INTERIM REPORT
JANUARY–SEPTEMBER 2008

IFS reports license growth and improved EBIT for the quarter and continued strong cash flow

- Net revenue amounted to SKr 612 million (528) during the third quarter, an increase of 16% including exchange rate effects and of 20% excluding exchange rate effects.
- License revenue amounted to SKr 142 million (106) during the third quarter, an increase of 34% including exchange rate effects and of 42% excluding exchange rate effects.
- EBIT for the third quarter before the effects of the restructuring program was SKr 54 million (20), and amounted to SKr 42 million (20) after the effects of the restructuring program.
- Adjusted EBITDA amounted to SKr 86 million (41) in the third quarter and SKr 141 million (124) for the first nine months.
- Net revenue for 12 months rolling amounted to SKr 2,456 million (2,290).
- Cash flow after investments for 12 months rolling was SKr 134 million (34).
- Net revenue increased to SKr 1,774 million (1,674) during the first nine months of the year.
- Earnings for the first nine months amounted to SKr 31 million (94), with earnings per share after dilution amounting to SKr 1.14 (3.48). Tax revenue of SKr 56 million was included in earnings for the previous year.

The full-year target is to achieve a substantially better cash flow and improved EBIT compared with the previous year, excluding restructuring expenses of approximately SKr 20 million.

Message from the President

Strong execution in our target sectors

The outcome for the third quarter was in line with our guidance to the market, namely that the pipeline for license sales is strong in the second half of the year. With a substantial impact from the Lockheed Martin JAMES contract, organic license growth amounted to 42% year on year. IFS is becoming stronger in target markets such as defense and project-centric operations due to constantly improving product functionality and an increasing number of strong references. The recently announced decision by Lockheed Martin to extend the use of IFS Applications in the F-35 Joint Strike Fighter program is an example that will entail significant license revenue going forward. Our pipeline continues to grow in these segments, and I expect other significant deals to close in the remainder of the year. However, as IFS continues to target these larger customers, deal sizes are not only becoming larger but the deals are also more difficult to predict in terms of timing.

Our focus on market segments such as defense and project-based operations helps our position in the current situation in which mainly banking, insurance and consumer goods markets are affected by the instability and uncertainty. The typical project-based manufacturer supplies either infrastructure or specialized equipment engineered to order and is most active today in the areas of alternative energy, oil exploration and the supply of other commodities. For example, the growing concerns of global warming and oil prices have resulted in increased investment in rail, marine transportation, offshore and terminal facilities. Other commodities such as food and biofuel result in opportunities for the supply of agricultural, processing and irrigation equipment.

As previously indicated, consulting margins continue to improve with better utilization and a strong order book for ongoing implementations, international roll-outs, and upgrades to new releases for existing customers. The latter is driven by the high level of interest shown in the latest version of IFS Applications launched in 2007.

However, more recent events raise a cautionary view on the outlook for the enterprise applications market. IFS has also seen the first signs of customers delaying investments due to difficulties in obtaining financing. It is difficult to predict how this will evolve. Analysts such as AMR and Forrester Research have reduced their expected growth for the remainder of the year, but still expect growth of 0–6%. They have a cautious view on the first half of 2009 but do not foresee anything like the downturn after the millennium shift. For IFS, my expectation, based on deal flow mainly in the defense sector, is that, excluding restructuring expenses, we will meet our full-year targets of substantial improvement in cash flow and better EBIT compared with 2007. Looking into the next year, the pipeline for 2009 is larger than in 2008, but we will monitor the development closely and be prepared to act quickly.

My long-term view is reassured based on IFS' strong position and attractive offering in a number of segments with specialized business processes, such as defense, project-based manufacturing and utilities. We have the financial stability, focus, functionality, technology, references, people and partners to win new customers and frequently beat our bigger competitors in those segments.

Group financial overview for the third quarter 2008

SKr million	2008 Jan–Sept	2007 Jan–Sept	2008 Q3	2007 Q3	Oct 2007– Sept 2008	Oct 2006– Sept 2007
Net revenue	**1 774**	**1 674**	**612**	**528**	**2 456**	**2 290**
whereof						
License revenue	334	330	142	106	482	470
Maintenance and support revenue	503	483	175	161	679	636
Consulting revenue	919	841	287	253	1 272	1 154
Gross earnings	**756**	**729**	**283**	**220**	**1 075**	**1 000**
whereof						
Licenses	307	296	131	96	440	420
Maintenance and support	293	313	104	98	403	412
Consulting	142	112	41	25	216	162
EBIT	**49**	**77**	**42**	**20**	**113**	**140**
EBIT margin	**3%**	**5%**	**7%**	**4%**	**5%**	**6%**
Earnings before tax	**46**	**62**	**46**	**14**	**113**	**111**
Earnings for the period	**31**	**94**	**30**	**54**	**59**	**317**
Cash flow after investment operations	**73**	**-41**	**-15**	**2**	**134**	**34**

Significant events during the quarter

- Significant agreements were signed with: BAE Technology Solutions and Services, UK, within defense; Dailycer, UK, and Jotun, Norway, in the process industry; SMIT Internationale N.V., The Netherlands, maritime and offshore services; and Lockheed Martin/JAMES Land, U.S.A./UK, in the defense industry.
- Lockheed Martin has decided to extend the use of IFS Applications™ in the F-35 Joint Strike Fighter Autonomic Logistics Information System (ALIS). IFS Applications is currently deployed in ALIS for supply chain management. Lockheed Martin has now also selected IFS Applications as the foundation for ALIS maintenance management capability. The expanded IFS Applications footprint is expected to be contractually awarded and rolled out in support of the third Low Rate Initial Production (LRIP) contract of the F-35 Lightning II stealth fighter, which is planned to be fielded in 2010.
- IFS has user groups worldwide. During the fall, user conferences are being held in Norway, Sweden, Germany, the UK, the U.S.A., and Finland. A total of 1,500 attendees are expected to take part in the conferences, the first of which were held in Norway and Sweden during September.
- A new version of IFS Sales and Marketing customer relationship management (CRM) was launched. The new, innovative interface offers customers greater efficiency and usability, which makes it easy to adapt the solution to each user's specific requirements.
- IFS repurchased 400,000 Series B shares for SKr 20 million.

FINANCIAL OVERVIEW

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

Adjusted EBITDA increased to SKr 86 million from SKr 41 million, mainly as the result of stronger license earnings, with earnings from consulting services and maintenance & support also contributing to the improvement. Adjusted EBITDA shows the Group's organic earnings trend as presented on page 9 of this report.

EBIT before the effects of the restructuring program increased to SKr 54 million from SKr 20 million. Expenses of SKr 12 million related to the restructuring program were charged to earnings and are now expected to amount to SKr 20 million for the full year, i.e. lower than the previously estimated

SKr 25 million. Previous estimates of SKr 50 million in savings for the full year as of 2009 remain. Savings during the quarter related to the program were less than SKr 1 million.

Cash flow for 12 months rolling improved by SKr 100 million to SKr 134 million compared with the previous 12 months rolling. Payments of SKr 49 million related to the Lockheed Martin contract were not received until October and are therefore not included in the cash flow for the period.

Revenue

Net revenue amounted to SKr 612 million (528), an increase of 16% including exchange rate effects and of 20% excluding exchange rate effects. **License revenue** increased by 34% including exchange rate effects, and 42% excluding exchange rate effects, to SKr 142 million (106). The contract with Lockheed Martin, the biggest in the history of IFS, is included in an amount of SKr 47 million.

Maintenance and support revenue increased by 9% (12% adjusted for exchange rate effects) and amounted to SKr 175 million (161).

Consulting revenue amounted to SKr 287 million (253), an increase of 13% including exchange rate effects and of 16% excluding exchange rate effects.

Earnings

EBIT before expenses related to the restructuring program increased to SKr 54 million from SKr 20 million for the previous year as a result of stronger sales and earnings in respect of licenses and consulting services. Personnel-related expenses increased by approximately SKr 29 million, or 9%. An increasingly larger part of salaries is incentive-based, which means that improved earnings increase salary expenses, especially when most of the improvements in earnings are generated in high-cost countries. Expenses of SKr 12 million related to the ongoing restructuring program were charged to EBIT and consisted mainly of expenses related to severance payment. Expenses related to the restructuring program are estimated to total approximately SKr 20 million for the full year, i.e. lower than the previously estimated SKr 25 million.

Maintenance and support earnings increased to SKr 104 million (98) as a result of increased revenue in several regions.

Consulting earnings increased to SKr 41 million (25). In several markets, IFS had a high level of activity during the third quarter, with a high rate of invoicing as a result.

Earnings before tax amounted to SKr 46 million (14). Net financial items improved by SKr 10 million because of the lower amount of interest-bearing liabilities and positive exchange rate effects.

Earnings for the period amounted to SKr 30 million (54). Earnings for the previous year contained tax revenue of SKr 56 million as a tax loss carryforward was capitalized.

Cash flow and investments

Cash flow after investments amounted to SKr -15 million (2).

Change in working capital amounted to SKr -82 million (-32). The decrease of SKr 50 million compared with the previous year is due mainly to an increase in receivables. Payment amounting to SKr 49 million for the Lockheed Martin contract, among others, was received after the end of the report period.

Investments amounted to SKr 29 million (38), of which amortized product development expenditure accounted for SKr 24 million (25).

Available cash

Liquid assets amounted to SKr 235 (265). Liquid assets including unutilized lines of credit amounted to SKr 444 million (334).

Pledged assets
Pledged assets were reduced during the year, primarily due to the centralized financing structure implemented at the turn of the year, as a result of which liabilities incurred by subsidiaries are no longer pledged.

Outlook
The full-year target is to achieve a substantially better cash flow and improved EBIT compared with the previous year, excluding restructuring expenses of approximately SKr 20 million. The restructuring expenses are expected to be lower than were estimated in previous outlooks. Otherwise the outlook remains unchanged.

Other information

Parent Company
Net revenue for the third quarter amounted to SKr 4 million (5), and earnings before tax amounted to SKr -4 million (-9). Liquid assets, including unutilized lines of credit, amounted to SKr 250 million (88). During the first nine months of the year, convertible bonds amounting to SKr 32 million were converted. The remaining part of the convertible bond, SKr 3 million, was repaid.

The annual general meeting of shareholders resolved to issue a share dividend (SKr 26 million), to implement a reverse share split (1:10), to issue new shares, and to establish an incentive program.

During the third quarter 400,000 Series B shares were repurchased for approximately SKr 20 million.

Miscellaneous
The quarterly report for the fourth quarter of 2008 will be published on February 6, 2009.

Linköping, October 21, 2008

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	2008 Jan–Sept	2007 Jan–Sept	2008 Q3	2007 Q3	Oct 2007– Sept 2008	Oct 2006– Sept 2007	2007 Full year
License revenue	334	330	142	106	482	470	478
Maintenance and support revenue	503	483	175	161	679	636	659
Consulting revenue	919	841	287	253	1 272	1 154	1 194
Other revenue	18	20	8	8	23	30	25
Net revenue	**1 774**	**1 674**	**612**	**528**	**2 456**	**2 290**	**2 356**
License expenses	-27	-34	-11	-10	-42	-50	-49
Maintenance and support expenses	-210	-170	-71	-63	-276	-224	-236
Consulting expenses	-777	-729	-246	-228	-1 056	-992	-1 008
Other expenses	-4	-12	-1	-7	-7	-24	-15
Direct expenses	**-1 018**	**-945**	**-329**	**-308**	**-1 381**	**-1 290**	**-1 308**
Gross earnings	**756**	**729**	**283**	**220**	**1 075**	**1 000**	**1 048**
Product development expenses	-178	-159	-61	-50	-233	-214	-214
Sales and marketing expenses	-321	-320	-109	-100	-447	-430	-446
Administration expenses	-185	-166	-59	-47	-255	-216	-236
Other operating revenue	5	9	3	2	8	14	12
Other operating expenses	-28	-16	-15	-5	-35	-14	-23
Indirect expenses, net	**-707**	**-652**	**-241**	**-200**	**-962**	**-860**	**-907**
EBIT	**49**	**77**	**42**	**20**	**113**	**140**	**141**
Result from participations in associated companies	0	0	-1	-1	1	-1	1
Interest expenses	-11	-19	-3	-5	-17	-29	-25
Other financial items	8	4	8	0	16	1	12
Earnings before tax	**46**	**62**	**46**	**14**	**113**	**111**	**129**
Tax	-15	32	-16	40	-54	206	-7
Earnings for the period	**31**	**94**	**30**	**54**	**59**	**317**	**122**
Earnings for the period are allocated as follows:							
Parent Company shareholders (SKr million)	31	94	30	53	59	316	122
Minority interest (SKr million)	0	0	0	1	0	1	0
Earnings per share pertaining to Parent Company shareholders (SKr)	1.16	3.75	1.11	2.02	2.22	12.83	4.80
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	1.14	3.48	1.10	1.96	2.18	11.68	4.80
Number of shares (thousands)							
At the end of the period	26 553	26 343	26 553	26 343	26 553	26 343	26 347
At the end of the period, after full dilution	26 823	27 009	26 823	27 009	26 823	27 009	27 009
Average for the period	26 724	25 070	26 922	26 279	26 629	24 623	25 392
Average for the period, after full dilution	27 115	27 042	27 192	27 024	27 088	27 049	27 034

Consolidated balance sheet

Assets SKr million	2008 Sept 30	2007 Sept 30	2007 Dec 31
Capitalized expenditure for product development	441	481	476
Goodwill	230	231	232
Other intangible fixed assets	11	17	14
Intangible fixed assets	**682**	**729**	**722**
Tangible fixed assets	**78**	**76**	**79**
Participations in associated companies	2	1	2
Deferred tax receivables	315	337	306
Other long-term receivables and other participations	30	22	31
Financial fixed assets	**347**	**360**	**339**
Non-current assets	**1 107**	**1 165**	**1 140**
Accounts receivable	619	534	759
Other receivables	221	186	158
Cash and cash equivalents	235	265	254
Current assets	**1 075**	**985**	**1 171**
Assets	**2 182**	**2 150**	**2 311**

Equity and liabilities SKr million	2008 Sept 30	2007 Sept 30	2007 Dec 31
Share capital	539	527	527
Other capital contributed	697	677	677
Accumulated loss, including earnings for the period and other reserves	-112	-109	-87
Shareholders' equity pertaining to Parent Company shareholders	**1 124**	**1 095**	**1 117**
Minority interest	0	0	0
Shareholders' equity	**1 124**	**1 095**	**1 117**
Liabilities to credit institutions	21	44	33
Pension obligations	42	40	44
Other provisions and other liabilities	15	30	30
Non-current liabilities	**78**	**114**	**107**
Accounts payable	105	102	131
Convertible debentures/bonds	-	33	34
Liabilities to credit institutions	124	204	146
Other provisions and other liabilities	751	602	776
Current liabilities	**980**	**941**	**1 087**
Liabilities	**1 058**	**1 055**	**1 194**
Equity and liabilities	**2 182**	**2 150**	**2 311**
Pledged assets	804	1 408	1 263
Contingent liabilities	2	2	2

The Swedish government has proposed a reduction in Swedish corporate tax from the present rate of 28% to 26.3% as of January 1, 2009. The statement of accounts will not be affected until the parliament adopts the proposal, which is expected to be in December this year. For the purpose of guidance, the effect of the proposed change on earnings as of September 30, 2008 amounts to SKr 10 million.

Consolidated statement of cash flows

SKr million	2008 Jan–Sept	2007 Jan–Sept	2008 Q3	2007 Q3	Oct 2007– Sept 2008	Oct 2006– Sept 2007	2007 Full year
Cash flow from operations before change in working capital	**166**	**164**	**96**	**72**	**285**	**273**	**283**
Change in working capital	-4	-91	-82	-32	-22	-66	-109
Cash flow from current operations	**162**	**73**	**14**	**40**	**263**	**207**	**174**
Cash flow from investment operations	-89	-114	-29	-38	-129	-173	-154
Cash flow after investment operations	**73**	**-41**	**-15**	**2**	**134**	**34**	**20**
Cash flow from financing operations	-95	-65	-18	-46	-170	-17	-140
Cash flow for the period	**-22**	**-106**	**-33**	**-44**	**-36**	**17**	**-120**
Cash and cash equivalents at the beginning of the period	254	372	263	307	265	258	372
Exchange rate differences in cash and cash equivalents	3	-1	5	2	6	-10	2
Cash and cash equivalents at the end of the period	**235**	**265**	**235**	**265**	**235**	**265**	**254**

Consolidated segment reporting

January–September

	EMEA		Americas		Rest of the World		Undistributed Corporate revenue and expenses		GROUP	
SKr million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
License revenue	247	226	37	52	47	52	3	0	**334**	**330**
Maintenance and support revenue	368	347	79	81	54	54	2	1	**503**	**483**
Consulting revenue	710	641	124	119	83	80	2	1	**919**	**841**
Other revenue	13	7	0	0	3	7	2	6	**18**	**20**
Net external revenue	**1 338**	**1 221**	**240**	**252**	**187**	**193**	**9**	**8**	**1 774**	**1 674**
Intra-Group revenue	43	42	7	28	21	15	-71	-85	**0**	**0**
Net revenue	**1 381**	**1 263**	**247**	**280**	**208**	**208**	**-62**	**-77**	**1 774**	**1 674**
Operating expenses, external	-963	-894	-178	-191	-218	-209	-343	-296	**-1 702**	**-1 590**
Operating expenses, intra-Group	-69	-66	-5	-14	-3	-3	77	83	**0**	**0**
Other operating items, net	-3	0	1	1	-3	-2	-18	-6	**-23**	**-7**
Operating expenses	**-1 035**	**-960**	**-182**	**-204**	**-224**	**-214**	**-284**	**-219**	**-1 725**	**-1 597**
EBIT, undistributed	**346**	**303**	**65**	**76**	**-16**	**-6**	**-346**	**-296**	**49**	**77**
Number of employees:										
Average for the period	1 247	1 210	209	224	377	413	812	801	**2 645**	**2 648**
At the end of the period	1 279	1 238	210	217	383	396	827	799	**2 699**	**2 650**
EBIT margin, undistributed	25%	24%	26%	27%	-8%	-3%			**3%**	**5%**

Third quarter

	EMEA		Americas		Rest of the World		Undistributed Corporate revenue and expenses		GROUP	
SKr million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
License revenue	114	78	9	15	17	13	2	0	**142**	**106**
Maintenance and support revenue	129	117	27	28	18	15	1	1	**175**	**161**
Consulting revenue	214	191	43	38	29	24	1	0	**287**	**253**
Other revenue	6	2	0	0	1	6	1	0	**8**	**8**
Net external revenue	**463**	**388**	**79**	**81**	**65**	**58**	**5**	**1**	**612**	**528**
Intra-Group revenue	12	9	2	4	8	6	-22	-19	**0**	**0**
Net revenue	**475**	**397**	**81**	**85**	**73**	**64**	**-17**	**-18**	**612**	**528**
Operating expenses, external	-307	-286	-60	-60	-75	-69	-116	-90	**-558**	**-505**
Operating expenses, intra-Group	-24	-22	-1	0	-1	-1	26	23	**0**	**0**
Other operating items, net	1	0	1	0	-2	1	-12	-4	**-12**	**-3**
Operating expenses	**-330**	**-308**	**-60**	**-60**	**-78**	**-69**	**-102**	**-71**	**-570**	**-508**
EBIT, undistributed	**145**	**89**	**21**	**25**	**-5**	**-5**	**-119**	**-89**	**42**	**20**
Number of employees:										
Average for the period	1 256	1 222	210	218	383	406	818	795	**2 667**	**2 641**
At the end of the period	1 279	1 238	210	217	383	396	827	799	**2 699**	**2 650**
EBIT margin, undistributed	31%	22%	26%	29%	-7%	-8%			**7%**	**4%**

Consolidated organic net revenue

SKr, million	January–September					Third quarter				
	2008 Actual	Translation effect	Structural changes	2008 Adjusted	2007 Actual	2008 Actual	Translation effect	Structural changes	2008 Adjusted	2007 Actual
License revenue	334	13	0	347	330	142	8	-	150	106
Maintenance and support revenue	503	14	-2	515	483	175	5	-	180	161
Total product revenue	**837**	**27**	**-2**	**862**	**813**	**317**	**13**	**-**	**330**	**267**
Consulting revenue	919	18	-5	932	841	287	7	-	294	253
Net revenue (including other revenue)	**1 774**	**45**	**-7**	**1 812**	**1 674**	**612**	**20**	**-**	**632**	**528**

Consolidated organic operating expenses

SKr, million	January–September					Third quarter				
	2008 Actual	Translation effect	Structural changes	2008 Adjusted	2007 Actual	2008 Actual	Translation effect	Structural changes	2008 Adjusted	2007 Actual
Operating expenses	1 725	34	-6	1 753	1 597	570	10	-	580	508
Capital gains/losses	0	-	-	0	3	0	-	-	0	0
Exchange rate gains/losses	-9	-3	-	-12	-9	-3	-1	-	-4	-4
Restructuring costs/ redundancy costs	-17	0	-	-17	-4	-12	0	-	-12	-1
Reversal of restructuring costs	1	-	-	1	-	1	-	-	1	-
Amortization/depreciation and net capitalization of prod. development	-53	-1	-	-54	-37	-19	0	-	-19	-16
Adjusted operating expenses	**1 647**	**30**	**-6**	**1 671**	**1 550**	**537**	**9**	**0**	**546**	**487**

Income statement of the parent company

SKr million	2008 Jan–Sept	2007 Jan–Sept	2008 Q3	2007 Q3	Oct 2007– Sept 2008	Oct 2006– Sept 2007	2007 Full year
Net revenue	**11**	**13**	**4**	**5**	**16**	**17**	**18**
Administration expenses	-22	-27	-8	-8	-30	-32	-35
EBIT	**-11**	**-14**	**-4**	**-3**	**-14**	**-15**	**-17**
Result from participations in subsidiaries	-	71	-	0	304	71	375
Result from participations in associated companies	0	0	-	0	-	1	-
Financial revenue	50	45	8	36	82	105	77
Financial expenses	-41	-60	-8	-42	-81	-134	-100
Earnings before tax	**-2**	**42**	**-4**	**-9**	**291**	**28**	**335**
Tax	0	8	-1	4	0	16	8
Earnings for the period	**-2**	**50**	**-5**	**-5**	**291**	**44**	**343**

Balance sheet of the parent company

Assets SKr million	2008 Sept 30	2007 Sept 30	2007 Dec 31
Participations in subsidiaries	978	933	978
Deferred tax receivables	93	101	92
Receivables in subsidiaries	41	39	40
Other long-term receivables and other participations	4	7	6
Financial fixed assets	**1 116**	**1 080**	**1 116**
Non-current assets	**1 116**	**1 080**	**1 116**
Receivables in subsidiaries	717	900	698
Prepaid expenses and accrued income	7	2	7
Cash and cash equivalents	46	49	29
Current assets	**770**	**951**	**734**
Assets	**1 886**	**2 031**	**1 850**

Equity and liabilities SKr million	2008 Sept 30	2007 Sept 30	2007 Dec 31
Share capital	539	527	527
Statutory reserve	573	572	573
Retained earnings, including earnings for the period and share premium reserve	479	193	507
Shareholders' equity	**1 591**	**1 292**	**1 607**
Provisions for pensions and similar commitments	**3**	**2**	**1**
Liabilities to credit institutions	15	26	26
Non-current liabilities	**15**	**26**	**26**
Convertible debentures/bonds	-	33	34
Liabilities to credit institutions	121	101	81
Liabilities to subsidiaries	141	566	79
Other liabilities	15	11	22
Current liabilities	**277**	**711**	**216**
Shareholders' equity and liabilities	**1 886**	**2 031**	**1 850**

The Swedish government has proposed a reduction in Swedish corporate tax from the present rate of 28% to 26.3% as of January 1, 2009. The statement of accounts will not be affected until the parliament adopts the proposal, which is expected to be in December this year. For the purpose of guidance, the effect of the proposed change on earnings as of September 30, 2008 amounts to SKr 6 million.

Key figures for the group

		2008 Jan–Sept	2007 Jan–Sept	2008 Q3	2007 Q3	Oct 2007– Sept 2008	Oct 2006– Sept 2007	2007 Full year
License margin	%	92%	90%	92%	91%	91%	89%	90%
Maintenance and support margin	%	58%	65%	59%	61%	59%	65%	64%
Consulting margin	%	15%	13%	14%	10%	17%	14%	16%
Gross margin	%	43%	44%	46%	42%	44%	44%	44%
Product development expenses/net revenue	%	10%	9%	10%	9%	9%	9%	9%
Sales and marketing expenses/net revenue	%	18%	19%	18%	19%	18%	19%	19%
Administration expenses/net revenue	%	10%	10%	10%	9%	10%	9%	10%
EBIT margin	%	3%	5%	7%	4%	5%	6%	6%
Earnings margin	%	3%	4%	8%	3%	5%	5%	5%
Return on average operating capital	%	5%	7%	4%	2%	11%	14%	14%
Amortization and depreciation	SKr, M	-126	-131	-43	-41	-169	-182	-174
of which amortization of capitalized product development expenditure	SKr, M	-106	-112	-35	-35	-140	-153	-146
Capitalized product development expenditure	SKr, M	73	94	24	25	101	130	122
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	23%	23%	23%	23%	23%	23%	23%
Net liquidity	SKr, M	90	17	90	17	90	17	75
Interest-bearing liabilities, excluding convertible debentures/bonds	SKr, M	187	288	187	288	187	288	223
Debt/equity ratio	times	0.2	0.3	0.2	0.3	0.2	0.3	0.2
Equity/assets ratio, before conversion	%	52%	51%	52%	51%	52%	51%	48%
Equity/assets ratio, after full conversion	%	52%	52%	52%	52%	52%	52%	50%
Number of employees:								
Average for the period		2 645	2 648	2 667	2 641	2 646	2 648	2 646
At the end of the period		2 699	2 650	2 699	2 650	2 699	2 650	2 627
Net revenue per employee	SKr, '000	671	632	229	200	928	865	890

Financial trend for the group

SKr million	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Q4	2006 Q3
License revenue	142	111	81	148	106	152	72	140	93
Maintenance and support revenue	175	165	163	176	161	164	158	153	146
Consulting revenue	287	324	308	353	253	296	292	313	238
Other revenue	8	6	4	5	8	7	5	10	8
Net revenue	**612**	**606**	**556**	**682**	**528**	**619**	**527**	**616**	**485**
License expenses	-11	-10	-6	-15	-10	-15	-9	-16	-6
Maintenance and support expenses	-71	-74	-65	-66	-63	-55	-52	-54	-53
Consulting expenses	-246	-266	-265	-279	-228	-259	-242	-263	-203
Other expenses	-1	-3	0	-3	-7	-3	-2	-12	-3
Direct expenses	**-329**	**-353**	**-336**	**-363**	**-308**	**-332**	**-305**	**-345**	**-265**
Gross earnings	**283**	**253**	**220**	**319**	**220**	**287**	**222**	**271**	**220**
Product development expenses	-61	-61	-56	-55	-50	-56	-53	-55	-53
Sales and marketing expenses	-109	-112	-100	-126	-100	-120	-100	-110	-106
Administration expenses	-59	-68	-58	-70	-47	-57	-62	-50	-46
Other operating revenue	3	1	1	3	2	2	5	5	5
Other operating expenses	-15	-9	-4	-7	-5	-7	-4	2	-7
Indirect expenses, net	**-241**	**-249**	**-217**	**-255**	**-200**	**-238**	**-214**	**-208**	**-207**
EBIT	**42**	**4**	**3**	**64**	**20**	**49**	**8**	**63**	**13**
Result from participations in associated companies	-1	1	0	1	-1	1	0	-1	2
Interest expenses	-3	-3	-5	-6	-5	-6	-8	-10	-10
Other financial items	8	5	-5	8	0	3	1	-3	-2
Earnings before tax	**46**	**7**	**-7**	**67**	**14**	**47**	**1**	**49**	**3**
Tax	-16	-1	2	-39	40	-11	3	174	0
Earnings for the period	**30**	**6**	**-5**	**28**	**54**	**36**	**4**	**223**	**3**
Cash flow after investment operations	-15	-46	134	61	2	-56	13	75	-26
Number of employees at the end of the period	2 699	2 648	2 623	2 627	2 650	2 625	2 663	2 630	2 652

Outstanding shares

	Series A	Series B	TOTAL
Number of shares on January 1, 2008	13 916 638	249 550 019	**263 466 657**
Conversion of KV5B	-	6 062 568	**6 062 568**
Share issue	2	3	**5**
Repurchasing of own shares	-	-400 000	**-400 000**
Reverse split	-12 524 976	-230 051 331	**-242 576 307**
Number of shares on September 30, 2008	**1 391 664**	**25 161 259**	**26 552 923**
Number of voting rights on September 30, 2008	**1 391 664**	**2 516 126**	**3 907 790**
Additional shares after full dilution	-	269 920	**269 920**
Number of shares on September 30, 2008 after full dilution	**1 391 664**	**25 431 179**	**26 822 843**

Consolidated capital accounts

SKr million	2008 Sept 30	2007 Sept 30	2007 Dec 31
Opening balance	**1 117**	**866**	**866**
Translation difference	-11	-9	-15
Net income recognized directly in equity, excluding transactions with the owners of the company	**1 106**	**857**	**851**
Earnings for the period	31	94	122
Total recognized net income, excluding transactions with the owners of the company	**1 137**	**951**	**973**
Change in minority interest	0	0	0
New issue—redemption of convertible debentures/bonds	32	144	144
New issue—warrants, TO6B	1	-	-
Dividend	-26	-	-
Buy-back of own shares	-20	-	-
Closing balance	**1 124**	**1 095**	**1 117**

Risks and uncertainties

In its operations, the IFS Group is exposed to certain risks that can affect earnings to a greater or lesser extent. For a detailed account of risks and uncertainty factors, please see the annual report for fiscal 2007.

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

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). In addition, recommendation RFR 1.1 of the Swedish Financial Reporting Board (RFR), Supplementary Accounting Rules for Groups, has been applied.

This consolidated interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and with the Swedish Annual Report Act. The Parent Company accounts are prepared in accordance with the Swedish Annual Report Act and recommendation RFR 2.1 of the Swedish Financial Reporting Board, Accounting for Legal Entities.

As of 2008, sales and marketing expenses are reported as a separate function in accordance with IAS 1. Previously, these costs were included in license expenses.

License expenses now include only expenses related to partners and third-party suppliers. In accordance with IAS 8, previous periods have been restated and key figures adjusted.

In other matters, the accounting principles applied are the same as those applied in the latest annual report.

For detailed information about the accounting principles: see annual report 2007.

Definitions

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.

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.

Adjusted EBITDA: EBIT adjusted for amortization and depreciation, development expenditure, one-time items consisting of redundancy costs, as well as capital and currency gains and losses.

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.

Available cash: liquid assets plus unutilized lines of credits.

Net liquidity: Liquid funds minus interest-bearing liabilities to credit institutions, at the end of the period.

Debt/equity ratio: Interest-bearing liabilities, including convertible debentures/bonds, in relation to equity, at the end of the period.

Equity/assets ratio before conversion: Equity before conversion of convertible debentures/bonds in relation to total assets, at the end of the period.

Equity/assets ratio after full conversion: Equity after full conversion of convertible debentures/bonds in relation to total assets, at the end of the period.

Organic change: Year-on-year figures adjusted for currency effects on consolidation as well as changes in structure.

About IFS

IFS (OMX STO: IFS), the global enterprise applications company, provides ERP solutions which enable organizations to respond quickly to market changes. The solutions allow resources to be used in a more agile way to achieve better business performance and competitive advantage.

Founded in 1983, IFS has 2,600 employees worldwide. With IFS Applications™, now in its seventh generation, IFS has pioneered component-based ERP software. The component architecture provides solutions that are easier to implement, run, and upgrade. IFS Applications is available in 54 countries in 22 languages.

IFS has over 600,000 users across seven key vertical sectors: aerospace & defense; automotive; manufacturing; process industries; construction, contracting & service management; retail & wholesale distribution, and utilities & telecom. IFS Applications provide extended ERP functionality, including CRM, SCM, PLM, CPM, enterprise asset management, and MRO capabilities.

Financial information 2008

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