

Highest profit of all time

Operating margin excluding insurance claim of 20.8%

July - September 2013

- Net sales of SEK 54.9m [56.2]
- Operating profit of SEK 15.4m [10.1]
- Profit before tax of SEK 15.2m [9.7]
- Operating margin of 28.1% [18.0]. Excluding the effects of an insurance claim (see details below), operating margin was 20.8%
- A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 4.2m on sales and SEK 2.1m on operating profit

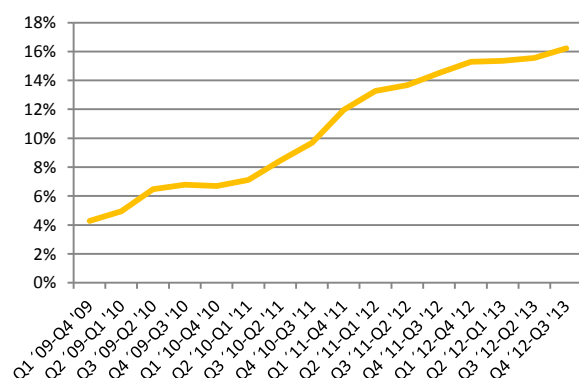
Profit summary

SEK M	Jan-Sep 2013	Jan-Sep 2012	Full year 2012
Net sales	168.7	170.6	230.1
Other operating income	6.0	-	-
Operating expenses	-143.5	-145.2	-194.9
Operating profit	31.2	25.4	35.2

Key ratios

SEK M	Jan-Sep 2013	Jan-Sep 2012	Full year 2012
Growth, %	-1.1	19.4	14.8
Operating margin, %	18.5	14.9	15.3
Equity/assets ratio, %	78.9	78.9	78.3
Net cash, SEK M	54.7	45.0	49.3
No. of employees at end of period	168	154	157

Operating margin, rolling 12 months (excluding effect of insurance claim)



January - September 2013

- Net sales of SEK 168.7m [170.6]
- Operating profit of SEK 31.2m [25.4]
- Profit before tax of SEK 31.1m [25.0]
- Cash flow from operating activities of SEK 30.7m [23.1]
- Net cash at the end of the quarter was SEK 54.7m [45.0]
- Operating margin of 18.5% [14.9]. Excluding the effects of an insurance claim (see details below), operating margin was 16.1%
- Earnings per share before dilution and after current tax amounted to SEK 2.45 [1.96]
- Earnings per share amounted to SEK 2.02 [1.65] before dilution and SEK 1.86 [1.52] after dilution
- A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 11.6m on sales and SEK 6.5m on operating profit

Key events during the period

- Launch of certified version of IAR Embedded Workbench for ARM processors
- Launch of the debug probe I-scope
- Charges have been filed against the former CEO of the American subsidiary due to financial irregularities. The insurance compensation for previously arising damages has had a positive net impact on earnings for 2013 of approximately SEK 4 million. See details under financial information.
- Sale of 334,600 treasury shares in September for a combined value of SEK 12.3m

CEO's comments

The profit improvement is a result of a more efficient organization and an increase in sales of its own products.

Net sales for the third quarter were in line with the same quarter of last year and reached SEK 54.9m (56.2). Like the second quarter, the third quarter of the year ended with a robust final month.

A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 4.2m on net sales for the quarter.

Demand in the Americas during the year has been volatile in terms of both macroeconomic factors and major contracts, which has affected growth in the region. The declines in sales of third party products have a negative impact on growth rates in 2013. America is in this respect more affected than the other regions.

For the period from January to September, consolidated net sales amounted to SEK 168.7m (170.6). The negative impact of a stronger Swedish krona in a comparison with the same period of last year was SEK 11.6m.

Operating profit for the third quarter was higher than in the same quarter of 2012 and amounted to SEK 15.4m (10.1). An insurance claim had a positive impact on operating profit of SEK 4m. Operating profit was negatively affected by a stronger Swedish krona. The negative impact on operating profit for the third quarter was SEK 2.1m.

Operating profit for the nine-month period was SEK 31.2m (25.4). In comparison with first nine months of 2012, the negative impact of a stronger Swedish krona for the period was SEK 6.5m.

Operating margin was 28.1% (18.0) for the third quarter and 18.5% (14.9) for the nine-month period.

Operating margin excluding the effects of an insurance claim was 20.8% (18.0) for the third quarter and 16.1% (14.9) for the nine-month period.

The Group reports increased sales of debug probes in 2013. These are based on the acquired company Signum's technology platform, and are sold with a higher gross margin than the previous product offering.

The profit improvement is a result of a more efficient organization and an increase in sales of its own products, both in the form of own debug probes as in the form of fewer third-party products.

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 autumn our participation in trade shows continued with ARM Techcon in the USA and Embedded Technology in Japan. One clear trend after the year's trade shows is that customers are increasingly seeking training in use of our 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 (iar.com/academy) in Europe during the period was highly successful and, as a result, it was also launched in Asia and the Americas during the third quarter.

In 2013 we will continue to focus on enhancing our offering and meeting our financial targets.

Stefan Skarin
President and CEO of IAR Systems Group AB

Customers and market

Demand remained healthy in all markets, although certain markets are still being affected by macroeconomic factors. In the third quarter we noted higher demand in Asia as a result of our closer partnership with Renesas. Sales in the ARM segment also showed positive development and a new sales record was set in the third quarter.

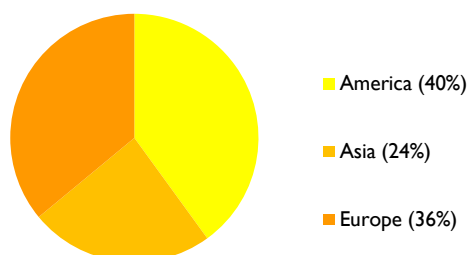
Demand remains healthy in all markets, although macroeconomic factors are affecting decision-making processes and leading to postponement of investment decisions.

This macroeconomic uncertainty is primarily affecting Asia and to some extent also the EMEA region. Despite this, Asia and the Nordic region in Europe showed the strongest growth in the third quarter.

Demand in the Americas during the year has been volatile in terms of both macroeconomic factors and major contracts, which has affected growth in the region. The decline in the share of sales of third-party products that occurred in 2013 has affected growth more negatively in America than the other regions.

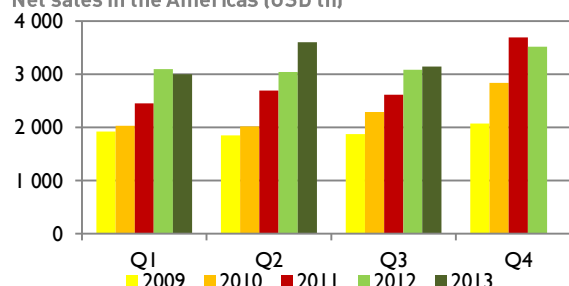
The market for ARM has continued to grow with increased migration of customer products from 8/16-bit to 32-bit architectures. The most powerful demand is being seen for the lower end ARM Cortex-M processor series.

REVENUE BY REGION



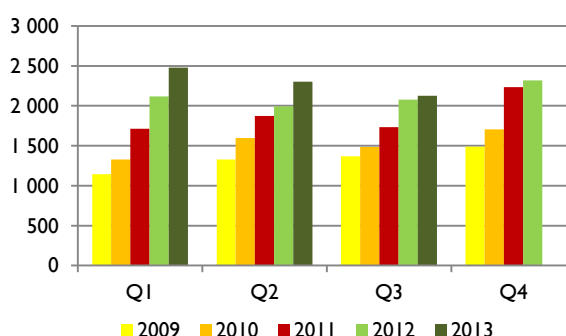
IAR SYSTEMS' DEVELOPMENT BY REGION

Net sales in the Americas (USD th)



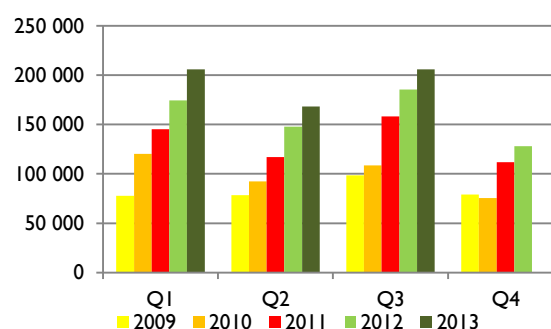
The Americas account for approximately 40% of revenue. In local currency, net sales increased by 6% for the period and by 2% for the third quarter.

Net sales in Europe (EUR th)



Europe accounts for approximately 36% of revenue. In local currency, net sales increased by 12% for the period and by 2% for the third quarter.

Net sales in Asia (JPY th)



Asia accounts for approximately 24% of revenue. In local currency, net sales increased by 14% for the period and by 11% for the third quarter.

Products and technology

The third quarter featured a number of product launches, primarily for ARM. IAR Systems has maintained its strong position relative to Renesas. 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 new products were launched in the third quarter, primarily for ARM. We have also 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 a number updates and enhancements for several products, there has been a continued focus on product optimizations. Several processor suppliers have presented new results in measurement of performance scores for code speed. 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 IAR Embedded Workbench, which accounts for 95% of revenue.

IAR Systems' support for ARM processors has shown continued positive development. The most powerful demand is being seen in the ARM Cortex-M product segment. The main reasons for this are

the large breadth in the number of supported microprocessors, combined with practical functions in the products and the fact that industry-leading performance scores have been achieved in benchmarking tests.

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. During the year we have taken 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. The courses are led by our technical experts. To read more on this topic, go to iar.com/academy.

At the beginning of the year we launched a new version of IAR visualSTATE, a product catering to a target group that prefers to develop graphically (via state machines). IAR visualSTATE, 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.

In the second quarter, IAR Systems launched a version of IAR 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 – SEPTEMBER 2013

SALES AND PROFIT

Net sales for the period were largely unchanged compared to the corresponding period of last year and amounted to SEK 168.7m (170.6), of which SEK 54.9m (56.2) referred to the third quarter. In a year-on-year comparison, foreign exchange effects had a negative impact on sales for the nine-month period of SEK 11.6m, of which SEK 4.2m referred to the third quarter.

Operating profit for the nine-month period improved to SEK 31.2m (25.4), of which SEK 15.4m (10.1) referred to the third quarter. An insurance claim was settled during the period, which has had a positive net effect on earnings for 2013 of approximately SEK 4m (see details below).

In a year-on-year comparison, foreign exchange effects had a negative impact on operating profit for the nine-month period of SEK 6.5m, of which SEK 2.1m referred to the third quarter.

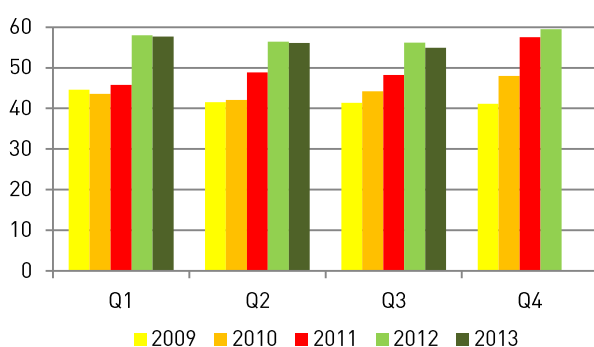
INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the nine-month period are reported at SEK 1.8m (1.4), of which SEK 0.5m (0.5) referred to the third quarter.

Investments in intangible assets for the nine-month period totaled SEK 13.3m (12.5), of which SEK 4.2m (4.2) referred to the third 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 September 30, 2013, was 79% (79).

Net sales (SEK M)



CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the nine-month period was SEK 30.7m (23.1), of which SEK 17.8m (7.7) referred to the third quarter. The settlement of an insurance claim in September had a positive impact on cash flow for 2013 of SEK 4m (see details below).

Cash flow from investing activities for the nine-month period amounted to SEK -14.7m (-11.4), of which SEK -4.9 (-3.6) referred to the third quarter. Cash flow from financing activities for the nine-month period was SEK -9.5m (0.3), of which SEK 12.2m (0.0) referred to the third quarter.

A total of 334,600 treasury shares were sold in September for a combined value of SEK 12.3m.

During the period, dividends were paid to the shareholders in an amount of SEK 22.8m and 31,000 subscription warrants were exercised to subscribe for new class B shares, which provided the company with proceeds of SEK 1.0m.

On September 30, 2013, the Group had net cash of SEK 54.7m (45.0).

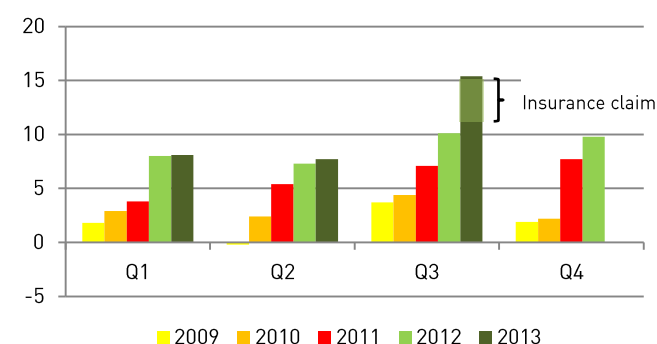
Cash and cash equivalents on the same date amounted to SEK 57.4m (46.7), of which SEK 2.6m (6.5) consisted of blocked funds for the acquisition of Signum.

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 79.8m (65.2).

EMPLOYEES

The number of employees in IAR Systems at the end of the period was 168 (154). The average number of employees during the period was 159 (150).

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 9.1m (9.2). Profit after financial items was SEK 10.6m (28.0). Net investments in property, plant and equipment totaled SEK 0.3m (0.1).

At September 30, 2013, the Parent Company had cash and cash equivalents of SEK 28.4m (22.4), of which SEK 2.6m (6.5) 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 25.8m (15.9). The number of employees in the Parent Company at the end of the period was 5 (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 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 essentially correspond to their fair values.

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

INSURANCE CLAIM

Charges have been filed against the former CEO of the American subsidiary due to financial irregularities. An insurance claim for damages arising as a result of these irregularities was received in September in an amount of SEK 6m. After deduction of expenses of around SEK 2m, this had a positive net impact on earnings for 2013 of approximately SEK 4m.

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 impairment test performed in 2013 has not shown any indication of impairment. Goodwill at September 30, 2013, amounted to SEK 110.7m.

DEFERRED TAX ASSET

The deferred tax asset attributable to loss carry forwards is recognized only to the extent that it is probable that the loss carry forwards can be utilized against future taxable profits. At September 30, 2013, the Group had cumulative loss carry forwards of around SEK 258m, all of which are at-

tributable to Sweden. In the balance sheet, these losses are recognized at SEK 56.7m (75.9) 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 35.60 (25.30) to a high of SEK 42.80 (44.90). The share price at September 30, 2012, was SEK 42.10 (40.90).

IAR Systems Group's market capitalization on the same date was SEK 494m (464).

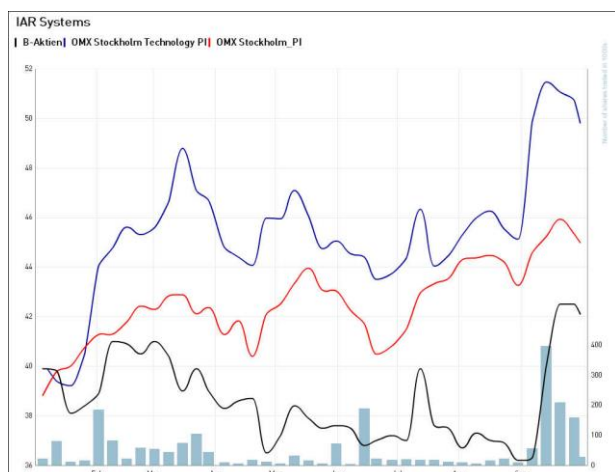
The number of shareholders in IAR Systems Group at September 30, 2013, was 8,083 (8,754), of whom 408 (449) held more than 1,000 shares each. Foreign shareholders held approximately 19% (21) of the share capital and 18% (27) of the votes.

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

A total of 334,600 class B shares were sold during the period, providing the company with proceeds of SEK 12.4m. The buyers were a number of institutional investors, which will strengthen the company's ownership base. The proceeds from the sale of shares have reinforced the company's liquidity. Following the sale, the company holds no treasury shares.

IAR Systems Group's share capital at September 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.

SHARE PRICE PERFORMANCE JANUARY – SEPTEMBER 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

The Annual General Meeting of IAR Systems Group was held on April 22, 2013. For information about the AGM and the resolutions passed there, see the company's website www.iar.com.

2014 ANNUAL GENERAL MEETING

The Annual General Meeting of IAR Systems Group will be held on April 24, 2014.

IAR Systems Group's annual report will be available starting at the end of March 2014 on the company's website www.iar.com and at the company's offices at Kungsgatan 33 in Stockholm and Strandbodgatan 1 in Uppsala.

NOMINATING COMMITTEE

In accordance with the decision of the AGM in April 2013, the nominating committee has been appointed and consists of Ulf Strömsten, Peter Larsson, Tedde Jeansson and Markus Gerdien. Ulf Strömsten, Catella, was elected 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.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In October 2013, an amount of SEK 3.2m (5.4) was paid as part of the contingent consideration for the acquisition of Signum.

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, Wednesday, October 23, 2013

Stefan Skarin
President and CEO of IAR Systems Group AB

FINANCIAL CALENDAR 2014

Year-end report 2013, February 22, 2014
Interim report Jan-Mar 2014, April 24, 2014
2014 Annual General Meeting, April 24, 2014
Interim report Jan-Jun 2014, August 19, 2014
Interim report Jan-Sep 2014, October 21, 2014

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REVIEW REPORT

Introduction

We have reviewed the interim report for IAR Systems Group AB (publ) for the period from January 1 to September 30, 2013. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA (International Standards on Auditing) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material aspects, prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, October 23, 2013
Deloitte AB

Erik Olin
Authorized Public Accountant

Income statements

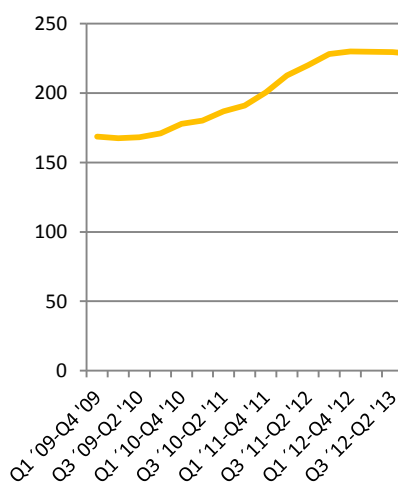
INCOME STATEMENTS, GROUP

	9 mths Jan-Sep		3 mths Jul-Sep		Full year
SEK M	2013	2012	2013	2012	2012
Net sales	168.7	170.6	54.9	56.2	230.1
Other operating income	6.0	-	6.0	-	-
Goods for resale	-11.0	-17.9	-4.3	-5.3	-23.3
Other external expenses	-31.0	-33.1	-10.1	-10.5	-44.5
Personnel costs	-94.7	-89.5	-28.6	-28.4	-120.5
Depreciation of property, plant and equipment	-1.6	-1.6	-0.4	-0.6	-2.3
Amortization of intangible assets	-5.2	-3.1	-2.1	-1.3	-4.3
Operating profit	31.2	25.4	15.4	10.1	35.2
Financial income	0.1	0.2	0.0	0.0	0.6
Financial expenses	-0.2	-0.6	-0.2	-0.4	-0.7
Profit before tax	31.1	25.0	15.2	9.7	35.1
Income tax	-8.1	-6.5	-4.2	-1.2	-22.1
Profit for the period	23.0	18.5	11.0	8.5	13.0
Earnings per share for the period basic, SEK	2.02	1.65	0.96	0.75	1.16
Earnings per share for the period, diluted, SEK	1.86	1.52	0.89	0.69	1.06

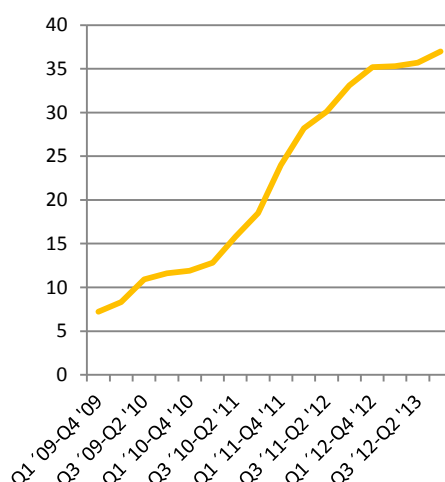
STATEMENTS OF COMPREHENSIVE INCOME

	9 mths Jan-Sep		3 mths Jul-Sep		Full year
SEK M	2013	2012	2013	2012	2012
Profit for the period	23.0	18.5	11.0	8.5	13.0
Other comprehensive income for the period					
Items that will be recycled to profit or loss					
Foreign exchange gains/losses	-0.3	-0.7	-0.3	-0.6	-0.9
Total other comprehensive income	-0.3	-0.7	-0.3	-0.6	-0.9
Comprehensive income for the period	22.7	17.8	10.7	7.9	12.1
Comprehensive income for the period attributable to owners of the Parent Company	22.7	17.8	10.7	7.9	12.1

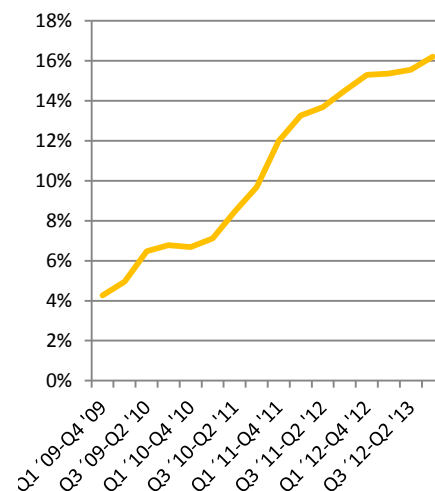
Net sales
rolling 12 months



Operating profit
rolling 12 months
(excl. effect of
insurance claim)



Operating margin
rolling 12 months
(excl. effect of
insurance claim)



Balance sheets

GROUP SEK M	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
ASSETS			
Non-current assets			
Goodwill	110.7	110.7	110.7
Other intangible assets	49.7	37.6	41.6
Property, plant and equipment	6.5	5.6	6.3
Financial assets	5.4	5.2	4.9
Deferred tax asset	59.6	75.9	62.4
Total non-current assets	231.9	235.0	225.9
Current assets			
Inventories	4.1	3.9	3.9
Other current assets	12.7	10.9	13.6
Trade receivables	32.4	32.1	29.1
Blocked funds	2.6	6.5	2.6
Cash and cash equivalents	54.8	40.2	49.0
Total current assets	106.6	93.6	98.2
TOTAL ASSETS	338.5	328.6	324.1
EQUITY AND LIABILITIES			
Total equity	267.0	259.4	253.8
Non-current liabilities			
Interest-bearing liabilities	1.3	1.1	1.1
Deferred tax liabilities	10.8	9.1	8.7
Total non-current liabilities	12.1	10.2	9.8
Current liabilities			
Trade payables	6.3	6.9	6.1
Interest-bearing liabilities	1.4	0.6	1.2
Other current liabilities	51.7	51.5	53.2
Total current liabilities	59.4	59.0	60.5
TOTAL EQUITY AND LIABILITIES	338.5	328.6	324.1
Pledged assets	7.1	9.5	6.7
Contingent liabilities	-	-	-

Changes in equity

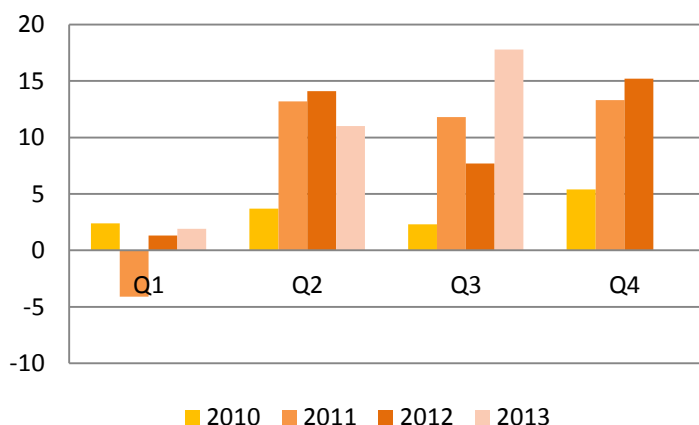
GROUP SEK M	9 mths Jan-Sep		3 mths Jul-Sep		Full year
	2013	2012	2013	2012	2012
Equity at beginning of period	253.8	241.1	244.0	251.5	241.1
Dividends	-22.8	-11.1	-	-	-11.1
New share issue	1.0	0.0	-	0.0	0.1
Sale of shares	12.3	11.6	12.3	-	11.6
Comprehensive income for the period	22.7	17.8	10.7	7.9	12.1
Equity at end of period	267.0	259.4	267.0	259.4	253.8
of which, attributable to owners of the Parent Company	267.0	259.4	267.0	259.4	253.8

Cash flows

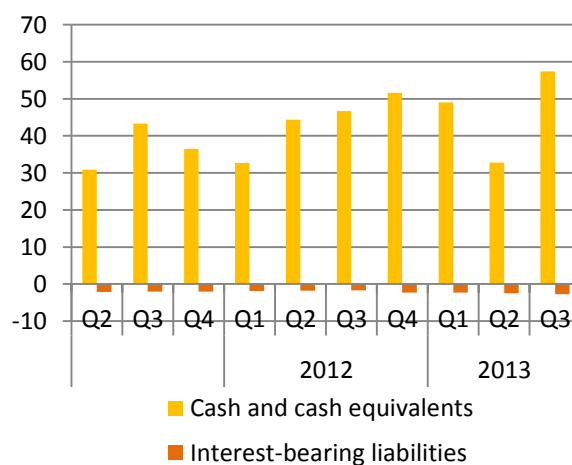
GROUP	9 mths Jan-Sep		3 mths Jul-Sep		Full year
SEK M	2013	2012	2013	2012	2012
Incoming payments from customers	173.1	172.1	63.5	55.3	234.1
Outgoing payments to suppliers and employees	-136.3	-143.8	-43.1	-46.5	-191.0
Interest received	0.1	0.2	0.0	0.1	0.6
Interest paid	-0.1	-0.1	-0.0	-0.0	-0.2
Income tax paid	-6.1	-5.3	-2.6	-1.2	-5.2
Cash flow from operating activities	30.7	23.1	17.8	7.7	38.3
Investments in property, plant and equipment	-1.4	-1.4	-0.3	-0.4	-2.1
Investments in intangible assets	-13.3	-10.6	-4.2	-3.5	-20.3
Other investments	0.0	0.6	-0.4	0.3	4.3
Cash flow from investing activities	-14.7	-11.4	-4.9	-3.6	-18.1
New share issue	1.0	0.0	-	0.0	0.1
Sale of shares	12.3	11.6	12.3	-	11.6
New borrowings	0.0	-	0.0	-	-
Amortization of financial liabilities	-0.0	-0.2	-0.1	-0.0	0.0
Dividends to owners of the Parent Company	-22.8	-11.1	-	-	-11.1
Cash flow from financing activities	-9.5	0.3	12.2	-0.0	0.6
Cash flow for the period	6.5	12.0	25.1	4.1	20.8
Cash and cash equivalents at beginning of period	49.0	29.6	30.1	37.5	29.6
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of period	-0.7	-1.3	-0.6	-1.2	-1.1
- attributable to cash flow for the period	0.0	-0.1	0.2	-0.2	-0.3
Cash and cash equivalents at end of period	54.8	40.2	54.8	40.2	49.0

CASH AND CASH EQUIVALENTS, GROUP			Full year
SEK M	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
Cash and cash equivalents at end of period	54.8	40.2	49.0
Unutilized overdraft facilities	25.0	25.0	25.0
Total available cash and cash equivalents	79.8	65.2	74.0

Cash flow from operating activities, SEK M



Net cash Q2 2011 – Q3 2013



Key ratios

KEY RATIOS, GROUP

	9 mths Jan-Sep		3 mths Jul-Sep		Full year
	2013	2012	2013	2012	2012
Gross margin, %	93.5	89.5	92.2	90.6	89.9
Operating margin, %	18.5	14.9	28.1	18.0	15.3
Profit margin, %	18.4	14.7	27.7	17.3	15.3
Cash flow, %	18.2	13.5	32.4	13.7	16.6
Equity/assets ratio, %	78.9	78.9			78.3
Return on equity, %	8.8	7.4	4.3	3.3	5.3
Return on capital employed, %	11.9	10.2	5.9	4.0	14.3
Capital employed, SEK M	269.7	261.1			256.1
Net cash, SEK M	54.7	45.0			49.3
Net debt/equity ratio, times	-0.20	-0.17			-0.19
Number of employees at end of period	168	154			157
Average number of employees	159	150	160	147	149
Net sales per employee, SEK M	1.1	1.1	0.3	0.4	1.5

SHARE DATA

	9 mths Jan-Sep		3 mths Jul-Sep		Full year
	2013	2012	2013	2012	2012
Equity per share, SEK	22.78	22.84			22.34
Number of shares at end of period, millions	11.72	11.36			11.36
Number of shares at end of period, diluted, millions	12.71	12.37			12.37
Average number of shares, millions	11.40	11.19	11.45	11.36	11.23
Average number of shares, diluted, millions	12.39	12.20	12.43	12.37	12.24
Cash flow from operating activities per share, SEK	2.69	2.06	1.56	0.68	3.41
Earnings per share, basic, after current tax, SEK	2.45	1.96	1.25	0.73	2.66
Earnings per share, SEK	2.02	1.65	0.96	0.75	1.16
Earnings per share, diluted, SEK	1.86	1.52	0.89	0.69	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	Q3	54.9	15.4	28.1	4.3	22.78	1.56
	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
2010	Q2	48.9	5.4	11.0	1.4	20.09	1.19
	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

SEK M

	9 mths Jan-Sep 2013	2012	Full year 2012
Net sales	9.1	9.2	12.2
Other operating income	6.0	-	-
Operating expenses	-9.9	-10.0	-14.8
Depreciation of property, plant and equipment	-0.1	-0.1	-0.1
Operating profit/loss	5.1	-0.9	-2.7
Result from financial investments	5.5	28.9	45.1
Profit after financial items	10.6	28.0	42.4
Income tax	-1.2	0.2	-15.2
Profit for the period	9.4	28.2	27.2

Statement of comprehensive income

PARENT COMPANY

SEK M

	9 mths Jan-Sep 2013	2012	Full year 2012
Profit for the period	9.4	28.2	27.2
Total other comprehensive income	-	-	-
Comprehensive income for the period	9.4	28.2	27.2

Balance sheets

PARENT COMPANY

SEK M

	Sep 30, 2013	Sep 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	4.0	3.9	3.7
Deferred tax asset	56.8	73.4	58.0
Total non-current assets	250.6	266.9	251.3
Current assets			
Receivables from subsidiaries	0.0	0.0	10.0
Other current assets	1.7	2.6	2.2
Blocked funds	2.6	6.5	2.6
Cash and cash equivalents	25.8	15.9	14.8
Total current assets	30.1	25.0	29.6
TOTAL ASSETS	280.7	291.9	280.9
EQUITY AND LIABILITIES			
Total equity	271.5	272.4	271.5
Non-current liabilities			
Provisions	1.9	5.2	2.0
Non-current liabilities to subsidiaries	-	5.9	-
Total non-current liabilities	1.9	11.1	2.0
Current liabilities			
Trade payables	0.3	1.0	0.6
Liabilities to subsidiaries	1.3	-	-
Other current liabilities	5.7	7.4	6.8
Total current liabilities	7.3	8.4	7.4
TOTAL EQUITY AND LIABILITIES	280.7	291.9	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.

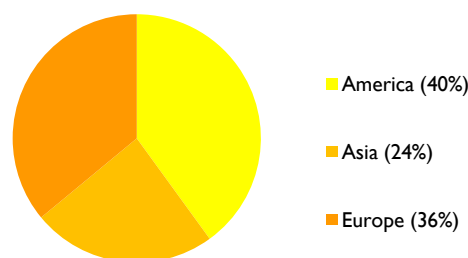
Our market position is strongest in the most advanced systems for 32-bit architecture (often ARM-based), which now account for 62% of net sales.

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 opportunities 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 from IAR Systems, the customers can run projects on multiple processors in a single development environment.

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 provider 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 per product
- Increased code complexity in the processors
- Growth in ARM-based processors
- Growth in energy-smart 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.

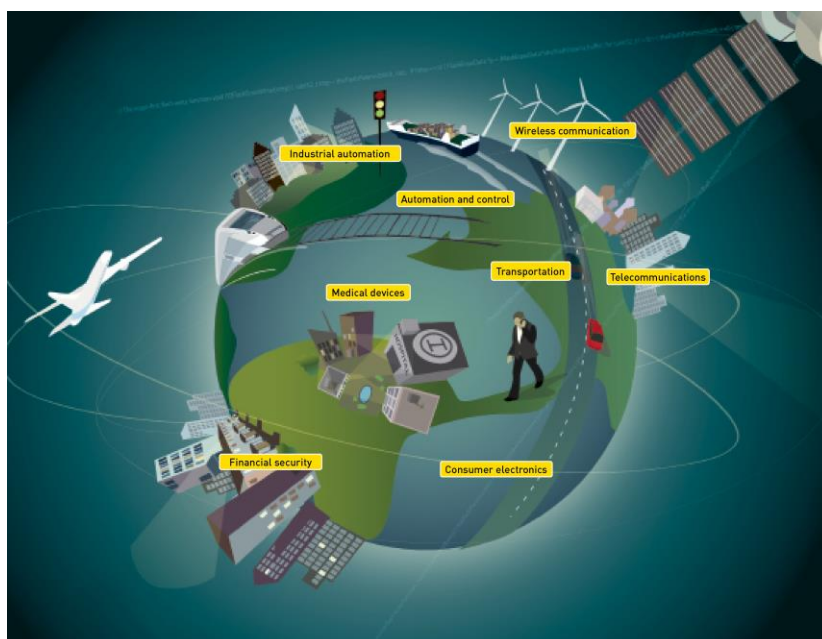
Software from IAR Systems is used by more than 120,000 developers in over 45,000 organizations.

CLOSE TO THE PROCESSOR MAKERS

IAR Systems works closely with the world's leading processor manufacturers. This collaboration gives IAR Systems resources, knowledge and opportunities 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 from IAR Systems, the customers can run projects on multiple processors in a single development environment.

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.