



Sustained product growth and margin improvement.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

JULY–SEPTEMBER 2013 (3RD QUARTER)

- License revenue amounted to SKr 114 million (Q3 '12: SKr 109 million), an increase of 8 percent currency adjusted.
- Maintenance revenue was SKr 227 million (Q3 '12: SKr 224 million), an improvement of 4 percent currency adjusted.
- Consulting revenue amounted to SKr 291 million (Q3 '12: SKr 268 million), an increase of 11 percent currency adjusted.
- Net revenue was SKr 633 million (Q3 '12: SKr 612 million), an improvement of 6 percent currency adjusted.
- EBIT amounted to SKr 66 million (Q3 '12: SKr 29 million).
- Cash flow after investments was SKr -43 million (Q3 '12: SKr -28 million).
- Earnings per share after full dilution amounted to SKr 1.94 (Q3 '12: SKr 0.86).

JANUARY–SEPTEMBER 2013 (NINE MONTHS)

- License revenue amounted to SKr 326 million (YTD '12: SKr 284 million), an increase of 20 percent currency adjusted.
- Maintenance revenue was SKr 685 million (YTD '12: SKr 678 million), an improvement of 5 percent currency adjusted.
- Consulting revenue amounted to SKr 935 million (YTD '12: SKr 930 million), an increase of 4 percent currency adjusted.
- Net revenue was SKr 1,950 million (YTD '12: SKr 1,907 million), an improvement of 6 percent currency adjusted.
- EBIT amounted to SKr 40 million (YTD '12: SKr 69 million), including one-off costs for efficiency program.
- Cash flow after investments was SKr 37 million (YTD '12: SKr -96 million).
- Earnings per share after full dilution amounted to SKr 0.71 (YTD '12: SKr 1.71).

OUTLOOK

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

LEGAL DISPUTE

The counterparty has increased its claim in the legal dispute that IFS is involved in, concerning the partly-owned company IFS Sri Lanka. IFS's position with respect to the dispute remains unchanged: IFS rejects the counterparty's claims as being frivolous and completely unmeritorious and unfounded, and rejects the claims in their entirety.

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CHIEF EXECUTIVE SUMMARY

Sustained product growth and margin improvement.

In the third quarter we experienced growth in all our business areas, with license revenue growing by 8 percent in the quarter and by 20 percent year to date, currency adjusted.

The continued growth in license revenue is attributable to our strong industry solutions and our ability to deliver business systems globally in both a predictable and cost-effective manner. We continue to reap benefits from our successful strategy of focusing on growing sectors where we have a market leading position; such as offshore, EPCI, infrastructure, aerospace and defense, and service. Much of our business in the third quarter came from customers extending their global use of IFS products.

Our maintenance revenue has increased by 4 percent currency adjusted. This comparatively slower growth is a temporary issue primarily due to fewer customizations after customers have upgraded to Version 8, the functionally-richer latest release. The underlying ‘churn rate’ of IFS customers remains as low as previous.

Consulting revenue in the quarter improved by 11 percent currency adjusted with an improvement of the margin to almost 22 percent (15 percent). In the first quarter we carried out an efficiency improvement program to better align our resources and the improvement seen in the third quarter is partly attributable to the successful execution of this

program. We continue to expect that consulting as a proportion of total revenue will continue to reduce over time. The development in our eco-system and partner programs continues, offering a greater range of choice to our customers.

The success of the action taken in the first quarter is also reflected in the EBIT, which improved to SKr 66 million (SKr 29 million) in the third quarter. The cost of the efficiency improvement program was SKr 92 million and was charged to the results for the first quarter. We continue to expect that this amount will be recovered in full by corresponding savings realized during the year.

The enterprise application market is in a slow but steady rate of growth, though a lot of caution is still prevailing. Industry analyst firms such as Gartner are prudently optimistic and expect the market will grow in the region of 6 percent in 2013.




IFS goes into the final quarter of 2013 with a strong pipeline. For the year, we expect to deliver strong license revenue growth and an improvement in EBIT.

Alastair Sorbie
PRESIDENT AND CEO


SIGNIFICANT EVENTS DURING THE QUARTER

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



Aerospace and Defense

-  AI Esnad Est.
-  Dassault Falcon Jet Corp.
-  Lockheed Martin JSF



Asset Intensive

-  Hi-Crush Services



Automotive

-  Agility Fuel Systems
-  Deere & Company





Energy and Utilities

-  Jönköping Energi
-  Sisgraph


High Tech

-  Skytron
-  Young Innovations


Industrial Manufacturing

-  Atlas Converting Equipment
-  Holland Company
-  Orbotech
-  Samson AG Meß- und Regeltechnik



Oil and Gas

-  BW Offshore Norway

Process Manufacturing

-  Fundação Butantan

Service Providers

-  APM Terminals Management
-  Avinor

IFS named a “leader” in Gartner’s Magic Quadrant

For its product IFS Applications 8, IFS has been named as a “leader” in the Gartner Magic Quadrant for Single-Instance ERP for Product-Centric Midmarket Companies, which was published September 11, 2013.

Leading Spanish consulting company LKS Group partners with IFS

LKS Group is one of Spain’s leading providers of consulting services. Being able to offer the skills of some 400 experts, the companies will collaborate on joint sales opportunities, as well as implementation and support projects centered on IFS Applications.

NEC and IFS strengthen business relationship

An IFS partner since 1998, NEC recently implemented IFS Applications as the manufacturing system for its System Platform business unit, the group’s largest business unit, which produces Windows servers, Linux Servers, and super computers.

FINANCIAL OVERVIEW

SKr million	Q3 2013	Q3 2012	Jan.-Sept. 2013	Jan.-Sept. 2012	Oct.-Sept. 2012/13	Oct.-Sept. 2011/12	Full year 2012
Net revenue	633	612	1,950	1,907	2,719	2,652	2,676
<i>whereof</i>							
License revenue	114	109	326	284	509	450	467
Maintenance and support revenue	227	224	685	678	916	898	909
Consulting revenue	291	268	935	930	1,288	1,285	1,283
Gross earnings	338	305	960	891	1,380	1,288	1,311
<i>whereof</i>							
Licenses	107	103	297	264	473	427	440
Maintenance and support	169	157	486	468	646	613	628
Consulting	63	39	177	153	260	241	236
EBIT	66	29	40	69	171	195	200
EBIT margin	10%	5%	2%	4%	6%	7%	7%
Earnings before tax	63	29	24	60	154	182	190
Earnings for the period	49	22	17	44	111	130	138
Cash flow after investment operations	-43	-28	37	-96	92	-78	-41

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

Revenue

Net revenue amounted to SKr 633 million (612), an increase of 6 percent currency adjusted.

Americas contributed most, with an increase in net revenue of 23 percent, currency adjusted, mainly due to higher consulting revenues but also higher license sales. All segments, with the exception of *Defense*, improved their revenue or were in line with previous year, currency adjusted.

Costs

Total costs amounted to SKr 567 million (583), same level as previous year, currency adjusted. Direct costs increased by 26 percent, currency adjusted, partly as a result of the higher sales, partly coming from the transition towards a higher degree of partners implementing IFS Applications. The indirect costs decreased by 1 percent, currency adjusted, which was in line with the efficiency program announced in the first quarter. Net provisioning for bad debt has negatively impacted costs with SKr 3 million in the quarter.

Earnings

EBIT increased to SKr 66 million (29).

Earnings before tax amounted to SKr 63 million (29). Net financial items amounted to SKr -3 million (0), whereof SKr 1 million (2) pertained to realized/unrealized exchange gains. Interest expenses were SKr -3 million (-2). Net of other financial items amounted to SKr -1 million (0).

Earnings for the period amounted to SKr 49 million (22).

Cash flow and investments

The change in working capital amounted to SKr -80 million (-60). Investments amounted to SKr -41 million (-42), whereof capitalized product development was SKr -40 million (-38). Cash flow after investments amounted to SKr -43 million (-28).

Cash and cash equivalents totaled SKr 277 million (249) at the end of the period. Available liquid assets, including unutilized lines of credit, amounted to SKr 581 million (586). Liabilities to credit institutions were SKr 196 million (163) at the end of the period.

OUTLOOK

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

OTHER INFORMATION

Amendment to IAS 19, "Employee Benefits"

With the amendment to IAS 19, "Employee Benefits", which came into force on January 1, 2013, the Group no longer applies the corridor method. Instead, all actuarial profits and losses are recognized in Other comprehensive income as they arise. As the new principles have a retroactive effect, unrecognized actuarial profits and losses from December 31, 2011 have been recognized in the interim report for the third quarter of 2013 as an opening balance in Shareholders' equity as of January 1, 2012. In addition, the comparative figures for the quarter (Q3 2012) have been adjusted. Actuarial profits and losses arising during 2012 have been booked in Other comprehensive income (during the comparative year), as have actuarial profits and losses for the current year (2013).

The effect of the transition to the new accounting principles is an increase in net pension provisions, including special payroll tax, of SKr 130 million as of January 1, 2012. The deficit on transition is recognized against retained earnings, i.e. in Shareholders' equity, resulting in a reduction of SKr 101 million in the Group's shareholders' equity after taking into account deferred tax.

In the comparative figures from September 30, 2012, net pension provisions have been revised from SKr 43 million to SKr 231 million. The effect of the amended accounting principle is an increase of SKr 42 million in deferred tax assets. The amendment also entailed an increase of SKr 1 million in Group earnings for the third quarter of 2012 and, as a result of actuarial losses in the quarter, a decrease in Other comprehensive income of SKr 21 million. Earnings per share after full dilution increased by SKr 0.04 as a result of the amendment.

Fair value of financial instruments

The Group's financial assets and liabilities measured at fair value amounted to SKr 1 million (1) and SKr -1 million (-1), respectively. The derivatives consist of forward exchange contracts and currency options, which are used for hedging purposes. The fair value is based on inputs other than quoted prices that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2). Investments are fair valued based on non-observable inputs (Level 3).

There have been no transfers between Level 2 and Level 3 during the period.

Parent Company

Net revenue amounted to SKr 6 million (5), with earnings of SKr 12 million (20) before tax. Available liquid assets, including unutilized lines of credit, amounted to SKr 364 million (385).

During the quarter, 22,473 A shares were converted into the same number of B shares. Furthermore, 409,092 B shares

in the company's own custody were cancelled, reducing the company's capital stock by SKr 8 million. At the end of the period, 200,000 B shares were in the company's own custody.

Legal dispute

As previously reported, IFS has since 2002 been involved in a legal dispute concerning the partly-owned company IFS Sri Lanka. The counterparty has initiated legal proceedings against IFS with the Singapore International Arbitration Centre, on the basis of a shareholders' agreement between the parties, with an initial claim for damages amounting to US\$ 76 million incl. interest. By changing the calculation method but without modifying the legal grounds, the counterparty has now increased its claim. The new claim is not specified but, based on the hypothetical calculations that have been presented, may be understood as that IFS's half-owned company IFS Sri Lanka is to be paid an amount in the range of US\$ 237–535 million incl. interest, and that an unspecified amount be distributed as dividends to the owners. Since the beginning of this legal dispute, IFS has deemed the counterparty's allegations as completely unsubstantiated and without any merit. Based on the information that IFS has been provided with to date and supported by its external legal counsels, IFS's position with respect to the dispute remains unchanged: IFS rejects the counterparty's claims as being frivolous and completely unmeritorious and unfounded, and rejects the claims in their entirety.

Miscellaneous

The year-end report for 2013 will be published on February 5, 2014.

Linköping, October 24, 2013

Alastair Sorbie
PRESIDENT & CEO

CONSOLIDATED INCOME STATEMENT

SKr million	Q3 2013	Q3 2012	Jan.-Sept. 2013	Jan.-Sept. 2012	Oct.-Sept. 2012/13	Oct.-Sept. 2011/12	Full year 2012
License revenue	114	109	326	284	509	450	467
Maintenance and support revenue	227	224	685	678	916	898	909
Consulting revenue	291	268	935	930	1,288	1,285	1,283
Other revenue	1	11	4	15	6	19	17
Net revenue	633	612	1,950	1,907	2,719	2,652	2,676
License expenses	-7	-6	-29	-20	-36	-23	-27
Maintenance and support expenses	-58	-67	-199	-210	-270	-285	-281
Consulting expenses	-228	-229	-758	-777	-1,028	-1,044	-1,047
Other expenses	-2	-5	-4	-9	-5	-12	-10
Direct expenses	-295	-307	-990	-1,016	-1,339	-1,364	-1,365
Gross earnings	338	305	960	891	1,380	1,288	1,311
Product development expenses	-61	-72	-191	-198	-263	-254	-270
Sales and marketing expenses	-140	-136	-417	-411	-592	-555	-586
Administration expenses	-72	-66	-216	-205	-285	-270	-274
Other operating revenue*	7	2	9	3	48	3	42
Other operating expenses	-6	-4	-105	-11	-117	-17	-23
Indirect expenses, net	-272	-276	-920	-822	-1,209	-1,093	-1,111
EBIT	66	29	40	69	171	195	200
Result from participations in associated companies	0	0	-1	0	-1	-1	0
Interest expenses	-3	-2	-7	-6	-9	-8	-8
Other financial items	0	2	-8	-3	-7	-4	-2
Earnings before tax	63	29	24	60	154	182	190
Tax	-14	-7	-7	-16	-43	-52	-52
Earnings for the period	49	22	17	44	111	130	138
Earnings for the period are allocated as follows:							
Owners of the Parent Company (SKr million)	49	22	18	44	112	130	138
Non-controlling interests (SKr million)	0	0	-1	0	-1	0	0
Earnings per share pertaining to Parent Company shareholders (SKr)	1.98	0.89	0.73	1.76	4.52	5.17	5.52
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	1.94	0.86	0.71	1.71	4.43	5.04	5.39
Number of shares (thousands)							
At the end of the period	24,772	24,772	24,772	24,772	24,772	24,772	24,772
At the end of the period, after full dilution	25,245	25,423	25,245	25,423	25,245	25,423	25,237
Average for the period	24,772	24,858	24,772	25,061	24,772	25,158	24,988
Average for the period, after full dilution	25,245	25,510	25,179	25,681	25,304	25,771	25,616

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SKr million	Q3 2013	Q3 2012	Jan.-Sept. 2013	Jan.-Sept. 2012	Oct.-Sept. 2012/13	Oct.-Sept. 2011/12	Full year 2012
Earnings for the period	49	22	17	44	111	130	138
<i>Other comprehensive income</i>							
Revaluation of defined-benefit pension plans	7	-21	35	-49	64	-49	-20
Exchange rate differences	-17	-28	-15	-39	-12	-44	-36
Other comprehensive income for the period, net of tax	-10	-49	20	-88	52	-93	-56
Total comprehensive income for the period	39	-27	37	-44	163	37	82
Total comprehensive income allocated as follows:							
Owners of the Parent Company	39	-27	38	-44	164	37	82
Non-controlling interests	0	0	-1	0	-1	0	0

CONSOLIDATED BALANCE SHEET

Assets SKr million	Sept. 30 2013	Sept. 30 2012	Dec. 31 2012
Capitalized expenditure for product development	584	549	560
Goodwill	382	396	393
Other intangible fixed assets	85	114	108
Intangible fixed assets	1,051	1,059	1,061
Tangible fixed assets	94	88	90
Participations in associated companies	2	3	3
Deferred tax receivables	163	196	148
Other long-term receivables and other participations	23	26	28
Financial fixed assets	188	225	179
Non-current assets	1,333	1,372	1,330
Accounts receivable	480	435	718
Other receivables	309	299	242
Cash and cash equivalents	277	249	316
Current assets	1,066	983	1,276
Assets	2,399	2,355	2,606
Equity and liabilities SKr million	Sept. 30 2013	Sept. 30 2012	Dec. 31 2012
Share capital	499	508	508
Other capital contributed	699	700	701
Accumulated earnings, including earnings for the period and other reserves	-114	-199	-73
Shareholders' equity pertaining to Parent Company shareholders	1,084	1,009	1,136
Non-controlling interests	-1	1	1
Shareholders' equity	1,083	1,010	1,137
Liabilities to credit institutions	0	0	1
Pension obligations	118	231	187
Other provisions and other liabilities	42	24	27
Non-current liabilities	160	255	215
Accounts payable	79	67	93
Liabilities to credit institutions	196	163	178
Other provisions and other liabilities	881	860	983
Current liabilities	1,156	1,090	1,254
Liabilities	1,316	1,345	1,469
Equity and liabilities	2,399	2,355	2,606
Pledged assets	594	621	578
Contingent liabilities	18	16	14

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SKr, million	Pertaining to parent company shareholders						
	Share capital	Other contributed capital	Reserves	Profit brought forward	Total	Non-controlling interests	Total stockholders' equity
Opening balance January 1, 2012	520	703	-54	132	1,301	1	1,302
Revaluation of defined-benefit pension plans	-	-	-	-101	-101	-	-101
Adjusted opening balance January 1, 2012	520	703	-54	31	1,200	1	1,201
Total comprehensive income for the period	-	-	-39	-5	-44	0	-44
Issue of call option program, T010B	-	-	-	1	1	-	1
Dividend	-	-	-	-88	-88	-	-88
Repurchase of own shares	-	-	-	-57	-57	-	-57
Repurchase of call options	-	-3	-	-	-3	-	-3
Cancellation of repurchased shares	-12	-	-	12	0	-	0
Closing balance September 30, 2012	508	700	-93	-106	1,009	1	1,010
Opening balance January 1, 2013	508	701	-90	17	1,136	1	1,137
Total comprehensive income for the period	-	-	-15	52	37	-2	35
Issue of call option program, T011B	-	0	-	-	0	-	0
Dividend	-	-	-	-87	-87	-	-87
Repurchase of call options	-	-2	-	-	-2	-	-2
Cancellation of repurchased shares	-9	-	-	9	0	-	0
Closing balance September 30, 2013	499	699	-105	-9	1,084	-1	1,083

CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Q3 2013	Q3 2012	Jan.-Sept. 2013	Jan.-Sept. 2012	Oct.-Sept. 2012/13	Oct.-Sept. 2011/12	Full year 2012
Earnings before tax	63	29	24	60	154	182	190
Adjustments for items not included in the cash flow	15	45	145	116	202	159	173
Cash flow from operations before change in working capital	78	74	169	176	356	341	363
Change in working capital	-80	-60	26	-14	-40	-93	-80
Cash flow from current operations	-2	14	195	162	316	248	283
Acquisition of subsidiaries	-	-	-	-118	-5	-128	-123
Acquisition of intangible fixed assets	-34	-36	-134	-126	-186	-175	-178
Cash flow from other investment operations	-7	-6	-24	-14	-33	-23	-23
Cash flow after investment operations	-43	-28	37	-96	92	-78	-41
Dividend distributed	-	-	-87	-88	-87	-88	-88
Repurchase of own shares	-	-15	-	-57	-	-72	-57
Cash flow from other financing operations	-4	-5	14	122	30	165	138
Cash flow for the period	-47	-48	-36	-119	35	-73	-48
Cash and cash equivalents at the beginning of the period	328	302	316	374	249	333	374
Exchange rate differences in cash and cash equivalents	-4	-5	-3	-6	-7	-11	-10
Cash and cash equivalents at the end of the period	277	249	277	249	277	249	316

CONSOLIDATED ORGANIC NET REVENUE

SKr, million	Q3					January-September				
	Actual 2013	Translation effect	Structural changes	Adjusted 2013	Actual 2012	Actual 2013	Translation effect	Structural changes	Adjusted 2013	Actual 2012
License revenue	114	4	-	118	109	326	15	-5	336	284
Maintenance and support revenue	227	6	-	233	224	685	28	-9	704	678
Total product revenue	341	10	-	351	333	1,011	43	-14	1,040	962
Consulting revenue	291	7	-	298	268	935	35	-9	961	930
Net revenue (including other revenue)	633	17	-	650	612	1,950	78	-23	2,005	1,907

CONSOLIDATED ORGANIC OPERATING EXPENSES

SKr, million	Q3					January-September				
	Actual 2013	Translation effect	Structural changes	Adjusted 2013	Actual 2012	Actual 2013	Translation effect	Structural changes	Adjusted 2013	Actual 2012
Operating expenses	567	16	-	583	583	1,910	76	-25	1,961	1,838
Capital gains/losses	0	0	-	0	0	0	0	-	0	0
Exchange rate gains/losses	-4	0	-	-4	0	-7	-1	0	-8	-1
Restructuring costs/redundancy costs	-2	0	-	-2	-4	-94	-2	-	-96	-11
Reversal of restructuring costs	6	-	-	6	-	6	-	-	6	-
Amortization/depreciation and net capitalization of prod. development	-13	0	-	-13	-15	-19	-1	0	-20	-16
Adjusted operating expenses	554	16	-	570	564	1,796	72	-25	1,843	1,810

CONSOLIDATED SEGMENT REPORTING, THIRD QUARTER

THIRD QUARTER SKr million	Europe North		Europe West		Europe Central	
	2013	2012	2013	2012	2013	2012
License revenue	26	17	30	37	3	11
Maintenance and support revenue	85	86	44	43	21	19
Consulting revenue	116	117	35	34	39	27
Other revenue	0	0	0	0	1	0
Total external revenue	227	220	109	114	64	57
Internal revenue	4	5	11	16	9	10
Total revenue	231	225	120	130	73	67
External operating expenses	-139	-136	-75	-84	-54	-53
Internal operating expenses	-24	-15	-11	-7	-5	-4
Other operating items, net	-1	-2	-1	0	0	0
Operating expenses	-164	-153	-87	-91	-59	-57
EBIT, undistributed	67	72	33	39	14	10
Numbers of employees						
Average for the period	459	545	278	298	195	191
At the end of the period	453	539	275	296	197	193

THIRD QUARTER SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2013	2012	2013	2012	2013	2012
License revenue	8	8	37	24	10	11
Maintenance and support revenue	16	14	44	42	12	15
Consulting revenue	14	16	60	52	22	17
Other revenue	0	1	0	1	0	1
Total external revenue	38	39	141	119	44	44
Internal revenue	4	4	14	13	6	3
Total revenue	42	43	155	132	50	47
External operating expenses	-43	-49	-93	-88	-40	-51
Internal operating expenses	0	0	-10	-11	-3	-1
Other operating items, net	-3	-2	0	0	-2	0
Operating expenses	-46	-51	-103	-99	-45	-52
EBIT, undistributed	-4	-8	52	33	5	-5
Numbers of employees						
Average for the period	242	278	280	287	254	289
At the end of the period	233	280	281	285	251	288

THIRD QUARTER SKr million	Defense		Corporate items *		GROUP	
	2013	2012	2013	2012	2013	2012
License revenue	0	1	0	0	114	109
Maintenance and support revenue	5	5	0	0	227	224
Consulting revenue	4	4	1	1	291	268
Other revenue	0	7	0	1	1	11
Total external revenue	9	17	1	2	633	612
Internal revenue	3	3	-51	-54	0	0
Total revenue	12	20	-50	-52	633	612
External operating expenses	-10	-11	-114	-109	-568	-581
Internal operating expenses	-1	-3	54	41	0	0
Other operating items, net	0	0	8	2	1	-2
Operating expenses	-11	-14	-52	-66	-567	-583
EBIT, undistributed	1	6	-102	-118	66	29
Numbers of employees						
Average for the period	41	44	885	910	2,634	2,842
At the end of the period	40	44	883	914	2,613	2,839

* Undistributed corporate revenue and expenses

CONSOLIDATED SEGMENT REPORTING, NINE MONTHS

JANUARY–SEPTEMBER	Europe North		Europe West		Europe Central	
	2013	2012	2013	2012	2013	2012
SKr million						
License revenue	100	58	69	64	13	28
Maintenance and support revenue	258	261	130	128	64	58
Consulting revenue	421	441	105	115	105	96
Other revenue	1	1	0	0	1	1
Total external revenue	780	761	304	307	183	183
Internal revenue	15	21	35	42	33	28
Total revenue	795	782	339	349	216	211
External operating expenses	-494	-509	-229	-247	-166	-174
Internal operating expenses	-68	-48	-23	-19	-13	-13
Other operating items, net	-44	-4	-6	-1	-9	0
Operating expenses	-606	-561	-258	-267	-188	-187
EBIT, undistributed	189	221	81	82	28	24
Numbers of employees						
Average for the period	490	550	288	298	198	192
At the end of the period	453	539	275	296	197	193

JANUARY–SEPTEMBER	Europe East		Americas		Africa, Asia, and Pacific	
	2013	2012	2013	2012	2013	2012
SKr million						
License revenue	21	25	81	69	43	38
Maintenance and support revenue	47	43	128	118	42	46
Consulting revenue	43	59	173	140	68	57
Other revenue	0	2	0	1	1	2
Total external revenue	111	129	382	328	154	143
Internal revenue	13	13	45	29	15	8
Total revenue	124	142	427	357	169	151
External operating expenses	-133	-135	-273	-248	-125	-155
Internal operating expenses	-1	-1	-29	-16	-16	-6
Other operating items, net	-8	-6	0	0	-5	0
Operating expenses	-142	-142	-302	-264	-146	-161
EBIT, undistributed	-18	0	125	93	23	-10
Numbers of employees						
Average for the period	255	276	283	265	264	293
At the end of the period	233	280	281	285	251	288

JANUARY–SEPTEMBER	Defense		Corporate items *		GROUP	
	2013	2012	2013	2012	2013	2012
SKr million						
License revenue	-1	1	0	1	326	284
Maintenance and support revenue	15	20	1	4	685	678
Consulting revenue	18	20	2	2	935	930
Other revenue	0	7	1	1	4	15
Total external revenue	32	48	4	8	1,950	1,907
Internal revenue	8	9	-164	-150	0	0
Total revenue	40	57	-160	-142	1,950	1,907
External operating expenses	-34	-39	-360	-323	-1,814	-1,830
Internal operating expenses	-4	-10	154	113	0	0
Other operating items, net	0	0	-24	3	-96	-8
Operating expenses	-38	-49	-230	-207	-1,910	-1,838
EBIT, undistributed	2	8	-390	-349	40	69
Numbers of employees						
Average for the period	42	44	891	910	2,711	2,828
At the end of the period	40	44	883	914	2,613	2,839

* Undistributed corporate revenue and expenses

INCOME STATEMENT OF THE PARENT COMPANY

SKr million	Q3 2013	Q3 2012	Jan.-Sept. 2013	Jan.-Sept. 2012	Oct.-Sept. 2012/13	Oct.-Sept. 2011/12	Full year 2012
Net revenue	6	5	17	14	22	18	19
Administration expenses	-9	-4	-30	-14	-37	-22	-21
Other operating revenue	-	0	-	0	0	0	0
EBIT	-3	1	-13	0	-15	-4	-2
Result from participations in subsidiaries	0	-1	0	-1	21	148	20
Financial revenue	18	32	44	69	63	88	88
Financial expenses	-3	-12	-18	-23	-22	-28	-27
Earnings before tax	12	20	13	45	47	204	79
Tax	-3	-5	-3	-12	-15	-44	-24
Earnings for the period	9	15	10	33	32	160	55

BALANCE SHEET OF THE PARENT COMPANY

SKr million	Sept. 30 2013	Sept. 30 2012	Dec. 31 2012
Assets			
Participations in subsidiaries	992	991	992
Deferred tax receivables	11	26	14
Receivables in subsidiaries	71	71	71
Other long-term receivables and other participations	2	2	2
Financial fixed assets	1,076	1,090	1,079
Non-current assets	1,076	1,090	1,079
Receivables in subsidiaries	901	847	889
Prepaid expenses and accrued income	14	11	15
Cash and cash equivalents	60	48	101
Current assets	975	906	1,005
Assets	2,051	1,996	2,084
Equity and liabilities			
SKr million	Sept. 30 2013	Sept. 30 2012	Dec. 31 2012
Share capital	499	508	508
Statutory reserve	573	573	573
Retained earnings, including earnings for the period and share premium reserve	457	504	527
Shareholders' equity	1,529	1,585	1,608
Provisions for pensions and similar commitments	6	2	2
Liabilities to credit institutions	196	163	178
Liabilities to subsidiaries	289	238	282
Other liabilities	31	8	14
Current liabilities	516	409	474
Shareholders' equity and liabilities	2,051	1,996	2,084

OUTSTANDING SHARES

	Series A	Series B	TOTAL
Number of shares on January 1, 2013	1,368,913	24,012,009	25,380,922
Conversion of series-A shares into series-B shares	-101,554	101,554	-
Cancellation of shares bought back	-	-409,092	-409,092
Number of shares on September 30, 2013	1,267,359	23,704,471	24,971,830
Repurchase of shares, in own custody	-	-200,000	-200,000
Number of outstanding shares on September 30, 2013	1,267,359	23,504,471	24,771,830
Number of voting rights on September 30, 2013	1,267,359	2,350,447	3,617,806
Additional shares after full dilution	-	473,486	473,486
Number of shares on September 30, 2013 after full dilution	1,267,359	23,977,957	25,245,316

KEY FIGURES FOR THE GROUP

		Q3 2013	Q3 2012	Jan.-Sept. 2013	Jan.-Sept. 2012	Oct.-Sept. 2012/13	Oct.-Sept. 2011/12	Full year 2012
Revenue indicator								
Net revenue per employee	SKr, '000	240	215	719	674	992	943	946
Expense and expenditure indicators								
Product development expenses/net revenue	%	10%	12%	10%	10%	10%	10%	10%
Sales and marketing expenses/net revenue	%	22%	22%	21%	22%	22%	21%	22%
Administration expenses/net revenue	%	11%	11%	11%	11%	10%	10%	10%
Amortization and depreciation	SKr, M	-52	-53	-158	-146	-212	-180	-200
of which amortization of capitalized product development expenditure	SKr, M	-38	-40	-114	-111	-155	-135	-152
Capitalized product development expenditure	SKr, M	40	38	140	131	191	175	182
Margin indicators								
License margin	%	94%	94%	91%	93%	93%	95%	94%
Maintenance and support margin	%	74%	70%	71%	69%	71%	68%	69%
Consulting margin	%	22%	15%	19%	16%	20%	19%	18%
Gross margin	%	53%	50%	49%	47%	51%	49%	49%
EBIT margin	%	10%	5%	2%	4%	6%	7%	7%
Earnings margin	%	10%	5%	1%	3%	6%	7%	7%
Return on average operating capital	%	7%	3%	4%	8%	18%	20%	20%
Capital indicators								
Equity/assets ratio	%	45%	43%	45%	43%	45%	43%	44%
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	19%	19%	19%	19%	19%	19%	19%
Interest-bearing liabilities	SKr, M	314	394	314	394	314	394	366
Liquidity indicators								
Net liquidity	SKr, M	81	86	81	86	81	86	137
Debt/equity ratio	times	0.3	0.4	0.3	0.4	0.3	0.4	0.3
Employees								
Average for the period		2,634	2,842	2,711	2,828	2,741	2,812	2,830
At the end of the period		2,613	2,839	2,613	2,839	2,613	2,839	2,829

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	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
License revenue	114	128	84	183	109	92	83	166	98	93	74	135
Maintenance and support revenue	227	232	226	231	224	232	222	220	208	199	196	206
Consulting revenue	291	334	310	353	268	327	335	355	288	333	335	383
Other revenue	1	2	1	2	11	1	3	4	2	3	2	5
Net revenue	633	696	621	769	612	652	643	745	596	628	607	729
License expenses	-7	-13	-9	-7	-6	-8	-6	-3	-7	-5	-10	-7
Maintenance and support expenses	-58	-68	-73	-71	-67	-72	-71	-75	-64	-65	-68	-79
Consulting expenses	-228	-270	-260	-270	-229	-266	-282	-267	-234	-252	-275	-270
Other expenses	-2	1	-3	-1	-5	-1	-3	-3	-3	-2	-1	-3
Direct expenses	-295	-350	-345	-349	-307	-347	-362	-348	-308	-324	-354	-359
Gross earnings	338	346	276	420	305	305	281	397	288	304	253	370
Product development expenses	-61	-66	-64	-72	-72	-65	-61	-56	-60	-58	-55	-51
Sales and marketing expenses	-140	-140	-137	-175	-136	-138	-137	-144	-116	-128	-122	-136
Administration expenses	-72	-74	-70	-69	-66	-68	-71	-65	-58	-66	-62	-70
Other operating revenue	7	1	1	39	2	-2	3	0	6	1	1	0
Other operating expenses	-6	-1	-98	-12	-4	-5	-2	-6	-15	-1	-5	-3
Indirect expenses, net	-272	-280	-368	-289	-276	-278	-268	-271	-243	-252	-243	-260
EBIT	66	66	-92	131	29	27	13	126	45	52	10	110
Result from participations in associated companies	0	0	-1	0	0	0	0	-1	1	0	1	1
Interest expenses	-3	-2	-2	-2	-2	-2	-2	-2	-1	-2	-1	-2
Other financial items	0	-9	1	1	2	-3	-2	-1	-1	-3	-5	-8
Earnings before tax	63	55	-94	130	29	22	9	122	44	47	5	101
Tax	-14	-13	20	-36	-7	-7	-2	-36	-11	-14	-1	-32
Earnings for the period	49	42	-74	94	22	15	7	86	33	33	4	69
Cash flow after investment operations	-43	13	67	55	-28	-162	94	18	33	0	43	70
Number of employees at the end of the period	2,613	2,656	2,738	2,829	2,839	2,851	2,822	2,821	2,742	2,695	2,695	2,675

RISKS AND UNCERTAINTIES

In its operations, the IFS Group is exposed to certain risks that can affect earnings to a greater or lesser extent. Apart from the general concern about the economy and the political unrest in North Africa and the Middle East, the 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 2012.

ESTIMATES AND CRITICAL ASSUMPTIONS

To present the financial reports in accordance with the IFRS, the management must make certain estimates and assumptions that affect the application of the accounting principles and the reported amounts pertaining to assets, liabilities, revenue, and expenses. Actuals may differ from the estimates and assumptions.

The estimates and assumptions are regularly reviewed. Changes in estimates are reported in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

ACCOUNTING PRINCIPLES

This consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, recommendation RFR 1, Supplementary Accounting Rules for Groups, of the Swedish Financial Reporting Board (RFR) has been applied.

This interim report for the Group has been prepared in accordance with the Swedish Annual Report Act and with IAS 34, Interim Financial Reporting. For the Parent Company, the Swedish Annual Report Act and RFR recommendation RFR 2, Accounting for Legal Entities, have been applied. As of January 1, 2013, amendments to IAS 19 “Employee Benefits” and the new standard IFRS 13 “Fair Value Measurement” have come into force. Both have an impact on the Group’s financial reports.

As a result of the amended Employee Benefits (IAS 19) standard, accounting principles for defined-benefit pension plans have been changed compared with the Group’s accounting principles in Annual Report 2012 and in previously published interim reports in 2012. See section “Other information” for the effects of the changes in accounting principles.

The new standard IFRS 13 “Fair Value Measurement” does not describe when fair value should be used, but consolidates fair value guidance into a single source. The new standard has affected the Group’s reporting in that additional information has been disclosed about the fair value of financial instruments. The information provided about the fair value of financial instruments in the annual report (according to IFRS 7) shall also be included in the interim reports.

For detailed information about the accounting principles: see annual report 2012.

REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed this report for the period 1 January 2013 to 30 September 2013 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.

Scope of 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 International Standards on Auditing, ISA, 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.

Conclusion

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.

FINANCIAL INFORMATION 2013/2014

Year-end report 2013	February 5, 2014
Interim report January–March 2014	April 16, 2014
Interim report January–June 2014	July 17, 2014
Interim report January–September 2014	October 23, 2014
Year-end report 2014	February 2015

Stockholm, October 24, 2013

PricewaterhouseCoopers AB

Nicklas Kullberg
AUTHORIZED PUBLIC ACCOUNTANT

ABOUT IFS

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

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