

Stable sales and profit

Growth in local currency, Americas grow by 18%

April - June 2013

- Net sales of SEK 56.1m (56.4).
- Operating profit of SEK 7.7m (7.3).
- Profit before tax of SEK 7.8m (7.7).
- Operating margin of 13.7% (12.9) for the quarter.
- A stronger Swedish krona in 2013 compared to 2012 has had a negative year-on-year impact of SEK 3.3m on sales and SEK 1.8m on operating profit for the quarter.

January - June 2013

- Net sales of SEK 113.8m (114.4).
- Operating profit of SEK 15.8m (15.3).
- Profit before tax of SEK 15.9m (15.3).
- Cash flow from operating activities of SEK 12.9m (15.4).
- Net cash at the end of the quarter was SEK 30.3m (42.6).
- Operating margin of 13.9% (13.4) for the six-month period.
- Earnings per share before dilution and after current tax amounted to SEK 1.20 (1.22).
- Earnings per share amounted to SEK 1.05 (0.90) before dilution and SEK 0.97 (0.83) after dilution.
- A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 7.4m on sales and SEK 4.4m on operating profit for the period.

Key events during the period

- Launch of certified version of IAR Embedded Workbench for ARM processors.
- Launch of the debug probe I-scope.

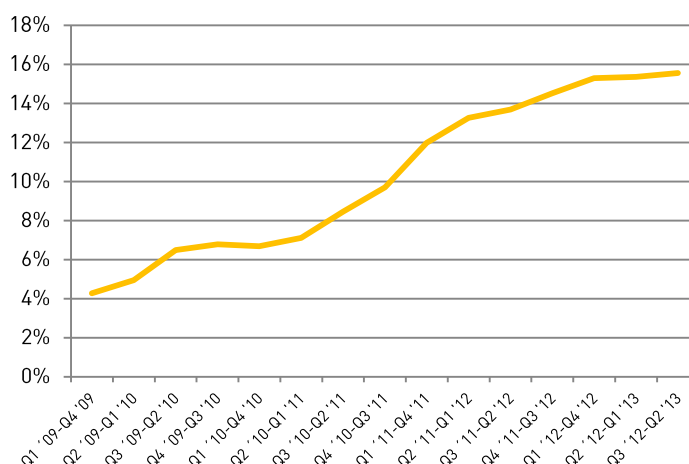
Profit summary

	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
SEK M			
Net sales	113.8	114.4	230.1
Operating expenses	-98.0	-99.1	-194.9
Operating profit	15.8	15.3	35.2

Key ratios

	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
SEK M			
Growth, %	-0.5	20.8	14.8
Operating margin, %	13.9	13.4	15.3
Equity/assets ratio, %	76.9	78.0	78.3
Net cash, SEK M	30.3	42.6	49.3
No. of employees at end of period	167	156	157

Operating margin rolling 12 months



CEO's comments

The year got off to an excellent with several major product launches and record sales in the number of licenses. Net sales and profit in Swedish kronor (SEK) are both stable, at the same time that our sales in local currency are on par with or have exceeded our long-term financial targets.

Net sales for the second quarter of 2013 were in line with the same quarter of last year and reached SEK 56.1m (56.4). The second quarter ended with an excellent final month and all in all, more licenses were sold in the second quarter of 2013 than ever before.

A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 3.3m on sales for the quarter. For the various regions, growth in local currency was 12% in Asia, 15% in Europe and 18% in the Americas compared to the second quarter of 2012.

For the period from January to June, consolidated net sales amounted to SEK 113.8m (114.4). The negative impact of a stronger Swedish krona in a comparison with the same period of last year was SEK 7.4m.

Operating profit for the second quarter was also on a level with the same quarter of 2012, and amounted to SEK 7.7m (7.3). Operating profit was negatively affected by a stronger Swedish krona. The negative impact on operating profit for the second quarter was SEK 1.8m.

Operating profit for the first half of the year was SEK 15.8m (15.3). In a comparison with the first half of last year, the negative impact of a stronger Swedish krona for the period was SEK 4.4m.

Operating margin was 13.7% (12.9) for the second quarter and 13.9% (13.4) for the first half of the year.

An important part of our marketing takes place through our presence at a number of trade shows

around the world. The world's largest trade show is Embedded World and is held at the end of February every year. During the spring, our participation in trade shows continued with Design West in the USA and ESEC in Japan. One clear trend after the year's first trade shows is that customers are increasingly seeking training in use of products. As products with embedded systems become more and more complex, this is also raising the demands on experience and expertise to keep pace with the customers' product development. Our launch of IAR Academy in Europe during the period was highly successful and, as a result, it will also be launched in Asia and the Americas during the third quarter.

A large share of sales in the second quarter was booked at the end of the quarter and included a number of major contracts. In the second quarter we set a new record in the number of licenses sold and at the same time achieved an increased share of sales of our own products, which has had a positive impact on our gross margin. Most of the key contracts were signed in the Americas, which meant that growth was well above our financial target for this region, but Europe and Asia also exceeded our financial targets for growth during the quarter. Although we have been negatively affected by a strong Swedish krona, in June this year we posted our highest sales of all time measured in SEK.



In 2013 the focus will be on enhancing our offering and meeting our financial targets.

Stefan Skarin
CEO of IAR Systems Group AB

Customers and market

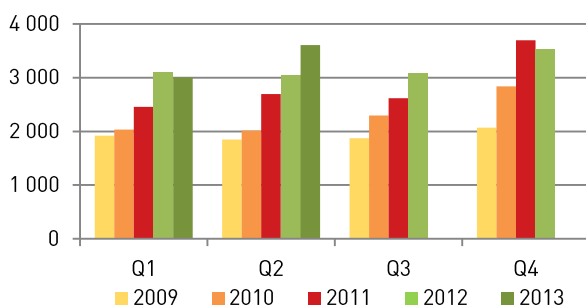
Demand remained healthy in all markets, although certain markets are still being affected by macroeconomic uncertainty. In the second quarter, a large share of our sales went to major customers as part of the process of standardizing on products from IAR Systems. Most of these key contracts were signed in the USA, which resulted in growth well above our long-term financial target.

Demand remains healthy in all markets, although macroeconomic factors are affecting decision-making processes and leading to postponement of investment decisions. This macroeconomic uncertainty is primarily affecting Asia and to some extent also Europe. The exception is South Korea in Asia and the Nordic region in Europe, which showed the strongest growth in the second quarter.

During the quarter, a larger share of sales went to major customers as part of increased efforts to encourage these customers to standardize their development environments on our products.

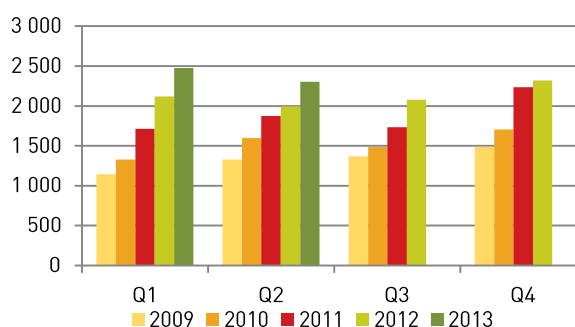
IAR SYSTEMS' DEVELOPMENT BY REGION

Net sales in the Americas (USD th)



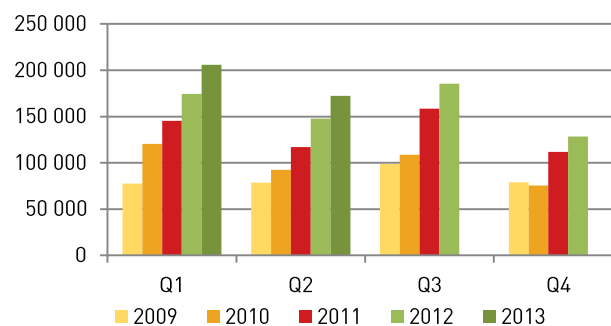
The Americas account for approximately 40% of revenue. In local currency, net sales increased by 8% for the period and by 18% for the second quarter.

Net sales in Europe (EUR th)



Europe accounts for approximately 36% of revenue. In local currency, net sales increased by 16% for the period and by 15% for the second quarter.

Net sales in Asia (JPY th)



Asia account for approximately 24 % of revenue. In local currency, net sales increased by 15% for the period and by 12% for the second quarter.

Products and technology

The second quarter featured a number of product launches, primarily for Renesas. IAR Systems has maintained its strong position relative to Renesas and has entered into a close collaboration through a new concept at Renesas called “The Power of Two”. An additional debug probe has been launched under the name of I-scope. I-scope is used as an extension to I-jet for customers seeking enhanced in-circuit power measurements. IAR Academy has been launched as a global educational offering through which we provide both basic and advanced courses on use of our products at several locations around the world.

Several notable product innovations were launched in the second quarter, primarily for Renesas. We have launched new versions for Renesas’ major products in line with our effort to follow key product launches by Renesas during the year. As earlier, IAR Systems is the only supplier to support all of Renesas’ processors. In addition to several updates and enhancements for a number of products (AVR, STM8), there has been a continued focus on product optimizations. Several processor suppliers have presented new results in measurement of performance scores for code speed. IAR Systems has maintained its strong position and in the first quarter set yet another world record through Freescale K70 processors.

There are many reasons why processor suppliers are seeking a strong position in optimizations. The perhaps foremost of these is to create a niche in the highly competitive market for ARM processors. Another is that a speed-optimized processor leads to lower power consumption, which has been a critical market argument for many processor vendors for some time.

On the theme of energy consumption, IAR Systems has also launched the new debug probe I-scope. I-scope is designed to be used as an extension of I-jet for customers seeking enhanced in-circuit power measurements.

I-jet and I-scope should be seen primarily as supplementary products that boost sales of IAR Systems’ flagship product Embedded Workbench, which accounts for 95% of revenue.

IAR Systems has a large number of customers who have signed support and upgrade agreements (SUA). We have seen increased demand for training from these customers and in the past few years have provided customized training courses. In the first quarter we took the step and launched IAR Academy, a global educational offering through which we provide both basic and advanced classroom courses on use of our products at several locations around the world. Some of the courses will also include more general training in efficient programming, which is highly appreciated by many customers. The courses are led by our technical experts. For more information on this topic, go to iar.com/academy.

At the end of the first quarter we launched a new version of Visual State, a product catering to a target group that prefers to develop graphically (via state machines). Visual State, for which the majority of customers are found in the automotive industry, has undergone a major change through adaptations for a couple of European customers who also serve as important references for ongoing and future business in both Europe and Asia.

In the second quarter, IAR Systems launched a version of Embedded Workbench for ARM processors that is certified for functional safety. The certification took place through TÜV SÜD, a leading international body for testing and certification of industrial products. The certification means that the product meets the requirements for ISO 26262 and IEC 61508, which are highly important in the market for embedded systems.

Financial information

JANUARY – JUNE 2013

SALES AND PROFIT

Net sales for the period were largely unchanged compared to the corresponding period of last year and amounted to SEK 113.8m (114.4), of which SEK 56.1m (56.4) referred to the second quarter. In a year-on-year comparison, foreign exchange effects had a negative impact on sales for the six-month period of SEK 7.4m, of which SEK 3.8m referred to the second quarter.

Operating profit for the quarter was also essentially unchanged and amounted to SEK 15.5m (15.3). In a year-on-year comparison, foreign exchange effects had a negative impact on operating profit for the six-month period of SEK 4.4m, of which SEK 1.8m referred to the second quarter.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the six-month period are reported at SEK 1.3m (0.9), of which SEK 0.6m (0.4) referred to the second quarter.

Investments in intangible assets for the six-month period totaled SEK 9.1 (8.3), of which SEK 4.7 (4.7) referred to the second quarter. These investments consisted mainly of own staff expenses for the development of debug probes. The investments are in line with the company's plans.

The equity/assets ratio at June 30, 2013, was 77% (79).

CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the six-month period was SEK 12.9m (15.4), of which SEK 11.0m (14.1) referred to the second quarter.

Cash flow from investing activities for the six-month period was SEK -9.8m (-7.8), of which SEK -5.0 (-3.8) referred to the second quarter.

Cash flow from financing activities for the six-month period was SEK -21.7m (0.3), of which SEK -22.7 (0.4) referred to the second quarter.

In the second quarter, dividends were paid to the shareholders in an amount of SEK 22.8m.

During the period, 31,000 subscription warrants were exercised to subscribe for new class B shares, providing the company with proceeds of SEK 1.0m.

On June 30, 2013, the Group had net cash of SEK 30.3m (42.6) and a holding of 334,600 (634,600) treasury shares.

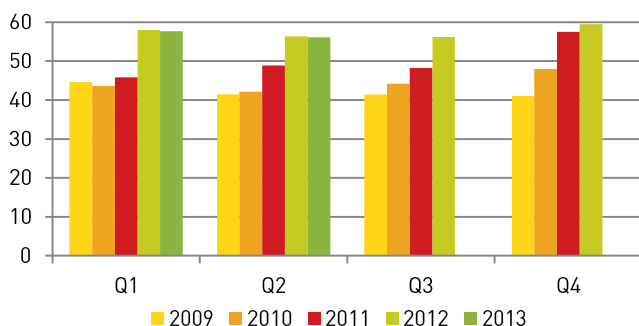
Cash and cash equivalents on the same date amounted to SEK 32.8m (44.4), of which SEK 2.7m (6.9) consisted of blocked funds for the acquisition of Signum.

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 55.1m (62.5).

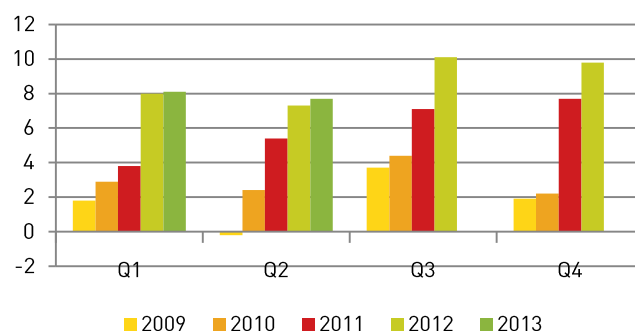
EMPLOYEES

The number of employees in IAR Systems at the end of the period was 167 (156). The average number of employees during the period was 159 (151).

Net sales (SEK M)



Operating profit (SEK M)



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 6.1m (6.1). Profit after financial items was SEK 4.3m (27.4). Net investments in property, plant and equipment totaled SEK 0.2m (0.0).

At June 30, 2013, the Parent Company had cash and cash equivalents of SEK 8.7m (19.8), of which SEK 2.7m (6.9) consisted of blocked funds for the acquisition of Signum. During 2012, the bank overdraft facility of SEK 25.0m 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 8.7m (12.9). The number of employees in the Parent Company at the end of the period was 4 (4).

ACCOUNTING POLICIES

The consolidated financial statements are presented 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 accounting standards applied in this interim report are the same as those used in preparation of the consolidated accounts and annual accounts for 2012, with the exception of the following amendments and new standards.

RFR 2 Accounting for Legal Entities

According to an amendment to RFR 2, the accounting standard for group contributions has been changed with effect from January 1, 2013. Under the new standard, group contributions received and paid are recognized as appropriations.

IAS 1 Presentation of Financial Statements

An amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2013. According to the amendment, items of other

comprehensive income should be grouped on the basis of whether they will eventually be recycled into profit or loss and those that will not be recycled. The application of the applied changes in IAS 1 is shown in the consolidated statement of comprehensive income.

IFRS 13 Fair Value Measurement

The new standard IFRS 13 applies to fair value measurement and requires a number of quantitative and qualitative disclosures. As a result of the disclosure requirements in IFRS 13, IAS 34, Interim Financial Reporting, has also been updated. According to the changes in IAS 34, interim reports must also provide disclosures about the fair value of financial instruments at amortized cost. The Group has no financial instruments measured at fair value. The carrying amounts of financial instruments stated at amortized cost correspond to their fair values.

The other new or revised IFRSs and IFRIC interpretations effective for annual periods beginning on or after January 1, 2013, have not had any significant impact on the consolidated financial statements.

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 June 30, 2013, 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 June 30, 2013, the Group had cumulative loss carryforwards of around SEK 268m. In the balance sheet, the current estimated value of these losses is SEK 59.0m (72.1) based on a corporate tax rate of 22.0% as of 2013.

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 period the share price varied from a low of SEK 36.40 (25.40) to a high of SEK 41.30 (43.00). The share price at June 30, 2013, was SEK 37.20 (43.00).

IAR Systems Group's market capitalization on the same date was SEK 424m (488).

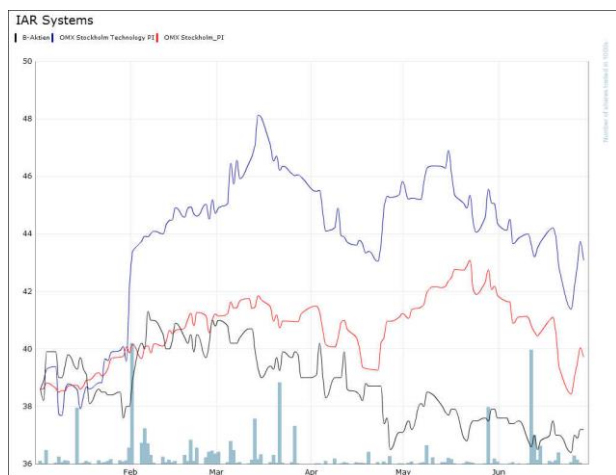
The number of shareholders in IAR Systems Group at June 30, 2013, was 8,221 (9,079), of whom 422 (462) held more than 1,000 shares each. Foreign shareholders held approximately 21% (18) of the share capital and 27% (24) of the votes.

During the period, the warrant series T04B 2011/2014 was exercised to subscribe for 31,000 new class B shares.

After buybacks in earlier years, IAR Systems held a total of 334,600 class B treasury shares with a combined historical cost of SEK 14.2m at June 30, 2013. These shares are not included in the share data at June 30, 2013.

IAR Systems Group's share capital at June 30, 2013, amounted to SEK 117,245,614, divided between 11,724,561 shares of which 100,000 are of class A and 11,624,561 are of class B. Of this total, 334,600 class B class B shares are held in treasury by IAR Systems Group. The number of class B shares on the market at June 30, 2013, was thus 11,289,961.

SHARE PRICE PERFORMANCE JANUARY – JUNE 2013



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. In total, warrants have been exercised to subscribe for 36,000 new class B shares, of which 31,000 new class B shares were subscribed for in the first quarter of 2013. After this, there are 981,000 unutilized warrants issued to employees.

2013 ANNUAL GENERAL MEETING

As regular Board members, the AGM re-elected Markus Gerdien, Peter Larsson, Karin Moberg, Jonas Mårtensson and Stefan Skarin. The AGM elected Markus Gerdien as Board Chairman. The AGM furthermore resolved that board fees would be paid in an annual amount of SEK 300,000 to the Board Chairman and SEK 125,000 to each of the other Board members. No fees are paid to the Board members who are employed in the company. As the company's independent auditor, the AGM re-elected Deloitte AB with Authorized Public Accountant Erik Olin as Auditor in Charge. The AGM resolved to appoint a nominating committee essentially according to the following principles. By September 30, 2013, at the latest, the Board Chairman shall convene the company's three largest shareholders or known shareholder groups in terms of voting power, each of which shall then have the right to appoint one member to the nominating committee. In addition, the Board Chairman may be appointed as a member of the nominating committee. The composition of the nominating committee shall be announced no later than six months before the 2014 AGM.

The Board was authorized, on one or several occasions during the period until the next AGM, to decide on the new issue of class B shares in a number equal to not more than 10% of all registered shares in the company on the date of the AGM in exchange for non-cash consideration. The motive for the authorization is to provide opportunities for acquisitions with payment through a non-cash issue. In accordance with the Board's proposal, the AGM resolved on a dividend of SEK 2.00 per share for the financial year 2012.

The Board was authorized, on one or several occasions during the period until the next AGM, to decide on the purchase of a maximum number of class B treasury shares whereby the holding of treasury shares at no time exceeds 10% of all registered shares in the company. The shares shall be acquired on NASDAQ OMX Stockholm at a price that is within the registered price interval at any given time. The motive for the authorization is to give the Board greater freedom of action in optimizing the company's capital structure. The

AGM furthermore authorized the Board to decide on the sale of treasury shares in exchange for cash payment with deviation from the shareholders' pre-emptive rights or as payment for the acquisition of companies or operations.

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 2012 under "Administration report" on pages 29-30 and in Note 2 on pages 45-47. 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, Thursday, August 22, 2013

Stefan Skarin
President and CEO of IAR Systems Group AB

FINANCIAL CALENDAR 2013

Interim report Jan-Sep 2013, October 23, 2013

IAR SYSTEMS GROUP AB (PUBL)

Corporate identification number 556400-7200
Kungsgatan 33, SE-111 56 Stockholm, Sweden
Tel +46 8 410 920 00
www.iar.com
Stefan Skarin, President and CEO, tel +46 708 651005
Stefan Ström, CFO, tel +46 708 651068

REVIEW REPORT

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

Income statements

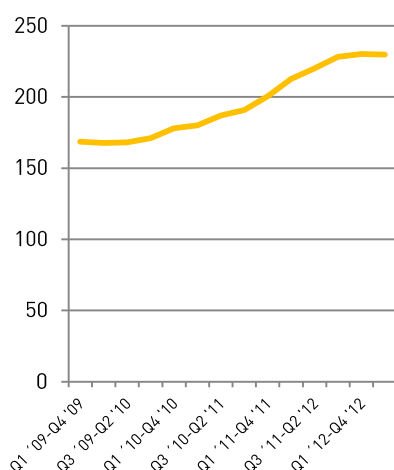
INCOME STATEMENTS, GROUP

SEK M	6 mths Jan-Jun		3 mths Apr-Jun		Full year
	2013	2012	2013	2012	2012
Net sales	113.8	114.4	56.1	56.4	230.1
Goods for resale	-6.7	-12.6	-2.2	-5.3	-23.3
Other external expenses	-20.9	-22.6	-10.2	-12.6	-44.5
Personnel costs	-66.1	-61.1	-34.0	-29.7	-120.5
Depreciation of property, plant and equipment	-1.2	-1.0	-0.5	-0.5	-2.3
Amortization of intangible assets	-3.1	-1.8	-1.5	-1.0	-4.3
Operating profit	15.8	15.3	7.7	7.3	35.2
Financial income	0.2	0.4	0.1	0.4	0.6
Financial expenses	-0.1	-0.4	-0.0	0.0	-0.7
Profit before tax	15.9	15.3	7.8	7.7	35.1
Income tax	-3.9	-5.3	-1.8	-3.0	-22.1
Profit for the period	12.0	10.0	6.0	4.7	13.0
Earnings per share for the period basic, SEK	1.05	0.90	0.53	0.42	1.16
Earnings per share for the period, diluted, SEK	0.97	0.83	0.49	0.39	1.06

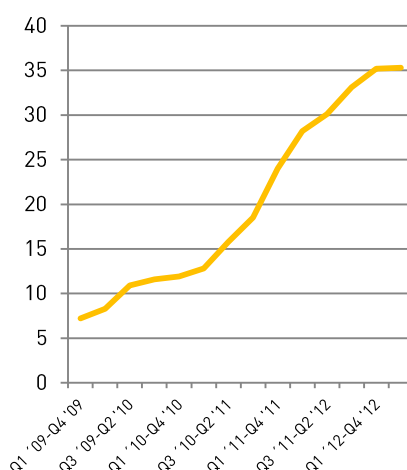
STATEMENTS OF COMPREHENSIVE INCOME

SEK M	6 mths Jan-Jun		3 mths Apr-Jun		Full year
	2013	2012	2013	2012	2012
Profit for the period	12.0	10.0	6.0	4.7	13.0
Other comprehensive income for the period					
Items that will be recycled to profit or loss					
Foreign exchange gains/losses	0.0	-0.1	0.3	0.7	-0.9
Total other comprehensive income	0.0	-0.1	0.3	0.7	-0.9
Comprehensive income for the period	12.0	9.9	6.3	5.4	12.1
Comprehensive income for the period attributable to owners of the parent	12.0	9.9	6.3	5.4	12.1

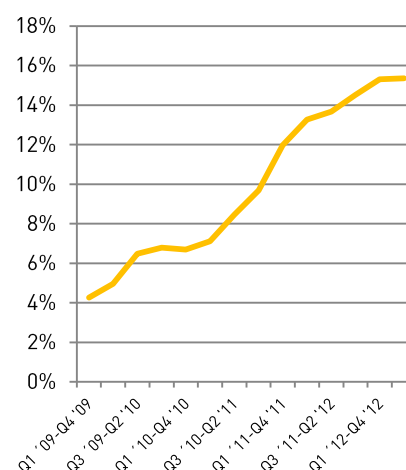
Net sales
rolling 12 months



Operating profit
rolling 12 months



Operating margin
rolling 12 months



Balance sheets

GROUP SEK M	Jun 30, 2013	Jun 30, 2012	Dec 31, 2012
ASSETS			
Non-current assets			
Goodwill	110.7	110.7	110.7
Other intangible assets	47.5	34.7	41.6
Property, plant and equipment	6.4	5.7	6.3
Financial assets	4.6	5.6	4.9
Deferred tax asset	62.1	72.1	62.4
Total non-current assets	231.3	228.8	225.9
Current assets			
Inventories	4.9	3.9	3.9
Other current assets	12.8	13.0	13.6
Trade receivables	35.6	29.1	29.1
Blocked funds	2.7	6.9	2.6
Cash and cash equivalents	30.1	37.5	49.0
Total current assets	86.1	90.4	98.2
TOTAL ASSETS	317.4	319.2	324.1
EQUITY AND LIABILITIES			
Total equity	244.0	251.5	253.8
Non-current liabilities			
Interest-bearing liabilities	1.3	1.3	1.1
Deferred tax liabilities	10.1	5.6	8.7
Total non-current liabilities	11.4	6.9	9.8
Current liabilities			
Trade payables	5.1	7.2	6.1
Interest-bearing liabilities	1.2	0.5	1.2
Other current liabilities	55.7	53.1	53.2
Total current liabilities	62.0	60.8	60.5
TOTAL EQUITY AND LIABILITIES	317.4	319.2	324.1
Pledged assets	6.0	10.0	6.7
Contingent liabilities	-	-	-

Changes in equity

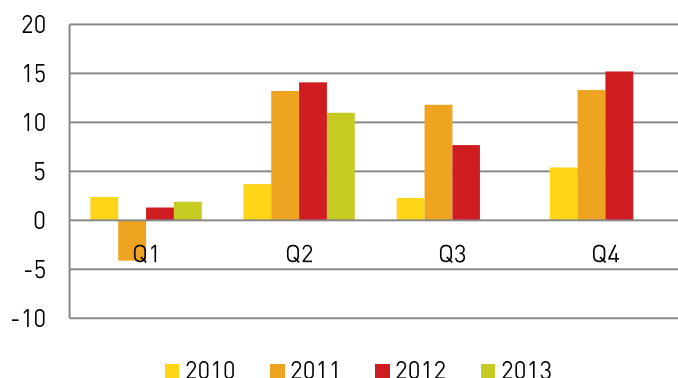
GROUP SEK M	6 mths Jan-Jun		3 mths Apr-Jun		Full year
	2013	2012	2013	2012	2012
Equity at beginning of period	253.8	241.1	260.5	245.6	241.1
Dividends	-22.8	-11.1	-22.8	-11.1	-11.1
New share issue	1.0	0.0	0.0	0.0	0.1
Sale of shares	-	11.6	-	11.6	11.6
Comprehensive income for the period	12.0	9.9	6.3	5.4	12.1
Equity at end of period	244.0	251.5	244.0	251.5	253.8

Cash flows

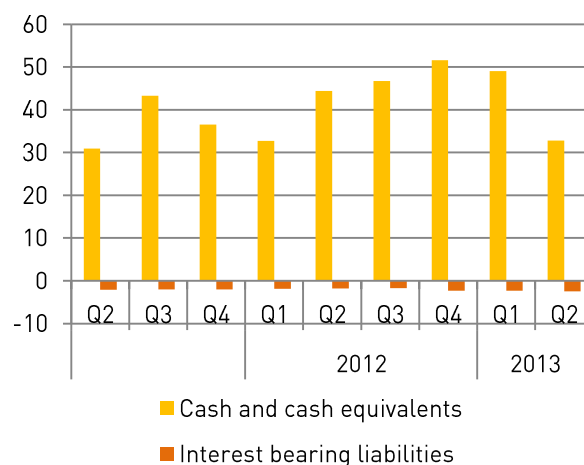
GROUP	6 mths Jan-Jun		3 mths Apr-Jun		Full year
SEK M	2013	2012	2013	2012	2012
Incoming payments from customers	109.6	116.8	55.1	58.1	234.1
Outgoing payments to suppliers and employees	-93.2	-97.3	-42.4	-42.7	-191.0
Interest received	0.1	0.1	0.1	0.1	0.6
Interest paid	-0.1	-0.1	-0.1	-0.1	-0.2
Income tax paid	-3.5	-4.1	-1.6	-1.3	-5.2
Cash flow from operating activities	12.9	15.4	11.1	14.1	38.3
Investments in property, plant and equipment	-1.1	-1.0	-0.4	-0.5	-2.1
Investments in intangible assets	-9.1	-7.1	-4.7	-3.5	-20.3
Other investments	0.4	0.3	0.0	0.2	4.3
Cash flow from investing activities	-9.8	-7.8	-5.1	-3.8	-18.1
New share issue	1.0	0.0	-	0.0	0.1
Sale of shares	-	11.6	-	11.6	11.6
New borrowings	0.1	-	0.1	-	-
Amortization of financial liabilities	-0.0	-0.2	-0.0	-0.1	0.0
Dividends to owners of the Parent Company	-22.8	-11.1	-22.8	-11.1	-11.1
Cash flow from financing activities	-21.7	0.3	-22.7	0.4	0.6
Cash flow for the period	-18.6	7.9	-16.7	10.7	20.8
Cash and cash equivalents at beginning of period	49.0	29.6	46.4	25.8	29.6
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of period	-0.1	-0.1	0.6	0.9	-1.1
- attributable to cash flow for the period	-0.2	0.1	-0.2	0.1	-0.3
Cash and cash equivalents at end of period	30.1	37.5	30.1	37.5	49.0

CASH AND CASH EQUIVALENTS, GROUP			Full year
SEK M	Jun 30, 2013	Jun 30, 2012	Dec 31, 2012
Cash and cash equivalents at end of period	30.1	37.5	49.0
Unutilized overdraft facilities	25.0	25.0	25.0
Total available cash and cash equivalents	55.1	62.5	74.0

Cash flow from operating activities, SEK M



Net Cash Q2 2011 – Q2 2013



Key ratios

KEY RATIOS, GROUP

	6 mths Jan-Jun		3 mths Apr-Jun		Full year
	2013	2012	2013	2012	2012
Gross margin, %	94.1	89.0	96.1	90.6	89.9
Operating margin, %	13.9	13.4	13.7	12.9	15.3
Profit margin, %	14.0	13.4	13.9	13.7	15.3
Cash flow, %	11.3	13.5	19.6	25.0	16.6
Equity/assets ratio, %	76.9	78.8			78.3
Return on equity, %	4.8	4.1	2.4	1.9	5.3
Return on capital employed, %	6.3	6.2	3.0	2.9	14.3
Capital employed, SEK M	246.8	253.3			256.1
Net cash, SEK M	30.3	42.6			49.3
Net debt/equity ratio, times	-0.12	-0.17			-0.19
Number of employees at end of period	167	156			157
Average number of employees	159	151	160	150	149
Net sales per employee, SEK M	0.7	0.8	0.4	0.4	1.5

SHARE DATA

	6 mths Jan-Jun		3 mths Apr-Jun		Full year
	2013	2012	2013	2012	2012
Equity per share, SEK	21.42	22.15			22.34
Equity per share, diluted, SEK	22.44	23.15			23.32
Number of shares at end of period, millions	11.39	11.35			11.36
Number of shares at end of period, diluted, millions	12.37	12.37			12.37
Average number of shares, millions	11.37	11.10	11.39	11.15	11.23
Average number of shares, diluted, millions	12.37	12.12	12.37	12.17	12.24
Cash flow from operating activities per share, SEK	1.13	1.39	0.97	1.27	3.41
Earnings per share, basic, after current tax, SEK	1.20	1.22	0.55	0.60	2.66
Earnings per share, SEK	1.05	0.90	0.53	0.42	1.16
Earnings per share, diluted, SEK	0.97	0.83	0.49	0.39	1.06

QUARTERLY OVERVIEW

		Net sales, SEK M	Operating profit, SEK M	Operating margin, %	Return on equity, %	Equity per share, SEK	Cash flow from operating activities per share, SEK
2013	Q2	56.1	7.7	13.7	2.4	21.42	0.97
	Q1	57.7	8.1	14.0	2.3	22.87	0.17
2012	Q4	59.5	9.8	16.5	-2.1	22.34	1.34
	Q3	56.2	10.1	18.0	3.3	22.84	0.68
	Q2	56.4	7.3	12.9	1.9	22.15	1.27
2011	Q1	58.0	8.0	13.8	2.2	22.22	0.12
	Q4	57.5	7.7	13.4	4.5	21.82	1.20
	Q3	48.2	7.1	14.7	3.3	20.92	1.07
	Q2	48.9	5.4	11.0	1.4	20.09	1.19
2010	Q1	45.8	3.8	8.3	0.6	50.35	-0.37
	Q4	48.0	2.2	4.6	-0.6	54.16	0.47
	Q3	44.2	4.4	10.0	1.4	55.50	0.23
	Q2	42.1	2.4	5.7	1.1	53.81	0.33
	Q1	43.6	2.9	6.7	1.6	54.42	0.22

Parent Company

Income statements

PARENT COMPANY

	6 mths Jan-Jun		Full year
SEK M	2013	2012	2012
Net sales	6.1	6.1	12.2
Operating expenses	-7.1	-7.2	-14.8
Depreciation of property, plant and equipment	-0.0	-0.0	-0.1
Operating profit/loss	-1.0	-1.1	-2.7
Result from financial investments	5.3	28.5	45.1
Profit after financial items	4.3	27.4	42.4
Income tax	0.2	0.3	-15.2
Profit for the period	4.5	27.7	27.2

Statement of comprehensive income

PARENT COMPANY

	6 mths Jan-Jun		Full year
SEK M	2013	2012	2012
Profit for the period	4.5	27.7	27.2
Total other comprehensive income	-	-	-
Comprehensive income for the period	4.5	27.7	27.2

Balance sheets

PARENT COMPANY

SEK M	Jun 30, 2013	Jun 30, 2012	Dec 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment	0.4	0.2	0.2
Shares in subsidiaries	189.4	189.4	189.4
Other financial assets	3.5	4.2	3.7
Deferred tax asset	58.2	73.5	58.0
Total non-current assets	251.5	267.3	251.3
Current assets			
Receivables from subsidiaries	0.4	0.3	10.0
Other current assets	2.3	4.4	2.2
Blocked funds	2.7	6.9	2.6
Cash and cash equivalents	6.0	12.9	14.8
Total current assets	11.4	24.5	29.6
TOTAL ASSETS	262.9	291.8	280.9
EQUITY AND LIABILITIES			
Total equity	254.3	271.9	271.5
Non-current liabilities			
Provisions	2.0	5.6	2.0
Non-current liabilities to subsidiaries	-	5.9	-
Total non-current liabilities	2.0	11.5	2.0
Current liabilities			
Trade payables	0.8	0.6	0.6
Other current liabilities	5.8	7.8	6.8
Total current liabilities	6.6	8.4	7.4
TOTAL EQUITY AND LIABILITIES	262.9	291.8	280.9

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.

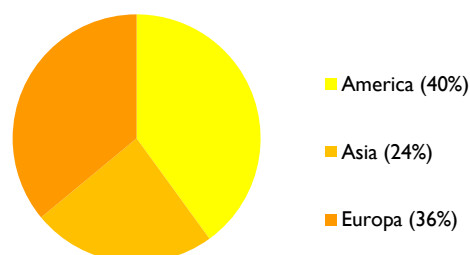
Our market position is strongest in the most advanced systems for 32-bit architecture (often ARM-based), which now account for 62% of net sales.

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 45,000 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 95% 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, 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 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 smartphones.

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

IAR Systems is the world's leading supplier of software tools for development of embedded systems applications. IAR Systems has a unique market position based on its leading technology, global reach and a wide and loyal customer base. As of 2013, IAR Systems has been active for 30 years.

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 45,000 organizations.

CLOSE TO THE PROCESSOR MAKERS

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

Standardization	<p>the computer system, which is important in embedded systems.</p> <p>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.</p>
SUA	<p>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.</p>
Development kit	<p>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.</p>
Development tools	<p>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.</p>
