



## Steady progress but slower than expected

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

#### OCTOBER–DECEMBER 2012 (FOURTH QUARTER)

- License revenue amounted to SKr 183 million (Q4 '11: SKr 166 million), an increase of 11 percent currency adjusted.
- Maintenance revenue was SKr 231 million (Q4 '11: SKr 220 million), an improvement of 6 percent currency adjusted.
- Consulting revenue amounted to SKr 353 million (Q4 '11: SKr 355 million), an increase of 1 percent currency adjusted.
- Net revenue was SKr 769 million (Q4 '11: SKr 745 million), an improvement of 4 percent currency adjusted.
- EBIT amounted to SKr 129 million (Q4 '11: SKr 126 million).
- Cash flow after investments was SKr 55 million (Q4 '11: SKr 18 million).
- Earnings per share after full dilution amounted to SKr 3.70 (Q4 '11: SKr 3.31).

#### JANUARY–DECEMBER 2012 (FULL YEAR)

- License revenue amounted to SKr 467 million ('11: SKr 431 million), an increase of 8 percent currency adjusted.
- Maintenance revenue was SKr 909 million ('11: SKr 823 million), an improvement of 10 percent currency adjusted.
- Consulting revenue amounted to SKr 1,283 million ('11: SKr 1,311 million), a decrease of 2 percent currency adjusted.
- Net revenue was SKr 2,676 million ('11: SKr 2,576 million), an improvement of 4 percent currency adjusted.
- EBIT amounted to SKr 195 million ('11: SKr 233 million).
- Cash flow after investments was SKr -41 million ('11: SKr 94 million).
- Earnings per share after full dilution amounted to SKr 5.27 ('11: SKr 5.96).
- Proposed dividend for 2012 amounting to SKr 3.50 per share ('11: SKr 3.50).

### OUTLOOK

For 2013, IFS expects strong license revenue growth and an improvement in EBIT.

### INQUIRIES

#### IFS

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## CHIEF EXECUTIVE SUMMARY

### Steady progress but slower than expected

The outlook for license revenue remains strong and during 2012, we continued to win highly-competitive contracts in our target sectors. Due to the timing of large contracts the first half of the year was slow and the second half, although much better, was not able to fully deliver our expectations for the full year. Consequently license growth was 8 percent on the full year and 11 percent in quarter four, currency adjusted.

Our consulting revenue, which underperformed through the year, dropped to SKr 1,283 million (1,311) and consequently, together with the previously-described license effect, resulted in a disappointing reduced full-year EBIT. Despite the setback seen in 2012, we continue to hold the view that our target of a 15 percent EBIT margin remains achievable over time.

Consulting had a particularly challenging year for a number of reasons; partly caused by a combination of both shorter-term issues, such as the timing of licenses, and also longer-term issues including the changing demand for consulting skills. We are seeing significantly less demand for customization of the product and less overall consulting resource being needed to implement IFS Applications. These changes are positive and result from the investment we are making in the product. We are also actively building an ecosystem, which will result in more consulting work being delivered by partners. As we previously stated our revenue mix will change over time in that product revenue will grow at least at twice the rate of consulting revenue. In 2012, with the continued growth of license and maintenance revenue, our product revenue amounted to 52 percent (49) of total net revenue.

In recent years we have made large investments in sales, marketing, and product development resulting in increased overall overhead costs. These investments, which we fully expect will yield benefits, have caused an increased exposure with regard to earnings, as was seen in 2012 when license revenue fell somewhat short of our expectations for the period, and the contribution from consulting vastly underperformed. Over the years we have for the most part

exerted good cost control; however, due to our evolving business especially in the area of consulting, we need to make further efficiency improvements in 2013 to align resources with the evolving direction of the business. Our investment in sales, marketing, and product development will continue albeit at a lower rate than recent years.

The acquisition of Metrix undertaken in May 2012 is now successfully integrated into IFS North America as is the Latin America business acquired at the end of 2011. These and our other recent acquisitions have been strategically correct for IFS and although their early contribution has been marginal we expect they will produce a significant contribution to our future growth in revenue and earnings.



Industry analyst firms such as Gartner are optimistic yet cautious. They expect the market's development in 2013 to be in line with the past year's, with a growth in software revenue in the 6–7 percent range. Despite the continuing challenges that are seen in the global financial market we remain positive towards our target growth markets of offshore, oil and gas, EPCI, power generation, and in 2012 we have closed a number of high-profile deals in both Europe and the Americas. We expect to build on these successes in 2013, grow our pipeline and achieve further improved recognition as the intelligent choice for global businesses. We expect EBIT to improve, driven by double-digit license revenue growth and a significant improvement in consulting margin as a result of the planned efficiency gains. Even though the cost for achieving this will affect EBIT in the first half of the year, we expect that the overall cost for improving our efficiency will be matched by savings realized in the full year, and that the efficiency improvement will significantly contribute to improved earnings thereafter.

**Alastair Sorbie**  
President and CEO




## SIGNIFICANT EVENTS DURING THE QUARTER

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



### Aerospace and Defense

-  Federal Aviation Administration
-  TAE Gas Turbines






### Asset Intensive

-  Citic Terminal
-  CuDeco
-  Nucor Corporation

### Automotive

-  Huf Hülsbeck & Fürst
-  Sumitomo Rubber Co.

### Construction and Contracting

-  Brierty
-  Damen Shipyards
-  SATO
-  Sinopacific Shipbuilding Group Co.
-  VA Tech Wabag




### Energy and Utilities



-  Ceylon Electricity Board
-  Groupe Le Du
-  MTN Zambia
-  Portsmouth Water
-  SDIC Qinzhou Electric Power Co.

### High Tech











-  Applikon Biotechnology
-  JOT Automation
-  NEC Corporation
-  Thomson Video Networks
-  Thoratec Corporation
-  Trüb

### Industrial Manufacturing








-  Avanco
-  Barrday
-  Conax Technologies
-  Deere & Company
-  Elba Equipamentos e Serviços
-  Instron

-  Platt 2003
-  Valmont Industries

### Oil and Gas

-  Atlas Pipeline Continent Holdings
-  Ceona Offshore
-  GDK Angola
-  GOK Regler und Armaturen
-  Maersk
-  Mir Valve
-  Odfjell Drilling
-  Rowan Companies
-  ShawCor
-  Technip Flexi-France








### Process Manufacturing

-  Doumak
-  HaloPolymer
-  Holmen
-  KCC Paints
-  Laboratorio Farmaceutico Sobral
-  Prince Minerals
-  Wynn's Belgium




### Retail

-  Singer
-  Ulker

### Service Providers

-  Automateriell
-  Avinor
-  EnerSys
-  Fitzgerald Brothers Beverages
-  Metro Safety
-  Ministry of Infrastructure & Environment
-  Tomra of North America

### Miscellaneous

-  DeCrescente Distributing Co.
-  Lal Teer Seeds
-  Spencer Technologies

**IFS World Conference held in Gothenburg, Sweden**

In October, IFS hosted its World Conference at the Swedish Exhibition & Congress Centre in Gothenburg. The event attracted attendees from all over the world who, over the course of three days, had the chance to speak to IFS executives and experts, attend breakout sessions, and network with other IFS customers. The conference also attracted a great deal of attention from sponsors such as Microsoft, IBM, and Oracle.

**IFS Applications received industry distinctions**

IFS was named a Visionary in Gartner's magic quadrant for enterprise asset management (EAM) software for power generation. The report recognized IFS's ability to execute and completeness of vision. In addition, IFS earned Oracle Exadata Optimized and Oracle Exalogic Optimized status. IFS Applications version 8 was tested and tuned on Oracle Exadata Database Machine and Oracle Exalogic Elastic Cloud to deliver speed, scalability and reliability to customers.

**IFS signed collaborative ISV agreement with Honeywell**

The alliance serves as a framework for technology alignment as well as joint business development, sales, and marketing activities. Through the agreement, IFS is able to provide packaged solutions that combine IFS's mobility software for field service, asset management and supply chain with Honeywell's scanning and mobility devices. The initial phase of the alliance covers the EMEA region (Europe, Middle East, Africa).

**IFS launched its fourth-generation mobile client for service and maintenance**

IFS launched its fourth-generation mobile client for Android smartphones and tablets. The solution offers robust service management functionality, supporting offline mode, through an intuitive and user-friendly interface. Designed and optimized for the Android platform, the new version complements IFS's existing mobile solution for the Microsoft Windows Mobile platform.

**IFS presented new IFS Metrix Service Management version**

Version 5.5 includes enhanced features for intuitive usability by technicians in the field and managers in the office. It includes everything service organizations of all sizes need to profitably serve customers and is available on-premise or in the cloud. IFS Metrix Service Management is recognized by analysts and the market alike as the best-of-breed software application of choice for companies managing a field service workforce.

**IFS announced four new solutions for corporate social responsibility (CSR)**

The IFS solutions are applicable in a wide range of industries, covering environment, workplace, trade and compliance aspects of CSR. The new IFS CSR solutions are: Eco-footprint Management 2.0, IFS Health & Safety, IFS Export Control, and IFS Quality Assurance.

**IFS launched seven new smartphone apps in the IFS Touch Apps series**

The new apps were presented together with IFS's first app for Windows Phone and Windows 8. The new applications—which are available from Google Play Store, Apple App Store and Windows Marketplace—offer intuitive mobile functionality in areas such as human resources, customer relationship management, ad-hoc reporting, enterprise application search, vehicle management, and IFS support services.

## FINANCIAL OVERVIEW

SKr million	Q4 2012	Q4 2011	Full year 2012	Full year 2011
<b>Net revenue</b>	<b>769</b>	<b>745</b>	<b>2,676</b>	<b>2,576</b>
<i>whereof</i>				
License revenue	183	166	467	431
Maintenance and support revenue	231	220	909	823
Consulting revenue	353	355	1,283	1,311
<b>Gross earnings</b>	<b>420</b>	<b>397</b>	<b>1,311</b>	<b>1,242</b>
<i>whereof</i>				
Licenses	176	163	440	406
Maintenance and support	160	145	628	551
Consulting	83	88	236	283
<b>EBIT</b>	<b>129</b>	<b>126</b>	<b>195</b>	<b>233</b>
<b>EBIT margin</b>	<b>17%</b>	<b>17%</b>	<b>7%</b>	<b>9%</b>
<b>Earnings before tax</b>	<b>129</b>	<b>122</b>	<b>186</b>	<b>218</b>
<b>Earnings for the period</b>	<b>94</b>	<b>86</b>	<b>135</b>	<b>156</b>
<b>Cash flow after investment operations</b>	<b>55</b>	<b>18</b>	<b>-41</b>	<b>94</b>

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

### Revenue

Net revenue amounted to SKr 769 million (745), an increase of 4 percent currency adjusted. *Americas* contributed most, with an increase in net revenue of 40 percent, currency adjusted, to a large extent as a result of the acquisitions of Latin IFS and Metrix. *Europe Central* also contributed to the increase, due to higher license revenue. *Europe East* and *Africa, Asia, and Pacific* showed a decline in revenue, primarily due to lower consulting revenue.

### Costs

Total costs amounted to SKr 640 million (619), an increase of 5 percent currency adjusted. The total costs excluding the effects of LatinIFS and Metrix were 1 percent higher, currency adjusted.

### Earnings

EBIT increased to SKr 129 million (126). *Europe West* and *Europe Central* contributed most to the improved result, the latter mainly due to higher license revenue. *Europe West* improved the result in part due to the finalization of the earn-out calculation related to the 360 Scheduling acquisition made in 2010, resulting in a one-off benefit of SKr 30 million in Other Operating Revenue. Over the year, there were a number of one-off charges relating to bad debt, write-offs, legal costs for the arbitration process in Singapore, acquisition integration and redundancy costs, etc., all in all SKr 31 million for the year, and SKr 17 million for the period. Furthermore, amortization on intangibles relating to the acquisition of Metrix has reduced earnings with SKr 4 million for the year, and SKr 2 million for the period. Amortization on intangibles relating to the acquisition of 360 Scheduling was SKr 10 million for the year and SKr 3 million for the period.

Earnings before tax amounted to SKr 129 million (122). Net financial items amounted to SKr 0 million (-4), whereof SKr 2 million (0) pertain to realized/unrealized exchange losses. Interest cost amounted to SKr -2 (-2): interest income was SKr 1 million (1).

Earnings for the period amounted to SKr 94 million (86).

### Cash flow and investments

Cash flow from current operations before change in working capital amounted to SKr 187 million (165). The change in working capital amounted to SKr -66 million (-79). The change in working capital between the years is explained by an increase in short-term liabilities offset by an increase in accounts receivables.

Investments amounted to SKr -66 million (-68), whereof capitalized product development was SKr -52 million (-44). As a result, the cash flow after investments was SKr 55 million (18).

Cash and cash equivalents totaled SKr 316 million (374) at the end of the period. Available liquid assets, including unutilized lines of credit, amounted to SKr 638 million (832). Liabilities to credit institutions were SKr 179 million (52) at the end of the period.

## OUTLOOK

For 2013, IFS expects strong license revenue growth and an improvement in EBIT.

## OTHER INFORMATION

### Parent Company

Net revenue for the fourth quarter amounted to SKr 5 million (4), with earnings of SKr 34 million (159) before tax. Available assets, including unutilized lines of credit, amounted to SKr 423 million (572).

### Legal dispute

As previously reported, IFS has since 2002 been involved in a legal dispute concerning the partly-owned company IFS Sri Lanka. The counterparty has now initiated legal proceedings against IFS with the Singapore International Arbitration Centre, on the basis of a shareholders agreement between the parties, with a now quantified claim for damages amounting to US\$ 43 million plus interest in the amount of US\$ 33 million calculated on an average annual interest of 10 percent starting from 1999. Since the beginning of this legal dispute, IFS has deemed the counterparty's allegations as completely unsubstantiated and without any merit. Based on the information that IFS has been provided with to date and supported by its external legal counsels, IFS's position with respect to the dispute remains unchanged: IFS rejects the counterparty's claims as being frivolous and completely unmeritorious and unfounded, and rejects the claims in their entirety.

### Reduction of the Swedish corporate tax rate

In December 2012, the Swedish parliament approved that the Swedish corporate tax rate, effective from 2013, be reduced from 26.3 percent to 22 percent. The lowering of the tax rate had a negative effect on the tax expense for the fourth quarter by SKr 5 million.

### Annual general meeting of shareholders

The annual general meeting of shareholders for 2013 will be held on March 26, 2013 in Stockholm, Sweden. The board of directors will submit the notification convening the annual general meeting on February 26, 2013, at the latest.

### Proposals for resolution of the nomination committee to the annual general meeting (AGM) in Industrial and Financial Systems, IFS AB (publ.)

The nomination committee of Industrial and Financial Systems, IFS AB ("IFS", the "company"), consisting of Gustaf Douglas (Förvaltnings AB Wasatornet, committee chairman), Ulf Strömsten (Catella Capital), Lars Bergkvist (Lannebo Fonder), Bengt Nilsson (founders), and Anders Böös (chairman of the board of IFS), jointly representing approximately 59 percent of the voting rights in the company, submits the following proposals to the AGM:

- That Anders Böös be appointed to chair the AGM.
- That, as the previous year, the board of directors shall consist of six members without deputies.
- That directors' fees (including remuneration for work on the audit committee) shall amount to a total of SKr 2,700,000, of which SKr 1,250,000 shall be paid to the chairman of the board and SKr 325,000 shall be paid to each of the remaining board members, with the exception of the CEO. A fee of SKr 100,000 shall be paid to the chairman and SKr 50,000 to other members of the audit committee, both unchanged from the previous year.
- That that auditors' fees be paid to the company's auditors according to approved invoices.
- That Anders Böös, Ulrika Hagdahl, Birgitta Klasén, Neil Masom, Bengt Nilsson, and Alastair Sorbie be re-elected to the board, and that Anders Böös remain chairman of the board and Bengt Nilsson remain deputy chairman of the board.
- That, as regards the establishment of a nomination committee for the AGM 2014, the same principles and procedures be applied as for the AGM 2013, with the inclusion of the nomination for election of auditors.

The proposals of the nomination committee will be further outlined in the notice of the AGM. No later than upon the release of the notice will the justification of the committee's proposals be available on the company website. The complete proposals of the nomination committee, alongside all other proposals and documents to be presented at the AGM, will be available for the shareholders and posted on the company website no later than on February 26, 2013. Said documents will also be sent free of charge to shareholders upon request.

**Dividend**

The Board of Directors is proposing a dividend for 2012 amounting to SKr 3.50 per share (2011: SKr 3.50).

**Miscellaneous**

The report for the first quarter of 2013 will be published on April 18, 2013.

**Annual report**

The Annual Report for 2012 will be available on the IFS website, [www.ifsworld.com](http://www.ifsworld.com), and at the company's headquarters no later than March 5, 2013. There will be no hard-copy version of the annual report for 2012.

Linköping, February 5, 2013

**The Board of Directors**

**Audit report**

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

**CONSOLIDATED INCOME STATEMENT**

SKr million	Q4 2012	Q4 2011	Full year 2012	Full year 2011
License revenue	183	166	467	431
Maintenance and support revenue	231	220	909	823
Consulting revenue	353	355	1,283	1,311
Other revenue	2	4	17	11
<b>Net revenue</b>	<b>769</b>	<b>745</b>	<b>2,676</b>	<b>2,576</b>
License expenses	-7	-3	-27	-25
Maintenance and support expenses	-71	-75	-281	-272
Consulting expenses	-270	-267	-1,047	-1,028
Other expenses	-1	-3	-10	-9
<b>Direct expenses</b>	<b>-349</b>	<b>-348</b>	<b>-1,365</b>	<b>-1,334</b>
<b>Gross earnings</b>	<b>420</b>	<b>397</b>	<b>1,311</b>	<b>1,242</b>
Product development expenses	-72	-56	-270	-229
Sales and marketing expenses	-175	-144	-586	-510
Administration expenses	-71	-65	-279	-251
Other operating revenue*	39	0	42	8
Other operating expenses	-12	-6	-23	-27
<b>Indirect expenses, net</b>	<b>-291</b>	<b>-271</b>	<b>-1,116</b>	<b>-1,009</b>
<b>EBIT</b>	<b>129</b>	<b>126</b>	<b>195</b>	<b>233</b>
Result from participations in associated companies	0	-1	0	1
Interest expenses	-2	-2	-8	-6
Other financial items	2	-1	-1	-10
<b>Earnings before tax</b>	<b>129</b>	<b>122</b>	<b>186</b>	<b>218</b>
Tax	-35	-36	-51	-62
<b>Earnings for the period</b>	<b>94</b>	<b>86</b>	<b>135</b>	<b>156</b>
<b>Earnings for the period are allocated as follows:</b>				
Owners of the Parent Company (SKr million)	94	86	135	156
Non-controlling interests (SKr million)	0	0	0	0
Earnings per share pertaining to Parent Company shareholders (SKr)	3.79	3.38	5.40	6.07
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	3.70	3.31	5.27	5.96
<b>Number of shares</b> (thousands)				
At the end of the period	24,772	25,313	24,772	25,313
At the end of the period, after full dilution	25,237	25,905	25,237	25,905
Average for the period	24,772	25,424	24,988	25,690
Average for the period, after full dilution	25,423	26,016	25,616	26,189

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

SKr million	Q4 2012	Q4 2011	Full year 2012	Full year 2011
<b>Earnings for the period</b>	<b>94</b>	<b>86</b>	<b>135</b>	<b>156</b>
<i>Other comprehensive income</i>				
Exchange rate differences	3	-5	-36	3
<b>Other comprehensive income for the period, net of tax</b>	<b>3</b>	<b>-5</b>	<b>-36</b>	<b>3</b>
<b>Total comprehensive income for the period</b>	<b>97</b>	<b>81</b>	<b>99</b>	<b>159</b>
<b>Total comprehensive income allocated as follows:</b>				
Owners of the Parent Company	97	81	99	159
Non-controlling interests	0	0	0	0



**CONSOLIDATED BALANCE SHEET**

<b>Assets</b>	Dec. 31 2012	Dec. 31 2011
SKr million		
Capitalized expenditure for product development	560	531
Goodwill	393	354
Other intangible fixed assets	108	68
<b>Intangible fixed assets</b>	<b>1,061</b>	<b>953</b>
<b>Tangible fixed assets</b>	<b>90</b>	<b>97</b>
Participations in associated companies	3	3
Deferred tax receivables	115	151
Other long-term receivables and other participations	28	35
<b>Financial fixed assets</b>	<b>146</b>	<b>189</b>
<b>Non-current assets</b>	<b>1,297</b>	<b>1,239</b>
Accounts receivable	718	701
Other receivables	242	245
Cash and cash equivalents	316	374
<b>Current assets</b>	<b>1,276</b>	<b>1,320</b>
<b>Assets</b>	<b>2,573</b>	<b>2,559</b>
<b>Equity and liabilities</b>	Dec. 31 2012	Dec. 31 2011
SKr million		
Share capital	508	520
Other capital contributed	701	703
Accumulated earnings, including earnings for the period and other reserves	45	78
<b>Shareholders' equity pertaining to Parent Company shareholders</b>	<b>1,254</b>	<b>1,301</b>
Non-controlling interests	1	1
<b>Shareholders' equity</b>	<b>1,255</b>	<b>1,302</b>
Liabilities to credit institutions	1	1
Pension obligations	36	49
Other provisions and other liabilities	27	39
<b>Non-current liabilities</b>	<b>64</b>	<b>89</b>
Accounts payable	93	94
Liabilities to credit institutions	178	51
Other provisions and other liabilities	983	1,023
<b>Current liabilities</b>	<b>1,254</b>	<b>1,168</b>
<b>Liabilities</b>	<b>1,318</b>	<b>1,257</b>
<b>Equity and liabilities</b>	<b>2,573</b>	<b>2,559</b>
Pledged assets	696	663
Contingent liabilities	14	8

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

SKr, million	Pertaining to parent company shareholders					Non-controlling interests	Total stockholders' equity
	Share capital	Other contributed capital	Reserves	Profit brought forward	Total		
Opening balance January 1, 2011	529	701	-57	122	<b>1,295</b>	0	<b>1,295</b>
Total comprehensive income for the period	-	-	3	156	<b>159</b>	1	<b>160</b>
New share issue	1	2	-	-	<b>3</b>	-	<b>3</b>
Issue of call option program, T09B	-	-	-	1	<b>1</b>	-	<b>1</b>
Dividend	-	-	-	-78	<b>-78</b>	-	<b>-78</b>
Repurchase of own shares	-	-	-	-69	<b>-69</b>	-	<b>-69</b>
Repurchase of call options	-	-	-	-3	<b>-3</b>	-	<b>-3</b>
Cancellation of repurchased shares	-10	-	-	10	<b>0</b>	-	<b>0</b>
Changes in participating interest in subsidiaries	-	-	-	-7	<b>-7</b>	-	<b>-7</b>
<b>Closing balance December 31, 2011</b>	<b>520</b>	<b>703</b>	<b>-54</b>	<b>132</b>	<b>1,301</b>	<b>1</b>	<b>1,302</b>
Opening balance January 1, 2012	520	703	-54	132	<b>1,301</b>	1	<b>1,302</b>
Total comprehensive income for the period	-	-	-36	135	<b>99</b>	-	<b>99</b>
New share issue	-	1	-	-	<b>1</b>	-	<b>1</b>
Issue of call option program, T010B	-	-	-	1	<b>1</b>	-	<b>1</b>
Dividend	-	-	-	-88	<b>-88</b>	-	<b>-88</b>
Repurchase of own shares	-	-	-	-57	<b>-57</b>	-	<b>-57</b>
Repurchase of call options	-	-3	-	-	<b>-3</b>	-	<b>-3</b>
Cancellation of repurchased shares	-12	-	-	12	<b>0</b>	-	<b>0</b>
<b>Closing balance December 31, 2012</b>	<b>508</b>	<b>701</b>	<b>-90</b>	<b>135</b>	<b>1,254</b>	<b>1</b>	<b>1,255</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

SKr million	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Earnings before tax	129	122	186	218
Adjustments for items not included in the cash flow	58	43	177	188
<b>Cash flow from operations before change in working capital</b>	<b>187</b>	<b>165</b>	<b>363</b>	<b>406</b>
Change in working capital	-66	-79	-80	-96
<b>Cash flow from current operations</b>	<b>121</b>	<b>86</b>	<b>283</b>	<b>310</b>
Acquisition of subsidiaries	-5	-10	-123	-19
Acquisition of intangible fixed assets	-52	-49	-178	-168
Cash flow from other investment operations	-9	-9	-23	-29
<b>Cash flow after investment operations</b>	<b>55</b>	<b>18</b>	<b>-41</b>	<b>94</b>
Dividend distributed	-	-	-88	-78
Repurchase of own shares	-	-15	-57	-69
Cash flow from other financing operations	16	43	138	-16
<b>Cash flow for the period</b>	<b>71</b>	<b>46</b>	<b>-48</b>	<b>-69</b>
Cash and cash equivalents at the beginning of the period	249	333	374	445
Exchange rate differences in cash and cash equivalents	-4	-5	-10	-2
<b>Cash and cash equivalents at the end of the period</b>	<b>316</b>	<b>374</b>	<b>316</b>	<b>374</b>

**CONSOLIDATED ORGANIC NET REVENUE**

SKr, million	Q4					Full year				
	Actual 2012	Translation effect	Structural changes	Adjusted 2012	Actual 2011	Actual 2012	Translation effect	Structural changes	Adjusted 2012	Actual 2011
License revenue	183	1	-2	182	166	467	0	-23	444	431
Maintenance and support revenue	231	3	-9	225	220	909	0	-29	880	823
<b>Total product revenue</b>	<b>414</b>	<b>4</b>	<b>-11</b>	<b>407</b>	<b>386</b>	<b>1,376</b>	<b>0</b>	<b>-52</b>	<b>1,324</b>	<b>1,254</b>
Consulting revenue	353	5	-10	348	355	1,283	7	-43	1,247	1,311
<b>Net revenue (including other revenue)</b>	<b>769</b>	<b>9</b>	<b>-22</b>	<b>756</b>	<b>745</b>	<b>2,676</b>	<b>7</b>	<b>-96</b>	<b>2,587</b>	<b>2,576</b>

**CONSOLIDATED ORGANIC OPERATING EXPENSES**

SKr, million	Q4					Full year				
	Actual 2012	Translation effect	Structural changes	Adjusted 2012	Actual 2011	Actual 2012	Translation effect	Structural changes	Adjusted 2012	Actual 2011
Operating expenses	640	9	-26	623	619	2,481	6	-95	2,392	2,343
Capital gains/losses	0	0	-	0	0	0	0	-	0	0
Exchange rate gains/losses	-4	1	0	-3	-5	-5	0	0	-5	1
Restructuring costs/ redundancy costs	-5	0	-	-5	-5	-16	0	-	-16	-24
Reversal of restructuring costs	1	-	-	1	3	1	-	-	1	3
Amortization/depreciation and net capitalization of prod. development	-1	-1	0	-2	10	-17	-1	1	-17	-9
<b>Adjusted operating expenses</b>	<b>631</b>	<b>9</b>	<b>-26</b>	<b>614</b>	<b>622</b>	<b>2,444</b>	<b>5</b>	<b>-94</b>	<b>2,355</b>	<b>2,314</b>

## CONSOLIDATED SEGMENT REPORTING, FOURTH QUARTER

FOURTH QUARTER SKr million	Europe North		Europe West		Europe Central	
	2012	2011	2012	2011	2012	2011
License revenue	56	42	32	35	28	22
Maintenance and support revenue	85	85	45	44	22	21
Consulting revenue	171	187	39	40	31	35
Other revenue	0	0	0	0	0	1
<b>Total external revenue</b>	<b>312</b>	<b>314</b>	<b>116</b>	<b>119</b>	<b>81</b>	<b>79</b>
Internal revenue	12	9	18	15	13	7
<b>Total revenue</b>	<b>324</b>	<b>323</b>	<b>134</b>	<b>134</b>	<b>94</b>	<b>86</b>
External operating expenses	-192	-197	-87	-89	-59	-59
Internal operating expenses	-17	-17	-8	-6	-7	-5
Other operating items, net	-3	-2	30	-1	0	0
<b>Operating expenses</b>	<b>-212</b>	<b>-216</b>	<b>-65</b>	<b>-96</b>	<b>-66</b>	<b>-64</b>
<b>EBIT, undistributed</b>	<b>112</b>	<b>107</b>	<b>69</b>	<b>38</b>	<b>28</b>	<b>22</b>
<b>Numbers of employees</b>						
Average for the period	539	576	297	289	198	198
At the end of the period	533	567	298	295	202	196

FOURTH QUARTER SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2012	2011	2012	2011	2012	2011
License revenue	4	9	43	39	19	19
Maintenance and support revenue	14	13	43	31	17	17
Consulting revenue	17	24	65	39	22	21
Other revenue	0	0	0	0	1	2
<b>Total external revenue</b>	<b>35</b>	<b>46</b>	<b>151</b>	<b>109</b>	<b>59</b>	<b>59</b>
Internal revenue	7	4	11	9	3	4
<b>Total revenue</b>	<b>42</b>	<b>50</b>	<b>162</b>	<b>118</b>	<b>62</b>	<b>63</b>
External operating expenses	-45	-40	-91	-61	-74	-52
Internal operating expenses	0	0	-17	-4	-4	-4
Other operating items, net	-3	2	0	0	0	-3
<b>Operating expenses</b>	<b>-48</b>	<b>-38</b>	<b>-108</b>	<b>-65</b>	<b>-78</b>	<b>-59</b>
<b>EBIT, undistributed</b>	<b>-6</b>	<b>12</b>	<b>54</b>	<b>53</b>	<b>-16</b>	<b>4</b>
<b>Numbers of employees</b>						
Average for the period	276	273	286	206	286	291
At the end of the period	275	275	286	248	284	291

FOURTH QUARTER SKr million	Defense		Corporate items *		GROUP	
	2012	2011	2012	2011	2012	2011
License revenue	1	0	0	0	183	166
Maintenance and support revenue	5	7	0	2	231	220
Consulting revenue	7	7	1	2	353	355
Other revenue	0	0	1	1	2	4
<b>Total external revenue</b>	<b>13</b>	<b>14</b>	<b>2</b>	<b>5</b>	<b>769</b>	<b>745</b>
Internal revenue	3	3	-67	-51	0	0
<b>Total revenue</b>	<b>16</b>	<b>17</b>	<b>-65</b>	<b>-46</b>	<b>769</b>	<b>745</b>
External operating expenses	-9	-9	-110	-106	-667	-613
Internal operating expenses	-3	-4	56	40	0	0
Other operating items, net	0	-1	3	-1	27	-6
<b>Operating expenses</b>	<b>-12</b>	<b>-14</b>	<b>-51</b>	<b>-67</b>	<b>-640</b>	<b>-619</b>
<b>EBIT, undistributed</b>	<b>4</b>	<b>3</b>	<b>-116</b>	<b>-113</b>	<b>129</b>	<b>126</b>
<b>Numbers of employees</b>						
Average for the period	44	46	910	896	2,836	2,775
At the end of the period	44	46	907	903	2,829	2,821

\* Undistributed corporate revenue and expenses

## CONSOLIDATED SEGMENT REPORTING, FULL YEAR

FULL YEAR	Europe North		Europe West		Europe Central	
	2012	2011	2012	2011	2012	2011
SKr million						
License revenue	114	104	96	103	56	44
Maintenance and support revenue	346	331	173	151	80	75
Consulting revenue	612	637	154	164	127	153
Other revenue	1	1	0	0	1	2
<b>Total external revenue</b>	<b>1,073</b>	<b>1,073</b>	<b>423</b>	<b>418</b>	<b>264</b>	<b>274</b>
Internal revenue	33	32	60	49	41	22
<b>Total revenue</b>	<b>1,106</b>	<b>1,105</b>	<b>483</b>	<b>467</b>	<b>305</b>	<b>296</b>
External operating expenses	-701	-698	-334	-316	-233	-225
Internal operating expenses	-65	-67	-27	-21	-20	-20
Other operating items, net	-7	-19	29	-1	0	0
<b>Operating expenses</b>	<b>-773</b>	<b>-784</b>	<b>-332</b>	<b>-338</b>	<b>-253</b>	<b>-245</b>
<b>EBIT, undistributed</b>	<b>333</b>	<b>321</b>	<b>151</b>	<b>129</b>	<b>52</b>	<b>51</b>
<b>Numbers of employees</b>						
Average for the period	548	576	298	279	194	193
At the end of the period	533	567	298	295	202	196

FULL YEAR	Europe East		Americas		Africa, Asia, and Pacific	
	2012	2011	2012	2011	2012	2011
SKr million						
License revenue	29	44	112	90	57	45
Maintenance and support revenue	57	55	161	117	63	61
Consulting revenue	76	94	205	150	79	83
Other revenue	2	2	1	0	3	4
<b>Total external revenue</b>	<b>164</b>	<b>195</b>	<b>479</b>	<b>357</b>	<b>202</b>	<b>193</b>
Internal revenue	20	15	40	35	11	16
<b>Total revenue</b>	<b>184</b>	<b>210</b>	<b>519</b>	<b>392</b>	<b>213</b>	<b>209</b>
External operating expenses	-180	-178	-339	-243	-229	-195
Internal operating expenses	-1	-1	-33	-10	-10	-10
Other operating items, net	-9	5	0	0	0	0
<b>Operating expenses</b>	<b>-190</b>	<b>-174</b>	<b>-372</b>	<b>-253</b>	<b>-239</b>	<b>-205</b>
<b>EBIT, undistributed</b>	<b>-6</b>	<b>36</b>	<b>147</b>	<b>139</b>	<b>-26</b>	<b>4</b>
<b>Numbers of employees</b>						
Average for the period	276	269	270	198	291	289
At the end of the period	275	275	286	248	284	291

FULL YEAR	Defense		Corporate items *		GROUP	
	2012	2011	2012	2011	2012	2011
SKr million						
License revenue	2	1	1	0	467	431
Maintenance and support revenue	25	27	4	6	909	823
Consulting revenue	27	25	3	5	1,283	1,311
Other revenue	7	0	2	2	17	11
<b>Total external revenue</b>	<b>61</b>	<b>53</b>	<b>10</b>	<b>13</b>	<b>2,676</b>	<b>2,576</b>
Internal revenue	12	16	-217	-185	0	0
<b>Total revenue</b>	<b>73</b>	<b>69</b>	<b>-207</b>	<b>-172</b>	<b>2,676</b>	<b>2,576</b>
External operating expenses	-48	-46	-436	-423	-2,500	-2,324
Internal operating expenses	-13	-19	169	148	0	0
Other operating items, net	0	-1	6	-3	19	-19
<b>Operating expenses</b>	<b>-61</b>	<b>-66</b>	<b>-261</b>	<b>-278</b>	<b>-2,481</b>	<b>-2,343</b>
<b>EBIT, undistributed</b>	<b>12</b>	<b>3</b>	<b>-468</b>	<b>-450</b>	<b>195</b>	<b>233</b>
<b>Numbers of employees</b>						
Average for the period	44	45	909	867	2,830	2,716
At the end of the period	44	46	907	903	2,829	2,821

\* Undistributed corporate revenue and expenses

**INCOME STATEMENT OF THE PARENT COMPANY**

SKr million	Q4 2012	Q4 2011	Full year 2012	Full year 2011
<b>Net revenue</b>	<b>5</b>	<b>4</b>	<b>19</b>	<b>17</b>
Administration expenses	-7	-8	-21	-23
Other operating revenue	0	0	0	0
<b>EBIT</b>	<b>-2</b>	<b>-4</b>	<b>-2</b>	<b>-6</b>
Result from participations in subsidiaries	21	149	20	171
Result from participations in associated companies	-	-	-	-
Financial revenue	19	19	88	65
Financial expenses	-4	-5	-27	-28
<b>Earnings before tax</b>	<b>34</b>	<b>159</b>	<b>79</b>	<b>202</b>
Tax	-12	-32	-24	-38
<b>Earnings for the period</b>	<b>22</b>	<b>127</b>	<b>55</b>	<b>164</b>

**BALANCE SHEET OF THE PARENT COMPANY**

SKr million	Dec. 31 2012	Dec. 31 2011
<b>Assets</b>		
Participations in subsidiaries	992	992
Deferred tax receivables	14	38
Receivables in subsidiaries	71	73
Other long-term receivables and other participations	2	8
<b>Financial fixed assets</b>	<b>1,079</b>	<b>1,111</b>
<b>Non-current assets</b>	<b>1,079</b>	<b>1,111</b>
Receivables in subsidiaries	889	832
Prepaid expenses and accrued income	15	9
Cash and cash equivalents	101	114
<b>Current assets</b>	<b>1,005</b>	<b>955</b>
<b>Assets</b>	<b>2,084</b>	<b>2,066</b>
<b>Equity and liabilities</b>		
SKr million	Dec. 31 2012	Dec. 31 2011
Share capital	508	520
Statutory reserve	573	573
Retained earnings, including earnings for the period and share premium reserve	527	608
<b>Shareholders' equity</b>	<b>1,608</b>	<b>1,701</b>
<b>Provisions for pensions and similar commitments</b>	<b>2</b>	<b>2</b>
Liabilities to credit institutions	178	41
Liabilities to subsidiaries	282	302
Other liabilities	14	20
<b>Current liabilities</b>	<b>474</b>	<b>363</b>
<b>Shareholders' equity and liabilities</b>	<b>2,084</b>	<b>2,066</b>

**OUTSTANDING SHARES**

	Series A	Series B	TOTAL
Number of shares on January 1, 2012	1,375,008	24,604,914	<b>25,979,922</b>
Conversion of series-A shares into series-B shares	-6,095	6,095	-
Cancellation of shares bought back	-	-600,000	<b>-600,000</b>
Use of options T07B	-	1,000	<b>1,000</b>
<b>Number of shares on December 31, 2012</b>	<b>1,368,913</b>	<b>24,012,009</b>	<b>25,380,922</b>
Repurchasing of shares, in own custody	-	-609,092	<b>-609,092</b>
<b>Number of outstanding shares on December 31, 2012</b>	<b>1,368,913</b>	<b>23,402,917</b>	<b>24,771,830</b>
<b>Number of voting rights on December 31, 2012</b>	<b>1,368,913</b>	<b>2,340,292</b>	<b>3,709,205</b>
Additional shares after full dilution	-	465,542	<b>465,542</b>
<b>Number of shares on December 31, 2012 after full dilution</b>	<b>1,368,913</b>	<b>23,868,459</b>	<b>25,237,372</b>

## KEY FIGURES FOR THE GROUP

		Q4 2012	Q4 2011	Full year 2012	Full year 2011
<b>Revenue indicator</b>					
Net revenue per employee	SKr, '000	271	268	946	948
<b>Expense and expenditure indicators</b>					
Product development expenses/net revenue	%	9%	8%	10%	9%
Sales and marketing expenses/net revenue	%	23%	19%	22%	20%
Administration expenses/net revenue	%	9%	9%	10%	10%
Amortization and depreciation	SKr, M	-53	-34	-200	-172
of which amortization of capitalized product development expenditure	SKr, M	-41	-23	-152	-132
Capitalized product development expenditure	SKr, M	52	44	182	164
<b>Margin indicators</b>					
License margin	%	96%	98%	94%	94%
Maintenance and support margin	%	69%	66%	69%	67%
Consulting margin	%	24%	25%	18%	22%
Gross margin	%	55%	53%	49%	48%
EBIT margin	%	17%	17%	7%	9%
Earnings margin	%	17%	16%	7%	8%
Return on average operating capital	%	12%	13%	19%	26%
<b>Capital indicators</b>					
Equity/assets ratio	%	49%	51%	49%	51%
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	19%	19%	19%	20%
Interest-bearing liabilities	SKr, M	215	101	215	101
<b>Liquidity indicators</b>					
Net liquidity	SKr, M	137	322	137	322
Debt/equity ratio	times	0.2	0.1	0.2	0.1
<b>Employees</b>					
Average for the period		2,836	2,775	2,830	2,716
At the end of the period		2,829	2,821	2,829	2,821

## 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	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4
License revenue	183	109	92	83	166	98	93	74	135	99	103	65	176
Maintenance and support revenue	231	224	232	222	220	208	199	196	206	201	205	199	204
Consulting revenue	353	268	327	335	355	288	333	335	383	309	343	322	366
Other revenue	2	11	1	3	4	2	3	2	5	3	4	3	4
<b>Net revenue</b>	<b>769</b>	<b>612</b>	<b>652</b>	<b>643</b>	<b>745</b>	<b>596</b>	<b>628</b>	<b>607</b>	<b>729</b>	<b>612</b>	<b>655</b>	<b>589</b>	<b>750</b>
License expenses	-7	-6	-8	-6	-3	-7	-5	-10	-7	-15	-10	-7	-11
Maintenance and support expenses	-71	-67	-72	-71	-75	-64	-65	-68	-79	-72	-83	-74	-84
Consulting expenses	-270	-229	-266	-282	-267	-234	-252	-275	-270	-249	-254	-268	-284
Other expenses	-1	-5	-1	-3	-3	-3	-2	-1	-3	-1	-4	-1	-3
<b>Direct expenses</b>	<b>-349</b>	<b>-307</b>	<b>-347</b>	<b>-362</b>	<b>-348</b>	<b>-308</b>	<b>-324</b>	<b>-354</b>	<b>-359</b>	<b>-337</b>	<b>-351</b>	<b>-350</b>	<b>-382</b>
<b>Gross earnings</b>	<b>420</b>	<b>305</b>	<b>305</b>	<b>281</b>	<b>397</b>	<b>288</b>	<b>304</b>	<b>253</b>	<b>370</b>	<b>275</b>	<b>304</b>	<b>239</b>	<b>368</b>
Product development expenses	-72	-72	-65	-61	-56	-60	-58	-55	-51	-53	-58	-53	-51
Sales and marketing expenses	-175	-136	-138	-137	-144	-116	-128	-122	-136	-107	-120	-108	-124
Administration expenses	-71	-67	-69	-72	-65	-58	-66	-62	-70	-65	-62	-64	-72
Other operating revenue	39	2	-2	3	0	6	1	1	0	1	1	1	5
Other operating expenses	-12	-4	-5	-2	-6	-15	-1	-5	-3	-12	-1	-7	-10
<b>Indirect expenses, net</b>	<b>-291</b>	<b>-277</b>	<b>-279</b>	<b>-269</b>	<b>-271</b>	<b>-243</b>	<b>-252</b>	<b>-243</b>	<b>-260</b>	<b>-236</b>	<b>-240</b>	<b>-231</b>	<b>-252</b>
<b>EBIT</b>	<b>129</b>	<b>28</b>	<b>26</b>	<b>12</b>	<b>126</b>	<b>45</b>	<b>52</b>	<b>10</b>	<b>110</b>	<b>39</b>	<b>64</b>	<b>8</b>	<b>116</b>
Result from participations in associated companies	0	0	0	0	-1	1	0	1	1	0	0	0	-1
Interest expenses	-2	-2	-2	-2	-2	-1	-2	-1	-2	-2	-1	-1	1
Other financial items	2	2	-3	-2	-1	-1	-3	-5	-8	-4	-12	-3	2
<b>Earnings before tax</b>	<b>129</b>	<b>28</b>	<b>21</b>	<b>8</b>	<b>122</b>	<b>44</b>	<b>47</b>	<b>5</b>	<b>101</b>	<b>33</b>	<b>51</b>	<b>4</b>	<b>118</b>
Tax	-35	-7	-7	-2	-36	-11	-14	-1	-32	-7	-15	-1	-28
<b>Earnings for the period</b>	<b>94</b>	<b>21</b>	<b>14</b>	<b>6</b>	<b>86</b>	<b>33</b>	<b>33</b>	<b>4</b>	<b>69</b>	<b>26</b>	<b>36</b>	<b>3</b>	<b>90</b>
Cash flow after investment operations	55	-28	-162	94	18	33	0	43	70	-2	92	74	96
No. of employees at the end of the period	2,829	2,839	2,851	2,822	2,821	2,742	2,695	2,695	2,675	2,621	2,628	2,658	2,664

## 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 2011.

## 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. The accounting principles adopted are consistent with those of the previous financial year.

For detailed information about the accounting principles: see annual report 2011.

## FINANCIAL INFORMATION 2013/2014

Interim report January–March 2013	April 18, 2013
Interim report January–June 2013	July 18, 2013
Interim report January–September 2013	October 24, 2013
Year-end report 2013	February 2014

## ABOUT IFS

IFS is a public company (XSTO: IFS) founded in 1983 that develops, supplies, and implements IFS Applications™, a component-based extended ERP suite built on SOA technology. IFS focuses on industries where any of four core processes are strategic: service & asset management, manufacturing, supply chain, and projects. The company has 2,000 customers and is present in approximately 60 countries with 2,800 employees in total. Net revenue in 2012 was SKr 2.7 billion.

**[www.IFSWORLD.com](http://www.IFSWORLD.com)**

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