PRELIMINARY REPORT ON 2004 OPERATIONS

JANUARY–DECEMBER 2004

Q4

Fourth quarter 2004

- IFS reported an operating loss of SKr49m (2003: SKr50m) and a loss of SKr78m (2003: SKr18m) after net financial items. The loss after tax was SKr86m (2003: SKr14m), with a loss per share after tax of SKr0.84 (2003: SKr0.19).
- One-time items charged earnings with SKr103m, net. Thus, operating earnings, before one-time items, amounted to SKr49m (2003: Skr53m). Earnings after net financial items, before one-time items, were SKr25m (2003: SKr21m).
- Net sales amounted to SKr637m (2003: SKr655m). License sales totaled SKr286m (2003: SKr300m). Consulting revenue rose to SKr327m (2003: SKr324m).
- Order intake was good, and the order backlog increased by SKr24m during the quarter to SKr1,043m (2003: SKr952m).
- Operating expenses, excluding one-time items, were SKr620m (2003: SKr657m).
- Cash flow from current operations amounted to SKr8m (2003: SKr56m). Cash flow after investments was SKr14m (2003: SKr–26m).
- A rights issue of SKr267m and a convertible bond issue of SKr160m were implemented.

Full Year 2004

- IFS reported an operating loss of SKr152m (2003: SKr29m loss) and a loss of SKr228m (2003: SKr139m loss) after net financial items. The loss after tax amounted to SKr243m (2003: SKr151m loss), with a loss per share after tax of SKr2.43 (2003: SKr2.10 loss).
- One-time items charged earnings with SKr94m, net. Thus the operating loss, before one-time items, was SKr63m (2003: SKr38m loss). The loss after net financial item, before one-time items, was SKr134m (2003: SKr148m loss).
- Net sales amounted to SKr2,178m (2003: SKr2,335m), of which license sales accounted for SKr921m (2003: SKr918m) and consulting revenue for SKr1,174m (2003: 1,302m).
- Operating expenses, excluding one-time items, amounted to SKr2,394m (2003: SKr2,546m).
- Cash flow from current operations amounted to SKr7m (2003: SKr70m). Cash flow after investments was SKr–69m (2003: SKr–169m).
- The breakeven target of SKr2,300m for 2004 was attained.

After the end of the report period

- A new sales strategy and actions to improve profitability mean that risk levels have been reduced and earning capacity strengthened. Positive developments in order backlog combined with signs of stability in the market are expected to result in a significant improvement in earnings and cash flow in 2005.

Customers and market

Demand increased somewhat in the market for business software during the fourth quarter. According to industry analysts such as Gartner and AMR, this was chiefly the result of strong demand in North America, whereas the European market was weak. IFS' assessment of the market is that demand has been weak mainly in western Continental Europe, whereas demand in growth markets such as Latin America, Asia, and Eastern Europe has been strong. This has led to growth and improved margins for IFS in all growth markets during the fourth quarter.

Competition for new projects continues to be tough, with pressure on prices, which means that it has become increasingly important that vendors can offer industry-specific functionality that can be implemented without costly customization. In the past year, IFS won several significant contracts in all its focused industries, including: the British Armed Forces and Lockheed Martin/ Joint Strike Fighter, U.S.A. (Aerospace & Defense); DuPont Filaments Americas and ANI Printing Inks, U.S.A. (Process Industry); China Yangtze Electric Power Corporation, P.R. China, and General Electric Company of Libya (Utility & Telecom); Keymed and Kelvin Hughes, U.K. (High-Tech); Volvo Car Corporation, Sweden, and Guru Nanak Auto Enterprises, India (Automotive); Debut Services, U.K., and SKE, Germany (Service & Facilities Management); Singer, Thailand, and Kempi, Finland (Industrial Manufacturing).

Industry analysts Gartner and AMR forecast growth of 4-6% in 2005. Companies are becoming more willing to invest because they need better IT support for their increasingly international operations. In mature markets in Western Europe and North America, this has led to a greater need to replace or upgrade existing systems, whereas in growth markets, demand is increasing from companies that require new business software.

Group performance

During 2004, major actions were taken and investments were made to change corporate and organizational structures, increase efficiency, and reduce costs. The product offering focused on 7 industries in the lifecycle and mid-market ERP segments. R&D expenditure was reduced without significantly affecting capacity via centralization and continued development of low-cost resources in Sri Lanka. Investments were made in the support organization, which was centralized to 4 global support centers, in order to increase the level of service provided to customers and partners, and to reduce costs. Changes are being made in line with the new sales strategy, and are at an advanced stage in certain markets. IFS' direct presence is being scaled back in several markets. In the U.S.A., midmarket ERP is being penetrated primarily via distributors, and in Latin America, a partner network has been set up which will assume total responsibility for the market as of 2005. The new sales strategy is intended to strengthen and broaden license sales by collaborating with partners and distributors at local and global levels to achieve more focused operations, a more flexible cost structure, and lower risk levels. To help achieve these goals, IFS do Brasil Ltda., IFS' payroll solution for the Swedish market, and CAD software were divested during the fourth quarter, and IFS entered into strategic partnerships with the acquiring companies. The total net gain on these sales was SKr27m in the fourth quarter. IFS' outsourcing operation, AtIFS, was divested in the first quarter when IFS entered into collaboration with Ergo Group. Further, IFS divested its 30% share in Manpower Service Center AB. For the full year, the total gain on the sales amounted to SKr63m.

During the fourth quarter, IFS initiated further streamlining measures, which, combined with previously implemented actions, are expected to lower operating expenses in 2005 by SKr300m compared with 2004. The number of employees after the changes is expected to be approximately 2,450. Capital gains on sales, provisions and restructuring expenses, and one-time items charged earnings with SKr103m, net, in the fourth quarter and Skr94m, net, for the full year.

License sales amounted to SKr286m (2003: SKr300m) during the fourth quarter and SKr921m (2003: SKr918m) for the full year. Revenue from new licenses was SKr161m (2003: SKr196m) during the fourth quarter and SKr451m (2003: SKr513m) for the full year. The new-license margin (*See definition, p. 6*) was –22% (2003: –15%) for the full year. Revenue from maintenance and support was SKr125m (2003: SKr104m) in the fourth quarter and SKr470m (2003: SKr405m) for the full year. The maintenance & support margin (*See definition, p. 6*) was 67% (2003: 65%) for the full year. Order intake was good, and the order backlog increased by SKr24m during the quarter to SKr1,043m (2003: SKr952m). During 2004, 19% (2003: 13%) of new license revenue was generated by partners. The increase was most significant during the second half of the year, when several major contracts were won in collaboration with industry partners.

Consulting revenue in the fourth quarter amounted to SKr327m (2003: SKr324m) and to SKr1,174m (2003: SKr1,302m) for the full year. The consulting margin (*See definition, p. 6*) was 22% (2003: 21%) for the full year. IFS' own capacity was partly replaced by suppliers and partners, a trend that is expected to continue. Exchange rate effects had a negative impact of 1% on net sales during the fourth quarter and of 2% for the full year.

Operating expenses, excluding one-time items of SKr131m, fell to SKr620m (2003: SKr657m) during the fourth quarter as an effect of cost containment actions. Restructuring expenses pertain primarily to personnel reductions in Sweden. In North America, expenses decreased substantially as a result of the change in sales strategy under which direct sales was directed toward major companies in the aerospace & defense and industrial manufacturing industries. Operating expenses for the full year, excluding one-time items of SKr169m, fell to SKr2,394m (2003: SKr2,546m). Exchange rate effects entailed a reduction of 1% in operating expenses in the fourth quarter and of 2% for the full year. Product development expenditure was 14% (2003: 12%) of net sales, and administration expenses, 11% (2003: 11%), for the full year.

The operating profit for the fourth quarter before one-time items was SKr49m (2003: SKr53m), and earnings after net financial items were SKr25m (2003: SKr21m). The operating loss for the full year, before one-time items, amounted to SKr63m (2003: SKr38m loss), and the loss after net financial items before one-time items was SKr134m (2003: SKr148m loss).

Cash flow after investments improved to SKr14m (2003: SKr–26m) in the fourth quarter and SKr–69m (2003: SKr–169m) for the full year, primarily as a result of divesting operations and reducing product development expenditure. DSO, based on invoicing for 12 months rolling, was 76 days (2003: 75) at the end of the fourth quarter.

During the latter part of 2004, a number of management and organizational changes were made to strengthen the conditions for achieving the new profitability targets that were set. Hans Rune Rønningen is now responsible for R&D, support and internal IT support, Fredrik vom Hofe heads Marketing & Industry Solutions, Jan Moodh is responsible for Growth Markets, which include Eastern Europe, Latin America, and Asia, and Alastair Sorbie is responsible for EMEA, including the Nordic region. Major changes in management and organization were made in IFS North America, where Cindy Jaudon has assumed responsibility for operations.

In 2005, IFS will devote its entire focus and resources to attaining stable profitability in the company. The target for 2005 is to achieve a new-license margin of at least 0% (2004: –22%), a maintenance & support margin of at least 72% (2004: 67%), and a consulting margin of at least 25% (2004: 22%). Research and development expenditure shall not exceed 11% (2004: 14%), and administration expenses, 11% (2004: 11%), of net sales.

Financing

To utilize and develop the values inherent in the company, drive the streamlining and cost containment program, and reduce liabilities, a guaranteed rights issue of SKr267m was implemented during the fourth quarter at a subscription price of SKr2.60 per share. The rights issue was fully subscribed, and IFS received a capital infusion of SKr240m after deductions for issue expenses. In addition, secured convertible bonds in an amount of SKr160m were issued to SEB and Förvaltnings AB Wasatornet (Wasatornet) to be set off against liabilities. The convertible bonds subscribed for by SEB were acquired by Wasatornet, which offered them for sale at a price corresponding to their nominal value to those who had exercised subscription rights to subscribe for shares in the rights issue. The conversion price was set at SKr5.25. In connection with the rights issue and the convertible bond issue, new credit agreements were signed concerning the amortization of loans totaling SKr152m and extended amortization periods on remaining loans. In relation to this, the guarantee commitment undertaken by Wasatornet was terminated. Liquid assets amounted to SKr152m (2003: SKr137m) on December 31, 2004. The Group also had access to unutilized lines of credit and loan commitments of SKr161m (2003: SKr158m).

Parent company

The parent company reported net revenue of SKr14m for 2004 (2003: SKr15m), with a loss after net financial items of SKr234m (2003: SKr384m loss). Earnings were charged with a write-down of shares in subsidiaries of SKr143m (2003: SKr330m) and losses of SKr33m (2003: SKr10m loss) on divesting subsidiaries. On December 31, 2004, liquid funds, including unutilized lines of credit, amounted to SKr95m (2003: SKr82m).

Outlook

Stronger finances, a new sales strategy, and actions to improve profitability mean that risk levels have been reduced and earning capacity strengthened. Positive developments in order backlog combined with signs of stability in the market are expected to result in a significant improvement in earnings and cash flow in 2005.

Linköping February 1, 2005

Michael Hallén
President and CEO

Development by region

October–December (SKr m)	Nordic		EMEA		North America		Growth markets		Group and eliminations		**Group**	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
License revenue	96	94	88	105	41	54	61	47	0	0	**286**	**300**
Consulting revenue	146	163	91	79	47	41	42	40	1	1	**327**	**324**
Other revenue	3	16	6	3	3	5	19	15	-7	-8	**24**	**31**
Total external revenue	**245**	**273**	**185**	**187**	**91**	**100**	**122**	**102**	**-6**	**-7**	**637**	**655**
Internal revenue	16	8	6	20	5	12	4	5	-31	-45	**0**	**0**
Total revenue	**261**	**281**	**191**	**207**	**96**	**112**	**126**	**107**	**-37**	**-52**	**637**	**655**
Operating profit/loss bef. one-time items	**75**	**82**	**65**	**70**	**9**	**-2**	**29**	**17**	**-129**	**-114**	**49**	**53**
Operating profit/loss	**61**	**82**	**52**	**59**	**-18**	**1**	**7**	**16**	**-151**	**-108**	**-49**	**50**
Number of employees, average	660	751	462	454	281	317	494	530	739	667	**2,636**	**2,719**

January–December (SKr m)	Nordic		EMEA		North America		Growth markets		Group and eliminations		**Group**	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
License revenue	315	311	300	262	147	179	155	160	4	6	**921**	**918**
Consulting revenue	514	582	323	320	205	256	130	139	2	5	**1,174**	**1,302**
Other revenue	15	68	4	4	5	6	56	30	3	7	**83**	**115**
Total external revenue	**844**	**961**	**627**	**586**	**357**	**441**	**341**	**329**	**9**	**18**	**2,178**	**2,335**
Internal revenue	43	38	22	32	31	23	14	13	-110	-106	**0**	**0**
Total revenue	**887**	**999**	**649**	**618**	**388**	**464**	**355**	**342**	**-101**	**-88**	**2,178**	**2,335**
Operating profit/loss bef. one-time items	**215**	**261**	**148**	**115**	**16**	**-4**	**26**	**32**	**-468**	**-442**	**-63**	**-38**
Operating profit/loss	**225**	**264**	**131**	**108**	**-11**	**0**	**-1**	**33**	**-496**	**-434**	**-152**	**-29**
Number of employees, average	701	782	461	479	303	356	493	565	703	664	**2,661**	**2,846**

Transactions with related parties

The claim assumed by IFS AB in 2003 concerning a deposit of SKr3m owed to IFS International Flight Service by Greenfield AB was settled during 2004. Greenfield is 90% owned by Bengt Nilsson, deputy chairman (formerly president and CEO) of IFS, and was previously 10% owned by Jan Moodh.

During the year, Wasatornet exercised its right to offset a financial liability of SKr69m against newly issued IFS stock. In December 2004, IFS issued a convertible bond loan of SKr160m, for which Wasatornet subscribed in an amount of SKr110m and SEB in an amount of SKr50m, which paid by setting off the bonds against receivables from IFS. Wasatornet subsequently acquired the convertible bonds subscribed for by SEB.

Prior to the convertible bond issue and the rights issue, Wasatornet entered into a guarantee commitment with IFS to subscribe, over and above exercised subscription rights, for the number of shares in the rights issue that were required to ensure that the issue was fully subscribed, and to subscribe for the entire convertible bond issue after acquiring the convertible bonds subscribed for by SEB. A guarantor's fee of SKr11m has been paid.

Wasatornet has underwritten credit facilities of SKr127m. The loan was settled during 2004. An underwriter's fee of 2.5% was paid.

Interest expenses and financial reimbursements amounted to SKr21m during the year, including a guarantor's fee related to the issues implemented during the year.

Accounting principles

This interim report has been established in conformity with Recommendation RR 20, Interim Reports, of the Swedish Financial Accounting Standards Council.

As of January 1, 2004, IFS applies Recommendation RR 29 (Remuneration of Employees) in its consolidated accounts. By applying RR 29, IFS reports defined benefits pension schemes within all its subsidiaries according to common principles. In IFS' financial reports up to and including 2003, such schemes were reported according to the rules and regulations of their respective countries. In accordance with the transition regulations of the recommendation, an initial liability is established, calculated as of January 1, 2004. This initial liability exceeds the liability reported on December 31, 2003, according to other principles, by SKr74m. Therefore, the excess value has been reported as of January 1, 2004, as an increase in provisions for pensions and similar commitments. After deductions for deferred tax, stockholders' equity is reduced by SKr53m, net. This amount may be adjusted as actuarial estimates for pensions for employees in IFS Defence (pty) Ltd. are expected to be finalized before the next quarterly report is issued.

As of 2004, secondary segment accounts are not provided as IFS has only one line of business, i.e. selling and implementing IFS Applications. In other cases, the accounting principles and calculation methods are the same as those applied in the latest annual report.

Transition to IFRS as of 2005

As of the first quarter of 2005, IFS will file its accounts in accordance with the IFRS. As a result of the introduction of RR29, the transition effects will be solely confined to goodwill write-downs no longer being reported by the group. Instead, it will be mandatory each year to examine whether write-downs are required. Filing in accordance with IFRS would alter net earnings and stockholders' equity for 2004 as follows:

	Profit/loss for the year	**Profit/loss Q4**	**Stockholders' equity**
According to current principles	–243	–86	462
Goodwill	+24	+6	+24
According to IFRS	–219	–80	486

According to IAS39, the market value of currency futures and other derivative instruments is calculated for each report period. As the current extent of such transactions in the Group is minor, IFS considers the effect of the change in accounting principles to be negligible. Nor will the introduction of IFRS2 impact the reporting of IFS' outstanding options programs and convertible debenture loans.

This interim report is unaudited

ORDER BACKLOG (SKr m)

	December 2004	December 2003
Order backlog at the end of the period	**1,043**	**952**

INCOME STATEMENT (SKr m)

	Oct–Dec 2004	Oct–Dec 2003	Jan–Dec 2004	Jan–Dec 2003
License revenue	286	300	921	918
Consulting revenue	327	324	1,174	1,302
Other revenue	24	31	83	115
Net sales	**637**	**655**	**2,178**	**2,335**
Capitalized work for own use	32	55	153	173
Other operating income	33	11	80	16
Total operating income	**702**	**721**	**2,411**	**2,524**
External costs	211	227	760	776
Personnel costs	367	370	1,389	1,517
Depreciation	85	60	288	253
Other operating expenses	88	14	126	7
Total operating expenses	**751**	**671**	**2,563**	**2,553**
Operating profit/loss	**-49**	**50**	**-152**	**-29**
Financial items, net	-29	-32	-76	-110
Profit/loss after financial items	**-78**	**18**	**-228**	**-139**
Tax on profit/loss for the period	-15	-4	-25	-17
Minority interest	7	0	10	5
Profit/loss for the period	**-86**	**14**	**-243**	**-151**

One-time items (SKr m)

	Oct–Dec 2004	Oct–Dec 2003	Jan–Dec 2004	Jan–Dec 2003
Other operating income	33	11	80	16
External costs	23	-	23	-
Amortization/write-downs	20	-	20	-
Other operating expenses	88	14	126	7
One-time items, net (excl. financial items)	**-98**	**-3**	**-89**	**9**
Financial items	5	-	5	-
One-time items, net	**-103**	**-3**	**-94**	**9**
Key ratios per share (SKr)				
Profit/loss after tax *	-0.84	0.19	-2.43	-2.10
Stockholders' equity *	2.26	4.50	2.26	4.50
Number of shares (thousands)				
At the end of the accounting period	205,690	73,059	205,690	73,059
Average for the period	102,824	72,283	99,808	71,942

* In accordance with RR18, dilution is not calculated when it improves earnings.

INCOME STATEMENT BY FUNCTION (SKr m)

	Oct–Dec 2004	Oct–Dec 2003	Jan–Dec 2004	Jan–Dec 2003
License revenue	286	300	921	918
Consulting revenue	327	324	1,174	1,302
Other revenue	24	31	83	115
Net sales	**637**	**655**	**2,178**	**2,335**
Costs of licenses and support	78	75	285	264
Costs of consulting	249	252	927	1,031
Other costs	19	24	62	83
Total direct costs	**346**	**351**	**1,274**	**1,378**
Gross profit/loss	**291**	**304**	**904**	**957**
Research and development costs	108	72	330	272
Sales and marketing costs	111	120	430	472
Administration costs	66	59	250	251
Other operating items, net	55	3	46	-9
Total indirect costs	**340**	**254**	**1,056**	**986**
Operating profit/loss	**-49**	**50**	**-152**	**-29**

One-time items (SKr m)

	Oct–Dec 2004	Oct–Dec 2003	Jan–Dec 2004	Jan–Dec 2003
Cost of consulting	15	-	15	-
Research and development costs	20	-	20	-
Sales and marketing costs	8	-	8	-
Other operating items, net	55	3	46	-9
One-time items, net (excl. financial items)	**-98**	**-3**	**-89**	**9**

BALANCE SHEET (SKr m)

ASSETS	Dec 31, 04	Dec 31, 03
Capitalized development costs	544	596
Goodwill	185	215
Other intangible fixed assets	13	43
Intangible fixed assets	**742**	**854**
Tangible fixed assets	109	146
Other financial fixed assets	143	153
Total fixed assets	**994**	**1,153**
Inventories	**4**	**4**
Accounts receivable	566	599
Other current receivables	67	94
Prepaid expenses and accrued income	74	89
Current receivables	**707**	**782**
Short-term investments	-	0
Cash and bank	152	137
Total current assets	**863**	**923**
Total assets	**1,857**	**2,076**

STOCKHOLDERS' EQUITY AND LIABILITIES	Dec 31, 04	Dec 31, 03
Stockholders' equity	**462**	**315**
Minority interest	**3**	**14**
Restructuring reserve	100	24
Other provisions	90	18
Provisions	**190**	**42**
Convertible debenture loan	199	220
Long-term liabilities to credit institutions	52	216
Other long-term liabilities	7	18
Total long-term liabilities	**258**	**454**
Accounts payable	153	163
Current portion of conv. debenture loan KV1B	45	-
Current liabilities to credit institutions	116	328
Other current liabilities	124	175
Accrued expenses and deferred income	506	585
Total current liabilities	**944**	**1,251**
Stockholders' equity and liabilities	**1,857**	**2,076**

Number of shares outstanding	Series A shares	Series B shares	**Total**
No. of shares Jan 1, 2004	7,154,824	65,903,713	**73,058,537**
Conversion of KV3B	-	24,060,471	**24,060,471**
Stock issue through offset	-	5,725,930	**5,725,930**
Cash issue	7,153,374	95,691,564	**102,844,938**
Conversion of A to B shares	-2,560	2,560	**-**
No. of shares Dec 31, 2004	**14,305,638**	**191,384,238**	**205,689,876**
Additional shares on full conversion	-	62,363,269	**62,363,269**
No. of shares Dec 31, 2004 on full conversion	**14,305,638**	**253,747,507**	**268,053,145**

Terms of the KV1B and KV3B convertible debenture programs: see Annual Report 2003. In connection with the 2004 rights issue, the conversion price of KV1B was adjusted to SKr166.10, and for KV3B to SKr3.40. The KV4B convertible debenture loan was offered to holders of KV1B convertible debentures in 2004 as a replacement for the latter. The annual interest on the loan corresponds to the SEB basic interest rate plus 1.5 percentage points. The conversion price has been adjusted to SKr6.90 per Series B share. The conversion period is January 15, 2005 - July 15, 2007, inclusive. The loan matures on August 15, 2007. The annual interest on the KV5B convertible bond loan is 5%. The conversion price is SKr5.25 per Series B share. The conversion period is January 2, 2005 - March 18, 2008, inclusive. The loan matures on March 31, 2008.

Changes in stockholders' equity (SKr m)	Dec 31, 04	Dec 31, 03
Opening balance according to the adopted balance sheet	315	428
Effect of change in accounting principles	-53	-
Opening balance adjusted according to the new accounting principles	**262**	**428**
Translation differences, etc.	-6	-33
Profit/loss for the period	-243	-151
Convertible debenture, warrant component		
KV3B	-	64
KV4B	6	-
KV5B	46	-
New stock issues		
Premature redemption of warrant	81	-
Offset issue	69	7
Cash issue	247	-
Closing balance	**462**	**315**

Accrued expenses and deferred income (SKr m)	Dec 31, 04	Dec 31, 03
Deferred license revenue	1	3
Deferred maintenance revenue	195	214
Accrued payroll expenses, including social security fees	192	241
Other accrued expenses & deferred income	118	127
Accrued expenses and deferred income	**506**	**585**

Pledged assets and contingent liabilities (SKr m)	Dec 31, 04	Dec 31, 03
Accounts receivable (factoring)	273	122
Chattel mortgages	139	139
Shares in subsidiaries	447	531
Other pledged assets	412	112
Contingent liabilities	18	5
Pledged assets and contingent liabilities	**1,289**	**909**

In addition to the contingent liabilities above, the parent company has guaranteed the fulfillment of certain delivery contracts on behalf of the subsidiaries.

License revenue (SKr m)	Jan–Dec 2004	Jan–Dec 2003
Revenue from new licenses	451	513
of which third-party	*38*	*49*
Maintenance and support revenue	470	405
of which third-party	*33*	*31*
License revenue	**921**	**918**

Research and development costs (SKr m)	Jan–Dec 2004	Jan–Dec 2003
Product development expenditure	256	269
Amortization of capitalized development costs	188	152
Write-down of capitalized development costs	20	-
Other amortization related to R&D operations	19	24
Capitalized work for own use	-153	-173
Research and development costs	**330**	**272**

CASH FLOW STATEMENT (SKr m)	Oct–Dec 2004	Oct–Dec 2003	Jan–Dec 2004	Jan–Dec 2003
Cash flow from current operations before changes in working capital	100	95	124	72
Changes in working capital	-92	-39	-117	-2
Cash flow from current operations	**8**	**56**	**7**	**70**
Cash flow from investment operations	6	-82	-76	-239
Cash flow after investment operations	**14**	**-26**	**-69**	**-169**
Cash flow from financing operations	41	56	90	213
Cash flow for the period	**55**	**30**	**21**	**44**
Liquid funds at the beginning of the period	100	110	137	106
Exchange rate difference in liquid funds	-3	-3	-6	-13
Liquid funds at the end of the period	**152**	**137**	**152**	**137**

KEY RATIOS	Oct–Dec 2004	Oct–Dec 2003	Jan–Dec 2004	Jan–Dec 2003
Change in revenue from new licenses	-18%	10%	-12%	-27%
Margin on new licenses [1] [2]	7%	20%	-22%	-15%
Change in maintenance and support revenue	21%	11%	16%	15%
Maintenance and support margin [1] [2]	73%	66%	67%	65%
Change in consulting revenue	1%	-19%	-10%	-16%
Consulting margin [1] [2]	28%	22%	22%	21%
Change in net sales	-3%	-7%	-7%	-14%
Gross margin	46%	46%	42%	41%
Research and development expenditure/net sales	11%	13%	12%	12%
Costs of research and development[2]/net sales	14%	11%	14%	12%
Research and development expenditure/license revenue	25%	28%	28%	29%
Costs of research and development[2]/license revenue	31%	24%	34%	30%
Costs of administration/net sales	10%	9%	11%	11%
Net sales per employee (SKr thousands)	242	241	818	820
External costs per employee (SKr thousands)	80	83	286	273
Costs of personnel per employee (SKr thousands)	139	136	522	533
Days sales outstanding (DSO)	76	75	76	75
Equity/assets ratio 1 [1]	25%	16%	25%	16%
Equity/assets ratio 2 [1]	36%	30%	36%	30%
Number of employees at the end of the period	2,580	2,684	2,580	2,684
Average number of employees	2,636	2,719	2,661	2,846

[1] **Margin on new licenses**: Revenue from new licenses minus expenses, including sales and marketing expenses, related to license sales in relation to revenue from new licenses.
Maintenance and support margin: Maintenance and support revenue minus expenses related to maintenance and support in relation to maintenance and support revenue.
Consulting margin: Consulting revenue minus consulting expenses in relation to consulting revenue.
Other revenue and other expenses are not included when margins are calculated.
Equity/assets ratio 1: Stockholders' equity, including minority interests, at the end of the period in relation to total assets.
Equity/assets ratio 2: Equity/assets ratio 1 including full conversion of the KV3B, KV4B, and KV5B convertible debenture and bond programs and full exercise of the offset issue.

[2] Excluding one-time items.

FINANCIAL TREND (SKr m)	Oct–Dec 2004	July–Sep 2004	April–June 2004	Jan–March 2004	Oct–Dec 2003	July–Sep 2003	April–June 2003	Jan–March 2003
License revenue	286	218	208	209	300	191	212	216
Consulting revenue	327	267	288	292	324	272	351	355
Other revenue	24	18	21	20	31	29	31	23
Net sales	**637**	**503**	**517**	**521**	**655**	**492**	**594**	**594**
Capitalized work for own use	32	39	42	41	55	37	38	43
Other operating income	33	1	4	41	11	1	1	3
Total operating income	**702**	**543**	**563**	**603**	**721**	**530**	**633**	**640**
External costs	211	176	202	171	227	184	179	186
Personnel costs	367	299	361	362	370	340	389	418
Depreciation	85	65	68	70	60	62	64	67
Other operating expenses	88	29	5	4	14	-1	-14	8
Total operating expenses	**751**	**569**	**636**	**607**	**671**	**585**	**618**	**679**
Operating profit/loss	**-49**	**-26**	**-73**	**-4**	**50**	**-55**	**15**	**-39**
Financial items, net	-29	-11	-19	-17	-32	-29	-27	-22
Profit/loss after financial items	**-78**	**-37**	**-92**	**-21**	**18**	**-84**	**-12**	**-61**
Order backlog at the end of the period	**1,043**	**1,019**	**1,012**	**1,005**	**952**	**954**	**853**	**904**

Financial information 2005

Annual General Meeting	April 22, 2005
Quarterly Report January-March	April 26, 2005
Quarterly Report January-June	July 20, 2005

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