

Continued growth from a working strategy

FINANCIAL AND OPERATIONAL HIGHLIGHTS

APRIL–JUNE 2014 (SECOND QUARTER)

- License revenue amounted to SKr 134 million (Q2 '13: SKr 128 million), an increase of 5 percent currency adjusted.
- Maintenance revenue was SKr 256 million (Q2 '13: SKr 226 million), an improvement of 11 percent currency adjusted.
- Consulting revenue amounted to SKr 354 million (Q2 '13: SKr 329 million), an increase of 6 percent currency adjusted.
- Net revenue was SKr 745 million (Q2 '13: SKr 686 million), an improvement of 7 percent currency adjusted.
- EBIT amounted to SKr 70 million (Q2 '13: SKr 66 million).
- Cash flow after investments was SKr 30 million (Q2 '13: SKr 9 million).
- Earnings per share after full dilution amounted to SKr 1.91 (Q2 '13: SKr 1.71).

JANUARY–JUNE 2014 (SIX MONTHS)

- License revenue amounted to SKr 241 million (YTD '13: SKr 214 million), an increase of 13 percent currency adjusted.
- Maintenance revenue was SKr 505 million (YTD '13: SKr 447 million), an improvement of 12 percent currency adjusted.
- Consulting revenue amounted to SKr 689 million (YTD '13: SKr 633 million), an increase of 9 percent currency adjusted.
- Net revenue was SKr 1,439 million (YTD '13: SKr 1,299 million), an improvement of 10 percent currency adjusted.
- EBIT amounted to SKr 95 million (YTD '13: SKr -25 million).
- Cash flow after investments was SKr 163 million (YTD '13: SKr 86 million).
- Earnings per share after full dilution amounted to SKr 2.50 (YTD '13: SKr -1.23).

OUTLOOK

For 2014, IFS expects strong license growth and a significant improvement in EBIT.

INQUIRIES

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CHIEF EXECUTIVE SUMMARY

Continued growth from a working strategy

We have seen solid business development both in the second quarter and year-to-date where license revenue has increased by 13 percent currency adjusted. Even though growth was lower in the second quarter we are well on track to meet our full-year expectations as we continue to execute well in our target markets. Customers operating in the aerospace and defense, offshore, EPCI, infrastructure, and service industries require sophisticated business solutions that are able to be implemented globally in a reliable and cost-effective manner. IFS provides this intelligent choice to the market and we are seeing not only good new business wins over our main competitors, but also strong follow-on business with existing customers who are continually increasing their use of IFS Applications.

Our maintenance revenue in the quarter has increased, 11 percent currency adjusted, due to continued good customer retention with an improved margin of 76 percent (Q2 '13: 71 percent).

Consulting revenue in the quarter improved by 6 percent currency adjusted but margin at 19 percent was in line with previous year due to the higher cost of using third-party resources. The shift towards an increased use of partners in the consulting business is progressing but will need further work before it will perform to our expectations. The negative impact to the consulting margin experienced year-to-date is expected to level off in the second half of the year.

Indirect expenses has benefited from the efficiency improvement program carried out in the first half last year, with actively-promoted increases mostly affecting sales and

marketing, and product development. The overall cost increase is mainly driven by direct costs due to the ongoing shift in consulting.

The development of our partner ecosystem continues with additional system-integrator partners being added recently (e.g. Capgemini, Deloitte Consulting, and L&T Infotech). We continue to work with major technology partners; for example we have increased our co-operation with Microsoft to exploit the opportunities of providing IFS Applications on the Azure Cloud. Our team in IFS Labs has provided IFS Applications on 'wearable technology' and is increasingly exploring the potential for IFS Applications within the emerging market referred to as the 'Internet of Things' (IoT).

Companies in need of consolidating their business solution or expanding its functionality are moving forward with their investments. The gradual improvement of the buying environment seen over the last couple of years is expected to continue, with growth coming from the replacement of legacy core ERP platforms as well as continued appetite for cloud-based extensions. This leads industry analyst firms such as Gartner to anticipate the ERP market to grow in 2014 in the region of 6 to 7 percent.



IFS goes into the second half of 2014 with a strong pipeline and consequently, we continue to expect strong license revenue growth and a significant improvement in EBIT for the full year.

Alastair Sorbie
PRESIDENT & CEO

SIGNIFICANT EVENTS DURING THE QUARTER

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




Aerospace and Defense

-  BAE Systems – Saudi Arabia
-  Sporveien Oslo




Asset-Intensive

-  Klondex Mines

Automotive

-  Agility Fuel Systems
-  CalsonicKansei North America
-  FEV
-  The Morgan Motor Company
-  Toyota Material Handling Europe





Construction and Contracting

-  K-Híd
-  Serimax Holdings
-  VWS Westgarth




Energy and Utilities


-  BaiYin Power
-  Jiangsu Ligang Power Station
-  Liberty Utilities (Canada) Corp.
-  SDIC BaiYin Power Co.

High Tech

-  Minco Products
-  Mitutoyo
-  Scanfil EMS
-  SEAKR Engineering

Industrial Manufacturing

-  Aluminum Precision Products
-  Dipex
-  Estudio Cerámico

-  Molins Tobacco Machinery
-  Nova Werke
-  ROL
-  Roxtec International
-  Saueressig
-  Survitec Group




Oil and Gas

-  Apply Group
-  Archer Management
-  Odfjell Drilling
-  PGS Geophysical
-  Trelleborg Offshore Norway



Process Manufacturing

-  Bronco Wine Company
-  Fundação Butantan
-  Jotun
-  Teknos Group
-  Vitacress
-  Whitworths



Retail

-  Assist Trend
-  BYGGmax
-  Oriflame Cosmetics

Service Providers

-  DSL
-  Landmark Information Group

Other

-  Établissements Darty et Fils
-  Evry

Leading paint manufacturer Jotun expands globally with IFS Applications

June 2. IFS announces that world-leading paint manufacturer Jotun has decided to expand its use of IFS Applications™ to additional sites in Europe, Asia, and the Americas. The agreement includes licenses worth approximately Nkr 19 million. Since 2003, Jotun has expanded its use of IFS Applications to support business-critical processes to more than 20 countries worldwide. To support its ambitious growth targets and to maximize process efficiency and transparency, Jotun has decided to extend its central IFS ERP solution to include an additional 2,000 users.

IFS signs partnership agreement with Capgemini in Spain

June 20. IFS has signed an agreement with Capgemini Spain, making the consulting, technology, and outsourcing firm its partner for the sale and implementation of IFS Applications in Spain. Through the agreement, IFS is expanding its partner network, thereby acquiring greater commercial reach and additional implementation resources that will allow the company to meet the demanding schedule of expected growth.

Prominent pulp and paper company signs agreement with IFS

June 27. IFS announces that a Scandinavian manufacturer in the pulp and paper industry has decided to implement IFS Applications 8. The solution will be deployed to support business-critical processes at its headquarters and across its

different production facilities. The agreement is worth approximately SKr 13.5 million, of which product revenue accounts for SKr 7.5 million.

FINANCIAL OVERVIEW

SKr million	Q2 2014	Q2 2013	Jan.–June 2014	Jan.–June 2013	July–June 2013/14	July–June 2012/13	Full year 2013
Net revenue	745	686	1,439	1,299	2,844	2,665	2,704
<i>whereof</i>							
License revenue	134	128	241	214	562	508	535
Maintenance and support revenue	256	226	505	447	960	891	902
Consulting revenue	354	329	689	633	1,312	1,246	1,256
Gross earnings	378	342	713	616	1,485	1,329	1,388
<i>whereof</i>							
Licenses	119	115	209	192	512	473	495
Maintenance and support	194	160	380	309	719	616	648
Consulting	66	63	124	112	253	228	241
EBIT	70	66	95	-25	322	134	202
EBIT margin	9%	10%	7%	-2%	11%	5%	7%
Earnings before tax	64	55	85	-39	308	120	184
Earnings for the period	48	42	63	-32	238	84	143
Cash flow after investment operations	30	9	163	86	199	119	122

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

Revenue

Net revenue amounted to SKr 745 million (686), an increase of 7 percent currency adjusted. Europe Central contributed most with an increase of 17 percent, currency adjusted, but also Scandinavia contributed to the increase mainly through higher consulting. Maintenance revenue grew by 11 percent, currency adjusted, including a payment of SKr 6 million of previously deferred revenue in Africa, Asia, and Pacific.

Costs

Total costs amounted to SKr 675 million (620), an increase of 7 percent currency adjusted. This was mainly driven by an increase in direct costs of 23 percent, currency adjusted, partly as a result of the sale of third-party products, partly coming from the continued transition towards a higher degree of partners implementing IFS Applications. Indirect costs increased by 3 percent, currency adjusted, whereof personnel costs were 1 percent higher, currency adjusted. There was a SKr 2 million restructuring charge in Europe West relating to the reorganization and acquisition of the joint venture IFS Defence Ltd and a further SKr 2 million in legal costs from the arbitration process in Singapore. Amortization of intangibles relating to acquisitions was SKr 10 million whereas capitalization of product development net of amortization reduced costs with SKr 6 million.

Earnings

EBIT increased to SKr 70 million (66).

Earnings before tax amounted to SKr 64 million (55). Net financial items amounted to SKr -6 million (-11), whereof SKr -3 million (-8) pertain to realized/unrealized exchange losses. Interest expenses were SKr -2 million (-2).

Earnings for the period amounted to SKr 48 million (42).

Cash flow and investments

The change in working capital amounted to SKr -19 million (-12). Investments amounted to SKr -58 million (-50), whereof capitalized product development was SKr -47 million (-50). Cash flow after investments amounted to SKr 30 million (9).

Cash and cash equivalents totaled SKr 370 million (272) at the end of the period. Available liquid assets, including unutilized lines of credit, amounted to SKr 731 million (571). Liabilities to credit institutions were SKr 139 million (201) at the end of the period.

OUTLOOK

For 2014, IFS expects strong license growth and a significant improvement in EBIT.

OTHER INFORMATION

Application of IFRS 11 “Joint Arrangements”

As of January 1, 2014, IFRS 11 “Joint Arrangements” joint ventures must be consolidated according to the equity method. Previously, assets, liabilities, revenue, and expenses were recognized on the basis of the party’s interest according to the proportional method. As the new principles affect reporting retrospectively, the new standard has an impact on the consolidation of the joint venture, IFS Defence Ltd. The holding was restructured on December 31, 2013. Thereafter, neither shares in IFS Defence Ltd nor earnings from shares in IFS Defence Ltd are included. This change of principle has no impact on net income or equity.

The effect of the change in accounting principle on holdings in joint ventures is detailed in the following tables.

Consolidated income statement

SKr million	Q2 2013	Jan.–June 2013	Full year 2013
Net revenue	-10	-18	-36
Direct expenses	6	12	19
Gross earnings	-4	-6	-17
Product development, sales, marketing, and administration expenses	4	6	10
Other operating revenue/expenses, net	0	1	-54
Result from joint venture	0	0	59
EBIT	0	1	-2
Financing expenses and other financial items, net	0	-1	2
Earnings before tax	0	0	0
Tax	-	-	-
Earnings for the period	0	0	0

Consolidated balance sheet

SKr million	June 30 2013	Dec. 31 2013
Intangible fixed assets	-22	-
Tangible fixed assets	-1	-
Participation in joint venture	25	-
Deferred tax receivables	-16	-
Non-current assets	-14	-
Current assets	-56	-
Assets	-70	-
Shareholders' equity	-	-
Non-current liabilities	-59	-
Current liabilities	-11	-
Equity and liabilities	-70	-

Consolidated statement of cash flows

SKr million	Q2 2013	Jan.–June 2013	Full year 2013
Cash flow from operations before change in working capital	-2	2	8
Change in working capital	-2	5	18
Cash flow from current operations	-4	7	26
Cash flow after investment operations	-4	6	2
Cash flow for the period	-4	6	63
Cash and cash equivalents at the beginning of the period	-53	-63	-63
Exchange rate differences in cash and cash equivalents	1	1	0
Cash and cash equivalents at the end of the period	-56	-56	0

Parent Company

Net revenue amounted to SKr 4 million (5), with earnings of SKr -1 million (-6) before tax. Available liquid assets, including unutilized lines of credit, amounted to SKr 475 million (381).

Legal dispute—Final award

As reported previously, IFS has since 2002 been involved in a legal dispute concerning the partly-owned company IFS Sri Lanka. In October 2012, the counterparty in the dispute initiated arbitration proceedings against IFS with the Singapore International Arbitration Centre, on the basis of a shareholders’ agreement between the parties.

In the arbitration proceedings, the counterparty initially claimed compensation for damages in the amount of US\$ 76 million including interest. However, the claim was later revised upwards. The revised claim was unspecified but could be understood to mean that IFS’s half-owned company IFS Sri Lanka be paid an amount in the range of US\$ 237–535 million including interest, and that an unspecified amount be distributed as dividends to the owners.

Since the beginning of the legal dispute, IFS has deemed the counterparty’s allegations as completely unsubstantiated and without any merit and the claims raised in the arbitration proceedings have been rejected by IFS in their entirety as being frivolous and completely unmeritorious and unfounded.

The arbitral tribunal’s Final Award was received by IFS on June 20, 2014. In the Final Award, the counterparty’s claims have been completely rejected and it is declared that IFS did not breach the shareholders’ agreement as alleged by the counterparty. The counterparty has also been ordered to pay for the main part of the fees of the arbitral tribunal and a substantial portion of IFS’s legal costs in the proceedings.

Miscellaneous

The report for the third quarter of 2014 will be published on October 23, 2014.

Linköping, July 17, 2014

Anders Böös
CHAIRMAN OF THE BOARD

Ulrika Hagdahl
BOARD MEMBER

Birgitta Klasén
BOARD MEMBER

Neil Masom
BOARD MEMBER

Bengt Nilsson
DEPUTY CHAIRMAN OF THE BOARD

Alastair Sorbie
PRESIDENT & CEO

Audit report

This report has not been subject to review by the company's auditors.

CONSOLIDATED INCOME STATEMENT

SKr million	Q2 2014	Q2 2013	Jan.–June 2014	Jan.–June 2013	July–June 2013/14	July–June 2012/13	Full year 2013
License revenue	134	128	241	214	562	508	535
Maintenance and support revenue	256	226	505	447	960	891	902
Consulting revenue	354	329	689	633	1,312	1,246	1,256
Other revenue	1	3	4	5	10	20	11
Net revenue	745	686	1,439	1,299	2,844	2,665	2,704
License expenses	-15	-13	-32	-22	-50	-35	-40
Maintenance and support expenses	-62	-66	-125	-138	-241	-275	-254
Consulting expenses	-288	-266	-565	-521	-1,059	-1,018	-1,015
Other expenses	-2	1	-4	-2	-9	-8	-7
Direct expenses	-367	-344	-726	-683	-1,359	-1,336	-1,316
Gross earnings	378	342	713	616	1,485	1,329	1,388
Product development expenses	-78	-66	-149	-130	-279	-274	-260
Sales and marketing expenses	-146	-138	-296	-274	-613	-583	-591
Administration expenses	-78	-72	-157	-141	-305	-276	-289
Other operating revenue*	1	1	2	3	15	44	16
Other operating expenses	-7	-1	-18	-99	-40	-115	-121
Result from joint venture	-	-	-	-	59	9	59
Indirect expenses, net	-308	-276	-618	-641	-1,163	-1,195	-1,186
EBIT	70	66	95	-25	322	134	202
Result from associated companies	1	0	1	-1	2	-1	0
Interest expenses	-2	-2	-4	-4	-10	-8	-10
Other financial items	-5	-9	-7	-9	-6	-5	-8
Earnings before tax	64	55	85	-39	308	120	184
Tax	-16	-13	-22	7	-70	-36	-41
Earnings for the period	48	42	63	-32	238	84	143
Earnings for the period are allocated as follows:							
Owners of the Parent Company (SKr million)	48	43	63	-31	238	85	144
Non-controlling interests (SKr million)	0	-1	0	-1	0	-1	-1
Earnings per share pertaining to Parent Company shareholders (SKr)	1.94	1.74	2.54	-1.25	9.61	3.43	5.81
Earnings per share pertaining to Parent Company shareholders, after full dilution (SKr)	1.91	1.71	2.50	-1.23	9.44	3.35	5.72
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	25,244	25,245	25,244	25,245	25,244	25,245	25,192
Average for the period	24,772	24,772	24,772	24,772	24,772	24,794	24,772
Average for the period, after full dilution	25,131	25,141	25,161	25,146	25,204	25,377	25,196

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SKr million	Q2 2014	Q2 2013	Jan.–June 2014	Jan.–June 2013	July–June 2013/14	July–June 2012/13	Full year 2013
Earnings for the period	48	42	63	-32	238	84	143
Other comprehensive income							
<i>Items not to be reversed in the income statement</i>							
Revaluation of defined-benefit pension plans	32	29	-	28	16	50	44
Revaluation of defined-benefit pension plans related to joint venture	-	-8	-	-	5	-14	5
<i>Items that can later be reversed in the income statement</i>							
Exchange rate differences	30	16	40	2	34	-23	-4
Other comprehensive income for the period, net of tax	62	37	40	30	55	13	45
Total comprehensive income for the period	110	79	103	-2	293	97	188
Total comprehensive income allocated as follows:							
Owners of the Parent Company	110	80	103	-1	293	98	189
Non-controlling interests	0	-1	0	-1	0	-1	-1

CONSOLIDATED BALANCE SHEET

SKr million	June 30 2014	June 30 2013	Dec. 31 2013
ASSETS			
Capitalized expenditure for product development	603	581	594
Goodwill	419	372	398
Other intangible fixed assets	98	93	111
Intangible fixed assets	1,120	1,046	1,103
Tangible fixed assets	97	96	96
Participations in associated companies	4	3	3
Participation in joint venture	-	25	-
Deferred tax receivables	134	154	132
Other long-term receivables and other participations	24	23	23
Financial fixed assets	162	205	158
Non-current assets	1,379	1,347	1,357
Accounts receivable	543	510	740
Other receivables	265	279	238
Cash and cash equivalents	370	272	354
Current assets	1,178	1,061	1,332
Assets	2,557	2,408	2,689
EQUITY AND LIABILITIES			
Share capital	499	508	499
Other capital contributed	691	699	701
Accumulated earnings, including earnings for the period and other reserves	53	-162	37
Shareholders' equity pertaining to Parent Company shareholders	1,243	1,045	1,237
Non-controlling interests	-1	0	0
Shareholders' equity	1,242	1,045	1,237
Liabilities to credit institutions	0	0	0
Pension obligations	54	74	39
Other provisions and other liabilities	49	41	52
Non-current liabilities	103	115	91
Accounts payable	87	72	111
Liabilities to credit institutions	139	201	197
Other provisions and other liabilities	986	975	1,053
Current liabilities	1,212	1,248	1,361
Liabilities	1,315	1,363	1,452
Equity and liabilities	2,557	2,408	2,689
Pledged assets	820	575	721
Contingent liabilities	21	35	21

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SKr, million	Pertaining to parent company shareholders					Non-controlling interests	Total stockholders' equity
	Share capital	Other contributed capital	Reserves	Profit brought forward	Total		
Opening balance January 1, 2013	508	701	-90	17	1,136	1	1,137
Total comprehensive income for the period	-	-	2	-4	-2	-1	-3
Dividend	-	-	-	-87	-87	-	-87
Repurchase of call options	-	-2	-	-	-2	-	-2
Closing balance June 30, 2013	508	699	-88	-74	1,045	0	1,045
Opening balance January 1, 2014	499	701	-94	131	1,237	0	1,237
Total comprehensive income for the period	-	-	40	63	103	-1	102
Dividend	-	-	-	-87	-87	-	-87
Repurchase of call options	-	-10	-	-	-10	-	-10
Closing balance June 30, 2014	499	691	-54	107	1,243	-1	1,242

CONSOLIDATED STATEMENT OF CASH FLOWS

SKr million	Q2 2014	Q2 2013	Jan.–June 2014	Jan.–June 2013	July–June 2013/14	July–June 2012/13	Full year 2013
Earnings before tax	64	55	85	-39	308	120	184
Adjustments for items not included in the cash flow	43	16	85	132	105	235	152
Cash flow from operations before change in working capital	107	71	170	93	413	355	336
Change in working capital	-19	-12	105	111	64	-12	70
Cash flow from current operations	88	59	275	204	477	343	406
Acquisition of subsidiaries	-	-	-	-	-	-5	-
Acquisition of intangible fixed assets	-51	-50	-99	-100	-241	-188	-242
Cash flow from other investment operations	-7	0	-13	-18	-37	-31	-42
Cash flow after investment operations	30	9	163	86	199	119	122
Dividend distributed	-87	-87	-87	-87	-87	-87	-87
Repurchase of own shares	-	-	-	-	-	-15	-
Cash flow from other financing operations	-11	32	-68	18	-12	29	74
Cash flow for the period	-68	-46	8	17	100	46	109
Cash and cash equivalents at the beginning of the period	431	314	354	253	272	234	253
Exchange rate differences in cash and cash equivalents	7	4	8	2	-2	-8	-8
Cash and cash equivalents at the end of the period	370	272	370	272	370	272	354

CONSOLIDATED ORGANIC NET REVENUE

SKr, million	Q2					January–June				
	Actual 2014	Translation effect	Structural changes	Adjusted 2014	Actual 2013	Actual 2014	Translation effect	Structural changes	Adjusted 2014	Actual 2013
License revenue	134	0	-2	132	128	241	0	-4	237	214
Maintenance and support revenue	256	-6	-5	245	226	505	-6	-11	488	447
Total product revenue	390	-6	-7	377	354	746	-6	-15	725	661
Consulting revenue	354	-4	-7	343	329	689	-1	-14	674	633
Net revenue (including other revenue)	745	-10	-14	721	686	1,439	-7	-29	1,403	1,299

CONSOLIDATED ORGANIC OPERATING EXPENSES

SKr, million	Q2					January–June				
	Actual 2014	Translation effect	Structural changes	Adjusted 2014	Actual 2013	Actual 2014	Translation effect	Structural changes	Adjusted 2014	Actual 2013
Operating expenses	675	-10	-9	656	620	1,344	-5	-19	1,320	1,324
Other operating income/costs net	0	0	-	0	0	-1	0	-	-1	-1
Capital gains/losses	0	0	-	0	-	0	0	-	0	0
Exchange rate gains/losses	-3	0	0	-3	0	-9	0	0	-9	-3
Restructuring costs/redundancy costs	-2	-1	-	-3	0	-7	-1	-	-8	-92
Reversal of restructuring costs	1	-	-	1	-	1	0	-	1	0
Amortization of capitalized product development	-41	0	-	-41	-39	-82	0	-	-82	-77
Amortization of acquired intangibles	-10	0	-	-10	-8	-19	0	-	-19	-15
Other amortization/depreciation	-7	0	0	-7	-7	-14	0	0	-14	-13
Capitalized product development	47	0	-	47	50	91	0	-	91	100
Adjusted operating expenses	660	-11	-9	640	616	1,304	-6	-19	1,279	1,223

CONSOLIDATED SEGMENT REPORTING, SECOND QUARTER

SKr million	Europe North		Europe West		Europe Central	
	2014	2013	2014	2013	2014	2013
License revenue	54	52	19	18	11	5
Maintenance and support revenue	90	88	57	42	23	22
Consulting revenue	165	153	43	36	43	35
Other revenue	0	1	0	1	0	0
Total external revenue	309	294	119	97	77	62
Internal revenue	7	5	21	11	9	13
Total revenue	316	299	140	108	86	75
External operating expenses	-189	-175	-98	-76	-63	-56
Internal operating expenses	-29	-25	-7	-6	-6	-5
Other operating items, net	0	0	-3	0	0	0
Operating expenses	-218	-200	-108	-82	-69	-61
EBIT, undistributed	98	99	32	26	17	14
Numbers of employees *						
Average for the period	447	482	316	330	207	198
At the end of the period	450	466	308	321	208	197
SKr million	Europe East		Americas		Africa, Asia, and Pacific	
	2014	2013	2014	2013	2014	2013
License revenue	9	8	23	18	18	27
Maintenance and support revenue	15	16	49	43	22	15
Consulting revenue	19	14	59	63	25	28
Other revenue	0	0	0	0	1	0
Total external revenue	43	38	131	124	66	70
Internal revenue	6	5	15	17	7	4
Total revenue	49	43	146	141	73	74
External operating expenses	-43	-47	-106	-93	-51	-40
Internal operating expenses	-1	-1	-6	-7	-3	-10
Other operating items, net	1	0	-1	1	1	0
Operating expenses	-43	-48	-113	-99	-53	-50
EBIT, undistributed	6	-5	33	42	20	24
Numbers of employees						
Average for the period	217	253	282	284	253	259
At the end of the period	213	251	284	281	251	257
SKr million			Corporate items **		GROUP	
			2014	2013	2014	2013
License revenue			0	0	134	128
Maintenance and support revenue			0	0	256	226
Consulting revenue			0	0	354	329
Other revenue			0	1	1	3
Total external revenue			0	1	745	686
Internal revenue			-65	-55	0	0
Total revenue			-65	-54	745	686
External operating expenses			-119	-133	-669	-620
Internal operating expenses			52	54	0	0
Other operating items, net			-4	-1	-6	0
Operating expenses			-71	-80	-675	-620
EBIT, undistributed			-136	-134	70	66
Numbers of employees						
Average for the period			904	886	2,626	2,692
At the end of the period			908	883	2,622	2,656

* Employees previously reported in the segment Defense are included in the financial statements in Europe West.

** Undistributed corporate revenue and expenses

INCOME STATEMENT OF THE PARENT COMPANY

SKr million	Q2 2014	Q2 2013	Jan.–June 2014	Jan.–June 2013	July–June 2013/14	July–June 2012/13	Full year 2013
Net revenue	4	5	9	11	20	21	22
Administration expenses	-7	-12	-20	-21	-39	-32	-40
Other operating revenue	-	0	-	0	0	0	-
EBIT	-3	-7	-11	-10	-19	-11	-18
Result from participations in subsidiaries	0	1	0	0	0	20	0
Financial revenue	12	7	25	26	57	77	58
Financial expenses	-10	-7	-15	-15	-23	-31	-23
Earnings before tax	-1	-6	-1	1	15	55	17
Tax	0	1	0	0	-4	-17	-4
Earnings for the period	-1	-5	-1	1	11	38	13

BALANCE SHEET OF THE PARENT COMPANY

SKr million	June 30 2014	June 30 2013	Dec. 31 2013
ASSETS			
Participations in subsidiaries	992	992	992
Deferred tax receivables	11	14	10
Receivables in subsidiaries	77	70	73
Other long-term receivables and other participations	2	2	2
Financial fixed assets	1,082	1,078	1,077
Non-current assets	1,082	1,078	1,077
Receivables in subsidiaries	779	861	867
Prepaid expenses and accrued income	9	13	10
Cash and cash equivalents	114	82	121
Current assets	902	956	998
Assets	1,984	2,034	2,075
EQUITY AND LIABILITIES			
Share capital	499	508	499
Statutory reserve	573	573	573
Retained earnings, including earnings for the period and share premium reserve	363	439	461
Shareholders' equity	1,435	1,520	1,533
Provisions for pensions and similar commitments	7	5	7
Liabilities to credit institutions	139	201	197
Liabilities to subsidiaries	372	293	312
Other liabilities	31	15	26
Current liabilities	542	509	535
Shareholders' equity and liabilities	1,984	2,034	2,075

OUTSTANDING SHARES

	Series A	Series B	TOTAL
Number of shares on January 1, 2014	1,262,445	23,709,385	24,971,830
Conversion of series-A shares into series-B shares	-105,440	105,440	-
Number of shares on June 30, 2014	1,157,005	23,814,825	24,971,830
Repurchase of shares, in own custody	-	-200,000	-200,000
Number of outstanding shares on June 30, 2014	1,157,005	23,614,825	24,771,830
Number of voting rights on June 30, 2014	1,157,005	2,361,483	3,518,488
Additional shares after full dilution	-	471,902	471,902
Number of shares on June 30, 2014 after full dilution	1,157,005	24,086,727	25,243,732

KEY FIGURES FOR THE GROUP

		Q2 2014	Q2 2013	Jan.–June 2014	Jan.–June 2013	July–June 2013/14	July–June 2012/13	Full year 2013
Revenue Indicator								
Net revenue per employee	SKr, '000	284	255	549	473	1,085	955	1,006
Expense and expenditure indicators								
Product development expenses/net revenue	%	10%	10%	10%	10%	10%	10%	10%
Sales and marketing expenses/net revenue	%	20%	20%	21%	21%	22%	22%	22%
Administration expenses/net revenue	%	10%	10%	11%	11%	11%	10%	11%
Amortization and depreciation	SKr, M	-58	-54	-115	-106	-221	-213	-212
of which amortization of capitalized product development expenditure	SKr, M	-41	-39	-82	-77	-158	-158	-153
Capitalized product development expenditure	SKr, M	47	50	91	100	179	190	188
Margin indicators								
License margin	%	89%	90%	87%	90%	91%	93%	93%
Maintenance and support margin	%	76%	71%	75%	69%	75%	69%	72%
Consulting margin	%	19%	19%	18%	18%	19%	18%	19%
Gross margin	%	51%	50%	50%	47%	52%	50%	51%
EBIT margin	%	9%	10%	7%	-2%	11%	5%	7%
Earnings margin	%	9%	8%	6%	-3%	11%	5%	7%
Return on average operating capital	%	7%	6%	10%	-4%	32%	13%	19%
Capital indicators								
Equity/assets ratio	%	49%	43%	49%	43%	49%	43%	46%
Accounts receivable (average 12 months)/ net revenue (rolling 12 months)	%	18%	19%	18%	19%	18%	19%	19%
Interest-bearing liabilities	SKr, M	193	275	193	275	193	275	236
Liquidity indicators								
Net liquidity	SKr, M	231	71	231	71	231	71	157
Debt/equity ratio	times	0.2	0.3	0.2	0.3	0.2	0.3	0.2
Employees								
Average for the period		2,626	2,692	2,619	2,747	2,622	2,791	2,688
At the end of the period		2,622	2,656	2,622	2,656	2,622	2,656	2,616

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	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3
License revenue	134	107	207	114	128	86	183	109	92	83	166	98
Maintenance and support revenue	256	249	234	221	226	221	231	224	232	222	220	208
Consulting revenue	354	335	337	286	329	304	353	268	327	335	355	288
Other revenue	1	3	4	2	3	2	2	11	1	3	4	2
Net revenue	745	694	782	623	686	613	769	612	652	643	745	596
License expenses	-15	-17	-11	-7	-13	-9	-7	-6	-8	-6	-3	-7
Maintenance and support expenses	-62	-63	-59	-57	-67	-71	-71	-67	-72	-71	-75	-64
Consulting expenses	-288	-277	-270	-224	-265	-256	-270	-229	-266	-282	-267	-234
Other expenses	-2	-2	-3	-2	1	-3	-1	-5	-1	-3	-3	-3
Direct expenses	-367	-359	-343	-290	-344	-339	-349	-307	-347	-362	-348	-308
Gross earnings	378	335	439	333	342	274	420	305	305	281	397	288
Product development expenses	-78	-71	-69	-61	-66	-64	-72	-72	-65	-61	-56	-60
Sales and marketing expenses	-146	-150	-179	-138	-138	-136	-175	-136	-138	-137	-144	-116
Administration expenses	-78	-79	-77	-71	-72	-69	-69	-66	-68	-71	-65	-58
Other operating revenue	1	1	6	7	1	2	39	2	-2	3	0	6
Other operating expenses	-7	-11	-16	-6	-1	-98	-12	-4	-5	-2	-6	-15
Result from joint venture	-	-	58	1	0	0	-	-	-	-	-	-
Indirect expenses, net	-308	-310	-277	-268	-276	-365	-289	-276	-278	-268	-271	-243
EBIT	70	25	162	65	66	-91	131	29	27	13	126	45
Result from participations in associated companies	1	0	1	0	0	-1	0	0	0	0	-1	1
Interest expenses	-2	-2	-3	-3	-2	-2	-2	-2	-2	-2	-2	-1
Other financial items	-5	-2	0	1	-9	0	1	2	-3	-2	-1	-1
Earnings before tax	64	21	160	63	55	-94	130	29	22	9	122	44
Tax	-16	-6	-34	-14	-13	20	-36	-7	-7	-2	-36	-11
Earnings for the period	48	15	126	49	42	-74	94	22	15	7	86	33
Cash flow after investment operations	30	133	83	-43	13	67	55	-28	-162	94	18	33
Number of employees at the end of the period	2,622	2,628	2,616	2,613	2,656	2,738	2,829	2,839	2,851	2,822	2,821	2,742

Values are adjusted to conform with new IFRS11 as of Q1 2013.

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, the Middle East, and Ukraine, 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 2013.

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, 2014, the standard IFRS 11 "Joint Arrangements" has come into force. According to this new standard, an interest in a joint venture is to be recognized via

the equity method and the use of the proportional method is no longer permitted. As a result of the new standard, accounting principles for joint ventures have been changed compared with the Group's accounting principles in Annual Report 2013 and in previously published interim reports in 2013. See section "Other information" for the effect of the change in the accounting principle.

For detailed information about the accounting principles: see annual report 2013.

FINANCIAL INFORMATION 2014

Interim report January–September 2014
Year-end report 2014

October 23, 2014
February 2015

ABOUT IFS

IFS is a globally recognized leader in developing and delivering business software for enterprise resource planning (ERP), enterprise asset management (EAM), and enterprise service management (ESM). IFS brings customers in targeted sectors closer to their business, helps them be more agile, and enables them to profit from change. IFS is a public company (XSTO: IFS) that was founded in 1983 and currently has over 2,600 employees. IFS supports more than 2,200 customers worldwide from local offices and through partners in more than 60 countries.

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