

# QUARTERLY REPORT

JANUARY – MARCH 2007

## First quarter 2007

- Net revenue amounted to SKr 527 million (547). Adjusted for exchange rate effects of SKr 19 million, net revenue was in line with the corresponding quarter in 2006.
- License revenue amounted to SKr 72 million (89), whereas maintenance and support revenue reached SKr 158 million (152).
- Consulting revenue amounted to SKr 292 million (296).
- EBIT amounted to SKr 8 million (21), with earnings before tax amounting to SKr 1 million (7). Profit after tax for the period was SKr 4 million (7), with profit per share after tax amounting to SKr 0.02 (0.03).
- Cash flow after investments amounted to SKr 13 million (68).

## Outlook

- The expectations for 2007 remain an EBIT that is significantly better than the 2006 EBIT of SKr 120 million and continued improvement in cash flow.

## Group Performance

The market for business applications continues to be stable. Analysts such as Gartner and AMR estimate that growth during the first quarter was about 5% in the total market, and expect growth during the remainder of the year to increase somewhat.

License sales were affected by delays in closing deals, and the first quarter is normally a slow season. Net revenue decreased by SKr 20 million, of which currency translation effects accounted for SKr 19 million, compared with the corresponding period in 2006.

License revenue increased somewhat in the EMEA region although comparison with the previous year is skewed by the major order signed in the Middle East during the corresponding period in 2006. Operations in the UK, IFS Defence, France, and Scandinavia all reported growth compared with the previous year. The main shortfall in license sales has been in the Americas, reflecting delays in signing contracts. Moreover, the comparable period in the Americas in 2006 was strong. However the overall sales pipeline for 2007 is developing well, and a growth in license sales is expected in the coming quarters. This is especially true for the defense sector, which reports growing volumes and good progress in key sales cases.

Maintenance and support revenue is increasing, adjusted for exchange rates, in all regions as a result of the growing customer base. Furthermore, adjusted for exchange rates, consulting revenue is increasing somewhat despite low utilization, chiefly in the UK and the Americas. However, for the remainder of the year utilization is expected to increase. The negative effect of certain complicated customer projects, mainly in the Nordic region, has been reduced and is expected to decrease further during 2007 as the projects are finalized.

Operating expenses decreased by SKr 7 million. Adjusted for exchange rate effects, however, operating expenses increased by SKr 12 million, mainly due to a negative net capitalization effect of SKr 12 million that is attributable to product development. Payroll expenses increased by 2%, in fixed currencies, compared with the corresponding quarter in 2006, while headcount increased by 1%. The number of employees, totaling 2,663 at the end of the quarter, increased by 33 in the first quarter, primarily in low-cost operations.

In Scandinavia, streamlining measures have continued as a result of consolidation. The offices in Malmö, Sweden, and Copenhagen, Denmark, were merged during the first quarter to form a single Scandinavian operational entity at a new location in Copenhagen. The previously aforementioned review of the Rest of the World region has been finalized and restructurings measures have been initiated, targeting increased efficiency.

First quarter, currency adjusted

Mkr	License revenue	Maintenance and support revenue	Consulting revenue	Net revenue	Costs and expenses	Net capitalization prod development	EBIT
2007	74	163	303	<b>545</b>	-534	-4	<b>7</b>
2006	89	152	296	<b>547</b>	-534	8	<b>21</b>
Change	-15	11	7	<b>-2</b>	0	-12	<b>-14</b>

## Financing and Cash Flow

Cash flow after investments during the first quarter amounted to SKr 13 million (68). Changes in working capital contributed SKr 39 million (106), chiefly as a result of a reduction in receivables, whereas the change in current liabilities meant that cash flow development during the quarter was weaker than the corresponding period in 2006. Investments amounted to SKr 30 million (55).

During the period, liabilities to credit institutions were reduced from SKr 305 million to SKr 288 million. Liquid assets amounted to SKr 361 million (318) at the end of the quarter. Net liquidity was SKr 73 million (55).

Convertible debentures /bonds at a nominal value of SKr 38 million were converted. Thus the booked liability of convertible debentures/bonds amounted to SKr 141 million, whereas the nominal value was SKr 153 million. The KV3B convertible debenture matured on March 14, whereupon the outstanding liability of SKr 1 million was paid.

## Parent Company

Net revenue amounted to SKr 0 million (4), with a loss before tax of SKr -14 million (-18). Liquid assets, including unutilized lines of credit, amounted to SKr 162 million (125).

**Outlook**

The outcome for the first quarter does not change the expectations of the board for 2007 being an EBIT that is significantly better than the 2006 EBIT of SKr 120 million and continued improvement in cash flow.

Linköping April 24, 2007

Alastair Sorbie  
Chief Executive Officer

This report is unaudited.

## Income statement

SKr million	Jan–Mar 2007	Jan–Mar 2006	April 2006– March 2007	April 2005– March 2006	Full year 2006
License revenue	72	89	416	386	433
Maintenance and support revenue	158	152	606	555	600
Consulting revenue	292	296	1 136	1 191	1 140
Other revenue	5	10	31	62	36
<b>Net revenue</b>	<b>527</b>	<b>547</b>	<b>2 189</b>	<b>2 194</b>	<b>2 209</b>
License expenses	-109	-114	-467	-444	-472
Maintenance and support expenses	-52	-60	-215	-229	-223
Consulting expenses	-242	-242	-949	-954	-949
Other expenses	-2	-7	-24	-48	-29
<b>Gross earnings</b>	<b>122</b>	<b>124</b>	<b>534</b>	<b>519</b>	<b>536</b>
Other operating revenue	12	5	53	33	46
Product development expenses	-53	-45	-216	-204	-208
Administration expenses	-62	-53	-213	-221	-204
Other operating expenses	-11	-10	-51	-25	-50
<b>EBIT</b>	<b>8</b>	<b>21</b>	<b>107</b>	<b>102</b>	<b>120</b>
Result from participations in associated companies	0	-1	2	0	1
Interest expenses	-8	-10	-39	-46	-41
Other financial items	1	-3	-1	14	-5
<b>Profit before tax</b>	<b>1</b>	<b>7</b>	<b>69</b>	<b>70</b>	<b>75</b>
Tax on profit	3	0	174	-13	171
<b>Profit for the period</b>	<b>4</b>	<b>7</b>	<b>243</b>	<b>57</b>	<b>246</b>
<b>Profit for the period is allocated as follows:</b>					
Parent Company stockholders (SKr million)	4	6	243	56	246
Minority interest (SKr million)	0	1	0	1	0
Profit per share pertaining to Parent Company stockholders (SKr)	0.02	0.03	1.04	0.25	1.07
Profit per share pertaining to Parent Company stockholders, after full dilution (SKr)	0.01	0.02	0.90	0.21	0.99
<b>Number of shares</b> (thousands)					
By the end of the period	242 925	224 874	242 925	224 874	233 366
Average for the period	237 709	224 152	232 961	223 787	229 622
Average for the period, after full dilution	270 644	270 709	270 693	270 421	270 709

## Balance sheet

SKr million	March 31 2007	March 31 2006	Dec 31 2006
<b>Assets</b>			
Capitalized product development expenditure	493	516	497
Goodwill	225	234	219
Other intangible fixed assets	10	12	12
<b>Intangible fixed assets</b>	<b>728</b>	<b>762</b>	<b>728</b>
<b>Tangible fixed assets</b>	<b>82</b>	<b>93</b>	<b>83</b>
Participations in associated companies	1	5	7
Deferred tax assets	307	113	291
Other long-term receivables	19	17	16
<b>Financial fixed assets</b>	<b>327</b>	<b>135</b>	<b>314</b>
<b>Non-current assets</b>	<b>1 137</b>	<b>990</b>	<b>1 125</b>
Inventories	0	6	0
Accounts receivable	529	531	633
Other receivables	231	162	175
Cash and cash equivalents	361	318	372
<b>Current assets</b>	<b>1 121</b>	<b>1 017</b>	<b>1 180</b>
<b>Assets</b>	<b>2 258</b>	<b>2 007</b>	<b>2 305</b>

SKr million	March 31 2007	March 31 2006	Dec 31 2006
<b>Equity and liabilities</b>			
Capital stock	486	450	467
Other capital contributed	610	582	593
Accumulated loss and other reserves	-180	-406	-194
	<b>916</b>	<b>626</b>	<b>866</b>
Minority interest	0	2	0
<b>Equity</b>	<b>916</b>	<b>628</b>	<b>866</b>
Convertible debentures/bonds	-	186	108
Liabilities to credit institutions	47	151	151
Pension obligations	37	59	60
Other provisions and other liabilities	20	29	19
<b>Non-current liabilities</b>	<b>104</b>	<b>425</b>	<b>338</b>
Accounts payable	132	129	151
Convertible debentures/bonds	141	-	65
Liabilities to credit institutions	241	112	154
Other provisions	5	21	4
Other liabilities	719	692	727
<b>Current liabilities</b>	<b>1 238</b>	<b>954</b>	<b>1 101</b>
<b>Liabilities</b>	<b>1 342</b>	<b>1 379</b>	<b>1 439</b>
<b>Equity and liabilities</b>	<b>2 258</b>	<b>2 007</b>	<b>2 305</b>
Pledged assets	1 331	1 251	1 350
Contingent liabilities	2	2	2

## Statement of cash flows

SKr million	Jan–Mar 2007	Jan–Mar 2006	April 2006– March 2007	April 2005– March 2006	Full year 2006
<b>Cash flow from operating activities before changes in working capital</b>	<b>4</b>	<b>17</b>	<b>214</b>	<b>199</b>	<b>227</b>
Changes in working capital	39	106	-42	-19	25
<b>Cash flow from operating activities</b>	<b>43</b>	<b>123</b>	<b>172</b>	<b>180</b>	<b>252</b>
Cash flow from investing activities	-30	-55	-141	-141	-166
<b>Cash flow after investing activities</b>	<b>13</b>	<b>68</b>	<b>31</b>	<b>39</b>	<b>86</b>
Cash flow from financing activities	-22	-66	28	1	-16
<b>Cash flow for the period</b>	<b>-9</b>	<b>2</b>	<b>59</b>	<b>40</b>	<b>70</b>
Cash and cash equivalents at the beginning of the period	372	319	318	269	319
Effect of exchange rate fluctuations on cash held	-2	-3	-16	9	-17
<b>Cash and cash equivalents at the end of the period</b>	<b>361</b>	<b>318</b>	<b>361</b>	<b>318</b>	<b>372</b>

## Segment reporting

### January–March

SKr million	EMEA		Americas		Rest of the World		Undistributed Corporate items		GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
License revenue	52	52	9	25	11	12	0	-	<b>72</b>	<b>89</b>
Maintenance and support revenue	112	108	26	28	20	15	0	1	<b>158</b>	<b>152</b>
Consulting revenue	224	227	42	46	25	22	1	1	<b>292</b>	<b>296</b>
Other revenue	3	7	0	1	0	2	2	-	<b>5</b>	<b>10</b>
<b>Net external revenue</b>	<b>391</b>	<b>394</b>	<b>77</b>	<b>100</b>	<b>56</b>	<b>51</b>	<b>3</b>	<b>2</b>	<b>527</b>	<b>547</b>
Intra-Group revenue	14	16	9	9	4	3	-27	-28	<b>0</b>	<b>0</b>
<b>Net revenue</b>	<b>405</b>	<b>410</b>	<b>86</b>	<b>109</b>	<b>60</b>	<b>54</b>	<b>-24</b>	<b>-26</b>	<b>527</b>	<b>547</b>
Operating expenses, external	-294	-289	-65	-83	-61	-56	-99	-93	<b>-519</b>	<b>-521</b>
Operating expenses, intra-Group	-21	-13	-4	-2	0	-	25	15	<b>0</b>	<b>0</b>
Other operating items, net	1	-6	1	3	-2	1	0	-3	<b>0</b>	<b>-5</b>
<b>Operating expenses</b>	<b>-314</b>	<b>-308</b>	<b>-68</b>	<b>-82</b>	<b>-63</b>	<b>-55</b>	<b>-74</b>	<b>-81</b>	<b>-519</b>	<b>-526</b>
<b>EBIT, undistributed</b>	<b>91</b>	<b>102</b>	<b>18</b>	<b>27</b>	<b>-3</b>	<b>-1</b>	<b>-98</b>	<b>-107</b>	<b>8</b>	<b>21</b>
Employees, average for the period	1 150	1 121	229	228	467	465	805	808	<b>2 651</b>	<b>2 622</b>
Employees, at the end of the period	1 148	1 119	228	224	479	481	808	808	<b>2 663</b>	<b>2 632</b>

## Key figures

		Jan–Mar 2007	Jan–Mar 2006	April 2006– March 2007	April 2005– March 2006	Full year 2006
License margin	%	-51%	-28%	-12%	-15%	-9%
Maintenance and support margin	%	67%	61%	65%	59%	63%
Consulting margin	%	17%	18%	16%	20%	17%
Gross margin	%	23%	23%	24%	24%	24%
Product development expenses/net revenue	%	10%	8%	10%	9%	9%
Administration expenses/net revenue	%	12%	10%	10%	10%	9%
EBIT margin	%	2%	4%	5%	5%	5%
Profit margin	%	0%	1%	3%	3%	3%
Amortization and depreciation	SKr, M	-45	-40	-174	-179	-169
of which amortization of capitalized product development expenditure	SKr, M	-39	-33	-145	-143	-139
Capitalized product development expenditure	SKr, M	34	40	119	131	125
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	23	23	23	23	23
Net liquidity	SKr, M	73	55	73	55	67
Net debt, excluding convertible debentures/bonds	SKr, M	-36	4	-36	4	-7
Interest-bearing liabilities, excluding convertible debentures/bonds	SKr, M	325	322	325	322	365
Debt/equity ratio	times	0.5	0.8	0.5	0.8	0.6
Equity/assets ratio, before conversion	%	41%	31%	41%	31%	38%
Equity/assets ratio, after full conversion	%	47%	41%	47%	41%	45%
Number of employees, average for the period		2 651	2 622	2 653	2 472	2 644
Number of employees, at the end of the period		2 663	2 632	2 663	2 632	2 630
Net revenue per employee	SKr, '000	199	209	825	888	835

For definitions: see last page of the report.

## Financial trend

SKr million	Jan–March 2007	Oct–Dec 2006	July–Sep 2006	April–June 2006	Jan–March 2006	Oct–Dec 2005	July–Sept 2005	April–June 2005	Jan–March 2005
License revenue	72	140	93	111	89	142	76	79	86
Maintenance and support revenue	158	153	146	149	152	140	136	127	125
Consulting revenue	292	313	238	293	296	329	257	309	280
Other revenue	5	10	8	8	10	19	16	17	11
<b>Net revenue</b>	<b>527</b>	<b>616</b>	<b>485</b>	<b>561</b>	<b>547</b>	<b>630</b>	<b>485</b>	<b>532</b>	<b>502</b>
License expenses	-109	-126	-112	-120	-114	-126	-100	-104	-102
Maintenance and support expenses	-52	-54	-53	-56	-60	-57	-58	-54	-54
Consulting expenses	-242	-263	-203	-241	-242	-272	-210	-230	-214
Other expenses	-2	-12	-3	-7	-7	-14	-14	-13	-8
<b>Gross earnings</b>	<b>122</b>	<b>161</b>	<b>114</b>	<b>137</b>	<b>124</b>	<b>161</b>	<b>103</b>	<b>131</b>	<b>124</b>
Other operating revenue	12	18	14	9	5	7	10	11	8
Product development expenses	-53	-55	-53	-55	-45	-48	-52	-59	-64
Administration expenses	-62	-50	-46	-55	-53	-66	-48	-54	-51
Other operating expenses	-11	-11	-16	-13	-10	-12	-1	-2	-1
<b>EBIT</b>	<b>8</b>	<b>63</b>	<b>13</b>	<b>23</b>	<b>21</b>	<b>42</b>	<b>12</b>	<b>27</b>	<b>16</b>
Result from participations in associated companies	0	-1	2	1	-1	1	0	0	0
Interest expenses	-8	-10	-10	-11	-10	-12	-12	-12	-15
Other financial items	1	-3	-2	3	-3	4	3	10	3
<b>Profit/loss before tax</b>	<b>1</b>	<b>49</b>	<b>3</b>	<b>16</b>	<b>7</b>	<b>35</b>	<b>3</b>	<b>25</b>	<b>4</b>
Tax on profit/loss	3	174	0	-3	0	-11	0	-2	-4
<b>Profit/loss for the period</b>	<b>4</b>	<b>223</b>	<b>3</b>	<b>13</b>	<b>7</b>	<b>24</b>	<b>3</b>	<b>23</b>	<b>0</b>
Cash flow after investing activities	13	75	-26	-31	68	49	-66	-12	57
Number of employees at the end of the period	2 663	2 630	2 652	2 680	2 632	2 600	2 390	2 370	2 412

## Outstanding shares

	Series A	Series B	TOTAL
Number of shares on January 1, 2007	13 916 638	219 449 769	<b>233 366 407</b>
Conversion of KV3B	-	7 441 829	<b>7 441 829</b>
Conversion of KV4B	-	340 575	<b>340 575</b>
Conversion of KV5B	-	1 776 252	<b>1 776 252</b>
<b>Number of shares on March 31, 2007</b>	<b>13 916 638</b>	<b>229 008 425</b>	<b>242 925 063</b>
Shares added on full conversion	-	27 458 522	<b>27 458 522</b>
<b>Number of shares on March 31, 2007 after full conversion</b>	<b>13 916 638</b>	<b>256 466 947</b>	<b>270 383 585</b>

## Changes in equity

SKr million	March 31 2007	March 31 2006	Dec 31 2006
<b>Opening balance</b>	<b>866</b>	<b>615</b>	<b>615</b>
Effect of exchange rate fluctuations	10	-7	-34
New issue—redemption of convertible debentures/bonds	36	12	40
Net income recognized directly in equity	912	620	621
Profit for the period	4	7	246
Total recognized net income	916	627	867
Change in minority interest	0	1	-1
<b>Closing balance</b>	<b>916</b>	<b>628</b>	<b>866</b>

## 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 RR 30:05, Supplementary Accounting Principles for Groups, of the Swedish Financial Accounting Standards Committee has been applied.

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which concurs with Recommendation RR 31 of the Swedish Financial Accounting Standards Committee, Interim Reporting for Groups. The Parent Company applies Recommendation RR 32:06, Accounting for Legal Entities, of the Swedish Financial Accounting Standards Committee.

The Group applies the same accounting principles as in the previously published annual report. For detailed information concerning the accounting principles, please refer to the Annual Report for 2006.

## Definitions

**License margin:** License revenue minus license expenses, in relation to license revenue. License expenses include sales and marketing expenses.

**Maintenance and support margin:** Maintenance and support revenue minus maintenance and support expenses, in relation to maintenance and support revenue.

**Consulting margin:** Consulting revenue minus consulting expenses, in relation to consulting revenue.

**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.

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

**Net debt, excluding convertible debentures/bonds:** Interest-bearing liabilities, excluding convertible debentures/bonds, minus liquid funds, 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 (OMXS: 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 20 languages.

IFS has over 600,000 users across seven key vertical sectors: aerospace & defense; automotive; high-tech; industrial manufacturing; process industries; construction, service & facilities management; and utilities & telecom. IFS Applications provides extended ERP functionality, including CRM, SCM, PLM, CPM, enterprise asset management, and MRO capabilities.

### Financial information 2007

Quarterly Report April–June 2007	July 19, 2007
Quarterly Report July–September 2007	October 19, 2007
Preliminary Report on 2007 Operations	February 2008

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