicators are steadily improving. When comparing performance for the past twelve months with the preceding twelve months, the support margin has increased from 61 percent to 65 percent and the consulting margin has improved from 21 percent to 23 percent.

The level of activity in the software market in general, and the enterprise application market in particular, has remained on track during the second quarter. Industry analysts remain cautiously optimistic and believe the market will continue to grow in the remainder of 2011. Analyst firms Forrester and Gartner forecast such growth to be 5–10 percent for the whole year.

We are seeing the effects of a ‘patchy’ world economy showing varying levels of activity. The developing economies continue to show strong performance and offer good opportunities for us, whereas growth in many advanced economies remains weak.

Although license revenue was lower than the previous year, there were many good strategic sales wins in our target sectors during the second quarter. Examples of these were Kuusakoski—the leading industrial recycling company in the Baltic Sea region and TA Hydronics—the leading global provider of hydronic distribution systems. IFS Applications is positioned as the intelligent alternative choice for customers seeking efficient return on investment. Our message is well received by the market and interest in our product remains high.




Despite the challenging start of the year, we remain optimistic as the pipeline continues to develop well and there is a good level of sales activity in most regions. This supports a positive development for the second half of the year and we continue to expect good organic growth in 2011, with stronger license sales and an improvement in EBIT.

Since we communicated our acquisition strategy we have completed three complementary acquisitions and have evaluated several others. The number of completed acquisitions is below our plan. In our industry a number of high-profile transactions have been executed, a great many of them at very high valuation multiples, resulting in the sellers’ price expectations understandably being raised considerably. The acquisitions we complete must provide a satisfactory return and create value for our shareholders. Given this position, should the price expectations going forward remain higher than justifiable, it will lead to fewer acquisitions than expected being completed. The consequence will be that we need to adjust the expectations on acquisition-generated growth. The target that we set in 2008 of 15 percent EBIT margin will then be difficult to reach already by 2013, as this target is based on a combination of organic and inorganic growth, but the target remains in place and will continue to be viewed as an achievable target that we aim to reach over time. In spite of this, acquisitions within our core sectors still remain a high priority. We are well prepared and will take every opportunity to acquire complementary business at terms and conditions that can create value for our shareholders. Furthermore, we judge we have good possibilities to achieve organic growth, and expect that our organic annual license revenue growth rate will be at double-digit level in the coming years, providing a good foundation for stable margin expansion.

SIGNIFICANT EVENTS DURING THE QUARTER

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

Aerospace and Defense

-  Lockheed Martin
-  SEAKR Engineering
-  a major ship-building company



Asset-Intensive Industries

-  Visy Pulp and Paper







Automotive






-  Burg Silvergreen GmbH
-  Changhui Group
-  Linamar Corporation
-  Sumitomo Rubber (Japan) Co., Ltd.
-  Tokai Rubber Industries, Ltd.
-  Toyo Denki Seizo K.K.
-  Volvo Car Dealers Sweden

Construction and Contracting



-  BSBK Engineers Pvt. Ltd.
-  Smit Nederland BV

Energy and Utilities

-  APTransco (Transmission corporation of Andhra Pradesh)
-  Auro Mira Bio Power India Pvt. Ltd.
-  Eesti Energia
-  Integrated Water Services
-  MPWiK w m.st. Warszawie S.A.
-  O&M Energy Uganda Ltd (Gas Natural Fenosa)

-  PKE, Południowy Koncern Energetyczny S.A.
-  TCIL (Telecommunications Consultants India Limited)
-  Torresol Energy
-  Umeå Energi
-  VA Tech Wabag


High Tech

-  Beijer Electronics
-  CSP Computers

Industrial Manufacturing

-  Automated Packaging Systems, Inc.
-  Bergene Holm AS
-  Ceramika Paradyz Group
-  Kuusakoski Oy
-  LPKF Laser & Electronics AG
-  PRT-Forest Oy
-  Samson AG Mess- und Regeltechnik
-  Samson Rubber Industries Limited
-  Stera Technologies Oy
-  TA Hydraulics

Oil and Gas

-  Semco Maritime

Retail

-  Singer

Launch of IFS Touch Apps and IFS Cloud

IFS outlined its strategy for the mobile workforce by presenting IFS Touch Apps, a series of business apps for smartphones. The IFS Touch Apps will connect to the IFS Cloud, which will act as an intermediary between the mobile device and IFS Applications. Thanks to the apps' unique architecture and IFS's long-term focus, the apps will deliver true business functionality related to IFS Applications' core processes, unlike many apps that are merely pared-down Web sites.

IFS delivers on Business Intelligence strategy

IFS launched the first phase of its new Business Intelligence (BI) concept. The strategy includes new functionality, extended integration options as well as dedicated BI expert teams in Scandinavia and North America. The concept is based on a flexible approach whereby customers can integrate the BI platform of their choice with IFS Applications or choose Microsoft BI as built-in functionality.

FINANCIAL OVERVIEW

SKr million	Q2 2011	Q2 2010	Jan-June 2011	Jan-June 2010	July-June 2010/11	July-June 2009/10	Full year 2010
Net revenue	628	655	1,235	1,244	2,576	2,575	2,585
<i>whereof</i>							
License revenue	93	103	167	168	401	434	402
Maintenance and support revenue	199	205	395	404	802	804	811
Consulting revenue	333	343	668	665	1,360	1,325	1,357
Gross earnings	304	304	557	543	1,202	1,165	1,188
<i>whereof</i>							
Licenses	88	93	152	151	364	394	363
Maintenance and support	134	122	262	247	518	491	503
Consulting	81	89	141	143	314	278	316
EBIT	52	64	62	72	211	207	221
EBIT margin	8%	10%	5%	6%	8%	8%	9%
Earnings before tax	47	51	52	55	186	182	189
Earnings for the period	33	36	37	39	132	135	134
Cash flow after investment operations	0	92	43	166	111	199	234

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

Revenue

Net revenue amounted to SKr 628 million (655), an increase of 3 percent including, and a decrease of 4 percent excluding, currency effects. License revenue decreased by 2 percent including, and by 10 percent excluding, currency effects, whereas maintenance and support revenue increased by 5 percent including, and decreased by 3 percent excluding, currency effects. Consulting revenue increased by 4 percent including, and decreased by 3 percent excluding, currency effects.

Costs

Total costs amounted to SKr 576 million (591), an increase of 5 percent including, and a decrease by 3 percent excluding, currency effects. The increase is related to higher personnel costs mainly due to an average salary inflation of some 4 percent, but also to an increase in the number of employees mainly as a result of the acquisition of 360 Scheduling in October 2010, as well as investments in sales and marketing.

Earnings

EBIT decreased to SKr 52 million (64), mainly due to lower license revenue in the quarter.

Earnings before tax amounted to SKr 47 million (51). Net financial items amounted to SKr -5 million (-13), due to realized/unrealized exchange losses of SKr -4 million (-10) following the continued strength of the Swedish krona compared with the other major trading currencies. Net interest expenses improved to SKr 0 (-3): interest income was SKr 2 million (1) and interest expenses were SKr -2 million (-4).

Earnings for the period amounted to SKr 33 million (36).

Cash flow and investments

Cash flow after investments amounted to SKr 0 million (92). The change in working capital amounted to SKr -50 million (48). This increase in the amount of working capital during the quarter, which is due mainly to the timing of receivables, has adversely impacted the cash flow.

Due to the aforementioned situation in the Middle East and Africa, currently uncollectable receivables amount to SKr 15 million.

Investments amounted to SKr -48 million (-49), whereof capitalized product development was SKr -45 million (-39).

Cash and cash equivalents totaled SKr 336 million (354) at the end of the period. Available liquid assets, including unutilized lines of credit, amounted to SKr 834 million (354). Liabilities to credit institutions were SKr 21 million (14) 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

Parent Company

Net revenue for the second quarter amounted to SKr 4 million (6), with earnings of SKr 30 million (-2) before tax. Available assets, including unutilized lines of credit, amounted to SKr 582 million (94).

During the quarter, the number of shares increased by 1,000 B shares, as previously issued warrant programs were exercised. At the end of the period, 759,149 B shares were in the company's own custody, of which 141,162 were acquired during the quarter for SKr 18 million. 500,000 B shares are in the process of being cancelled. During the quarter, dividend amounting to SKr 78 million was paid.

Miscellaneous

The report for the third quarter of 2011 will be published on October 27, 2011.

The Board of Directors and the President certify that the six-month report provides a true and fair view of the Group's and Parent Company's operations, financial position, and earnings and describes the significant risks and uncertainties facing the Group and entities that are members of the Group.

Linköping, July 21, 2011

Anders Böös

CHAIRMAN OF THE BOARD

Ulrika Hagdahl

BOARD MEMBER

Birgitta Klasén

BOARD MEMBER

Neil Masom

BOARD MEMBER

Bengt Nilsson

DEPUTY CHAIRMAN OF THE BOARD

Alastair Sorbie

PRESIDENT & CEO

Audit report

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

CONSOLIDATED INCOME STATEMENT

SKr million	Q2 2011	Q2 2010	Jan–June 2011	Jan–June 2010	July–June 2010/11	July–June 2009/10	Full year 2010
License revenue	93	103	167	168	401	434	402
Maintenance and support revenue	199	205	395	404	802	804	811
Consulting revenue	333	343	668	665	1,360	1,325	1,357
Other revenue	3	4	5	7	13	12	15
Net revenue	628	655	1,235	1,244	2,576	2,575	2,585
License expenses	-5	-10	-15	-17	-37	-40	-39
Maintenance and support expenses	-65	-83	-133	-157	-284	-313	-308
Consulting expenses	-252	-254	-527	-522	-1,046	-1,047	-1,041
Other expenses	-2	-4	-3	-5	-7	-10	-9
Direct expenses	-324	-351	-678	-701	-1,374	-1,410	-1,397
Gross earnings	304	304	557	543	1,202	1,165	1,188
Product development expenses	-58	-58	-113	-111	-217	-207	-215
Sales and marketing expenses	-128	-120	-250	-228	-493	-465	-471
Administration expenses	-66	-62	-128	-126	-263	-261	-261
Other operating revenue*	1	1	2	2	3	3	3
Other operating expenses	-1	-1	-6	-8	-21	-28	-23
Indirect expenses, net	-252	-240	-495	-471	-991	-958	-967
EBIT	52	64	62	72	211	207	221
Result from participations in associated companies	0	0	1	0	2	0	1
Interest expenses	-2	-1	-3	-2	-7	-5	-6
Other financial items	-3	-12	-8	-15	-20	-20	-27
Earnings before tax	47	51	52	55	186	182	189
Tax	-14	-15	-15	-16	-54	-47	-55
Earnings for the period	33	36	37	39	132	135	134
Earnings for the period are allocated as follows:							
Owners of the Parent Company (SKr million)	33	36	37	39	132	135	134
Non-controlling interests (SKr million)	0	0	0	0	0	0	0
Earnings per share pertaining to Parent Company shareholders (SKr)	1.28	1.38	1.43	1.48	5.10	5.10	5.06
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	1.26	1.35	1.41	1.46	5.00	5.01	4.96
Number of shares (thousands)							
At the end of the period	25,698	25,941	25,698	25,941	25,698	25,941	25,943
At the end of the period, after full dilution	26,312	26,607	26,312	26,607	26,312	26,607	26,418
Average for the period	25,785	26,143	25,851	26,315	25,897	26,462	26,488
Average for the period, after full dilution	26,149	26,662	26,251	26,798	26,397	26,920	27,029

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SKr million	Q2 2011	Q2 2010	Jan–June 2011	Jan–June 2010	July–June 2010/11	July–June 2009/10	Full year 2010
Earnings for the period	33	36	37	39	132	135	134
<i>Other comprehensive income</i>							
Exchange rate differences	6	22	-18	7	-68	-25	-43
Other comprehensive income for the period, net of tax	6	22	-18	7	-68	-25	-43
Total comprehensive income for the period	39	58	19	46	64	110	91
Total comprehensive income allocated as follows:							
Owners of the Parent Company	39	58	19	46	64	110	91
Non-controlling interests	0	0	0	0	0	0	0

CONSOLIDATED BALANCE SHEET

Assets SKr million	June 30 2011	June 30 2010	Dec. 31 2010
Capitalized expenditure for product development	511	489	501
Goodwill	288	273	302
Other intangible fixed assets	57	22	65
Intangible fixed assets	856	784	868
Tangible fixed assets	87	83	84
Participations in associated companies	4	3	3
Deferred tax receivables	176	240	189
Other long-term receivables and other participations	35	44	36
Financial fixed assets	215	287	228
Non-current assets	1,158	1,154	1,180
Accounts receivable	551	548	664
Other receivables	276	265	227
Cash and cash equivalents	336	354	445
Current assets	1,163	1,167	1,336
Assets	2,321	2,321	2,516
Equity and liabilities SKr million	June 30 2011	June 30 2010	Dec. 31 2010
Share capital	529	532	529
Other capital contributed	702	699	699
Accumulated earnings, including earnings for the period and other reserves	-33	22	67
Shareholders' equity pertaining to Parent Company shareholders	1,198	1,253	1,295
Non-controlling interests	1	0	0
Shareholders' equity	1,199	1,253	1,295
Liabilities to credit institutions	0	0	1
Pension obligations	51	74	57
Other provisions and other liabilities	15	7	17
Non-current liabilities	66	81	75
Accounts payable	73	83	91
Liabilities to credit institutions	21	14	59
Other provisions and other liabilities	962	890	996
Current liabilities	1,056	987	1,146
Liabilities	1,122	1,068	1,221
Equity and liabilities	2,321	2,321	2,516
Pledged assets	638	101	851
Contingent liabilities	9	10	9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SKr million	Pertaining to parent company shareholders				Total	Minority interest	Total stockholders' equity
	Share capital	Other contributed capital	Reserves	Profit brought forward			
Opening balance January 1, 2010	531	697	-14	91	1,305	0	1,305
Total comprehensive income for the period	-	-	7	39	46	0	46
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
Closing balance June 30, 2010	532	699	-7	29	1,253	0	1,253
Opening balance January 1, 2011	529	701	-57	122	1,295	0	1,295
Total comprehensive income for the period	-	-	-18	37	19	1	20
New share issue	-	1	-	-	1	-	1
Issue of call option program, T09B	-	-	-	1	1	-	1
Dividend	-	-	-	-78	-78	-	-78
Repurchase of own shares	-	-	-	-30	-30	-	-30
Repurchase of call options	-	-	-	-3	-3	-	-3
Changes in participating interest in subsidiaries	-	-	-	-7	-7	-	-7
Closing balance June 30, 2011	529	702	-75	42	1,198	1	1,199

CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Q2 2011	Q2 2010	Jan-June 2011	Jan-June 2010	July-June 2010/11	July-June 2009/10	Full year 2010
Earnings before tax	47	51	52	55	186	182	189
Adjustments for items not included in the cash flow	51	42	97	71	210	169	184
Cash flow from operations before change in working capital	98	93	149	126	396	351	373
Change in working capital	-50	48	-1	130	-38	65	93
Cash flow from current operations	48	141	148	256	358	416	466
Acquisition of subsidiaries	-2	-	-9	-	-62	-44	-53
Acquisition of intangible fixed assets	-44	-39	-84	-75	-163	-154	-154
Cash flow from other investment operations	-2	-10	-12	-15	-22	-19	-25
Cash flow after investment operations	0	92	43	166	111	199	234
Dividend distributed	-78	-53	-78	-53	-78	-52	-53
Repurchase of own shares	-18	-38	-30	-50	-30	-50	-50
Cash flow from other financing operations	-2	4	-41	-68	0	-90	-27
Cash flow for the period	-98	5	-106	-5	3	7	104
Cash and cash equivalents at the beginning of the period	430	341	445	355	354	360	355
Exchange rate differences in cash and cash equivalents	4	8	-3	4	-21	-13	-14
Cash and cash equivalents at the end of the period	336	354	336	354	336	354	445

CONSOLIDATED ORGANIC NET REVENUE

SKr, million	Q2					January-June				
	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010
License revenue	93	8	-3	98	103	167	14	-6	175	168
Maintenance and support revenue	199	16	-3	212	205	395	31	-5	421	404
Total product revenue	292	24	-6	310	308	562	45	-11	596	572
Consulting revenue	333	23	-1	355	343	668	49	-3	714	665
Net revenue (including other revenue)	628	47	-7	668	655	1,235	94	-14	1,315	1,244

CONSOLIDATED ORGANIC OPERATING EXPENSES

SKr, million	Q2					January-June				
	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010	Actual 2011	Translation effect	Structural changes	Adjusted 2011	Actual 2010
Operating expenses	576	46	-9	613	591	1,173	91	-16	1,248	1,172
Capital gains/losses	0	0	-	0	0	0	0	-	0	0
Exchange rate gains/losses	0	0	0	0	3	-3	0	0	-3	-3
Restructuring costs/redundancy costs	-2	0	-	-2	-3	-3	0	-	-3	-5
Reversal of restructuring costs	-	-	-	-	0	-	-	-	-	1
Amortization/depreciation and net capitalization of product development	0	-1	0	-1	-2	-8	-2	0	-10	-6
Adjusted operating expenses	574	45	-9	610	589	1,159	89	-16	1,232	1,159

CONSOLIDATED SEGMENT REPORTING, SECOND QUARTER

SECOND QUARTER SKr million	Europe North		Europe West		Europe Central	
	2011	2010	2011	2010	2011	2010
License revenue	31	23	21	41	10	10
Maintenance and support revenue	83	83	34	33	17	18
Consulting revenue	161	159	42	29	40	45
Other revenue	0	0	0	0	0	0
Total external revenue	275	265	97	103	67	73
Internal revenue	8	15	12	11	5	4
Total revenue	283	280	109	114	72	77
External operating expenses	-180	-170	-79	-73	-54	-58
Internal operating expenses	-17	-16	-5	-12	-6	-7
Other operating items, net	0	0	0	0	-1	0
Operating expenses	-197	-186	-84	-85	-61	-65
EBIT, undistributed	86	94	25	29	11	12
Numbers of employees						
Average for the period	579	571	277	238	191	192
At the end of the period	579	567	277	237	194	191

SECOND QUARTER SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2011	2010	2011	2010	2011	2010
License revenue	11	12	13	5	8	11
Maintenance and support revenue	16	15	28	33	15	15
Consulting revenue	24	29	39	46	19	24
Other revenue	1	1	0	0	1	2
Total external revenue	52	57	80	84	43	52
Internal revenue	3	5	8	13	4	5
Total revenue	55	62	88	97	47	57
External operating expenses	-45	-55	-58	-68	-47	-47
Internal operating expenses	-1	0	-1	-1	-2	-6
Other operating items, net	-1	3	0	0	1	-4
Operating expenses	-47	-52	-59	-69	-48	-57
EBIT, undistributed	8	10	29	28	-1	0
Numbers of employees						
Average for the period	266	271	196	193	284	296
At the end of the period	267	268	195	194	280	292

SECOND QUARTER SKr million	Defense		Corporate items *		GROUP	
	2011	2010	2011	2010	2011	2010
License revenue	0	0	-1	1	93	103
Maintenance and support revenue	6	8	0	0	199	205
Consulting revenue	6	9	2	2	333	343
Other revenue	0	0	1	1	3	4
Total external revenue	12	17	2	4	628	655
Internal revenue	5	4	-45	-57	0	0
Total revenue	17	21	-43	-53	628	655
External operating expenses	-13	-14	-100	-106	-576	-591
Internal operating expenses	-5	-6	37	48	0	0
Other operating items, net	0	-2	1	3	0	0
Operating expenses	-18	-22	-62	-55	-576	-591
EBIT, undistributed	-1	-1	-105	-108	52	64
Numbers of employees						
Average for the period	45	50	851	830	2,689	2,641
At the end of the period	45	50	858	829	2,695	2,628

* Undistributed corporate revenue and expenses

CONSOLIDATED SEGMENT REPORTING, SIX MONTHS

JANUARY–JUNE SKr million	Europe North		Europe West		Europe Central	
	2011	2010	2011	2010	2011	2010
License revenue	52	45	31	53	18	18
Maintenance and support revenue	162	161	68	65	35	35
Consulting revenue	326	298	82	68	83	83
Other revenue	0	1	0	0	1	0
Total external revenue	540	505	181	186	137	136
Internal revenue	14	28	23	20	8	7
Total revenue	554	533	204	206	145	143
External operating expenses	-367	-351	-149	-140	-111	-115
Internal operating expenses	-34	-31	-8	-16	-10	-11
Other operating items, net	-1	-1	0	0	-1	0
Operating expenses	-402	-383	-157	-156	-122	-126
EBIT, undistributed	152	150	47	50	23	17
Numbers of employees						
Average for the period	577	575	273	240	189	194
At the end of the period	579	567	277	237	194	191

JANUARY–JUNE SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2011	2010	2011	2010	2011	2010
License revenue	24	18	28	11	14	21
Maintenance and support revenue	29	30	57	64	29	32
Consulting revenue	47	58	76	81	39	59
Other revenue	1	1	0	0	2	3
Total external revenue	101	107	161	156	84	115
Internal revenue	7	10	16	21	7	6
Total revenue	108	117	177	177	91	121
External operating expenses	-91	-104	-121	-128	-97	-93
Internal operating expenses	-1	0	-4	-2	-3	-15
Other operating items, net	-2	3	0	0	2	-6
Operating expenses	-94	-101	-125	-130	-98	-114
EBIT, undistributed	14	16	52	47	-7	7
Numbers of employees						
Average for the period	266	272	196	193	289	296
At the end of the period	267	268	195	194	280	292

JANUARY–JUNE SKr million	Defense		Corporate Items *		GROUP	
	2011	2010	2011	2010	2011	2010
License revenue	0	1	0	1	167	168
Maintenance and support revenue	13	15	2	2	395	404
Consulting revenue	13	15	2	3	668	665
Other revenue	0	0	1	2	5	7
Total external revenue	26	31	5	8	1,235	1,244
Internal revenue	10	7	-85	-99	0	0
Total revenue	36	38	-80	-91	1,235	1,244
External operating expenses	-25	-27	-208	-208	-1,169	-1,166
Internal operating expenses	-11	-12	71	87	0	0
Other operating items, net	0	-2	-2	0	-4	-6
Operating expenses	-36	-41	-139	-121	-1,173	-1,172
EBIT, undistributed	0	-3	-219	-212	62	72
Numbers of employees						
Average for the period	45	51	853	826	2,688	2,647
At the end of the period	45	50	858	829	2,695	2,628

* Undistributed corporate revenue and expenses

INCOME STATEMENT OF THE PARENT COMPANY

SKr million	Q2 2011	Q2 2010	Jan-June 2011	Jan-June 2010	July-June 2010/11	July-June 2009/10	Full year 2010
Net revenue	4	6	8	11	15	19	18
Administration expenses	-4	-6	-8	-12	-25	-27	-29
Other operating revenue	0	0	0	0	0	0	0
Other operating expenses	-	-	-	-	-	-4	-
EBIT	0	0	0	-1	-10	-12	-11
Result from participations in subsidiaries	23	0	23	0	220	0	197
Result from participations in associated companies	-	-	-	-	-	-	-
Financial revenue	15	5	29	18	74	66	63
Financial expenses	-8	-7	-18	-20	-57	-57	-59
Earnings before tax	30	-2	34	-3	227	-3	190
Tax	-2	2	-3	1	-2	-1	2
Earnings for the period	28	0	31	-2	225	-4	192

BALANCE SHEET OF THE PARENT COMPANY

SKr million	June 30 2011	June 30 2010	Dec. 31 2010
Assets			
Participations in subsidiaries	979	978	979
Deferred tax receivables	73	82	76
Receivables in subsidiaries	71	25	72
Other long-term receivables and other participations	8	12	8
Financial fixed assets	1,131	1,097	1,135
Non-current assets	1,131	1,097	1,135
Receivables in subsidiaries	653	574	700
Prepaid expenses and accrued income	16	9	12
Cash and cash equivalents	102	94	164
Current assets	771	677	876
Assets	1,902	1,774	2,011
Equity and liabilities			
SKr million	June 30 2011	June 30 2010	Dec. 31 2010
Share capital	529	532	529
Statutory reserve	573	573	573
Retained earnings, including earnings for the period and share premium reserve	494	359	573
Shareholders' equity	1,596	1,464	1,675
Provisions for pensions and similar commitments	2	3	2
Liabilities to credit institutions	-	-	-
Non-current liabilities	-	-	-
Liabilities to credit institutions	20	10	56
Liabilities to subsidiaries	262	283	258
Other liabilities	22	14	20
Current liabilities	304	307	334
Shareholders' equity and liabilities	1,902	1,774	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
Use of options TO6B and TO7B	-	14,000	14,000
Number of shares on June 30, 2011	1,375,008	24,581,914	25,956,922
Repurchasing of shares, in own custody	-	-259,149	-259,149
Number of outstanding shares on June 30, 2011	1,375,008	24,322,765	25,697,773
Number of voting rights on June 30, 2011	1,375,008	2,432,277	3,807,285
Additional shares after full dilution	-	614,616	614,616
Number of shares on June 30, 2011 after full dilution	1,375,008	24,937,381	26,312,389

KEY FIGURES FOR THE GROUP

		Q2 2011	Q2 2010	Jan–June 2011	Jan–June 2010	July–June 2010/11	July–June 2009/10	Full year 2010
Revenue indicator								
Net revenue per employee	SKr, '000	234	248	459	470	967	970	978
Expense and expenditure indicators								
Product development expenses/net revenue	%	9%	9%	9%	9%	8%	8%	8%
Sales and marketing expenses/net revenue	%	20%	18%	20%	18%	19%	18%	18%
Administration expenses/net revenue	%	11%	9%	10%	10%	10%	10%	10%
Amortization and depreciation	SKr, M	-45	-41	-92	-80	-185	-153	-173
of which amortization of capitalized product development expenditure	SKr, M	-36	-34	-72	-66	-142	-126	-136
Capitalized product development expenditure	SKr, M	45	39	84	74	167	144	157
Margin indicators								
License margin	%	95%	90%	91%	90%	91%	91%	90%
Maintenance and support margin	%	67%	60%	66%	61%	65%	61%	62%
Consulting margin	%	24%	26%	21%	22%	23%	21%	23%
Gross margin	%	48%	46%	45%	44%	47%	45%	46%
EBIT margin	%	8%	10%	5%	6%	8%	8%	9%
Earnings margin	%	7%	8%	4%	4%	7%	7%	7%
Return on average operating capital	%	6%	7%	7%	8%	24%	21%	23%
Capital indicators								
Equity/assets ratio	%	52%	54%	52%	54%	52%	54%	51%
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	20%	22%	20%	22%	20%	23%	21%
Interest-bearing liabilities	SKr, M	72	88	72	88	72	88	117
Liquidity indicators								
Net liquidity	SKr, M	315	340	315	340	315	340	385
Debt/equity ratio	times	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Employees								
Average for the period		2,689	2,641	2,688	2,647	2,663	2,655	2,644
At the end of the period		2,695	2,628	2,695	2,628	2,695	2,628	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 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
License revenue	93	74	135	99	103	65	176	90	86
Maintenance and support revenue	199	196	206	201	205	199	204	196	193
Consulting revenue	333	335	383	309	343	322	366	294	357
Other revenue	3	2	5	3	4	3	4	1	4
Net revenue	628	607	729	612	655	589	750	581	640
License expenses	-5	-10	-7	-15	-10	-7	-11	-12	-17
Maintenance and support expenses	-65	-68	-79	-72	-83	-74	-84	-72	-69
Consulting expenses	-252	-275	-270	-249	-254	-268	-284	-241	-286
Other expenses	-2	-1	-3	-1	-4	-1	-3	-2	-2
Direct expenses	-324	-354	-359	-337	-351	-350	-382	-327	-374
Gross earnings	304	253	370	275	304	239	368	254	266
Product development expenses	-58	-55	-51	-53	-58	-53	-51	-45	-48
Sales and marketing expenses	-128	-122	-136	-107	-120	-108	-124	-113	-114
Administration expenses	-66	-62	-70	-65	-62	-64	-72	-63	-61
Other operating revenue	1	1	0	1	1	1	5	-4	-9
Other operating expenses	-1	-5	-3	-12	-1	-7	-10	-10	-1
Indirect expenses, net	-252	-243	-260	-236	-240	-231	-252	-235	-233
EBIT	52	10	110	39	64	8	116	19	33
Result from participations in associated companies	0	1	1	0	0	0	-1	1	-1
Interest expenses	-2	-1	-2	-2	-1	-1	1	-4	-1
Other financial items	-3	-5	-8	-4	-12	-3	2	-7	-5
Earnings before tax	47	5	101	33	51	4	118	9	26
Tax	-14	-1	-32	-7	-15	-1	-28	-3	-9
Earnings for the period	33	4	69	26	36	3	90	6	17
Cash flow after investment operations	0	43	70	-2	92	74	96	-63	32
Number of employees at the end of the period	2,695	2,695	2,675	2,621	2,628	2,658	2,664	2,690	2,656

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, our assessment is that no new significant risks or uncertainties have arisen. For a detailed account of risks and uncertainty factors, please see the annual report for fiscal 2010.

ESTIMATES AND CRITICAL ASSUMPTIONS

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

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

ACCOUNTING PRINCIPLES

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

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

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

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

FINANCIAL INFORMATION 2011

Interim report January–September 2011

October 27, 2011

ABOUT IFS

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

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