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# INTERIM REPORT **Q3** 2012

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**OCTOBER 25, 2012**

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## DOUBLE-DIGIT INCREASE IN LICENSE AND MAINTENANCE

### JULY–SEPTEMBER 2012 (THIRD QUARTER)

- ➔ License revenue amounted to SKr 109 million (Q3 '11: SKr 98 million), an increase of 13 percent currency adjusted.
- ➔ Maintenance revenue was SKr 224 million (Q3 '11: SKr 208 million), an improvement of 10 percent currency adjusted.
- ➔ Consulting revenue amounted to SKr 268 million (Q3 '11: SKr 288 million), a decrease of 4 percent currency adjusted.
- ➔ Net revenue was SKr 612 million (Q3 '11: SKr 596 million), an improvement of 5 percent currency adjusted.
- ➔ EBIT amounted to SKr 28 million (Q3 '11: SKr 45 million).
- ➔ Earnings per share after full dilution amounted to SKr 0.82 (Q3 '11: SKr 1.26).

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## DOUBLE-DIGIT INCREASE IN LICENSE AND MAINTENANCE

### JANUARY-SEPTEMBER 2012 (NINE MONTHS)

- ➔ License revenue amounted to SKr 284 million (YTD '11: SKr 265 million), an increase of 7 percent currency adjusted.
- ➔ Maintenance revenue was SKr 678 million (YTD '11: SKr 603 million), an improvement of 12 percent currency adjusted.
- ➔ Consulting revenue amounted to SKr 930 million (YTD '11: SKr 956 million), a decrease of 3 percent currency adjusted.
- ➔ Net revenue was SKr 1,907 million (YTD '11: SKr 1,831 million), an improvement of 4 percent currency adjusted.
- ➔ EBIT amounted to SKr 66 million (YTD '11: SKr 107 million).
- ➔ Cash flow after investments was SKr -96 million (YTD '11: SKr 76 million).
- ➔ Earnings per share after full dilution amounted to SKr 1.60 (YTD '11: SKr 2.67).

# COMMENTARY ON Q3 2012

## IMPROVING LICENSE SALES OFFSET BY CONSULTING

### REVENUE

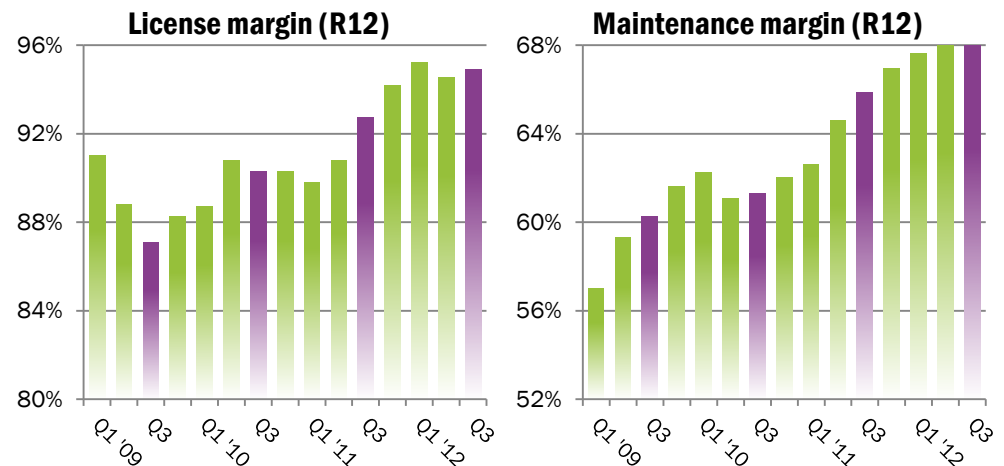
- ➔ Double-digit growth in product revenue from strengthened position in target markets and increased investment in sales, marketing, and partner ecosystem.
- ➔ Ever-increasing customer base leads to steady growth in maintenance revenue.
- ➔ Strong growth in sales pipeline.

### MARGINS

- ➔ License and maintenance margins are steadily improving on R12 basis.
- ➔ Consulting margin still affected by delays and lower utilization.

### EARNINGS

- ➔ Improvement expected going forward following our continued shift in business mix towards product revenue.



# MARKET AND PRODUCT UPDATE

THIRD QUARTER 2012

## **IFS ENTERS INTO STRATEGIC GLOBAL PARTNERSHIP WITH MAHINDRA SATYAM**

Mahindra Satyam is a leading global consulting and IT services provider. The partnership covers joint sales and marketing activities related to IFS Applications as well as staff training. The partnership is in line with IFS's strategy of developing its partner ecosystem and increasing its execution capabilities.

## **IFS 360 SCHEDULING PARTNERS WITH INTERGRAPH**

U.S.-based Intergraph is the leading global provider of engineering and geospatial visualization software. Intergraph will incorporate IFS 360 Scheduling's Dynamic Scheduling Engine (DSE) in its mobile workforce management solution. The partnership will provide an innovative solution for the utilities industry.

## **IFS EXTENDS GLOBAL AGREEMENT WITH SAAB**

Saab, the global aerospace and defense company, has been an IFS customer since 1994 and has since worked in close collaboration with IFS to expand and refine the company's business solution. The new agreement will enable global growth and standardization of Saab's worldwide operations.



# IFS WORLD CONFERENCE

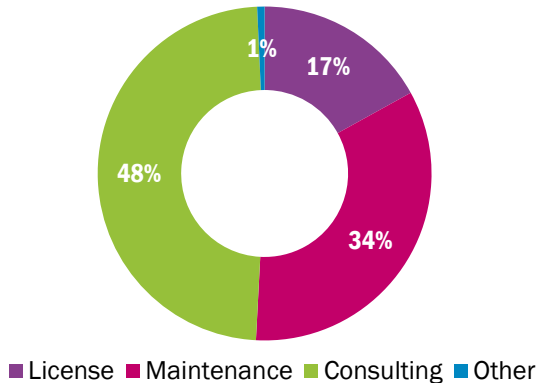
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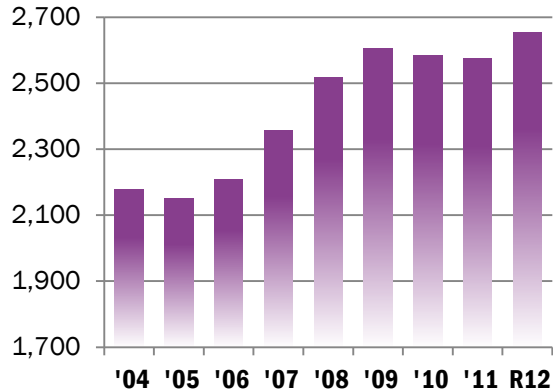


# FINANCIAL OVERVIEW

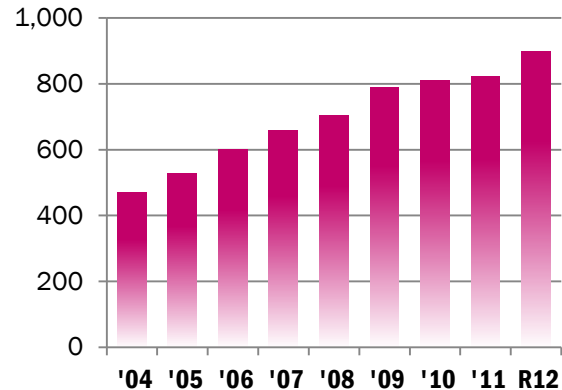
**REVENUE MIX R12**



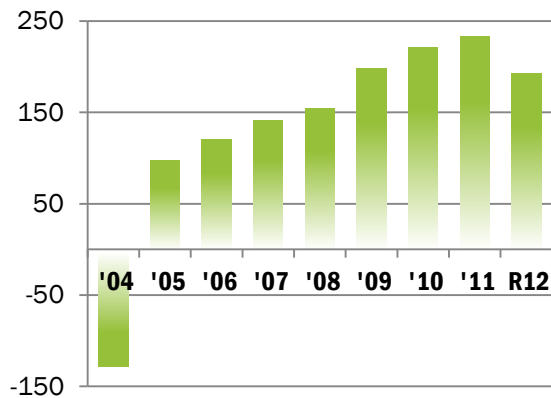
**NET REVENUE**



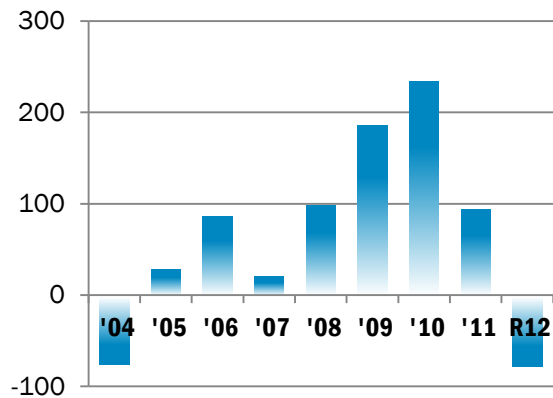
**MAINTENANCE SUPPORT REVENUE**



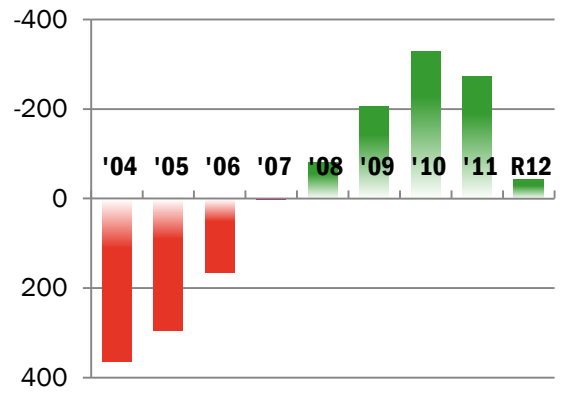
**EBIT**



**CASH FLOW AFTER INVESTMENTS**



**NET DEBT**





# BUSINESS AND STRATEGY UPDATE

## THE INTELLIGENT ALTERNATIVE CHOICE

### IFS WILL CONTINUE TO SUCCEED BECAUSE:




- ➔ Implementation time is critical for customers with international operations; IFS's component architecture and worldwide implementation support can reduce this.
- ➔ IFS is targeting growing markets that are less exposed to the recent fluctuations in the world economy.
- ➔ Through close cooperation with our customers, IFS can offer differentiating industry solutions; we listen and respond rather than dominate and dictate.
- ➔ IFS's agile open-technology platform enables customers to benefit from new IT developments rather than causing restrictive customer lock-in.

### IFS WILL CONTINUE TO GROW THROUGH:

- ➔ cash-generating organic growth and
- ➔ targeted acquisitions at profitable terms and conditions.

# CUSTOMER WINS IN Q1 AND Q2

## Aerospace and Defense

-  General Dynamics
-  Lockheed Martin
-  SEAKR Engineering









## Asset-Intensive

-  APM Terminals
-  Billerud
-  Closed Loop
-  Northland Resources
-  Orco Property Group

## Automotive

-  NGK Ceramics Polska
-  Rangs Limited
-  Sumitomo Rubber Co. Ltd
-  Tokai Rubber Industries
-  T-RAD North America









## Construction and Contracting

-  Dia Alt Yapi Yatirimlari
-  Graham
-  IMCO Engineering &
-  IMCO Engineering &
-  ION Geophysical
-  Mostostal Zabrze Holding
-  Seaspan Marine
-  Tebma Shipyards

























## Energy and Utilities




-  Brookfield Corporate
-  Ceylon Electricity Board
-  EmiTel
-  Energiselskapet Buskerud
-  Jammu & Kashmir State
-  Jeumont Electric
-  Jeumont Electric
-  Lesedi Nuclear Services
-  Madhya Pradesh Power
-  MPWiK Warszawie
-  MTN Cote-d'Ivoire
-  MTN Uganda
-  MTN Zambia
-  Shanxi International
-  VA Tech Wabag
-  Vantaan Energia
-  Vattenfall

## High Tech

-  Baylan Ölçü Aletleri
-  Dainippon Screen MFG
-  Informatyka/Cyfrowe Sieci
-  Particle Measuring
-  Saudi Fal Co
-  Senior India
-  Sofradir
-  Uniden Corporation

## Industrial Manufacturing

-  A E Atherton and Sons
-  Alpha Technology
-  Aluminum Precision
-  Amplitude
-  Arvind
-  AWG Fittings
-  Aydin Boru Endüstrisi
-  Bemis Manufacturing
-  Best Makina Cam İşleme
-  Bhilai Engineering
-  CDF Corporation
-  CeDo
-  Chemar Rurociagi
-  CKD Corporation
-  Cleaver-Brooks
-  D. Samson Industries
-  EGE
-  FCPK-Bytów
-  Firestone Polymers
-  Gamak Makina
-  GZ Digital Media
-  Hafi Industries
-  Hoshizaki Co.
-  Khusheim Company

-  Libet
-  Maquinas San Martin
-  Metawater Co.
-  Nihon Kaiheiki
-  Pojazdy Szynowe PESA
-  Stolle Machinery Company
-  T.RAD North America
-  Thermisol Group

## Oil and Gas






-  Bergen Group Rosenberg
-  BW Offshore
-  Icon Engineering
-  Petroleum Geo-Services
-  Process Group
-  Technip Flexi-France
-  Trans-Northern Pipelines
-  Viru Keemia Group

## Process Manufacturing




-  Al Rabie Saudi Foods Co
-  Atlas
-  Bio Products Laboratory
-  drom fragrances
-  Graal
-  Hangzhou Wei Chuan
-  Inno-Comp

-  Lantmännen
-  SCA
-  SIG
-  Vajda-Papír
-  Walcownia Metali







## Retail

-  Apex Adelchi Footwear
-  Eizo Europe
-  Khusheim Company
-  Stadium
-  Stafford Motor Co.

## Service Providers


-  Eltel
-  Get
-  Vital Distribution Solutions

## Miscellaneous

-  EHIRC
-  Kollektivtransportproduksj
-  Lagena
-  Oriflame
-  PrimeWine
-  PZ HTL


# CUSTOMER WINS IN Q3


## Aerospace and Defense

 FNSS Savunma Sistemleri

## Automotive

 Aurora Konrad G. Schulz

 Buisard

 Sumitomo Rubber Co.

 Tekis Teknik Erozyon Kalip

 Tokai Rubber Compounding


 Wilhelm Becker


## Construction and Contracting


 Charoen Pokphand Engineering Co.

 Dekra Industrial

 Dia Altyapı Yatırımları ve İnşaat

 Hi-Crush Services

 Mak-Yol İnşaat

 Systra

## Energy and Utilities

 Emitel

 ENEA Wytwarzanie


 KVK Teknoloji Ürünleri

 MPWiK Wrocław

 Process Group

 PTK Centertel

 Tauron Ciepło

 Tauron Wytwarzanie  
an Asian telecom company

## High Tech


 Dürr Dental

 EHIRC


 Lightware

## Industrial Manufacturing


 Alteams Group

 Çukurova İnşaat Makine

 Erişim Makine Endüstrisi Co.

 Hopkins Manufacturing Company

 Matusiewicz Budowa Maszyn

 Merrill Technologies Group

 Newag

 Zabrzańskie Zakłady Mechaniczne


## Oil and Gas

 BW Offshore

 Trans-Northern Pipelines

## Process Manufacturing

 Bisam Cephe Sistemleri


 Borsan Kablo Elektrik Aydınlatma

 Hakan Plastik Boru ve Profil

 Hecla Mining Company

 Intercontinental Brands (ICB)

 Kazakhmys

 Prince Minerals

 Sherwin Williams

 Tugcelic Alüminyum ve Metal


 Volac International

 Whitford Worldwide Co.

## Retail

 MAS Brands

 Ulker

 Xenos Hoofdkantoor

## Service Providers

 Indigo Telecom Group

## Miscellaneous

 GE Healthcare Hungary

 Inrada Group

 Rexel China

 Schlegel

 Seaspan

 Serimax

 Totolotek

 Vega

 Vyncke

# FINANCIAL TARGETS

IFS's board of directors has set long-term targets for growth, profitability, and financial leverage, and a policy for dividends and share repurchase.

- ➔ Grow product revenue (licenses, maintenance, and support) through organic growth and acquisitions.
- ➔ Improve the EBIT margin to 15% and achieve a return of 25% on average operating capital.
- ➔ Increase dividends to 50% of earnings after tax.
- ➔ Use additional surplus capital, which is not required for investments, expansion, and other needs relating to the financial position of the group, to repurchase shares.



# FINANCIAL OVERVIEW

GROUP	JULY-SEPTEMBER		OCTOBER-SEPTEMBER		FULL YEAR
	2012	2011	2011/12	2010/11	2011
SKr million					
<b>Net revenue</b>	<b>612</b>	<b>596</b>	<b>2,652</b>	<b>2,560</b>	<b>2,576</b>
of which Licenses	109	98	450	400	431
Maintenance and support	224	208	898	809	823
Consulting	268	288	1,285	1,339	1,311
<b>Gross earnings</b>	<b>305</b>	<b>288</b>	<b>1,288</b>	<b>1,215</b>	<b>1,242</b>
of which Licenses	103	91	427	371	406
Maintenance and support	157	144	613	533	551
Consulting	39	54	241	308	283
<b>EBIT</b>	<b>28</b>	<b>45</b>	<b>192</b>	<b>217</b>	<b>233</b>
<b>EBIT margin</b>	<b>5%</b>	<b>8%</b>	<b>7%</b>	<b>8%</b>	<b>9%</b>
<b>Earnings before tax</b>	<b>28</b>	<b>44</b>	<b>179</b>	<b>197</b>	<b>218</b>
<b>Earnings for the period</b>	<b>21</b>	<b>33</b>	<b>127</b>	<b>139</b>	<b>156</b>
<b>Cash flow after investments</b>	<b>-28</b>	<b>33</b>	<b>-78</b>	<b>146</b>	<b>94</b>

# CASH FLOW

GROUP	JANUARY-SEPTEMBER	
	2012	2011
SKr million		
<b>Cash flow before change in working capital</b>	<b>176</b>	<b>241</b>
Change in working capital	-14	-17
<b>Cash flow from current operations</b>	<b>162</b>	<b>224</b>
Cash flow from investments	-258	-148
<b>Cash flow after investments</b>	<b>-96</b>	<b>76</b>
Cash flow from financing	-23	-191
<b>Cash flow for the period</b>	<b>-119</b>	<b>-115</b>
Cash and cash equivalents at the beginning of period	374	445
Exchange rate differences in cash and cash equivalents	-6	3
<b>Cash and cash equivalents at the end of the period</b>	<b>249</b>	<b>333</b>

# OUTLOOK



**FOR THE FULL YEAR, IFS EXPECTS  
STRONG ORGANIC LICENSE GROWTH  
AND EBIT IN LINE WITH LAST YEAR.**



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