Q1 IAR SYSTEMS GROUP AB (PUBL)

INTERIM REPORT JANUARY-MARCH 2012

Sales up by 27% and earnings doubled

- Net sales of SEK 58.0m (45.8)
- Operating profit of SEK 8.0m (3.8)
- Profit before tax of SEK 7.6m (3.7)
- Cash flow from operating activities of SEK 1.3m (-4.1) and net cash of SEK 30.8m (17.7) at the end of the quarter
- Operating margin of 13.8% (8.3)
- Earnings per share, calculated on profit from continuing operations, of SEK 0.62 (0.32) after paid tax
- In local currency, net sales for the quarter rose by 26% in the Americas, 20% in Europe and 20% in Asia

Key events during the period
- IAR Systems opens a sales office in Seoul, South Korea
- I-jet launched and sales started at the end of the quarter

CEO's comments

Sales up by 27% and earnings doubled

All regions reported higher sales at the beginning of the year, partly as an effect of increased sales resources. First quarter growth was strongest in the Americas, but the other markets are also showing sustained growth compared to the previous year. Net sales for the first quarter rose by 27% to SEK 58.0m. In local currency, growth for the quarter was 26% in the Americas, 20% in Europe and 20% in Asia.

Growth leads to improvement in earnings

The earnings trend is positive and operating profit for the first quarter more than doubled to SEK 8.0m (3.8).

Operating margin also improved further and reached 13.8% for the quarter, compared to 8.3% for the first quarter of last year. Operating margin for the full year 2011 was 12.0%.

The year started with several attractive new products

The launch of IAR Systems' new portfolio of debugging probes, as a result of the acquisition of Signum Systems Corporation in September 2011, was well received by both customers and the press. Sales of I-jet began at the end of March, which means that the financial effects will start to emerge in the second quarter of 2012.

Continued interest in standardizing on IAR Systems

Our customers are looking over their requirements for products and suppliers in order to earn a higher return on their investments. They are seeking a simpler and more efficient workflow, greater flexibility in their development process and reliable support when and where they need it. We are noting a rising demand for our products thanks to our position as an experienced and independent supplier of user-friendly development tools with an extensive offering of training and support services.

ARM continues to consolidate 32-bit market

We are seeing continued growth in the ARM sector, where the range of new applications for ARM Cortex is expanding. The number of processor manufacturers that are selecting ARM technology is rising steadily, although around 80% of these have not yet reached the production stage. For the processor manufacturers, this means that competition and consolidation in the market can be expected to intensify further. For IAR Systems, this trend is creating an increasing number of new customers as more and more processor manufacturers choose to widen their market by offering products based on technology from ARM.

The next few quarters will be marked by multiple product launches to meet rising customer demand and utilize our increased sales capacity.

Stefan Skarin, President and CEO of IAR Systems Group AB

Net sales (SEK M)

Operating profit (SEK M)

2009 2010 2011 2012

PROFIT SUMMARY			
SEK M	Jan-Mar 2012	Jan-Mar 2011	Full year 2011
Net sales	58.0	45.8	200.4
Operating expenses	-50.0	-42.0	-176.4
Operating profit	8.0	3.8	24.0

KEY RATIOS			
	Jan-Mar 2012	Jan-Mar 2011	Full year 2011
Growth, %	26.6	5.0	12.6
Operating margin, %	13.8	8.3	12.0
Equity/assets ratio, %	80.1	79.5	78.1
Net cash, SEK M	30.8	17.7	34.5
No. of employees at end of period	159	133	157

Operating margin, rolling 12 months
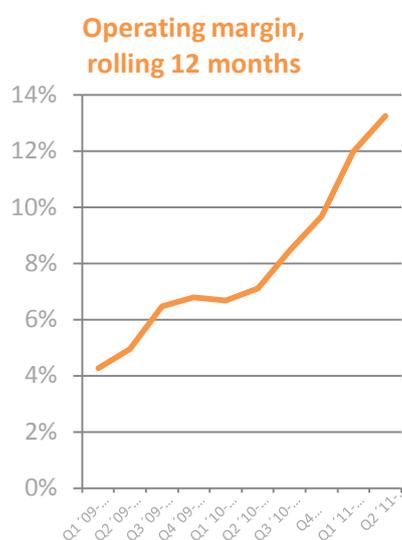
IAR Systems

Customers and market

Interest in IAR Systems' products is growing and the company's website had over 100,000 visitors in March.

As the only supplier to offer development tools for more than 4,000 Renesas processors, IAR Systems is seeing a gradual increase in sales of our products that support Renesas.

During the quarter, a sales office was opened in South Korea. Interest in IAR Systems' products is rising steadily in Asia and for several years the company has enjoyed robust development in Japan thanks to its local presence and opportunities to build strong customer relationships. IAR Systems currently has several important customers in South Korea and the new office will bring us closer to the customers and enable us to exploit the potential we see in the Korean market.

IAR Systems' strategy is to strengthen its customer relationships and increase the size of the average order by successively raising the share of customers who sign large and long-term agreements, known as enterprise agreements. 17 new enterprise agreements were signed in the past quarter, bringing the total number of enterprise agreements to over 100. The list of companies that have signed enterprise agreements and thereby chosen to standardize their development environment on the company's products includes Landis+Gyr, Miele, Osram and Ocean Modules.

IAR Systems' development by region

Net sales in the Americas (USD)
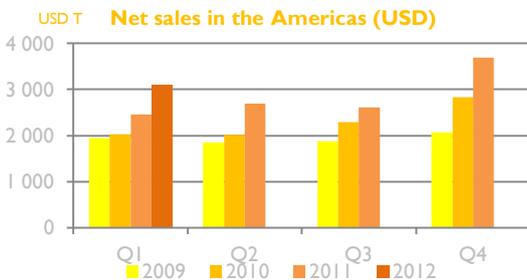
- The Americas account for around 40% of revenue
- Net sales for the quarter were up by 26% in local currency
- Largest increase in enterprise agreements of all regions

Net sales in Europe (Euro)
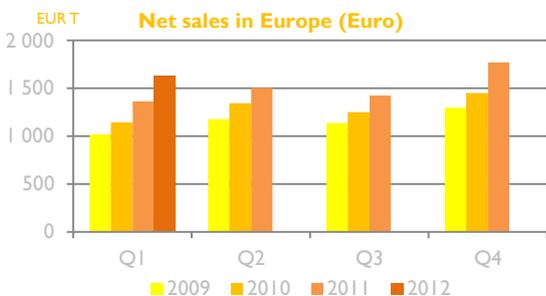
- Europe, excl. the Nordics, accounts for around 30% of revenue
- Net sales for the quarter rose by 20% in local currency
- Participated in Embedded World, the world's largest trade show for embedded systems, with over 900 exhibitors

Net sales in Asia (Yen)
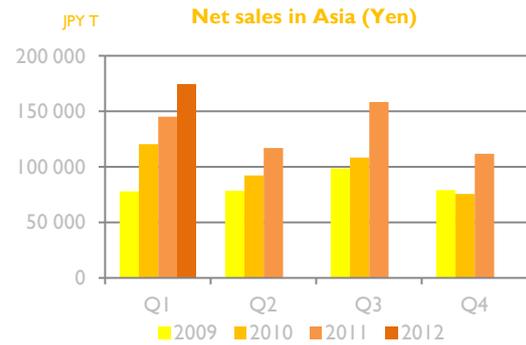
- Asia accounts for approximately 25% of revenue
- Net sales for the quarter improved by 20% in local currency
- Sales office in South Korea

Products and technology

The year began with the introduction of several interesting new products. The launch of IAR Systems' new portfolio of in-circuit debugging probes, as a result of the acquisition of Signum Systems Corporation in September 2011, was well received by both customers and the press. The new debugging probes have been developed in-house by IAR Systems, ensuring complete and tight integration with the company's development tool suite IAR Embedded Workbench.

First out of the new range of debugging probes is I-jet , which is seamlessly integrated with IAR Embedded Workbench to deliver high ease of use and fast and reliable development on ARM platforms. I-jet offers improved measurement of target power consumption, which also creates new scope for the power debugging technology to analyze power consumption in embedded systems.

Other launches during the quarter include:

- The company now supports more than 2,000 ARM devices, which is more than any other vendor of development tools for embedded systems. The world's broadest support for ARM MCUs gives IAR Systems' customers a unique freedom to select virtually any ARM processor on the market and use the same development tools.
- Support for ARM's new Cortex-M0+ core and Freescales' new Kinetis L series of processors based on this architecture. In connection with this, the company also presented new benchmark results showing that the code generated by IAR Embedded Workbench is 30% smaller than for competitors on the market.
- Express Logic presented a new product package of its widely recognized RTOS (real time operating system). The product, called ThreadX-LITE, is adapted for IAR Systems' customers and is tightly integrated with IAR Embedded Workbench. IAR Systems has exclusive rights to sell this unique product package, which uses a single-user licensing model that is in line with the license model for IAR Embedded Workbench.

Financial information

JANUARY – MARCH 2012

Sales and profit

Net sales for the first quarter rose by 27% compared to the same quarter of last year and reached SEK 58.0m (45.8). All regions reported growth during the quarter.

Operating profit for the quarter more than doubled and amounted to SEK 8.0m (3.8). The improvement in earnings is mainly due to the increase in sales.

Goodwill

Goodwill is tested for impairment yearly and is measured at cost less accumulated impairment. The impairment test is based on the budget for 2012 and the management's forecasts for 2013 and 2014. For the period thereafter, a future annual growth rate of 2% is assumed. Growth in 2011 was 12%. Goodwill at March 31, 2012, amounted to SEK 110.7m.

Deferred tax asset

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. At March 31, 2012, the Group had cumulative loss carryforwards of around SEK 274m. In the balance sheet, the current estimated value of these losses is SEK 72.2m (71.1).

Investments and financing

Investments in property, plant and equipment for the quarter are reported at SEK 0.5m (0.6). Investments in intangible assets during the quarter totaled SEK 3.6m (1.4). The equity/assets ratio at March 31, 2012, was 80% (79). Pledged assets decreased during the quarter by SEK 0.4m and amounted to SEK 9.9m (3.6) at March 31, 2012. No changes in contingent liabilities took place.

Cash flow, cash and cash equivalents

Cash flow from operating activities for the quarter was SEK 1.3m (-4.1). In the first quarter of 2012, cash flow was negatively affected by increased working capital and payment of variable compensation.

Cash flow from investing activities for the quarter was SEK -4.0m (-2.0). Investments during the quarter were mainly related to the debugging probe I-jet, which was launched in the last week of March.

Cash flow from financing activities for the quarter was SEK -0.1m (7.2). The full amount refers to repayment of finance lease liabilities.

At March 31, 2012, the Group had net cash of SEK 30.8m (17.7), in addition to a holding of 634,600 treasury shares.

Cash and cash equivalents at March 31, 2012, totaled SEK 32.7m (19.8), of which SEK 6.6m (-) consists of blocked funds for the acquisition of Signum.

On the same date, there were unutilized bank overdraft facilities of SEK 25.0m (28.3). The Group's total available cash and cash equivalents thus amounted to SEK 51.1m (48.1).

Employees

The number of employees in IAR Systems at the end of the period was 159 (133). The average number of employees during the period was 158 (132).

Parent Company

The activities of the Parent Company consist of group management, finance and IR/PR functions. The Parent Company's net sales for the quarter amounted to SEK 3.0m (3.2). Profit after financial items was SEK 28.2m (-27.2). Net investments in property, plant and equipment totaled SEK 0.0m (0.0). At March 31, 2012, the Parent Company had cash and cash equivalents of SEK 8.5m (0.3), of which SEK 6.6m (-) consists of blocked funds for the acquisition of Signum. On the same date, there were unutilized bank overdraft facilities of SEK 0.0m (28.3). The Parent Company's total available cash and cash equivalents thus amounted to SEK 1.9m (28.6). The number of employees in the Parent Company at the end of the period was 4 (4).

Accounting policies

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) as endorsed for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied. This consolidated interim report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and IAS 34, Interim Financial Reporting. The accounts of the Parent Company are presented in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The new or changed IFRSs effective as of January 1, 2012, have not had any impact on the consolidated financial statements during the period. The Group's accounting policies are thus unchanged from those applied in the prior year.

Reporting of operations distributed/sold

The operations in Deltaco AB and Northern Parklife AB and related subsidiaries were distributed and sold during the previous year. Profit from these operations is reported under profit from operations distributed/sold.

Continuing operations consist of IAR Systems. The comparison figures in the following financial information refer to continuing operations unless otherwise stated.

The IAR Systems Group share

IAR Systems Group's class B share is quoted on the Small Cap list of the NASDAQ OMX Nordic Exchange Stockholm. During the year the share price (based on reinvested values) varied from a low of SEK 25.30 (17.58) to a high of SEK 35.00 (19.99). The share price

at March 31, 2012, was SEK 35.00 (19.21). IAR Systems Groups' market capitalization on the same date was SEK 387m (212). The subsidiary Deltaco AB was distributed to the shareholders in the previous year. Deltaco AB is quoted on NASDAQ OMX First North since April 2011. The share price for the comparison figures is based on reinvested values with respect to the distribution.

The number of shareholders in IAR Systems Group at March 31, 2012, was 9,212 (9,872), of which 484 (567) held more than 1,000 shares each. Foreign shareholders held approximately 18% (27) of the share capital and 24% (30) of the votes.

No shares were repurchased during the period. However, 634,600 class B shares for total value of SEK 30.1m had been repurchased at March 31, 2012. These are not included in the share data at March 31, 2012.

IAR Systems Group's share capital at March 31, 2012, amounted to SEK 116,885,614, divided between 11,688,561 shares of which 100,000 are of class A and 11,588,561 are of class B. Following buybacks, 634,600 of the class B shares are held in treasury by IAR Systems Group. This means that the number of class B shares on the market at March 31, 2012, was 10,953,961.

Share price performance January – March 2012
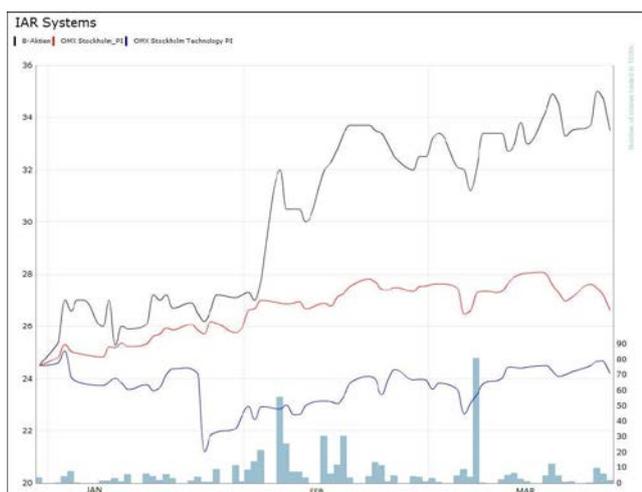
Warrant series TO4B

The Annual General Meeting (AGM) in May 2011 resolved that the company would issue not more than 1,168,856 subscription warrants, each entitling the holder to subscribe for one class B share in IAR Systems Group AB. A total of 1,017,000 warrants were subscribed for on market-based terms in July 2011. Each warrant gives the holder the right to subscribe for one new class B share in IAR Systems Group AB for a price of SEK 34.30 during the period through June 2014.

Nominations Committee

In accordance with the decision of the AGM in May 2011, the Nominations Committee consists of Ulf Strömsten (Catella), Peter Larsson and Tedde Jeansson. Ulf Strömsten was appointed as chairman of the committee.

Stefan Skarin, in his role as major shareholder and CEO, has been co-opted to take part in meetings of the Nominations Committee.

Proposed dividend

The Board of Directors intends to propose a dividend of SEK 1.00 per share (-) for approval by the Annual General Meeting on April 24, 2012. Last year, the shares in Deltaco were distributed to the shareholders and Deltaco was listed on First North.

Significant risks and uncertainties

The market for IAR Systems' software is evolving rapidly and forecasts about future development are therefore associated with uncertainty. IAR Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the annual report for 2011 under the heading "Risks and risk management" on pages 24-25 and in Note 2 on pages 43-45. No essential changes have taken place since that time.

Future outlook

The Board's long-term financial targets are for IAR Systems Group's net sales to grow by 10-15% annually in local currency and for operating margin to exceed 20% over a business cycle.

Stockholm, Tuesday, April 24, 2012

Stefan Skarin
President and CEO

Review

This report has not been examined by the company's independent auditor.

Annual General Meeting

The Annual General Meeting will be held at 6:00 p.m. on April 24, 2012, at the company's office at Strandbodgatan 1 in Uppsala. Bus transport from and to Stockholm will be available to the shareholders who so desire. Additional information about this was provided in connection with the notice to attend the Annual General Meeting.

Starting at the end of March, IAR Systems Group's annual report is available on IAR Systems' website and at the company's offices in Kista Science Tower, Kista, and at Strandbodgatan 1, Uppsala.

Financial calendar 2012

Annual General Meeting, April 24, 2012
Interim report for January-June 2012, July 24, 2012
Interim report for January-September 2012, October 24, 2012

### IAR Systems Group AB (publ)

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Income statements

INCOME STATEMENTS, GROUP		3 mths, Jan-Mar	Full year
SEK M	2012	2011	2011
Net sales	58.0	45.8	200.4
Goods for resale	-7.3	-4.9	-19.0
Other external expenses	-10.0	-7.8	-31.8
Personnel costs	-31.4	-28.1	-120.2
Depreciation of property, plant and equipment	-0.5	-0.4	-1.7
Amortization of intangible assets	-0.8	-0.8	-3.7
Operating profit	**8.0**	**3.8**	**24.0**
Financial income	0.0	0.3	0.9
Financial expenses	-0.4	-0.4	-0.8
Profit before tax	**7.6**	**3.7**	**24.1**
Income tax	-2.3	0.0	2.9
Profit for the period from continuing operations	**5.3**	**3.7**	**27.0**
Profit from operations distributed/sold	-	-45.8	-45.8
Profit for the period	**5.3**	**-42.1**	**-18.8**
Earnings per share for the period, calculated on profit from continuing operations, basic and diluted, SEK	*0.48*	*0.33*	*2.44*
Earnings per share for the period, calculated on profit from operations distributed/sold, basic and diluted, SEK	*-*	*-4.14*	*-4.14*
Earnings per share for the period, basic and diluted, SEK	*0.48*	*-3.81*	*-1.70*

STATEMENTS OF COMPREHENSIVE INCOME		3 mths, Jan-Mar	Full year
SEK M	2012	2011	2011
Profit for the period	**5.3**	**-42.1**	**-18.8**
Other comprehensive income for the period			
Foreign exchange gains/losses	-0.8	0.0	0.6
Total other comprehensive income	-0.8	0.0	0.6
Comprehensive income for the period	**4.5**	**-42.1**	**-18.2**
Comprehensive income for the period attributable to owners of the parent	*4.5*	*-42.1*	*-18.2*

Net sales, rolling 12 months, SEK M
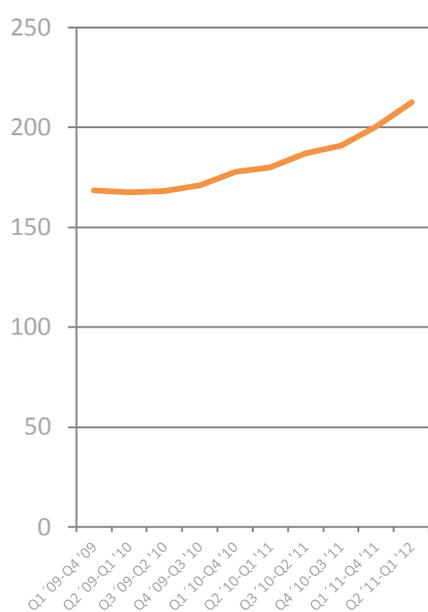
Operating profit, rolling 12 months, SEK M
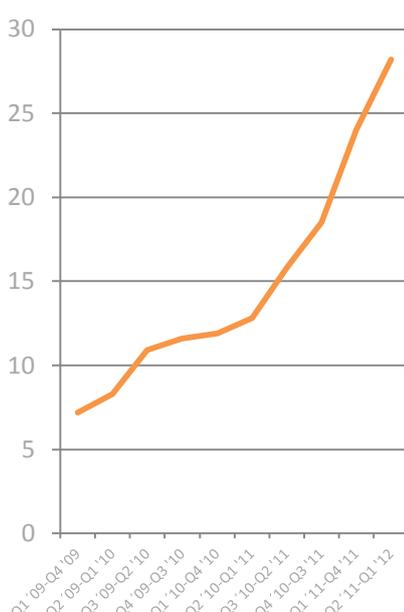
Operating margin, rolling 12 months
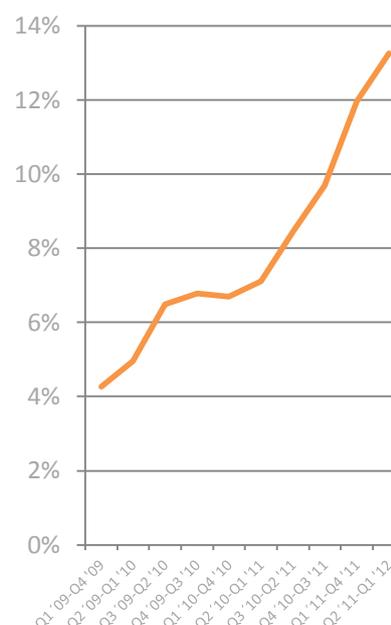
Balance sheets

BALANCE SHEETS, GROUP SEK M	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
ASSETS			
Non-current assets			
Goodwill	110.7	97.4	110.7
Other intangible assets	31.8	24.1	28.2
Property, plant and equipment	5.7	4.8	5.8
Financial assets	77.9	71.5	79.6
Total non-current assets	**226.1**	**197.8**	**224.3**
Current assets			
Inventories	4.3	2.7	4.6
Other current assets	13.1	17.0	11.3
Trade receivables	30.5	23.1	32.2
Cash and cash equivalents	32.7	19.8	36.5
Total current assets	**80.6**	**62.6**	**84.6**
Assets held for distribution/sale	-	439.9	-
TOTAL ASSETS	**306.7**	**700.3**	**308.9**
EQUITY AND LIABILITIES			
Total equity	**245.6**	**556.4**	**241.1**
Non-current liabilities			
Interest-bearing liabilities	1.4	1.6	1.5
Deferred tax liabilities	3.5	4.5	3.5
Total non-current liabilities	**4.9**	**6.1**	**5.0**
Current liabilities			
Trade payables	7.6	7.6	10.7
Interest-bearing liabilities	0.5	0.5	0.5
Other current liabilities	48.1	36.5	51.6
Total current liabilities	**56.2**	**44.6**	**62.8**
Liabilities held for distribution/sale	-	93.2	-
TOTAL EQUITY AND LIABILITIES	**306.7**	**700.3**	**308.9**
Pledged assets	9.9	3.6	10.3
Contingent liabilities	-	-	-

CHANGES IN EQUITY, GROUP	3 mths, Jan-Mar		Full year
SEK M	2012	2011	
Equity at beginning of period	241.1	598.5	598.5
Dividends	-	-	-339.8
Issue of subscription warrants	-	-	0.6
Comprehensive income for the period	4.5	-42.1	-18.2
Equity at end of period	**245.6**	**556.4**	**241.1**

Net cash Q2 2011 - Q1 2012
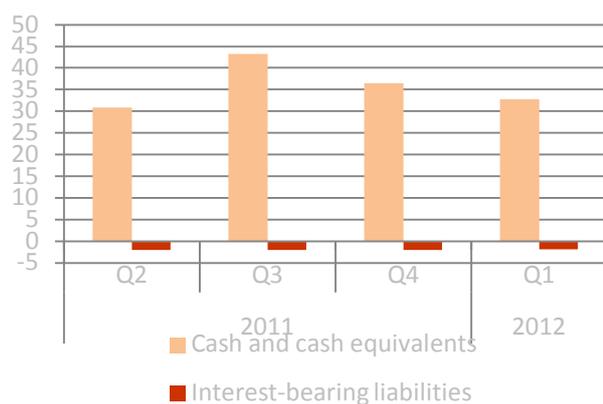
Equity/assets ratio, March 31, 2012
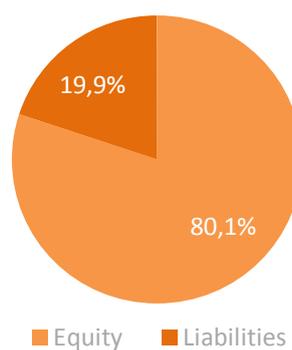
Cash flows

CASH FLOWS, GROUP	3 mths, Jan-Mar		Full year
SEK M	2012	2011	2011
Incoming payments from customers	58.7	43.2	187.5
Outgoing payments to suppliers and employees	-54.6	-46.5	-154.2
Interest received	0.0	0.3	2.0
Interest paid	-0.0	-0.3	-0.8
Income tax paid	-2.8	-0.8	-0.3
Cash flow from operating activities	**1.3**	**-4.1**	**34.2**
Cash flow from operating activities for operations distributed/sold	-	8.5	8.5
Total cash flow from operating activities	**1.3**	**4.4**	**42.7**
Investments in property, plant and equipment	-0.5	-0.6	-2.8
Investments in intangible assets	-3.6	-1.4	-8.2
Investments in subsidiaries	-	-	-14.7
Other investments	0.1	-	-0.2
Cash flow from investing activities	**-4.0**	**-2.0**	**-25.9**
Cash flow from investing activities for operations distributed/sold	-	-0.9	-0.9
Total cash flow from investing activities	**-4.0**	**-2.9**	**-26.8**
Warrant series TO4B	-	-	0.6
New borrowings	-	7.2	7.1
Repayment of financial liabilities	-0.1	-	-
Cash flow from financing activities	**-0.1**	**7.2**	**7.7**
Cash flow from financing activities for operations distributed/sold	-	0.3	-39.7
Total cash flow from financing activities	**-0.1**	**7.5**	**-32.0**
Cash flow for the period	**-2.8**	**9.0**	**-16.1**
Cash and cash equivalents at beginning of period	36.5	52.0	52.0
Exchange difference in cash and cash equivalents			
- attributable to cash and cash equivalents at beginning of period	-1.0	-1.1	0.4
- attributable to cash flow for the period	0.0	-0.1	0.2
Cash and cash equivalents at end of period	**32.7**	**59.8**	**36.5**

CASH AND CASH EQUIVALENTS, GROUP	3 mths, Jan-Mar		Full year
SEK M	2012	2011	2011
Breakdown of cash and cash equivalents at the end of the period			
Cash and cash equivalents at end of period	32.7	59.8	36.5
Cash and cash equivalents included in assets held for distribution/sale	-	40.0	-
Total cash and cash equivalents	**32.7**	**19.8**	**36.5**
Of which, blocked funds	-6.6	-	-6.9
Unutilized overdraft facilities	25.0	28.3	25.0
Total available cash and cash equivalents	**51.1**	**48.1**	**54.6**

Cash flow from operating activities, SEK M
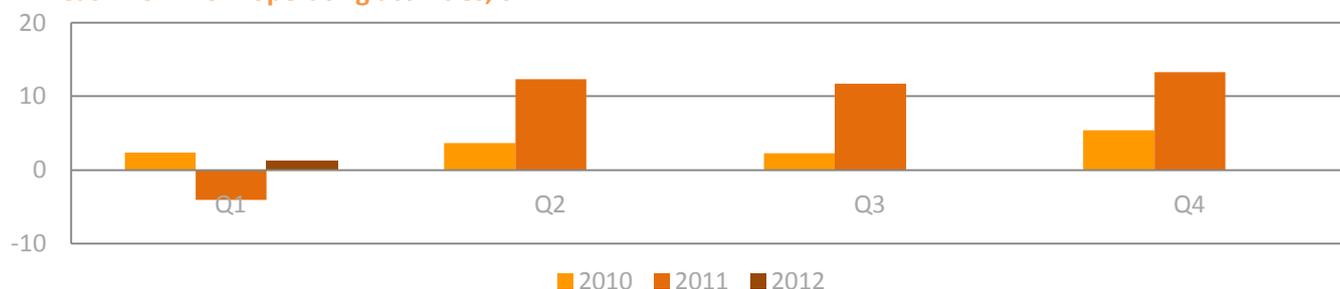
Key ratios

KEY RATIOS, GROUP	3 mths, Jan-Mar		Full year
	2012	2011	2011
Gross margin, %	16.7	10.9	14.7
Operating margin, %	13.8	8.3	12.0
Profit margin, %	13.1	8.1	12.0
Cash flow, %	1.0	-11.8	17.4
Equity/assets ratio, %	80.1	79.5	78.1
Return on equity, %	2.2	0.6	6.4
Return on capital employed, %	3.3	0.7	5.8
Interest coverage ratio, times	19.8	11.2	31.9
Capital employed, SEK M	247.5	558.5	243.1
Net interest-bearing liabilities, SEK M	-30.8	-17.7	-34.5
Net debt/equity ratio, times	-0.13	0.03	-0.14
Number of employees at end of period	159	133	157
Average number of employees	152	132	137
Net sales per employee, SEK M	0.4	0.3	1.5

SHARE DATA	3 mths, Jan-Mar		Full year
	2012	2011	2011
Equity per share, SEK	22.22	50.35	21.82
Number of shares at end of period, millions	11.05	11.05	11.05
Average number of shares, millions	11.05	11.05	11.05
Cash flow from operating activities per share, SEK	0.12	-0.37	3.10
Earnings per share calculated on continuing operations and after paid tax, SEK	0.62	0.32	1.97
Earnings per share, SEK	0.48	-3.81	-1.70

QUARTERLY OVERVIEW, CONTINUING OPERATIONS	2012		2011				2010		
SEK M	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, SEK M	58.0	57.5	48.2	48.9	45.8	48.0	44.2	42.1	43.6
Operating profit, SEK M	8.0	7.7	7.1	5.4	3.8	2.2	4.4	2.4	2.9
Operating margin, %	13.8	13.4	14.7	11.0	8.3	4.6	10.0	5.7	6.7
Return on equity, %	2.2	4.5	3.3	1.4	0.6	-0.6	1.4	1.1	1.6
Equity per share, SEK	22.22	21.82	20.92	20.09	50.35	54.16	55.50	53.81	54.42
Cash flow from operating activities per share, SEK	0.12	1.20	1.06	1.30	-0.37	0.47	0.23	0.33	0.22

Parent Company

INCOME STATEMENTS, PARENT COMPANY	3 mths, Jan-Mar		Full year
SEK M	**2012**	**2011**	**2011**
Net sales	3.0	3.2	14.1
Operating expenses	-3.6	-3.1	-20.4
Depreciation of property, plant and equipment	-0.0	-0.0	-0.2
Operating profit/loss	**-0.6**	**0.1**	**-6.5**
Result from financial investments	28.8	-27.3	-12.1
Profit/loss after financial items	**28.2**	**-27.2**	**-18.6**
Income tax	-1.6	0.0	5.6
Profit/loss for the period	**26.6**	**-27.2**	**-13.0**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY	3 mths, Jan-Mar		Full year
SEK M	**2012**	**2011**	**2011**
Profit/loss for the period	26.6	-27.2	-13.0
Total other comprehensive income	-	0.0	-
Comprehensive income for the period	**26.6**	**-27.2**	**-3.3**

BALANCE SHEETS, PARENT COMPANY			
SEK M	**March 31, 2012**	**March 31, 2011**	**Dec 31, 2011**
ASSETS			
Non-current assets			
Property, plant and equipment	0.2	0.4	0.2
Shares in subsidiaries	189.4	393.9	189.4
Other financial assets	76.1	67.5	77.7
Total non-current assets	**265.7**	**461.8**	**267.3**
Current assets			
Receivables from subsidiaries	5.2	10.0	0.3
Other current assets	4.1	9.0	4.3
Cash and cash equivalents	8.5	0.3	8.0
Total current assets	**17.8**	**19.3**	**12.6**
TOTAL ASSETS	**283.5**	**481.1**	**279.9**
EQUITY AND LIABILITIES			
Total equity	**270.2**	**456.0**	**243.6**
Non-current liabilities			
Provisions	5.3	-	5.5
Non-current liabilities to subsidiaries	-	-	20.4
Total non-current liabilities	**5.3**	**-**	**25.9**
Current liabilities			
Trade payables	0.2	0.8	1.2
Interest-bearing liabilities	-	21.7	0.0
Other current liabilities	7.8	2.6	9.2
Total current liabilities	**8.0**	**25.1**	**10.4**
TOTAL EQUITY AND LIABILITIES	**283.5**	**481.1**	**279.9**

ABOUT IAR SYSTEMS

Intoi becomes IAR Systems Group
Intoi acquired IAR Systems in 2005 and has been a driving force in its repositioning from a more consulting-oriented business to a pure software company. In order to focus on IAR Systems, Intoi distributed Deltaco and sold Northern in April 2011.

The restructuring was completed in the first quarter and the Group is now wholly focused on IAR Systems. As a result of the restructuring, Intoi has also changed name to IAR Systems Group AB.

Business model and products
IAR Systems' products consist of software that is used to program embedded systems that control products in areas such as industrial automation, medical devices, consumer electronics and the automotive industry. We are at the cutting edge of technology with development tools that support most of the world's processor manufacturers and therefore also embedded systems.

IAR System is growing faster than the market and has good potential for continued growth. The business model is based on standardized software, which means that all customers essentially use the same product. In addition, we have increased the scalability of the business model by raising the share of licenses from 62% to 88% of net sales. This provides a high gross margin and creates a scalable business model with significant capacity to boost profitability.

IAR Systems' development tools are available in a wide range of versions for 8-, 16- and 32-bit processors. The company's focus on the most advanced systems based on 32-bit architecture has been highly successful. In recent years, growth has been driven mainly by the 32-bit segment. Our market position is strongest in the most advanced systems for 32-bit architecture (often ARM-based), which now account for 58% of net sales.

Customers and sales
IAR Systems' software is used by many of the world's largest corporations, but also by thousands of small and mid-sized companies that develop digital products. The 14,000

customers are found across all industries and all regions of the world.

IAR Systems combines a good inflow of new customers with very loyal customer relationships. A full 90% of all sales go to recurring customers. IAR Systems works actively to sell more licenses to each customer, where the goal is for the customers to standardize on IAR Systems' tool chain.

Breakdown of revenue

- America (40%)
- Asia (24%)
- Europe excl Nordic (29%)
- Nordic (7%)
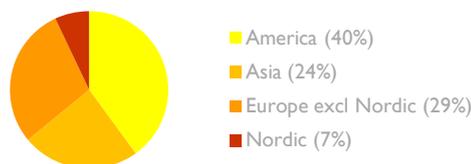
Ecosystem
IAR Systems is the hub of a powerful ecosystem of partners that include all of the world's leading chip makers, such as ST, Texas Instruments, NXP, Renesas, Freescale, Toshiba, Fujitsu and Atmel, and suppliers of real time operating systems (RTOS) and middleware. This close collaboration gives IAR Systems extensive resources, knowledge and scope for sales. But above all, it ensures that IAR Systems' software supports more processors in more architectures than any other tools on the market. With software tools from IAR Systems, the customers can work in the same environment for all processors in their current and future projects.

ARM
ARM Holdings plc is a multinational company that has developed a standard for microprocessor chips with its headquarters in Cambridge, UK. ARM is one of the largest and fastest-growing companies in the industry and dominates the market for processors for smart phones. For many years IAR Systems has been committed to providing reliable and powerful development tools for a wide spectrum of ARM processors. IAR Systems is one of the leading suppliers of development tools for chips based on ARM technology.

Investment case for IAR Systems

At the leading edge of technology
IAR Systems' software is a technical leader and the company is often first in the market to offer new functionality. IAR Systems was the first to launch a new tool to analyze power consumption in processors, known as power debugging.

A changing market
The market is driven by digitalization and is undergoing rapid changes in pace with:
- Growth in the number of digital products
- Growth in the number of processors
- A rising level of complexity in the processors
- Growth in ARM processors
- Growth in energy-efficient solutions

Global reach
IAR Systems has international reach through its head office in Uppsala, Sweden, and sales offices in Sweden, the USA, Japan, France, China, South Korea, Germany and the UK. The office in South Korea opened during 2012. In addition, the company is represented in 25 other countries through distributors.

A wide and loyal customer base
IAR Systems' software is used by many of the world's largest corporations, but also by thousands of small and mid-sized companies that develop digital products. Software from IAR Systems is used by more than 120,000 developers in over 14,000 organizations.

Close to the processor manufacturers
IAR Systems works closely with the world's leading processor manufacturers. This collaboration gives IAR Systems resources, knowledge and scope for sales. But above all, it ensures that IAR Systems' software supports more processors in more architectures than any other tools on the market. With software tools from IAR Systems, the customers can work in the same environment for all processors in their current and future projects.

Skilled employees
IAR Systems is a knowledge-intensive organization that has attracted expertise and talents from many countries. IAR Systems places high demands on ambition and innovation and is a dynamic workplace that contributes to personal well-being and professional development.

Gross margin	Operating profit before amortization/depreciation as a percentage of net sales.
Equity	Reported equity including 73.7% of untaxed reserves.
Equity per share	Equity divided by the number of shares at the end of the period.
Cash flow	Cash flow from operating activities as a percentage of net sales.
Net interest-bearing liabilities	Interest-bearing liabilities less interest-bearing assets.
Net debt/equity ratio	Net interest-bearing liabilities divided by equity.
Earnings per share, basic	Profit for the period after tax divided by the average number of shares during the period.
Earnings per share, diluted	Diluted earnings per share are calculated by dividing profit attributable to owners of the Parent Company by the weighted average number of shares outstanding during the period including outstanding options/warrants.
Return on equity	Profit after financial items less full tax as a percentage of average equity.
Return on capital employed	Profit after financial items plus financial expenses as a percentage of average capital employed.
Interest coverage ratio	Profit after financial items plus financial expenses divided by financial expenses.
Operating margin	Operating profit as a percentage of net sales.
Equity/assets ratio	Equity as a percentage of total assets.
Capital employed	Total assets less non interest-bearing liabilities.
Profit margin	Profit after financial items as a percentage of net sales.
Gross margin	Operating profit before amortization/depreciation as a percentage of net sales.

INDUSTRY-SPECIFIC GLOSSARY

Application	Another word for a program developed by the user of IAR Systems' tools, to be run on a processor in an embedded system.
Architecture	A microprocessor architecture is a specific combination of integrated circuit design and instructions that control how the processor works.
ARM	ARM Holdings plc is a multinational company that licenses a standard for processors. The headquarters are located in Cambridge, UK. ARM is one of the largest and fastest-growing companies in the industry and dominates the market for smart phones, but is also growing in other segments.
ARM Cortex	ARM Cortex is a product family of low-energy, easy-to-use microprocessors that has been developed to enable partners to develop more functions at a lower cost, simplify reuse of program code and increase power efficiency.
Chip	Another name for an integrated circuit (IC).
Chip maker	A chip maker or chip vendor produces integrated circuits (ICs). IAR Systems is the hub of a powerful ecosystem of partners that include suppliers of real-time operating systems (RTOS), so-called "middleware" and the world's leading chip makers.
Debug probe	An electronic tool that measures how a processor works when the program code is executed and can therefore be used to locate problems and errors in a program that a developer has created.
Debugger	Computer software that helps a programmer to locate problems and errors in the program that he/she has created by analyzing and showing what is happening "under the surface" when the program code is executed, often with the help of a debug probe.
Digitalization trend	Growth in the number of digital products worldwide. More and more products are digital and contain computer chips in order to be mobile, remote-controlled, energy-efficient, upgradable, etc.
Emulator	Another name for debug probe.
IAR Embedded Workbench	IAR Embedded Workbench is a high-performance tool suite for development of software for small and mid-sized (8-, 16-, and 32-bit) microprocessors. IAR Systems collaborates with all world-leading chip makers to guarantee that our tools can be used for more processor architectures than any other development tool on the market.
Embedded system	An embedded (computer) system consists of one or more microprocessors with related circuits and the software that is run in the system. Embedded systems control the functions in electronic products such as cell phones, coffee machines, credit card readers, dishwashers, etc. IAR Systems' customers develop and market products that are driven by embedded systems. Embedded systems are being increasingly used products worldwide, in pace with the so-called digitalization trend.
Integrated circuit (IC)	A small, typically rectangular silicon substrate onto which micrometer-sized transistors are mounted, sometimes in numbers of more than one million.
Compiler	A complier is a computer program (or set of programs) that transforms source code written in a programming language (similar to English) into instructions that the microprocessor can understand and execute.
Microprocessor	A microprocessor consists of a single integrated circuit (or at most a few integrated circuits). The circuit incorporates the functions of a computer's central processing unit (CPU) with storage of code and data.
Power debugging	Power debugging is a programming technology that makes it easier to see how the finished product's power consumption is directly related to the source code written by a programmer. This makes it possible to detect which program code is causing unexpectedly high power consumption.
Processor	When the word is used in connection with IAR Systems' products, processor is an abbreviation of *microprocessor*.
RTOS	An operating system (OS) is a set of programs that manage a computer's hardware resources and provide common services for application software. The operating system is the most important type of software in a computer system. A real-time operating system (RTOS) is specialized at quickly and reliably handling input and output data from the computer system, which is important in embedded systems.
Standardization	By standardizing on IAR Systems' tool chain, customers can significantly improve their efficiency and time-to-market for new products. In a single environment, they can move freely between 8-, 16-, 32-bit MCUs from all major vendors in all relevant architectures, including all ARM cores.
SUA	Software products from IAR Systems usually include a 12-month "Support and Update Agreement" (SUA) that gives the customer access to new product versions, product updates, technical support, etc.
Development kit	A development kit (also called a starter kit or evaluation kit) contains all of the equipment and software needed for a programmer to design, develop, integrate and test his or her products. IAR Systems offers fully integrated kits for development of embedded application software. Each kit contains an evaluation board and development tools (software) with example applications.
Development tools	The software tools used by programmers to create their own programs. The most important of these is an editor in which to write source code, a compiler to transform the source code into instructions that the processor can use, a linker that combines smaller program segments into an executable program, and a debugger that is used to locate problems in a program. IAR Embedded Workbench is a set of development tools.
8, 16, 32-bit	Processor architectures vary in complexity and size. 8-, 16- and 32-bit define the amount of code and data the processor can address. The general rule is that the larger the architecture, the more powerful and expensive the processors.