

YEAR-END REPORT 2012



ARM Techcon October 2012



Global Distributor Meeting

Net sales grew by 15% and operating profit up by 47%
The Board proposes a doubled dividend

- Net sales of SEK 230,1m (200.4), of which SEK 59.5m (57.5) in the fourth quarter
- Operating profit of SEK 35,2m (24.0), of which SEK 9.8m (7.7) in the fourth quarter
- Profit before tax of SEK 35.1m (24.1), of which SEK 10.1m (7.7) in the fourth quarter
- Cash flow from operating activities of SEK 38.3m (34.2), of which SEK 15.2m (13.3) in the fourth quarter
- Net cash at year-end 2012 was SEK 49.3m (34.5)
- Operating margin of 15.3% (12.0) for the full year and 16.5% (13.4) for the fourth quarter
- Earnings per share before dilution and calculated on profit from continuing operations after current tax amounted to SEK 2.68 (1.96), of which SEK 0.72 (0.57) for the fourth quarter
- In local currency, net sales for the period increased by 11% in the Americas, 12% in Europe and 19% in Asia compared to last year
- The Swedish corporate tax rate has been lowered from 26.3% to 22.0%, Remeasurement of deferred tax assets was charged to profit for the year in an amount of SEK 11.5m, The book value of the remaining loss carryforwards is SEK 58.4m,
- The Board intends to propose a dividend of SEK 2.00 (1.00) per share ahead of the Annual General Meeting on April 22, 2013

Key events during the year

- IAR Systems opens sales office in Seoul, South Korea
- IAR Systems' debug probe I-jet delivered in all markets
- Sale of 300,000 treasury shares in May 2012 for a value of SEK 11.6m

"2012 can be summed up as the third consecutive year of growth in sales and profit. In 2013 we will continue to concentrate on enhancing our offering, focusing on the existing markets and meeting our financial targets".

- Stefan Skarin, CEO of IAR Systems Group AB

CEO's comments

JANUARY – DECEMBER 2012

Growth in sales and profit

All regions reported higher sales. The strongest rise in sales for the year was seen in Asia, but the other markets are also delivering continued growth compared to the previous year. In 2012 net sales in SEK increased by 15% to SEK 230.1m. Net sales for the fourth quarter were up by SEK 2m, which is equal to growth of 3% compared to the same quarter of last year.

In local currency, growth for the period was 11% in the Americas, 12% in Europe and 19% in Asia. The corresponding growth rates in local currency for the fourth quarter were -5% in the Americas, 1% in Europe and 15% in Asia.

Sales in the USA were high and stable in the last three months of the year. Although fourth quarter sales were the highest of the year, we did not reach the record level of 2011 in the fourth quarter.

Net sales in Asia in the latter half of the fourth quarter were affected by a weaker market in Japan and lower exports as an effect of Japan's conflict with China.

Improvement in earnings driven by growth

The earnings trend is positive and operating profit rose by SEK 11.2m during the year to SEK 35.2m (24.0), of which SEK 9.8m (7.7) referred to the fourth quarter. Operating margin has continued to improve and in 2012 reached 15.3%, compared to 12.0% in the previous year. Operating margin for the fourth quarter was 16.5% (13.4%).

Sales of debug probes after acquisition of Signum

Sales of IAR Systems' new portfolio of debug probes, a result of the strategic acquisition of Signum Corporation in September 2011, are showing favorable development. The strongest growth in sales has been noted for the I-jet debug probe, which was launched in March 2012. In the fourth quarter, I-jet continued to grow compared to the previous year. However, the highest growth was reported for JTAGjet, which was launched in the fourth quarter.

2012 can be summed up as the third consecutive year of growth in sales and profit. In 2013 we will continue to concentrate on enhancing our offering, focusing on the existing markets and meeting our financial targets.

Stefan Skarin, CEO of IAR Systems Group AB

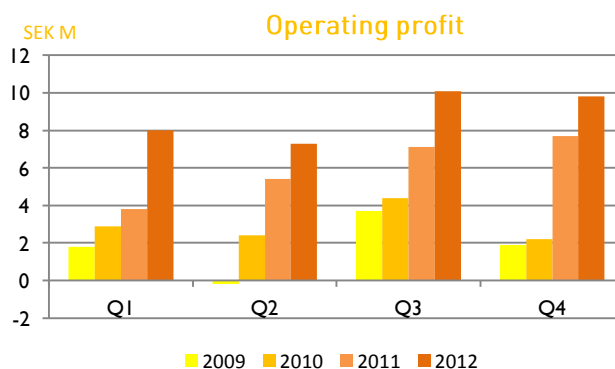
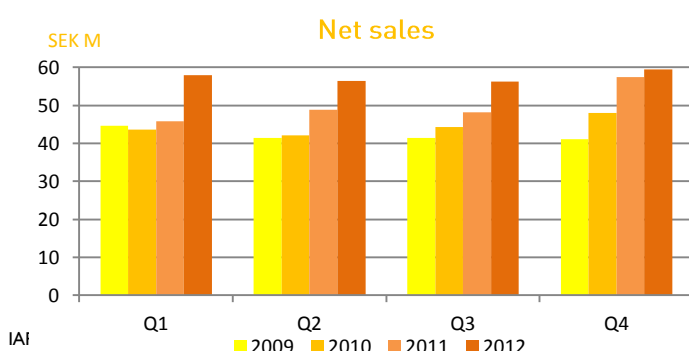
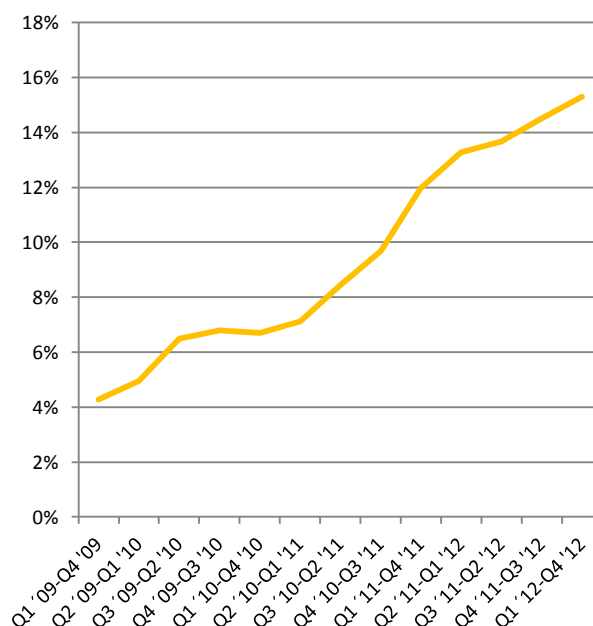
PROFIT SUMMARY,

SEK M	Full year 2012	Full year 2011	Full year 2010
Net sales	230.1	200.4	177.9
Operating expenses	-194.9	-176.4	-166.0
Operating profit	35.2	24.0	11.9

KEY RATIOS

	Full year 2012	Full year 2011	Full year 2010
Growth, %	14.8	12.6	5.5
Operating margin, %	15.3	12.0	6.7
Equity/assets ratio, %	78.3	78.1	80.4
Net cash, SEK M	49.3	34.5	-12.8
No. of employees at end of period	157	157	235

Operating margin rolling 12 months



Customers and market

The third quarter saw continued growth, driven mainly by higher demand for applications based on technology from ARM.

Alongside sales of licenses, customers are increasingly renewing their support and maintenance contracts.

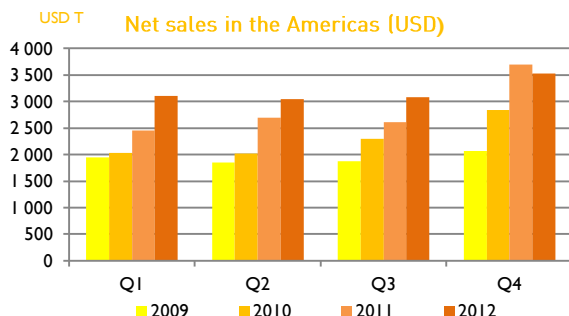
We have continued to grow in all regions aside from the USA, where growth in the fourth quarter was affected by a number of major contracts in the fourth quarter of 2011.

The opening of a new office in Seoul to strengthen the focus on the South Korean market resulted in an increase in sales for the year.

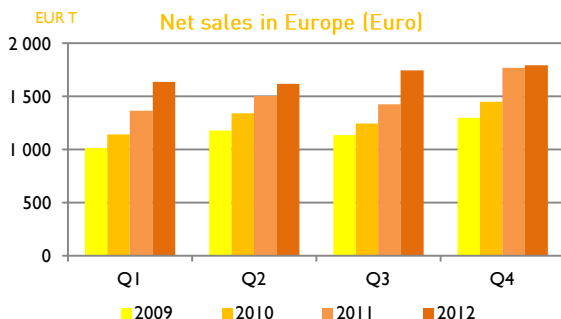
In the second quarter of 2012, IAR Systems started to deliver its new product, the debug probe I-jet. We noted continued growth for all of our debug probes in the fourth quarter.

A total of 15 enterprise agreements were signed in the fourth quarter. IAR Systems signed a total of 72 enterprise agreements during 2012, compared to 57 for the full year 2011. The aim of the enterprise agreements is to strengthen the ties to our largest and most important customers. By offering these customers products and services for greater flexibility and security, we extend and expand our business.

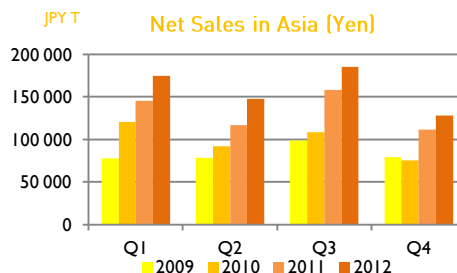
IAR Systems' development by region



- The Americas account for approximately 42% of revenue
- In local currency, net sales for the period rose by 11%
- Each month in Q4 2012, net sales reached USD 1m



- Europe accounts for around 33% of revenue
- In local currency, net sales for the year increased by 12%
- Highest sales of all time noted in Q4 2012



- Asia accounts for approximately 25% of revenue
- In local currency, net sales for the year were up by 19%
- Growth reported in the region despite effects of weak market

Products and technology

Several new products were launched during the year, primarily for ARM and Renesas processors. IAR Systems' product IAR Embedded Workbench for ARM processors contains several enhancements such as a new text editor, a new source browser, broader support for ARM processors and performance optimizations. In the fourth quarter IAR Systems also launched a new product package for the simpler ARM processors.

The debug probe JTAGjet was launched with full support for IAR Systems' products, which is highly significant for the most advanced processors from ARM. This means that IAR Systems now offers advanced processor support with debug probes for all of ARM's processors.

IAR Systems works continuously to optimize its product for speed. For many customers it is vital to create code with the shortest possible execution time, since this has a high impact on factors like power consumption in use of the processor. IAR Embedded Workbench for ARM and Renesas has gained attention since the code it generates is 50% faster than that created by competitor products like the open-source GCC compiler. According to independent measurements, IAR Embedded Workbench generates the market's fastest code for a number of ARM and Renesas products. In addition, in the fourth quarter the processor supplier ST announced a record-breaking code speed for its processors developed in IAR Systems' product Embedded Workbench.

The new version of IAR Embedded Workbench for Texas Instruments' MSP430 series of processors also contains the new text editor and source browser, but has perhaps aroused most interest for its integration with TI's code analysis software ULP Advisor (Ultra Low Power), which gives developers detailed tips on how to minimize power consumption in its embedded systems. In the fourth quarter IAR Systems launched a new product version for Renesas' RX processor family that primarily targets smaller systems, but also new versions for Renesas R32C and 78K. Through these launches, IAR Systems has continued to strengthen its position as the only independent supplier that supports all of Renesas' processor families.

Financial information JANUARY – DECEMBER 2012

Sales and profit

Net sales for the year rose by 15% compared to the previous year, and amounted to SEK 230.1m (200.4). All regions reported growth compared to last year,

Operating profit was up by 47% and amounted to SEK 35.2m (24.0) for the full year. The improvement in earnings is mainly attributable to the increase in sales.

Investments and financing

Investments in property, plant and equipment for the year are reported at SEK 2.8m (2.8).

Investments in intangible assets for the year totaled SEK 17.7m (22.9), and consisted mainly of staff expenses for development of the I-jet debug probe. The previous year's figure includes the acquisition of Signum (SEK 13.3m). These investments are in line with the company's plans.

The equity/assets ratio at December 31, 2012 was 78% (78).

Cash flow, cash and cash equivalents

Cash flow from operating activities for the year was SEK 38.3m (34.2), of which SEK 15.2m (13.3) referred to the fourth quarter.

Cash flow from investing activities for the year amounted to SEK -18.1m (-32.8), of which SEK -6.7m (-26.5) referred to the fourth quarter.

Cash flow from financing activities for the year was SEK 0.6m (7.7), of which SEK 0.3m (-0.4) referred to the fourth quarter.

Dividends of SEK 11.1m were paid during the year, when the company also sold 300,000 treasury shares. The sale provided the company with proceeds of SEK 11.6m.

On December 31, 2012, the Group had net cash of SEK 49.3m (34.5) and a holding of 334,600 (634,600) treasury shares.

Cash and cash equivalents on the same date amounted to SEK 51.4m (36.5), of which SEK 2.6m (6.9) consisted of blocked funds for the acquisition of Signum.

In addition, there were unutilized bank overdraft facilities of SEK 25.0m (25.0). The Group's total available cash and cash equivalents thus amounted to SEK 74.0m (54.6).

Employees

The number of employees in IAR Systems at the end of the year was 157 (157). The average number of employees during the year was 149 (137).

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 year amounted to SEK 12.2m (14.1). Profit after financial items was SEK 42.4m (-18.6). Net investments in property, plant and equipment totaled SEK 0.1m (-0.0). At December 31, 2012, the Parent Company had cash and cash equivalents of SEK 17.4m (8.0), of which SEK 2.6m (6.9) consisted of blocked funds for the acquisition of Signum. On the same date, there were unutilized bank overdraft facilities of

SEK 0m (25.0). During the year, the bank overdraft facility was moved from the Parent Company to the subsidiary IAR Systems AB. The Parent Company's total available cash and cash equivalents thus amounted to SEK 14.8m (26.1). The number of employees in the Parent Company at the end of the year 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 compared to those applied in the prior year.

Goodwill

Goodwill is tested for impairment yearly and is measured at cost less accumulated impairment. The impairment test is based on the budget for 2013 and the management's forecasts for 2014 and 2015. For the period thereafter, a future annual growth rate of 2% is assumed. The growth rate in 2012 was 15%. The impairment test performed in 2012 has not shown any indication of impairment. Goodwill at December 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 December 31, 2012, the Group had cumulative loss carryforwards of around SEK 265m. In the balance sheet, the current estimated value of these losses is SEK 58.4m (73.8) based on a corporate tax rate of 22.0% as of 2013. The change in the tax rate from 26.3% has been charged to profit for the year in an amount of SEK 11.5m,

Reporting of operations distributed/sold

The operations in Deltaco AB, Northern Parklife AB and the related subsidiaries were distributed and sold during 2011. Profit from these operations is reported under profit from operations distributed/sold.

Continuing operations consist of IAR Systems and central functions in the Parent Company. 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 varied from a low of SEK 25.30 (17.58) to a high of SEK 44.90 (24.50). The share price at December 31, 2012, was SEK 38.10 (24.50). IAR Systems Group's market capitalization on the same date was SEK 433m (270).

The subsidiary Deltaco AB was distributed to the shareholders in 2011. 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 December 31, 2012, was 8,547 (9,239), of whom 438 (481) held more than 1,000 shares each. Foreign shareholders held approximately 22% (18) of the share capital and 27% (24) of the votes.

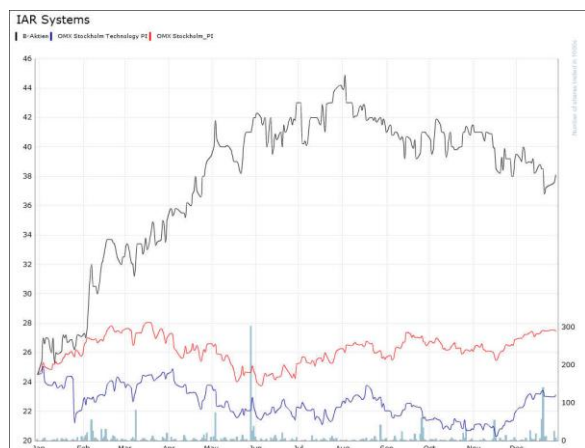
During the year, the warrant series T04B 2011/2014 was exercised to subscribe for 5,000 new class B shares.

No shares were repurchased during the year. However, 300,000 class B shares were sold, providing the company with SEK 11.6m. The buyers were a number of institutional investors, which will strengthen the company's ownership base. The proceeds from the sale of shares were used to finance contingent consideration in connection with the acquisition of Signum Systems Corp in an amount of SEK 5.2m that was paid in October 2012.

After the sale, IAR Systems held a total of 334,600 class B shares with a combined historical cost of SEK 14.2m at December 31, 2012. These shares are not included in the share data at December 31, 2012.

IAR Systems Group's share capital at December 31, 2012, amounted to SEK 116,935,614, divided between 11,693,561 shares of which 100,000 are of class A and 11,593,561 are of class B. Of this total, 334,600 class B shares are held in treasury by IAR Systems Group. This means that the number of class B shares on the market at December 31, 2012, was 11,258,961.

Share price performance, January – December 2012



Warrant series T04B

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. During the year, warrants were exercised to subscribe for 5,000 new class B shares, of which 3,000 new class B shares were subscribed for in the fourth quarter. After this, there are 1,012,000 unutilized warrants issued to employees.

2012 Annual General Meeting

The Annual General Meeting (AGM) of IAR Systems was held on April 24, 2012. For information about the AGM and the resolutions passed there, see the company's website: www.iar.com.

Nominating committee

In accordance with the decision of the AGM in April 2012, the nominating committee has been appointed and consists of Ulf Strömsten (Catella), Peter Larsson and Tedde Jeansson. Ulf Strömsten was elected as chairman of the nominating committee. In his role as major shareholder and CEO, Stefan Skarin has been co-opted to take part in meetings of the nominating committee.

Proposed dividend

The Board intends to propose a dividend of SEK 2.00 per share (1.00) for approval by the AGM on April 22, 2013. The proposal is equal to a total distribution of SEK 23.4m.

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 the operating margin to exceed 20% over a business cycle.

Stockholm, Wednesday, February 4, 2013

Stefan Skarin

Review report

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

2013 Annual General Meeting

The Annual General Meeting (AGM) will be held at 6:00 p.m. on April 22, 2013, at Nalen Konferens, Regeringsgatan 34, in Stockholm. IAR Systems Groups' annual report will be available as of the end of March on IAR Systems' website and at the company's offices at Kungsgatan 33 in Stockholm and Strandbodgatan 1 in Uppsala.

Financial calendar 2013

Interim report for January-March 2013, April 22, 2013

Annual General Meeting, April 22, 2013

Interim report for January-June 2013, August 22, 2013

Interim report for January-September 2013, October 23, 2013

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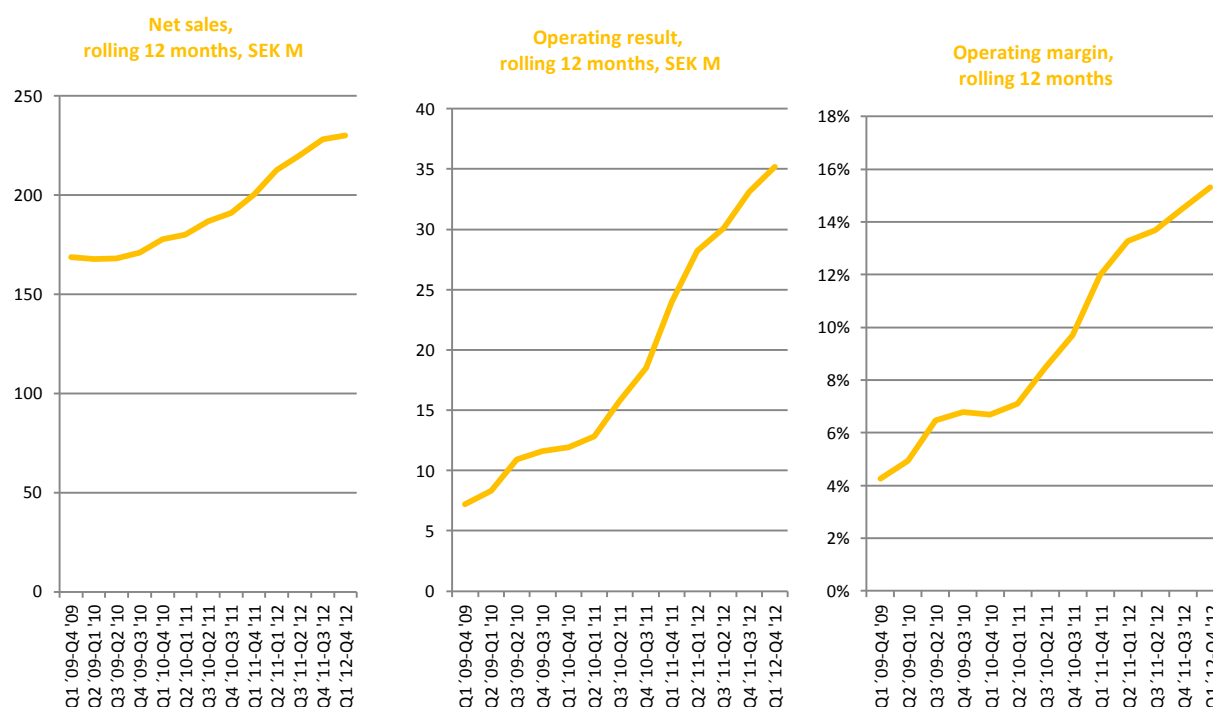
Stefan Skarin, President and CEO, tel +46 708 651005

Stefan Ström, CFO, tel +46 708 651068

Income statements

INCOME STATEMENTS, GROUP SEK M	Full year		3 mths Oct-Dec	
	2012	2011	2012	2011
Net sales	230.1	200.4	59.5	57.5
Goods for resale	-23.3	-19.0	-5.4	-5.5
Other external expenses	-44.5	-35.3	-11.4	-10.2
Personnel costs	-120.5	-116.7	-31.0	-32.4
Depreciation of property, plant and equipment	-2.3	-1.7	-0.7	-0.5
Amortization of intangible assets	-4.3	-3.7	-1.2	-1.2
Operating profit	35.2	24.0	9.8	7.7
Financial income	0.6	0.9	0.4	0.3
Financial expenses	-0.7	-0.8	-0.1	-0.3
Profit before tax	35.1	24.1	10.1	7.7
Income tax	-22.1	2.9	-15.6	2.9
Profit for the period from continuing operations	13.0	27.0	-5.5	10.6
Profit from operations distributed/sold	-	-45.8	-	0.0
Profit for the period	13.0	-18.8	-5.5	10.6
<i>Earnings per share for the period, calculated on profit from continuing operations, basic, SEK</i>	<i>1.16</i>	<i>2.44</i>	<i>-0.48</i>	<i>0.96</i>
<i>Earnings per share for the period, calculated on profit from continuing operations, diluted, SEK</i>	<i>1.06</i>	<i>2.44</i>	<i>-0.48</i>	<i>0.96</i>
<i>Earnings per share for the period, calculated on profit from operations distributed/sold, basic, SEK</i>	<i>-</i>	<i>-4.14</i>	<i>-</i>	<i>-</i>
<i>Earnings per share for the period, calculated on profit from operations distributed/sold, diluted, SEK</i>	<i>-</i>	<i>-4.14</i>	<i>-</i>	<i>-</i>
<i>Earnings per share for the period, basic, SEK</i>	<i>1.16</i>	<i>-1.70</i>	<i>-0.48</i>	<i>0.96</i>
<i>Earnings per share for the period, diluted, SEK</i>	<i>1.06</i>	<i>-1.70</i>	<i>-0.48</i>	<i>0.96</i>

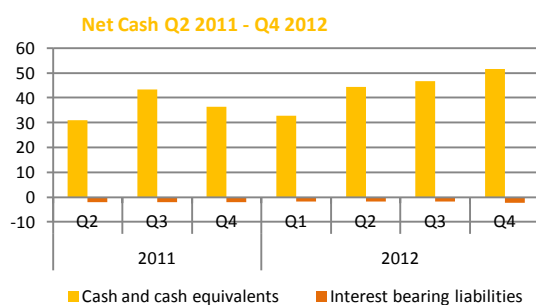
STATEMENTS OF COMPREHENSIVE INCOME SEK M	Full year		3 mths Oct-Dec	
	2012	2011	2012	2011
Profit for the period	13.0	-18.8	-5.5	10.6
Other comprehensive income for the period				
Foreign exchange gains/losses	-0.9	0.6	-0.2	-0.3
Total other comprehensive income	-0.9	0.6	-0.2	-0.3
Comprehensive income for the period	12.1	-18.2	-5.7	10.3
<i>Comprehensive income for the period attributable to owners of the parent</i>	<i>12.1</i>	<i>-18.2</i>	<i>-5.7</i>	<i>10.3</i>



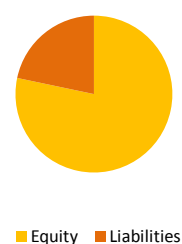
Balance sheets

BALANCE SHEETS, GROUP		
SEK M	Dec 31, 2012	Dec 31, 2012
ASSETS		
Non-current assets		
Goodwill	110.7	110.7
Other intangible assets	41.6	28.2
Property, plant and equipment	6.3	5.8
Financial assets	4.9	5.8
Deferred tax asset	62.4	73.8
Total non-current assets	225.9	224.3
Current assets		
Inventories	3.9	4.6
Other current assets	13.6	11.3
Trade receivables	29.1	32.2
Blocked funds	2.6	6.9
Cash and cash equivalents	49.0	29.6
Total current assets	98.2	84.6
TOTAL ASSETS	324.1	308.9
EQUITY AND LIABILITIES		
Total equity	253.8	241.1
Non-current liabilities		
Interest-bearing liabilities	1.1	1.5
Deferred tax liabilities	8.7	3.5
Total non-current liabilities	9.8	5.0
Current liabilities		
Trade payables	6.1	10.7
Interest-bearing liabilities	1.2	0.5
Other current liabilities	53.2	51.6
Total current liabilities	60.5	62.8
TOTAL EQUITY AND LIABILITIES	324.1	308.9
Pledged assets	6.7	10.7
Contingent liabilities	-	-

CHANGES IN EQUITY, GROUP			
SEK M	Full year		3 mths Oct-Dec
	2012	2011	2012
Equity at beginning of period	241.1	598.5	259.4
Dividends	-11.1	-339.8	-
New share issue	0.1	-	0.1
Issue of subscription warrants	-	0.6	-
Sale of shares	11.6	-	-
Comprehensive income for the period	12.1	-18.2	-5.7
Equity at end of period	253.8	241.1	253.8



Equity/assets ratio, Dec 31 2012

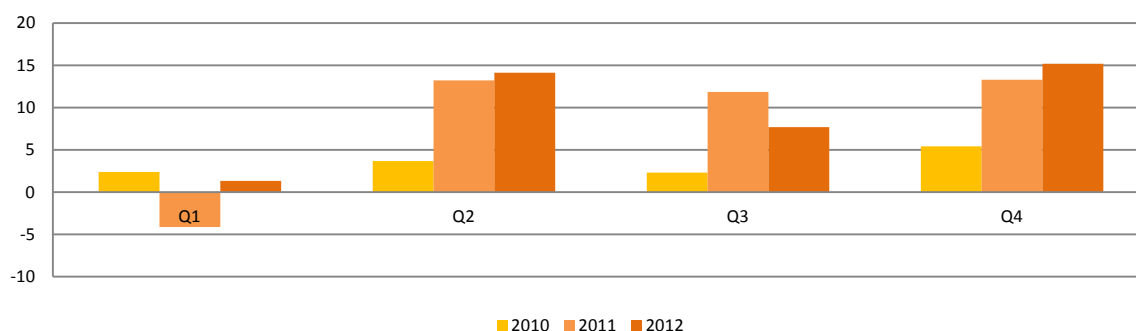


Cash flows

CASH FLOWS, GROUP SEK M	Full year		3 mths Oct-Dec	
	2012	2011	2012	2011
Incoming payments from customers	234.1	187.5	62.0	48.1
Outgoing payments to suppliers and employees	-191.0	-154.2	-47.2	-36.6
Interest received	0.6	2.0	0.4	1.5
Interest paid	-0.2	-0.8	-0.1	-0.4
Income tax paid	-5.2	-0.3	0.1	0.7
Cash flow from operating activities	38.3	34.2	15.2	13.3
Cash flow from operating activities for operations distributed/sold	-	8.5	-	-
Total cash flow from operating activities	38.3	42.7	15.2	13.3
Investments in property, plant and equipment	-2.1	-2.8	-0.7	-1.0
Investments in intangible assets	-20.3	-8.2	-9.7	-3.7
Investments in subsidiaries	-	-21.6	-	-21.6
Other investments	4.3	-0.2	3.7	-0.2
Cash flow from investing activities	-18.1	-32.8	-6.7	-26.5
Cash flow from investing activities for operations distributed/sold	-	-0.9	-	-
Total cash flow from investing activities	-18.1	-33.7	-6.7	-26.5
Issue of subscription warrants	-	0.6	-	-0.4
New share issue	0.1	-	0.1	-
Sale of shares	11.6	-	-	-
New borrowings	0.0	7.1	0.2	-
Dividends to owners of the Parent Company	-11.1	-	-	-
Cash flow from financing activities	0.6	7.7	0.3	-0.4
Cash flow from financing activities for operations distributed/sold	-	-39.7	-	-
Total cash flow from financing activities	0.6	-32.0	0.3	-0.4
Cash flow for the period	20.8	-23.0	8.8	-13.6
Cash and cash equivalents at beginning of period	29.6	52.0	40.2	43.3
Exchange difference in cash and cash equivalents	-	-	-	-
- attributable to cash and cash equivalents at beginning of period	-1.1	0.4	0.2	-0.1
- attributable to cash flow for the period	-0.3	0.2	-0.2	0.0
Cash and cash equivalents at end of period	49.0	29.6	49.0	29.6

CASH AND CASH EQUIVALENTS, GROUP SEK M	Full year	
	Dec 31, 2012	Dec 31, 2011
Cash and cash equivalents at end of period	49.0	29.6
Unutilized overdraft facilities	25.0	25.0
Total available cash and cash equivalents	74.0	54.6

Cash flow from operating activities, SEK M



Key ratios

KEY RATIOS, GROUP	Full year		3 mths Oct-Dec	
	2012	2011	2012	2011
Gross margin, %	89.9	90.5	90.9	90.4
Operating margin, %	15.3	12.0	16.5	13.4
Profit margin, %	15.3	12.0	17.0	13.4
Cash flow, %	16.6	17.1	25.5	23,1
Equity/assets ratio, %	78.3	78.1		
Return on equity, %	5.3	6.4	-2.1	4.5
Return on capital employed, %	14.3	5.8	3.9	3,4
Capital employed, SEK M	256.1	243.1		
Net cash, SEK M	49.3	34.5		
Net debt/equity ratio, times	-0.19	-0.14		
Number of employees at end of period	157	157		
Average number of employees	149	137	150	150
Net sales per employee, SEK M	1.5	1.5	0.4	0.4

SHARE DATA	Full year		3 mths Oct-Dec	
	2012	2011	2012	2011
Equity per share, SEK	22.34	21.82		
Equity per share, diluted, SEK	23.32	21.82		
Number of shares at end of period, millions	11.36	11.05		
Number of shares at end of period, diluted, millions	12.37	11.05		
Average number of shares, millions	11.23	11.05	11.36	11.05
Average number of shares, diluted, millions	12.24	11.05	12.37	11.05
Cash flow from operating activities per share, SEK	3.41	3.09	1.34	1.20
Earnings per share, basic, calculated on continuing operations and after current tax, SEK	2.66	1.96	0.71	0,57
Earnings per share, SEK	1.16	-1.70	-0.48	0.96
Earnings per share, diluted, SEK	1.06	-1.70	-0.48	0.96

QUARTERLY OVERVIEW, CONTINUING OPERATIONS SEK M	2012				2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, SEK M	59.5	56.2	56.4	58.0	57.5	48.2	48.9	45.8	48.0	44.2	42.1	43.6
Operating profit, SEK M	9.8	10.1	7.3	8.0	7.7	7.1	5.4	3.8	2.2	4.4	2.4	2.9
Operating margin, %	16.5	18.0	12.9	13.8	13.4	14.7	11.0	8.3	4.6	10.0	5.7	6.7
Return on equity, %	-2.1	3.8	3.1	2.2	4.5	3.3	1.4	0.6	-0.6	1.4	1.1	1.6
Equity per share, SEK	22.34	22.84	22.15	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	1.34	0.68	1.39	0.12	1.20	1.07	1.19	-0.37	0.47	0.23	0.33	0.22

Parent Company

INCOME STATEMENTS, PARENT COMPANY		Full year	
SEK M		2012	2011
Net sales		12.2	14.1
Operating expenses		-14.8	-20.4
Depreciation of property, plant and equipment		-0.1	-0.2
Operating profit/loss		-2.7	-6.5
Result from financial investments		45.1	-12.1
Profit/loss after financial items		42.4	-18.6
Income tax		-15.2	5.6
Profit/loss for the period		27.2	-13.0

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY		Full year	
SEK M		2012	2011
Profit/loss for the period		27.2	-13.0
Total other comprehensive income		-	-
Comprehensive income for the period		27.2	-13.0

BALANCE SHEETS, PARENT COMPANY			
SEK M		Dec 31, 2012	Dec 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment		0.2	0.2
Shares in subsidiaries		189.4	189.4
Other financial assets		3.7	4.5
Deferred tax asset		58.0	73.2
Total non-current assets		251.3	267.3
Current assets			
Receivables from subsidiaries		10.0	0.3
Other current assets		2.2	4.3
Blocked funds		2.6	6.9
Cash and cash equivalents		14.8	1.1
Total current assets		29.6	12.6
TOTAL ASSETS		280.9	279.9
EQUITY AND LIABILITIES			
Total equity		271.5	243.6
Non-current liabilities			
Provisions		2.0	5.5
Non-current liabilities to subsidiaries		-	20.4
Total non-current liabilities		2.0	25.9
Current liabilities			
Trade payables		0.6	1.2
Other current liabilities		6.8	9.2
Total current liabilities		7.4	10.4
TOTAL EQUITY AND LIABILITIES		280.9	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 concentrate on IAR Systems, Intoi distributed Deltaco and sold Northern in April 2011.

The restructuring was completed in the first quarter of 2011 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 which 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 Systems is growing faster than the market and has 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 62% of net sales.

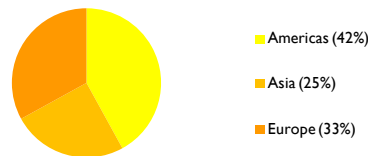
Customers and sales

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 more than

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



Ecosystem

IAR Systems is the hub of a powerful ecosystem of partners that include all of the world's leading maker of processors, including 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 based in Cambridge, UK, that has developed a standard for microprocessor chips. 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 processors based on ARM technology.

Investment case for IAR Systems

At the cutting 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 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.

DEFINITIONS

Current tax	The tax payable or refundable for the current year as well as adjustments to current tax of prior periods.
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 cash	Interest-bearing assets less interest-bearing liabilities.
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.
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.

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 vendor	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 compiler 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 <i>microprocessor</i> .
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.