



INTERIM REPORT

JANUARY–SEPTEMBER 2010

License revenue and earnings continue to grow

FINANCIAL AND OPERATIONAL HIGHLIGHTS

JULY–SEPTEMBER 2010 (THIRD QUARTER)

- License revenue was SKr 99 million (Q3 '09: SKr 90 million), up 13% adjusted for currency
- Maintenance and support revenue was SKr 201 million (Q3 '09: SKr 196 million), up 6% adjusted for currency
- Net revenue was SKr 612 million (Q3 '09: SKr 581 million)
- EBIT improved to SKr 39 million (Q3 '09: SKr 19 million), an increase of 105%
- Cash flow after investments was SKr -2 million (Q3 '09: SKr -63 million)

JANUARY–SEPTEMBER 2010 (NINE MONTHS)

- Product revenue was SKr 872 million (YTD '09: SKr 835 million)
- Net revenue was SKr 1,856 million (YTD '09: SKr 1,855 million)
- EBIT improved to SKr 111 million (YTD '09: SKr 82 million), an increase of 35%
- Cash flow after investments improved to SKr 164 million (YTD '09: SKr 90 million)
- Earnings per share after full dilution amounted to SKr 2.44 (YTD '09: SKr 1.23)

OUTLOOK

The outlook for the full year remains unchanged with moderate organic growth anticipated, excluding the effects of acquisitions and currency fluctuations.

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CHIEF EXECUTIVE SUMMARY

A strong performance in the typically quiet third quarter.

The strength of the Swedish krona relative to the other major currencies has had a noticeable effect on the IFS Group's consolidated results. To understand the comparable performance of the underlying business, one needs to consider the key numbers adjusted for the change in currency.

In quarter three 2010, we saw a number of positive developments in the business. License sales increased, currency adjusted, by 13%, a similar rate of growth as was seen in the previous quarter. Most notably, two high-profile aerospace and defense contracts were concluded, both having the characteristic long sales cycle:

- Firstly, a national defense organization in Europe contracted for US\$ 5 million of IFS Applications licenses in cooperation with a global defense partner.
- Secondly, the Federal Aviation Administration (FAA) in the USA selected IFS Applications as its supply chain, maintenance, repair, and overhaul (MRO) solution for use throughout the U.S. National Airspace System (NAS).

In addition a number of new contracts were signed in our other target markets together with upgrades and add-on sales to the existing installed customer base.

Maintenance revenue continues to grow at a currency-adjusted rate of 6% above the previous year with the margin also increasing to 64.2%. Overall product revenue year to date grew by 9% currency adjusted.

The consulting business has recovered from the temporary setbacks seen in the first half of the year when we had delayed projects in certain regions. The revenue grew in the quarter by 9% currency adjusted, and the margin rose to 19.4%. The consulting backlog remains strong for the remainder of the year.

The overall business can be seen to have improved in the past year with the result (EBIT) for quarter three more than doubling to SKr 39 million (19) and year to date reaching SKr 111 million (82). The EBIT margin for the third quarter was 6.4% (3.2%). The underlying result, expressed as adjusted EBITDA, improved to SKr 56 million (38) for quarter three and to SKr 150 million (95) year to date. Costs remain under control given the still unsteady world economic situation, enabling us to deliver the improved revenue and margins in quarter three with a headcount lower than the equivalent quarter last year.

Cash flow after investments in the first nine months improved to SKr 164 million (90) and reached SKr 260 million on a rolling 12-month basis. Our strong finances and the continuous improvement in cash flow are enabling us to continue to execute on our acquisition strategy.

The view among industry analysts is that the software market in general, and the enterprise application market in particular, is expected to end up flat or at best with slight growth. There are still lingering concerns about the economy, and as a consequence of this many companies have been cautious during the second half of 2010. The year 2011 is forecast to be slightly stronger, with overall single-digit growth compared with 2010.

IFS continues to successfully target customers that are in growth markets such as renewable energy, offshore oil and gas, infrastructure, homeland security and defense. Regarding the latter, although budget cuts can be seen in certain countries (e.g. the United Kingdom and the U.S.A.) there are other regions where defense investment has increased and where IFS has prospects (e.g. Middle East and Asia). Interest in IFS Applications remains high with the license pipeline growing by 12% over the same period in the previous year. This market strategy continues to provide high-value profitable business where IFS is increasingly attaining a market-leading position. The negative impact, as previously commented upon, is that the timing of fewer but larger deals creates 'lumpiness' between the quarters.

The outlook for the full year remains unchanged, that being that we expect moderate organic growth, excluding the effects of acquisitions and currency fluctuations.

SIGNIFICANT EVENTS DURING THE QUARTER

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

- Allen Diesels (machine manufacturing, Norway)
- AMB Solid (construction, Poland)
- Aspen Surgical Products (medical solutions, USA)
- BAE Systems Technology and Solution Services (aerospace & defense, United Kingdom)
- BSBK Engineers (EPCI contractor, India)
- Babcock (aerospace & defense, Australia)
- Beaver-Visitec International (medical solutions, USA)
- CKD China Corporation (machinery manufacturing, China)
- Federal Aviation Administration (aerospace & defense, USA)
- Infratek (service management, Norway)
- KSK Mahanadi Power Company (energy & utilities, India)
- MTN (telecommunications, Côte d'Ivoire/Nigeria)
- Nordic Paper (pulp & paper, Norway/Sweden)
- Semco (EPCI contractor, Denmark)
- United Aircraft Corporation (aerospace & defense, Russia)
- Wardha Power Company (energy & utilities, India)
- a leading field-service operator (service management, Sweden)
- a national defense organization (aerospace & defense, Europe)

New functional unit within IFS R&D

IFS Labs is a new functional unit within IFS R&D that will structure and strengthen the company's continuous focus on improving enterprise application usability. The first concepts were presented in the quarter. Inspired by intuitive Web and social media applications, these are aimed at improving team collaboration and communication as well as information and knowledge capture in a user-friendly way.

FINANCIAL OVERVIEW

SKr million	Jan.–Sept. 2010	Jan.–Sept. 2009	Q3 2010	Q3 2009	Oct.–Sept. 2009/10	Oct.–Sept. 2008/09
Net revenue	1 856	1 855	612	581	2 606	2 599
<i>whereof</i>						
License revenue	267	250	99	90	443	395
Maintenance and support revenue	605	585	201	196	809	785
Consulting revenue	974	1 007	309	294	1 340	1 398
Gross earnings	818	763	275	254	1 186	1 113
<i>whereof</i>						
Licenses	235	211	84	78	400	344
Maintenance and support	376	366	129	124	496	473
Consulting	203	181	60	53	285	287
EBIT	111	82	39	19	227	187
EBIT margin	6%	4%	6%	3%	9%	7%
Earnings before tax	88	50	33	9	206	165
Earnings for the period	65	33	26	6	155	97
Cash flow after investment operations	164	90	-2	-63	260	115

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

Revenue

Net revenue amounted to SKr 612 million (581), an increase of 5% including, and 9% excluding, exchange rate differences. License revenue increased by 10% including, and 13% excluding, exchange rate effects. Maintenance and support revenue increased by 3% including, and 6% excluding, exchange rate effects. Consulting revenue increased by 5% including, 9% excluding exchange rate effects.

Costs

Total costs amounted to SKr 573 million (562), an increase of 2% including, and an increase of 5% excluding, exchange rate differences. The increase in costs is related, to a large extent, to direct costs as an effect of the increase in revenue.

Earnings

EBIT increased to SKr 39 million (19). All regions, except for *Americas*, improved their earnings.

Earnings before tax amounted to SKr 33 million (9). Interest expenses were SKr -2 million (-4). Net financial items as a whole were affected by exchange rate effects and lower bank charges, and amounted to SKr -6 million (-10).

Earnings for the period amounted to SKr 26 million (6).

Cash flow and investments

Cash flow after investments amounted to SKr -2 million (-63). The change in working capital amounted to SKr -41 million (-54). The changes in working capital between the years are mainly explained by a movement in tax and VAT liabilities.

Investments amounted to SKr -41 million (-80), whereof capitalized product development was SKr -35 million (-33).

Cash and cash equivalents totaled SKr 377 million (282) at the end of the period. Available assets amounted to SKr 826 million (496). Liabilities to credit institutions amounted to SKr 59 million (106) at the end of the period.

OUTLOOK

The outlook for the full year remains unchanged with moderate organic growth anticipated, excluding the effects of acquisitions and currency fluctuations.

OTHER INFORMATION

Parent Company

Net revenue for the third quarter amounted to SKr 4 million (3), with earnings of SKr -7 million (-9) before tax. Available assets, including unutilized lines of credit, amounted to SKr 584 million (277).

During the quarter, in accordance with a decision at the AGM, it was resolved to reduce the Group's capital stock by SKr 2,950,020 by cancelling 147,501 series B shares repurchased during the first quarter. The cancellation process was finalized during the third quarter.

The number of shares increased by 1,000 series B shares during the quarter as previously issued warrant programs were exercised.

During the quarter 1,194 shares of series A were converted into shares of series B. This resulted in a decrease in the total number of votes by 1,074.6.

During the quarter, the Group signed a new financing agreement of SKr 500 million with a term of 5 years.

Events occurring after the end of the period

On October 1, IFS acquired 100% of the capital stock in 360 Scheduling Ltd for a total consideration of up to £ 9.4 million. Of this, £ 4.5 million is contingent on achievement of revenue and growth targets up to August 2012. All of the consideration is payable in cash.

The purpose of the acquisition of 360 Scheduling is to strengthen IFS's market position in the service & asset industry, especially in the field of mobile workforce management. Based in the United Kingdom and with sites in France and the United States, the company is one of the world's leading providers of advanced mobile-workforce scheduling and optimization software for both on-premises and "cloud" (software-as-a-service) deployment.

In its financial year ending August 31, 2010, 360 Scheduling generated net revenue of £ 2.7 million and EBITDA amounting to £ 0.4 million.

The acquisition of 360 Scheduling Ltd was carried out close to the date of publication of this interim report. Therefore, the accounting for business combination is still incomplete, meaning that most of the information as required by IFRS 3 paragraph B64 cannot be disclosed in this report. 360 Scheduling will be included in IFS's consolidated statements as of quarter four 2010 and is expected to contribute positively to earnings per share from 2011 and onward.

Annual general meeting of stockholders

The annual general meeting of stockholders for 2011 will be held on March 25, 2011, at the Courtyard by Marriott, Rålambshovsleden 50, Stockholm, Sweden. The board of directors will submit the notification convening the annual general meeting on February 25, 2011, at the latest.

Miscellaneous

The year-end report for 2010 will be published on February 9, 2011.

Linköping, October 27, 2010

Alastair Sorbie
PRESIDENT & CEO

CONSOLIDATED INCOME STATEMENT

SKr million	Jan.-Sept. 2010	Jan.-Sept. 2009	Q3 2010	Q3 2009	Oct.-Sept. 2009/10	Oct.-Sept. 2008/09	Full year 2009
License revenue	267	250	99	90	443	395	426
Maintenance and support revenue	605	585	201	196	809	785	789
Consulting revenue	974	1 007	309	294	1 340	1 398	1 373
Other revenue	10	13	3	1	14	21	17
Net revenue	1 856	1 855	612	581	2 606	2 599	2 605
License expenses	-32	-39	-15	-12	-43	-51	-50
Maintenance and support expenses	-229	-219	-72	-72	-313	-312	-303
Consulting expenses	-771	-826	-249	-241	-1 055	-1 111	-1 110
Other expenses	-6	-8	-1	-2	-9	-12	-11
Direct expenses	-1 038	-1 092	-337	-327	-1 420	-1 486	-1 474
Gross earnings	818	763	275	254	1 186	1 113	1 131
Product development expenses	-164	-143	-53	-45	-215	-193	-194
Sales and marketing expenses	-335	-338	-107	-113	-459	-462	-462
Administration expenses	-191	-191	-65	-63	-263	-264	-263
Other operating revenue*	3	5	1	-4	8	13	10
Other operating expenses	-20	-14	-12	-10	-30	-20	-24
Indirect expenses, net	-707	-681	-236	-235	-959	-926	-933
EBIT	111	82	39	19	227	187	198
Result from participations in associated companies	0	0	0	1	-1	1	-1
Interest expenses	-4	-7	-2	-4	-3	-9	-6
Other financial items	-19	-25	-4	-7	-17	-14	-23
Earnings before tax	88	50	33	9	206	165	168
Tax	-23	-17	-7	-3	-51	-68	-45
Earnings for the period	65	33	26	6	155	97	123
Earnings for the period are allocated as follows:							
Owners of the Parent Company (SKr million)	66	33	27	6	156	97	123
Non-controlling interests (SKr million)	-1	0	-1	0	-1	0	0
Earnings per share pertaining to Parent Company shareholders (SKr)	2.49	1.24	1.02	0.23	5.88	3.65	4.63
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	2.44	1.23	1.00	0.22	5.77	3.61	4.57
Number of shares (thousands)							
At the end of the period	25 942	26 553	25 942	26 553	25 942	26 553	26 553
At the end of the period, after full dilution	26 607	26 999	26 607	26 999	26 607	26 999	26 999
Average for the period	26 503	26 553	26 441	26 553	26 515	26 553	26 553
Average for the period, after full dilution	27 047	26 893	27 107	26 975	27 035	26 876	26 920

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SKr million	Jan.-Sept. 2010	Jan.-Sept. 2009	Q3 2010	Q3 2009	Oct.-Sept. 2009/10	Oct.-Sept. 2008/09	Full year 2009
Earnings for the period	65	33	26	6	155	97	123
<i>Other comprehensive income</i>							
Exchange rate differences	-47	-21	-54	-38	-41	20	-15
Other comprehensive income for the period, net of tax	-47	-21	-54	-38	-41	20	-15
Total comprehensive income for the period	18	12	-28	-32	114	117	108
Total comprehensive income allocated as follows:							
Owners of the Parent Company	19	12	-27	-32	115	117	108
Non-controlling interests	-1	0	-1	0	-1	0	0

CONSOLIDATED BALANCE SHEET

Assets SKr million	Sept. 30 2010	Sept. 30 2009	Dec. 31 2009
Capitalized expenditure for product development	490	480	481
Goodwill	247	255	262
Other intangible fixed assets	20	20	26
Intangible fixed assets	757	755	769
Tangible fixed assets	75	82	83
Participations in associated companies	3	4	3
Deferred tax receivables	226	255	231
Other long-term receivables and other participations	43	29	30
Financial fixed assets	272	288	264
Non-current assets	1 104	1 125	1 116
Accounts receivable	488	532	765
Other receivables	253	296	238
Cash and cash equivalents	377	282	355
Current assets	1 118	1 110	1 358
Assets	2 222	2 235	2 474
Equity and liabilities SKr million	Sept. 30 2010	Sept. 30 2009	Dec. 31 2009
Share capital	529	531	531
Other capital contributed	699	697	697
Accumulated earnings, including earnings for the period and other reserves	-2	-20	77
Shareholders' equity pertaining to Parent Company shareholders	1 226	1 208	1 305
Non-controlling interests	-1	0	0
Shareholders' equity	1 225	1 208	1 305
Liabilities to credit institutions	1	7	7
Pension obligations	65	61	68
Other provisions and other liabilities	6	5	5
Non-current liabilities	72	73	80
Accounts payable	57	85	102
Liabilities to credit institutions	58	99	74
Other provisions and other liabilities	810	770	913
Current liabilities	925	954	1 089
Liabilities	997	1 027	1 169
Equity and liabilities	2 222	2 235	2 474
Pledged assets	964	930	982
Contingent liabilities	10	9	9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Mkr	Pertaining to parent company shareholders						Total stockholders' equity
	Share capital	Other contributed capital	Reserves	Profit brought forward	Total	Minority interest	
Opening balance January 1, 2009	539	697	1	-8	1 229	0	1 229
Total comprehensive income for the period	-	-	-21	33	12	-	12
Issue of call option program, T07B	-	-	-	1	1	-	1
Dividend	-	-	-	-34	-34	-	-34
Cancellation of repurchased shares	-8	-	-	8	-	-	0
Closing balance September 30, 2009	531	697	-20	0	1 208	0	1 208
Opening balance January 1, 2010	531	697	-14	91	1 305	0	1 305
Total comprehensive income for the period	-	-	-47	66	19	-1	18
New share issue	1	2	-	-	3	-	3
Issue of call option program, T08B	-	-	-	2	2	-	2
Dividend	-	-	-	-53	-53	-	-53
Repurchase of own shares	-	-	-	-50	-50	-	-50
Cancellation of repurchased shares	-3	-	-	3	0	-	0
Closing balance September 30, 2010	529	699	-61	59	1 226	-1	1 225

CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Jan.–Sept. 2010	Jan.–Sept. 2009	Q3 2010	Q3 2009	Oct.–Sept. 2009/10	Oct.–Sept. 2008/09	Full year 2009
Earnings before tax	88	50	33	9	206	165	168
Adjustments for items not included in the cash flow	118	141	47	62	154	177	177
Cash flow from operations before change in working capital	206	191	80	71	360	342	345
Change in working capital	89	64	-41	-54	78	-7	53
Cash flow from current operations	295	255	39	17	438	335	398
Acquisition of subsidiaries	-	-44	-	-44	-	-44	-44
Acquisition of intangible fixed assets	-113	-109	-38	-36	-156	-159	-152
Cash flow from other investment operations	-18	-12	-3	0	-22	-17	-16
Cash flow after investment operations	164	90	-2	-63	260	115	186
Dividend distributed	-53	-33	-	-	-53	-33	-33
Repurchase of own shares	-50	-	-	-	-50	-	-
Cash flow from other financing operations	-27	-94	41	-2	-46	-46	-113
Cash flow for the period	34	-37	39	-65	111	36	40
Cash and cash equivalents at the beginning of the period	355	317	354	360	282	235	317
Exchange rate differences in cash and cash equivalents	-12	2	-16	-13	-16	11	-2
Cash and cash equivalents at the end of the period	377	282	377	282	377	282	355

CONSOLIDATED ORGANIC NET REVENUE

SKr, million	January–September					Q3				
	Actual 2010	Translation effect	Structural changes	Adjusted 2010	Actual 2009	Actual 2010	Translation effect	Structural changes	Adjusted 2010	Actual 2009
License revenue	267	12	-2	277	250	99	3	-1	101	90
Maintenance and support revenue	605	26	-12	619	585	201	7	-3	205	196
Total product revenue	872	38	-14	896	835	300	10	-4	306	286
Consulting revenue	974	38	-10	1 002	1 007	309	10	-1	318	294
Net revenue (including other revenue)	1 856	76	-24	1 908	1 855	612	20	-5	627	581

CONSOLIDATED ORGANIC OPERATING EXPENSES

SKr, million	January–September					Q3				
	Actual 2010	Translation effect	Structural changes	Adjusted 2010	Actual 2009	Actual 2010	Translation effect	Structural changes	Adjusted 2010	Actual 2009
Operating expenses	1 745	73	-30	1 788	1 773	573	18	-4	587	562
Capital gains/losses	0	-	-	0	0	0	-	-	0	0
Exchange rate gains/losses	-10	0	-	-10	1	-7	1	-	-6	-6
Restructuring costs/ redundancy costs	-9	0	0	-9	-14	-4	0	0	-4	-12
Reversal of restructuring costs	1	0	-	1	-	0	0	-	0	-
Amortization/depreciation and net capitalization of prod. development	-13	-1	2	-12	0	-7	0	1	-6	-1
Adjusted operating expenses	1 714	72	-28	1 758	1 760	555	19	-3	571	543

CONSOLIDATED SEGMENT REPORTING, THIRD QUARTER

THIRD QUARTER SKr million	Europe North		Europe West		Europe Central	
	2010	2009	2010	2009	2010	2009
License revenue	24	22	16	15	3	7
Maintenance and support revenue	80	73	30	30	17	20
Consulting revenue	134	117	34	38	42	39
Other revenue	1	1	0	-1	1	1
Total external revenue	239	213	80	82	63	67
Internal revenue	9	14	9	8	4	4
Total revenue	248	227	89	90	67	71
External operating expenses	-149	-142	-62	-66	-53	-66
Internal operating expenses	-18	-15	-4	-9	-6	-2
Other operating items, net	-2	-1	0	-1	0	0
Operating expenses	-169	-158	-66	-76	-59	-68
EBIT, undistributed	79	69	23	14	8	3
Numbers of employees						
Average for the period	573	570	236	240	189	192
At the end of the period	579	599	235	237	189	193
THIRD QUARTER SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2010	2009	2010	2009	2010	2009
License revenue	29	5	18	32	9	10
Maintenance and support revenue	15	15	31	32	18	14
Consulting revenue	23	23	37	34	32	33
Other revenue	0	0	0	0	0	0
Total external revenue	67	43	86	98	59	57
Internal revenue	3	4	10	7	2	2
Total revenue	70	47	96	105	61	59
External operating expenses	-52	-49	-65	-64	-48	-49
Internal operating expenses	-1	0	-5	-4	-3	-8
Other operating items, net	-5	-2	0	0	2	0
Operating expenses	-58	-51	-70	-68	-49	-57
EBIT, undistributed	12	-4	26	37	12	2
Numbers of employees						
Average for the period	270	279	194	197	292	295
At the end of the period	270	279	193	197	293	300
THIRD QUARTER SKr million	Defense		Corporate items *		GROUP	
	2010	2009	2010	2009	2010	2009
License revenue	1	0	-1	-1	99	90
Maintenance and support revenue	7	10	3	2	201	196
Consulting revenue	7	8	0	2	309	294
Other revenue	0	0	1	0	3	1
Total external revenue	15	18	3	3	612	581
Internal revenue	10	4	-47	-43	0	0
Total revenue	25	22	-44	-40	612	581
External operating expenses	-13	-20	-120	-92	-562	-548
Internal operating expenses	-6	-7	43	45	0	0
Other operating items, net	-1	1	-5	-11	-11	-14
Operating expenses	-20	-26	-82	-58	-573	-562
EBIT, undistributed	5	-4	-126	-98	39	19
Numbers of employees						
Average for the period	44	54	824	835	2 622	2 662
At the end of the period	41	54	821	831	2 621	2 690

* Undistributed corporate revenue and expenses

CONSOLIDATED SEGMENT REPORTING, FIRST NINE MONTHS

JANUARY–SEPTEMBER SKr million	Europe North		Europe West		Europe Central	
	2010	2009	2010	2009	2010	2009
License revenue	69	64	69	37	21	27
Maintenance and support revenue	241	220	95	90	52	56
Consulting revenue	432	447	102	121	125	127
Other revenue	2	2	0	4	1	1
Total external revenue	744	733	266	252	199	211
Internal revenue	37	27	29	27	11	13
Total revenue	781	760	295	279	210	224
External operating expenses	-500	-486	-202	-211	-168	-199
Internal operating expenses	-49	-47	-20	-18	-17	-9
Other operating items, net	-3	-1	0	1	0	-1
Operating expenses	-552	-534	-222	-228	-185	-209
EBIT, undistributed	229	226	73	51	25	15
Numbers of employees						
Average for the period	575	577	239	241	192	194
At the end of the period	579	599	235	237	189	193
JANUARY–SEPTEMBER SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2010	2009	2010	2009	2010	2009
License revenue	47	22	29	54	30	47
Maintenance and support revenue	45	41	95	103	50	43
Consulting revenue	81	78	118	118	91	82
Other revenue	1	2	0	0	3	2
Total external revenue	174	143	242	275	174	174
Internal revenue	13	10	31	25	8	5
Total revenue	187	153	273	300	182	179
External operating expenses	-156	-151	-193	-212	-141	-146
Internal operating expenses	-1	-1	-7	-5	-18	-11
Other operating items, net	-2	-5	0	0	-4	1
Operating expenses	-159	-157	-200	-217	-163	-156
EBIT, undistributed	28	-4	73	83	19	23
Numbers of employees						
Average for the period	271	277	193	204	295	297
At the end of the period	270	279	193	197	293	300
JANUARY–SEPTEMBER SKr million	Defense		Corporate items *		GROUP	
	2010	2009	2010	2009	2010	2009
License revenue	2	3	0	-4	267	250
Maintenance and support revenue	22	26	5	6	605	585
Consulting revenue	22	29	3	5	974	1 007
Other revenue	0	1	3	1	10	13
Total external revenue	46	59	11	8	1 856	1 855
Internal revenue	17	13	-146	-120	0	0
Total revenue	63	72	-135	-112	1 856	1 855
External operating expenses	-40	-59	-328	-300	-1 728	-1 764
Internal operating expenses	-18	-22	130	113	0	0
Other operating items, net	-3	0	-5	-4	-17	-9
Operating expenses	-61	-81	-203	-191	-1 745	-1 773
EBIT, undistributed	2	-9	-338	-303	111	82
Numbers of employees						
Average for the period	48	57	826	838	2 639	2 685
At the end of the period	41	54	821	831	2 621	2 690

* Undistributed corporate revenue and expenses

INCOME STATEMENT OF THE PARENT COMPANY

SKr million	Jan.–Sept. 2010	Jan.–Sept. 2009	Q3 2010	Q3 2009	Oct.–Sept. 2009/10	Oct.–Sept. 2008/09	Full year 2009
Net revenue	15	9	4	3	20	14	14
Administration expenses	-20	-20	-8	-8	-27	-25	-27
Other operating revenue	0	-	0	-	0	-	-
Other operating expenses	-	-4	-	-4	0	-4	-4
EBIT	-5	-15	-4	-9	-7	-15	-17
Result from participations in subsidiaries	-1	0	-1	0	-1	0	0
Result from participations in associated companies	-	-	-	-	0	-	0
Financial revenue	41	59	23	18	71	119	89
Financial expenses	-45	-50	-25	-18	-64	-100	-69
Earnings before tax	-10	-6	-7	-9	-1	4	3
Tax	2	1	1	2	-2	-6	-3
Earnings for the period	-8	-5	-6	-7	-3	-2	0

BALANCE SHEET OF THE PARENT COMPANY

SKr million	Sept. 30 2010	Sept. 30 2009	Dec. 31 2009
Assets			
Participations in subsidiaries	978	978	978
Deferred tax receivables	83	88	81
Receivables in subsidiaries	24	27	28
Other long-term receivables and other participations	16	4	3
Financial fixed assets	1 101	1 097	1 090
Non-current assets	1 101	1 097	1 090
Receivables in subsidiaries	552	673	663
Prepaid expenses and accrued income	10	5	8
Cash and cash equivalents	135	69	98
Current assets	697	747	769
Assets	1 798	1 844	1 859
Equity and liabilities			
Share capital	529	531	531
Statutory reserve	573	573	573
Retained earnings, including earnings for the period and share premium reserve	356	448	462
Shareholders' equity	1 458	1 552	1 566
Provisions for pensions and similar commitments	4	3	3
Liabilities to credit institutions	-	5	5
Non-current liabilities	0	5	5
Liabilities to credit institutions	56	95	70
Liabilities to subsidiaries	266	176	198
Other liabilities	14	13	17
Current liabilities	336	284	285
Shareholders' equity and liabilities	1 798	1 844	1 859

OUTSTANDING SHARES

	Series A	Series B	TOTAL
Number of shares on January 1, 2010	1 391 664	25 161 259	26 552 923
Conversion of series-A shares into series-B shares	-1 194	1 194	-
Cancellation of shares bought back	-	-147 501	-147 501
Use of options TO6B and TO7B	-	36 500	36 500
Number of shares on September 30, 2010	1 390 470	25 051 452	26 441 922
Repurchasing of shares, in own custody	-	-500 000	-500 000
Number of outstanding shares on September 30, 2010	1 390 470	24 551 452	25 941 922
Number of voting rights on September 30, 2010	1 390 470	2 455 145	3 845 615
Additional shares after full dilution	-	664 920	664 920
Number of shares on September 30, 2010 after full dilution	1 390 470	25 216 372	26 606 842

KEY FIGURES FOR THE GROUP

		Jan.–Sept. 2010	Jan.–Sept. 2009	Q3 2010	Q3 2009	Oct.–Sept. 2009/10	Oct.–Sept. 2008/09	Full year 2009
Revenue indicator								
Net revenue per employee	SKr, '000	703	691	233	218	985	966	972
Expense and expenditure indicators								
Product development expenses/net revenue	%	9%	8%	9%	8%	8%	7%	7%
Sales and marketing expenses/net revenue	%	18%	18%	17%	19%	18%	18%	18%
Administration expenses/net revenue	%	10%	10%	11%	11%	10%	10%	10%
Amortization and depreciation	SKr, M	-122	-106	-42	-34	-161	-151	-145
of which amortization of capitalized product development expenditure	SKr, M	-101	-86	-35	-28	-133	-122	-118
Capitalized product development expenditure	SKr, M	109	106	35	33	146	152	143
Margin indicators								
License margin	%	88%	84%	85%	87%	90%	87%	88%
Maintenance and support margin	%	62%	63%	64%	63%	61%	60%	62%
Consulting margin	%	21%	18%	19%	18%	21%	21%	19%
Gross margin	%	44%	41%	45%	44%	46%	43%	43%
EBIT margin	%	6%	4%	6%	3%	9%	7%	8%
Earnings margin	%	5%	3%	5%	2%	8%	6%	6%
Return on average operating capital	%	12%	8%	4%	2%	23%	18%	19%
Capital indicators								
Equity/assets ratio	%	55%	54%	55%	54%	55%	54%	53%
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	22%	24%	21%	24%	22%	24%	24%
Interest-bearing liabilities	SKr, M	124	167	124	167	124	167	149
Liquidity indicators								
Net liquidity	SKr, M	318	176	318	176	318	176	274
Debt/equity ratio	times	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Employees								
Average for the period		2 639	2 685	2 622	2 662	2 647	2 690	2 681
At the end of the period		2 621	2 690	2 621	2 690	2 621	2 690	2 664

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	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3
License revenue	99	103	65	176	90	86	74	145	142
Maintenance and support revenue	201	205	199	204	196	193	196	200	175
Consulting revenue	309	343	322	366	294	357	356	391	287
Other revenue	3	4	3	4	1	4	8	8	8
Net revenue	612	655	589	750	581	640	634	744	612
License expenses	-15	-10	-7	-11	-12	-17	-10	-12	-11
Maintenance and support expenses	-72	-83	-74	-84	-72	-69	-78	-93	-71
Consulting expenses	-249	-254	-268	-284	-241	-286	-299	-285	-246
Other expenses	-1	-4	-1	-3	-2	-2	-4	-4	-1
Direct expenses	-337	-351	-350	-382	-327	-374	-391	-394	-329
Gross earnings	275	304	239	368	254	266	243	350	283
Product development expenses	-53	-58	-53	-51	-45	-48	-50	-50	-61
Sales and marketing expenses	-107	-120	-108	-124	-113	-114	-111	-124	-109
Administration expenses	-65	-62	-64	-72	-63	-61	-67	-73	-59
Other operating revenue	1	1	1	5	-4	-9	18	8	3
Other operating expenses	-12	-1	-7	-10	-10	-1	-3	-6	-15
Indirect expenses, net	-236	-240	-231	-252	-235	-233	-213	-245	-241
EBIT	39	64	8	116	19	33	30	105	42
Result from participations in associated companies	0	0	0	-1	1	-1	0	1	-1
Interest expenses	-2	-1	-1	1	-4	-1	-2	-2	-3
Other financial items	-4	-12	-3	2	-7	-5	-13	11	8
Earnings before tax	33	51	4	118	9	26	15	115	46
Tax	-7	-15	-1	-28	-3	-9	-5	-51	-16
Earnings for the period	26	36	3	90	6	17	10	64	30
Cash flow after investment operations	-2	92	74	96	-63	32	121	25	-15
Number of employees at the end of the period	2 621	2 628	2 658	2 664	2 690	2 656	2 711	2 723	2 699

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, 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 2009.

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 1.3, 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 2.3, Accounting for Legal Entities, have been applied.

The changes in IFRS that came into force in 2010 have not affected consolidated statements during the period. The changes in IFRAS 3, Business Combinations, and IAS 27, Consolidated and Separate Financial Statements are mandatory for accounting periods that begin on July 1, 2009 or later. With respect to IFRS 3, the changes will apply only to acquisitions made on or after the change came into force, i.e. January 1, 2010. The Group has made no acquisitions or divestments during the third quarter of 2010, but the new principles will be applied to any future acquisitions or divestments. With the exception of these changes, the accounting principles applied are the same as those applied during the previous year.

For detailed information about the accounting principles: see annual report 2009.

REVIEW REPORT

We have reviewed this report for the period January 1, 2010 to September 30, 2010 for Industrial and Financial Systems, IFS AB (publ.). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Linköping, October 27, 2010

PricewaterhouseCoopers AB

Lars Wennberg
AUTHORISED PUBLIC ACCOUNTANT
AUDITOR IN CHARGE

FINANCIAL INFORMATION 2010–2011

Year-end report 2010	February 9, 2011
Interim report January–March 2011	April 21, 2011
Interim report January–June 2011	July 21, 2011
Interim report January–September 2011	October 27, 2011

ABOUT IFS

IFS is a public company (OMX STO: IFS) founded in 1983 that develops, supplies, and implements IFS Applications™, a fully-integrated, component-based extended ERP suite built on SOA technology. The company has more than 2,000 customers in more than 50 countries and focuses on seven main industries: aerospace & defense, utilities & telecom, manufacturing, process industries, automotive, retail & wholesale distribution, and construction contracting & service management. IFS has 2,700 employees and net revenue in 2009 was SKr 2.6 billion.

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