

Record sales and improved profitability

Net cash of SEK 81m, Board proposes extraordinary dividend

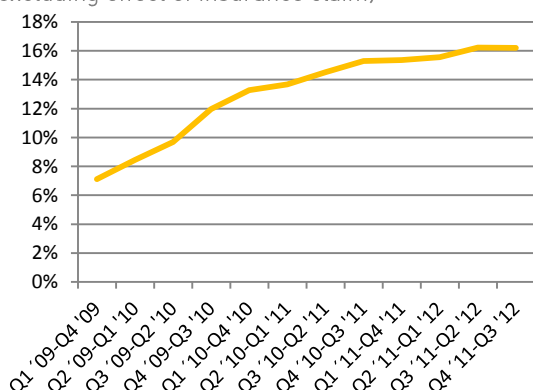
October - December 2013

- Net sales of SEK 61.5m (59.5)
 - Operating profit of SEK 10.1m (9.8)
 - Profit before tax of SEK 10.3m (10.1)
 - Operating margin of 16.4% (16.5).
- A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 2.3m on sales and SEK 0.8m on operating profit

Profit summary	Full year	Full year
SEK M	2013	2012
Net sales	230.2	230.1
Other operating income	6.0	-
Operating expenses	-194.9	-194.9
Operating profit	41.3	35.2

Key ratios	Full year	Full year
SEK M	2013	2012
Growth, %	0.0	14.8
Operating margin, %	17.9	15.3
Equity/assets ratio, %	79.8	78.3
Net cash, SEK M	80.1	49.3
No. of employees at end of period	168	157

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



January - December 2013

- Net sales of SEK 230.2m (230.1)
- Operating profit of SEK 41.3m (35.2)
- Profit before tax of SEK 41.4m (35.1)
- Cash flow from operating activities of SEK 40.7m (38.3)
- Net cash at the end of the year was SEK 80.1m (49.3)
- Operating margin of 17.9% (15.3).
Excluding the effects of an insurance claim (see details below), operating margin was 16.2%
- Earnings per share after current tax amounted to SEK 3.20 (2.69)
- Earnings per share amounted to SEK 2.59 (1.16) before dilution and SEK 2.40 (1.06) after dilution
- A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 13.9m on sales and SEK 7.3m on operating profit
- The Board intends to propose a total dividend of SEK 5.00 per share for approval by the AGM on April 24, 2014. The ordinary dividend is proposed at SEK 3.00 (2.00) and the extraordinary dividend at SEK 2.00 (-)

Key events during the period

- Launch of certified version of IAR Embedded Workbench for ARM processors and Renesas RX
- Sale of 334,600 treasury shares in September for a combined value of SEK 12.3m
- The new issue of 651,000 class B shares through the exercise of subscription warrants provided the company with proceeds of SEK 22.3m

CEO's comments

The year's earnings growth is a result of a more efficient organization and increased sales of proprietary products.

Net sales for the fourth rose by over 3% compared to the same quarter of last year and amounted to SEK 61.5m (59.5).

A stronger Swedish krona in 2013 compared to 2012 had a negative year-on-year impact of SEK 2.3m on net sales the fourth quarter.

Macroeconomic factors have influenced demand in the Americas during the year, in terms of both the number of major contracts and the total number of contracts. The revenue flow in the Americas during 2013 has deviated from the pattern of earlier years through higher volatility. The planned decrease in sales of third-party products had a negative impact on growth in 2013. In this regard, the Americas have been more strongly affected than the other regions.

Consolidated sales for the full year amounted to SEK 230.2m (230.1). The focus on sales of the company's proprietary products has boosted revenue by SEK 28.6m, which corresponds to growth of 12%. At the same time, revenue from third-party products has fallen by SEK 14.6m to SEK 8.7m for the full year. A stronger Swedish krona had a negative year-on-year impact of SEK 13.9m on net sales.

Operating profit for the fourth quarter was in line with the fourth quarter of 2012 and reached SEK 10.1m (9.8). The negative impact of a stronger Swedish krona in the fourth quarter compared to the same period of last year was SEK 0.8m.

Operating profit for the year was SEK 41.3m (35.2). An insurance claim had a positive impact on operating profit of SEK 4m. Compared to the previous year, the negative impact of a stronger Swedish krona was SEK 7.3m.

Operating margin was 16.4% (16.5) for the fourth quarter and 17.9% (15.3) for the full year. Operating margin excluding the effects of an insurance claim was 16.2% (15.3) for the full year.

The Group reported higher sales of debug probes during 2013. These are based on the technical platform of the acquired company, Signum, and are sold with a higher gross margin than earlier product offerings.

The year's earnings growth is a result of a more efficient organization and increased sales of proprietary products.

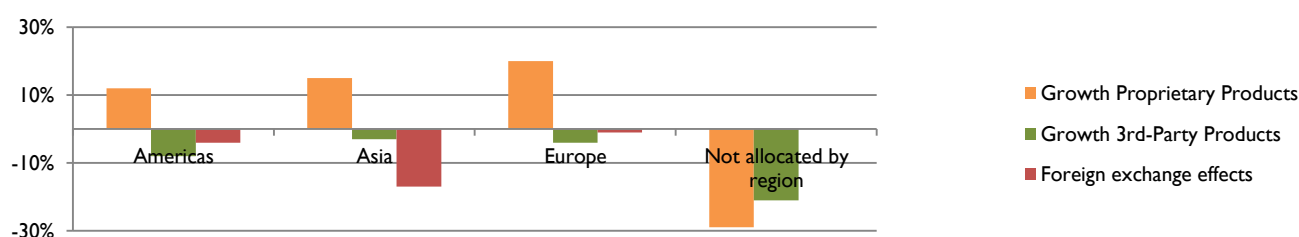
The year's reported sales have been affected by both a changed sales mix and a strong Swedish krona. To achieve greater clarity in our reporting, in the table below we have chosen to illustrate growth by region and product group as well as foreign exchange effects in 2013. Later in the report, we also describe this from a market and product perspective.

In 2014 we will continue to focus on enhancing our offering and meeting our financial targets.

Stefan Skarin

President and CEO of IAR Systems Group AB

	Growth Proprietary Products	Growth 3rd-Party Products	Foreign exchange effects	Total growth	SEK M
Americas	12%	-8%	-4%	0%	86,5
Asia	15%	-3%	-17%	-4%	51,2
Europe	20%	-4%	-1%	15%	85,0
Not allocated by region	-29%	-21%	0%	-30%	7,5
Total	12%	-6%	-6%	0%	230,2



Customers and market

The fourth quarter was marked by a high share of sales at the end of the period, although sales were more stable than in earlier quarters of the year. IAR Systems set new sales records for both the total number of licenses sold and sales in the product area for ARM and Renesas.

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

We have increased our sales in all regions. Growth for our proprietary products in 2013 was 20% in Europe, 15% in Asia and 12% in the Americas.

The lower share of third-party product sales during 2013 had a more negative impact on growth in the Americas than in the other regions. Overall, growth in local currency thus amounted to 16% in Europe, 12% in Asia and 4% in the Americas.

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.

In pace with the growing complexity of the customers' products through the addition of more advanced functions, this is also raising the importance of a well functioning ecosystem of partners surrounding our products.

In 2013 we strengthened our focus on sales of our own proprietary products. By focusing the sales organization on proprietary products with a higher gross margin than third-party products, we have also enhanced our efficiency. Gross margin in 2013 has improved from 90% to 94%.

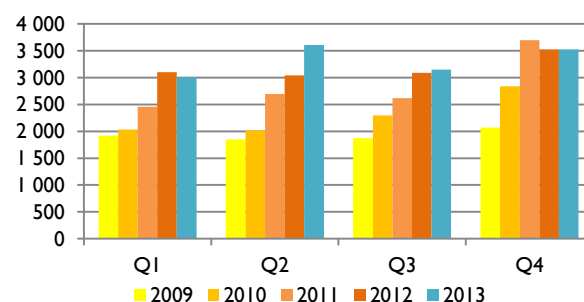
Some of the growth we have reported in recent years can be tied to a concept known as the "Internet of Things". In the latter half of 2013 there was a higher level of both activity and publicity surrounding the Internet of Things.

The Internet of Things is about utilizing existing products better and for new purposes by connecting them to the Internet. The aim is to increase the

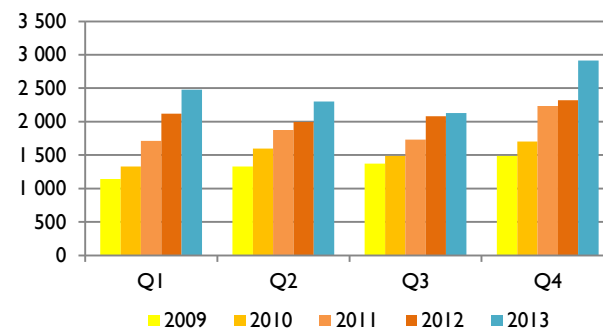
information flow from devices that can be used to position, change, measure, etc. IAR Systems is ideally equipped to help our customers apply the Internet of Things in their products. We currently have 46,000 customers who are already using IAR Embedded Workbench to program their products. Now these products will also be programmed to communicate with the Internet, which will boost demand for our tools.

IAR SYSTEMS' DEVELOPMENT BY REGION

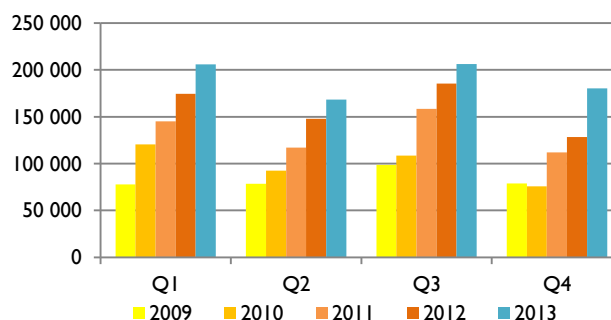
Net sales in the Americas (USD th)



Net sales in Europe (EUR th)



Net sales in Asia (JPY th)



Products and technology

The fourth quarter featured a large number of product launches. IAR Systems has maintained its strong position relative to Renesas through the fourth quarter launch of a certified version of IAR Embedded Workbench for Renesas RX, corresponding to the certified product IAR Embedded Workbench for ARM that was also launched during the year.

A large number of products were launched in the fourth quarter. The company 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. Updated products from Texas Instruments and Atmel and outside the ARM segment also represent a large share of sales.

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. IAR Systems currently holds the world record for application in several product segments of the 8/16 and 32-bit architectures.

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' 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, aside from the fact that IAR Systems has achieved industry-leading performance scores in bench-

marking tests, are the large breadth in the number of supported microprocessors combined with practical functions in the products.

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 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.

Sales of third-party products have decreased during the year as a result of a strategic decision to focus on proprietary products in order to increase the gross margin. Third-party products consist primarily of evaluation kits, real time operating systems (RTOS), and the earlier portfolio of debug probes.

Financial information

JANUARY – DECEMBER 2013

SALES AND PROFIT

Net sales for the year were unchanged compared to the previous year and amounted to SEK 230.2m (230.1), of which SEK 61.5m (59.5) referred to the fourth quarter. In a year-on-year comparison, foreign exchange effects had a negative impact on sales for the year of SEK 13.9m, of which SEK 2.3m referred to the fourth quarter.

Operating profit for the year improved to SEK 41.3m (35.2), of which SEK 10.1m (9.8) referred to the fourth 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 year of SEK 7.3m, of which SEK 0.8m referred to the fourth quarter.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the year are reported at SEK 2.0m (2.8), of which SEK 0.2m (1.4) referred to the fourth quarter.

Investments in intangible assets for the period totaled SEK 19.2m (17.7), of which SEK 5.9m (5.2) referred to the fourth 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 December 31, 2013, was 80% (78).

CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the year was SEK 40.7m (38.3), of which SEK 10.0m (15.2) referred to the fourth quarter. The settlement of an insurance claim during the year had a positive

impact on cash flow of SEK 4m (see details below). Cash flow from investing activities for the year was SEK -19.1m (-18.1), of which SEK -4.4m (-6.7) referred to the fourth quarter.

Cash flow from financing activities during the year was SEK 11.8m (0.6), of which SEK 21.3m (0.3) referred to the fourth 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 651,000 subscription warrants were exercised to subscribe for new class B shares, of which 620,000 during the fourth quarter. These new share issues have provided the company with proceeds of SEK 22.3m, of which SEK 21.3m in the fourth quarter. On December 31, 2013, the Group had net cash of SEK 80.1m (49.3).

Cash and cash equivalents on the same date amounted to SEK 82.5m (51.4), of which SEK 0.7m (2.6) 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 106.8m (74.0).

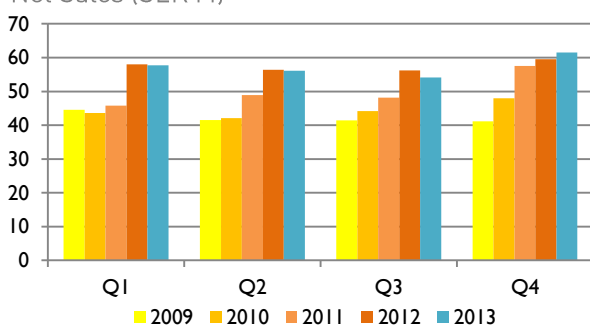
EMPLOYEES

The number of employees in IAR Systems at the end of the year was 168 (157). The average number of employees during the year was 160 (149).

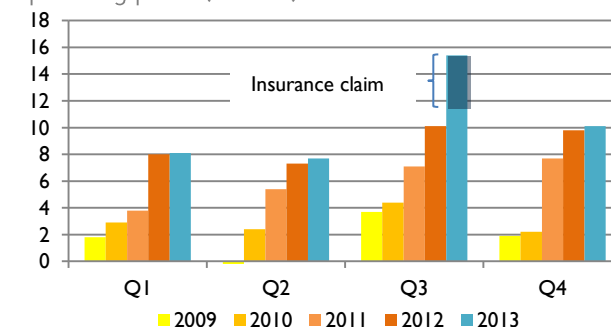
PARENT COMPANY

The activities of the Parent Company consist of group management, finance and IR/PR functions.

Net Sales (SEK M)



Operating profit (SEK M)



The Parent Company's net sales for the year amounted to SEK 12.5m (12.2). Profit after financial items was SEK 19.2m (42.4). Net investments in property, plant and equipment totaled SEK 0.3m (0.1).

At December 31, 2013, the Parent Company had cash and cash equivalents of SEK 45.4m (17.4), of which SEK 0.7m (2.6) 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 44.7m (14.8). The number of employees in the Parent Company at the end of the year 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 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 2014 and the management's forecasts for 2015 and 2016. 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 December 31, 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 December 31, 2013, the Group had cumulative loss carryforwards of around SEK 255m, all of which are attributable to Sweden. In the balance sheet, these losses are recognized at SEK 56.2m (58.4).

THE IAR SYSTEMS GROUP SHARE

IAR Systems Group's class B share is quoted on the Small Cap list of the NASDAQ OMX Nordic Exchange Stockholm. During the year the share price varied from a low of SEK 35.60m (25.30) to a high of SEK 46.80m (44.90). The share price at December 31, 2013, was SEK 43.00 (38.10).

IAR Systems Groups market capitalization on the same date was SEK 531m (433).

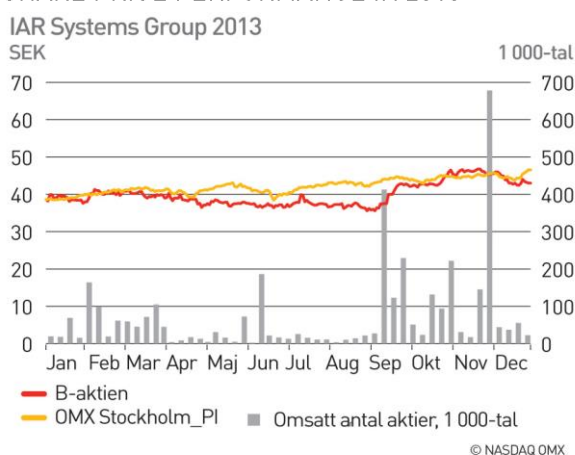
The number of shareholders in IAR Systems Group at December 31, 2013, was 7,875 (8,547), of whom 420 (438) held more than 1,000 shares each. Foreign shareholders held approximately 20% (22) of the share capital and 18% (27) of the votes.

During the year, the warrant series T04B 2011/2014 was exercised to subscribe for 651,000 new class B shares, of which 620,000 in the fourth quarter. The new share issues have provided the company with proceeds of SEK 22.3m.

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 December 31, 2013, amounted to SEK 123,445,614, divided between 12,344,561 shares of which 100,000 are of class A and 12,244,561 are of class B.

SHARE PRICE PERFORMANCE IN 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 656,000 new class B shares, of which 651,000 were subscribed for during 2013. After this, there are 361,000 unutilized warrants issued to employees.

2014 ANNUAL GENERAL MEETING

The Annual General Meeting of IAR Systems Group will be held on April 24, 2014, at Spårvagnshallarna, Birger Jarlsgatan 57A, in Stockholm.

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.

PROPOSED DIVIDEND

The Board intends to propose a total dividend of SEK 5.00 for approval by the AGM on April 24, 2014. The ordinary dividend is proposed at SEK 3.00 (2.00) and an extraordinary dividend at SEK 2.00 (-). The proposal is equal to a total distribution of SEK 61.7m.

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, February 5, 2014

Stefan Skarin
President and CEO of IAR Systems Group AB

FINANCIAL CALENDAR 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

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

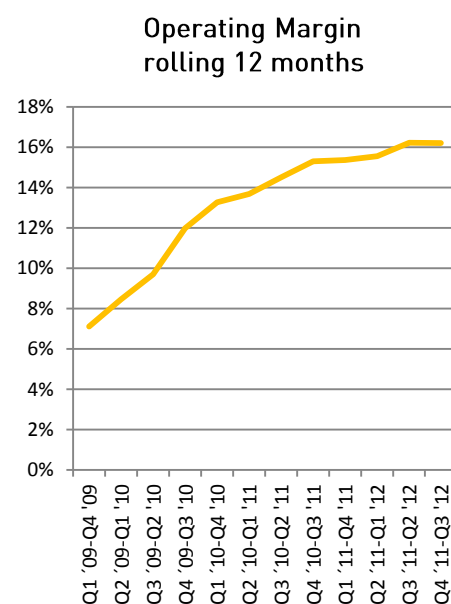
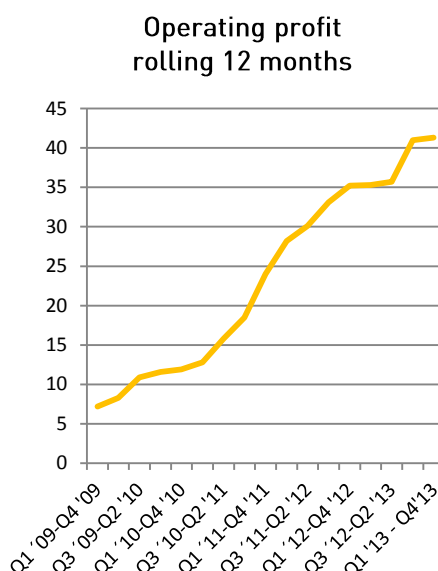
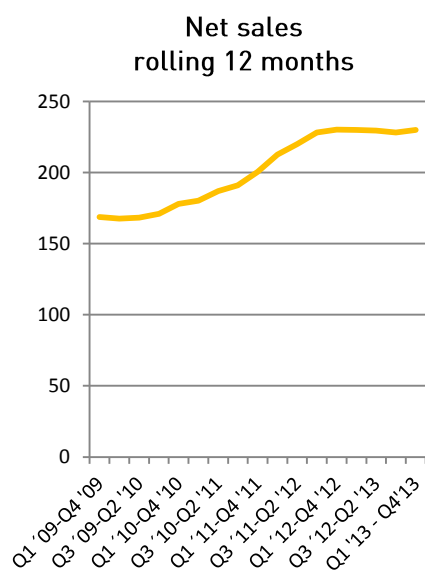
Income statements

INCOME STATEMENTS, GROUP

SEK M	Full year		3 mths Oct-Dec	
	2013	2012	2013	2012
Net sales	230.2	230.1	61.5	59.5
Other operating income	6.0	-	-	-
Goods for resale	-14.5	-23.3	-3.5	-5.4
Other external expenses	-41.3	-44.5	-10.3	-11.4
Personnel costs	-129.8	-120.5	-35.1	-31.0
Depreciation of property, plant and equipment	-2.2	-2.3	-0.6	-0.7
Amortization of intangible assets	-7.1	-4.3	-1.9	-1.2
Operating profit	41.3	35.2	10.1	9.8
Financial income	0.3	0.6	0.2	0.4
Financial expenses	-0.2	-0.7	-0.0	-0.1
Profit before tax	41.4	35.1	10.3	10.1
Income tax	-11.5	-22.1	-3.4	-15.6
Profit for the period	29.9	13.0	6.9	-5.5
Earnings per share for the period, basic, SEK	2.59	1.16	0.58	-0.48
Earnings per share for the period, diluted, SEK	2.40	1.06	0.54	-0.48

STATEMENTS OF COMPREHENSIVE INCOME

SEK M	Full year		3 mths Oct-Dec	
	2013	2012	2013	2012
Profit for the period	29.9	13.0	6.9	-5.5
Other comprehensive income for the period				
Items that will be recycled to profit or loss				
Foreign exchange gains/losses	-0.5	-0.9	-0.2	-0.2
Total other comprehensive income	-0.5	-0.9	-0.2	-0.2
Comprehensive income for the period	29.4	12.1	6.7	-5.7
Comprehensive income for the period attributable to owners of the Parent Company	29.4	12.1	6.7	-5.7



Balance sheets

GROUP SEK M	Dec. 31, 2013	Dec 31, 2012
ASSETS		
Non-current assets		
Goodwill	110.7	110.7
Other intangible assets	53.7	41.6
Property, plant and equipment	6.1	6.3
Financial assets	5.3	4.9
Deferred tax asset	59.2	62.4
Total non-current assets	235.0	225.9
Current assets		
Inventories	3.3	3.9
Other current assets	14.6	13.6
Trade receivables	34.1	29.1
Blocked funds	0.7	2.6
Cash and cash equivalents	81.8	49.0
Total current assets	134.5	98.2
TOTAL ASSETS	369.5	324.1
EQUITY AND LIABILITIES		
Total equity	295.0	253.8
Non-current liabilities		
Interest-bearing liabilities	1.1	1.1
Deferred tax liabilities	13.3	8.7
Total non-current liabilities	14.4	9.8
Current liabilities		
Trade payables	5.7	6.1
Interest-bearing liabilities	1.3	1.2
Other current liabilities	53.1	53.2
Total current liabilities	60.1	60.5
TOTAL EQUITY AND LIABILITIES	369.5	324.1
Pledged assets	4.9	6.7
Contingent liabilities	-	-

Changes in equity

GROUP SEK M	Full year		3 mths Oct-Dec	
	2013	2012	2013	2012
Equity at beginning of period	253.8	241.1	267.0	259.4
Dividends	-22.8	-11.1	-	-
New share issue	22.3	0.1	21.3	0.1
Sale of shares	12.3	11.6	-	-
Comprehensive income for the period	29.4	12.1	6.7	-5.7
Equity at end of period	295.0	253.8	295.0	253.8
of which, attributable to owners of the Parent Company	295.0	253.8	295.0	253.8

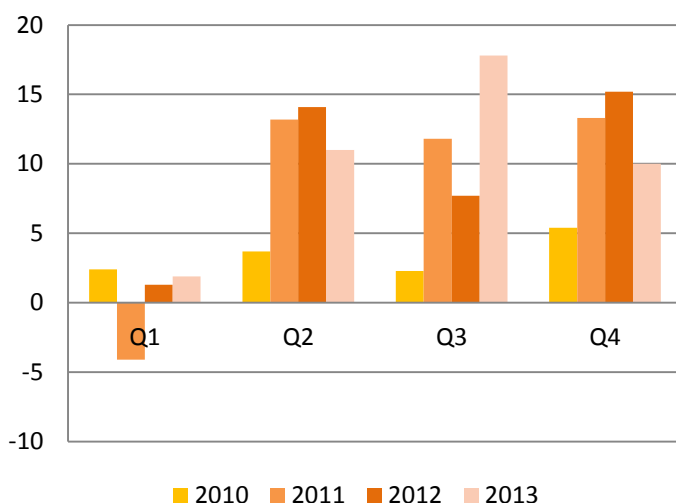
Cash flows

GROUP SEK M	Full year		3 mths Oct-Dec	
	2013	2012	2013	2012
Incoming payments from customers	234.6	234.1	61.5	62.0
Outgoing payments to suppliers and employees	-187.4	-191.0	-51.1	-47.2
Interest received	0.3	0.6	0.2	0.4
Interest paid	-0.2	-0.2	-0.1	-0.1
Income tax paid	-6.6	-5.2	-0.5	0.1
Cash flow from operating activities	40.7	38.3	10.0	15.2
Investments in property, plant and equipment	-1.9	-2.1	-0.5	-0.7
Investments in intangible assets	-19.2	-20.3	-5.9	-9.7
Other investments	2.0	4.3	2.0	3.7
Cash flow from investing activities	-19.1	-18.1	-4.4	-6.7
New share issue	22.3	0.1	21.3	0.1
Sale of shares	12.3	11.6	-	-
New borrowings	-	-	-	0.2
Amortization of financial liabilities	-0.0	0.0	-0.0	-
Dividends to owners of the Parent Company	-22.8	-11.1	-	-
Cash flow from financing activities	11.8	0.6	21.3	0.3
Cash flow for the period	33.4	20.8	26.9	8.8
Cash and cash equivalents at beginning of period	49.0	29.6	54.8	40.2
Exchange difference in cash and cash equivalents				
- attributable to cash and cash equivalents at beginning of period	-0.5	-1.1	0.2	0.2
- attributable to cash flow for the period	-0.1	-0.3	-0.1	-0.2
Cash and cash equivalents at end of period	81.8	49.0	81.8	49.0

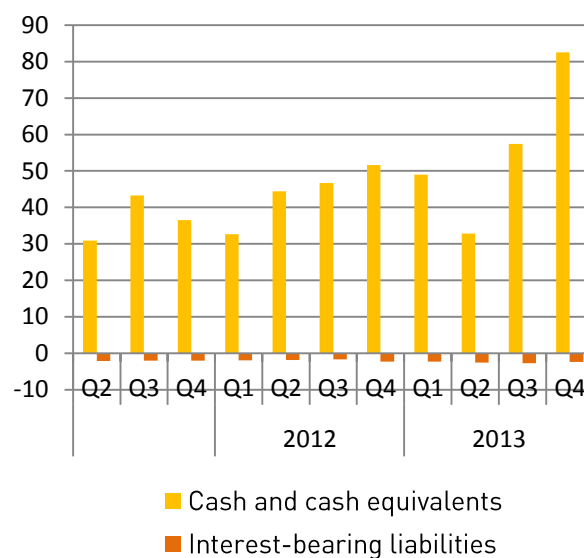
CASH AND CASH EQUIVALENTS, GROUP

SEK M	Dec. 31, 2013	Dec. 31, 2012
Cash and cash equivalents at end of period	81.8	49.0
Unutilized overdraft facilities	25.0	25.0
Total available cash and cash equivalents	106.8	74.0

Cash flow from operating activities, SEK M



Net cash Q2 2011 – Q4 2013



Key ratios

KEY RATIOS, GROUP

	Full year		3 mths Oct-Dec	
	2013	2012	2013	2012
Gross margin, %	93.7	89.9	94.3	90.9
Operating margin, %	17.9	15.3	16.4	16.5
Profit margin, %	18.0	15.3	16.7	17.0
Cash flow, %	17.7	16.6	16.3	25.5
Equity/assets ratio, %	79.8	78.3		
Return on equity, %	10.9	5.3	2.5	-2.1
Return on capital employed, %	15.1	14.3	3.6	4.1
Capital employed, SEK M	297.4	256.1		
Net cash, SEK M	80.1	49.3		
Net debt/equity ratio, times	-0.27	-0.19		
Number of employees at end of period	168	157		
Average number of employees	160	149	163	150
Net sales per employee, SEK M	1.4	1.5	0.4	0.4

SHARE DATA

	Full year		3 mths Oct-Dec	
	2013	2012	2013	2012
Equity per share, SEK	23.90	22.34		
Number of shares at end of period, millions	12.34	11.36		
Number of shares at end of period, diluted, millions	12.71	12.37		
Average number of shares, millions	11.53	11.23	11.91	11.36
Average number of shares, diluted, millions	12.46	12.24	12.68	12.37
Cash flow from operating activities per share, SEK	3.53	3.41	0.84	1.34
Earnings per share, basic, after current tax, SEK	3.20	2.69	0.76	0.73
Earnings per share, SEK	2.59	1.16	0.58	-0.48
Earnings per share, diluted, SEK	2.40	1.06	0.54	-0.48

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	Q4	61.5	10.1	16.4	2.5	23.90	0.84
	Q3	54.9	15.4	28.1	4.3	22.77	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
	Q1	58.0	8.0	13.8	2.2	22.22	0.12
2011	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
	Q1	45.8	3.8	8.3	0.6	50.35	-0.37
2010	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

Full year

	2013	2012
Net sales	12.5	12.2
Other operating income	6.0	-
Operating expenses	-14.8	-14.8
Depreciation of property, plant and equipment	-0.1	-0.1
Operating profit/loss	3.6	-2.7
Result from financial investments	15.6	45.1
Profit after financial items	19.2	42.4
Income tax	-3.1	-15.2
Profit for the period	16.1	27.2

Statement of comprehensive income

PARENT COMPANY
SEK M

Full year
2012

	2013	2012
Profit for the period	16.1	27.2
Total other comprehensive income	-	-
Comprehensive income for the period	16.1	27.2

Balance sheets

PARENT COMPANY
SEK M

Dec 31, 2013

Dec. 31, 2012

ASSETS		
Non-current assets		
Property, plant and equipment	0.4	0.2
Shares in subsidiaries	189.4	189.4
Other financial assets	4.0	3.7
Deferred tax asset	54.9	58.0
Total non-current assets	248.7	251.3
Current assets		
Receivables from subsidiaries	10.0	10.0
Other current assets	1.7	2.2
Blocked funds	0.7	2.6
Cash and cash equivalents	44.7	14.8
Total current assets	57.1	29.6
TOTAL ASSETS	305.8	280.9
EQUITY AND LIABILITIES		
Total equity	299.4	271.5
Non-current liabilities		
Provisions	-	2.0
Total non-current liabilities	-	2.0
Current liabilities		
Trade payables	0.6	0.6
Other current liabilities	5.8	6.8
Total current liabilities	6.4	7.4
TOTAL EQUITY AND LIABILITIES	305.8	280.9

About IAR Systems

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.

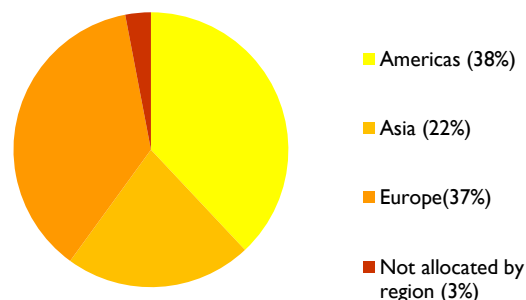
Our market position is strongest in the most advanced systems for 32-bit architecture (often ARM-based), which now account for 62% of net sales.

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 46,000 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.