Operating profit improved by 40%

Operating margin was 18.4% (14.0%)

Profit summary SEK M	January – March 2014	January – March 2013	Full year 2013
Net sales	62.0	57.7	230.2
Other operating income	-	-	6.0
Operating expenses	-50.6	-49.6	-194.9
Operating profit	11.4	8.1	41.3

Key ratios	January – March 2014	January – March 2013	Full year 2013
Growth, %	7.5	-0.5	0.0
Operating margin, %	18.4	14.0	17.9
Net cash, SEK M	93.8	46.7	80.1
Number of employees at end of period	172	167	168

January – March 2014

- Net sales of SEK 62.0m (57.7)
- Operating profit of SEK 11.4m (8.1)
- Profit before tax of SEK 11.6m (8.1)
- Cash flow from operating activities of SEK 13.8m (1.9)
- Net cash at the end of the quarter was SEK 93.8m (46.7)
- Operating margin of 18.4% (14.0).
- Earnings per share after current tax amounted to SEK 0.87 (0.64)
- Earnings per share of SEK 0.69 (0.53) before dilution and SEK 0.67 (0.49) after dilution

Key events during the quarter
- Launch of C-RUN add-on product for runtime analysis of developed code
- The new issue of 190,000 class B shares through the exercise of subscription warrants provided the company with proceeds of SEK 6.5

CEO's comments

Growth in earnings a result of our effective and scalable business model.

Net sales in the first quarter of the year rose by 7.5% compared to the same quarter of last year and amounted to SEK 62.0m (57.7).

Sales of the company's proprietary products have increased revenue by SEK 5.3m, which corresponds to growth of 9%. The planned decrease in sales of third-party products had a negative impact on the growth figures for the first quarter of 2014. In this regard, the Americas have been affected more than other regions.

Operating profit for the first quarter was up by over 40% compared to the first quarter of 2013 and reached SEK 11.4m (8.1), which is largely due to the focus on sales of proprietary products with better margins.

Operating margin for the first quarter strengthened to 18.4% (14.0).

To increase the clarity of our reporting, in the table below we present growth by region and product group, as well as foreign exchange effects. Later in the report this is also described from a market and product perspective.

In the first quarter we launched C-RUN as a first add-on product that complements our development tool IAR Embedded Workbench. Many activities in the near future will be centered around the launch of C-RUN and efforts to continue enhancing the company's offering in general, but also in the market for the Internet of Things.

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%	-6%	1%	7%	20.6
Asia	24%	2%	-9%	17%	16.9
Europe	15%	-0%	4%	18%	24.3
Not allocated by region	-93%	-1%	0%	-94%	0.2
Total	**9%**	**-2%**	**-1%**	**7%**	**62.0**

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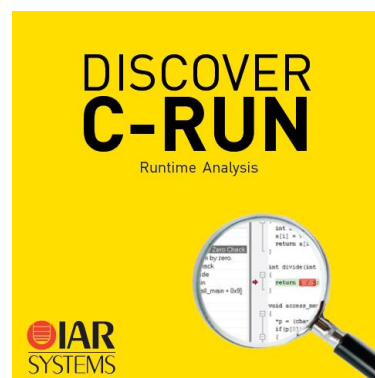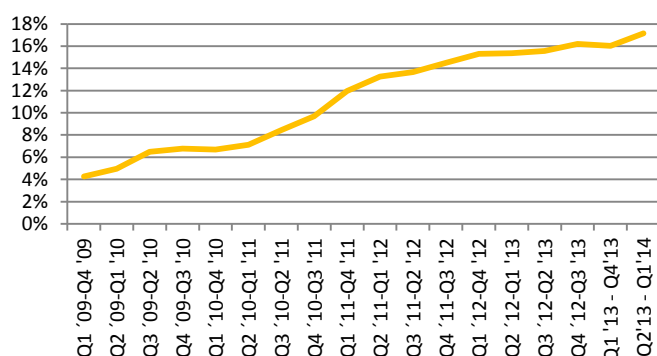
Customers and market

The first quarter was marked by a large share of sales at the end of the period, a trend that has been visible in the past few quarters. IAR Systems set new sales records for the total number of licenses sold, but also for sales in the ARM and Renesas product area.

Demand remains healthy in all markets. Development in the Americas, with lower growth than in the other regions, is a consequence of decreased sales of third-party products and organizational changes that were carried out during the first quarter. We expect the positive effects of these changes to emerge already in the second quarter but primarily in the latter half of the year. We have increased our sales of proprietary products in all regions. Growth for proprietary products in the first quarter of 2014 was 24% in Asia, 15% in Europe and 12% in the Americas. A continued drop in the share of sales for third-party products during the first quarter of 2014 had a negative impact on growth above all in the Americas. Overall, growth in local currency was 26% in Asia, 15% in Europe and 6% in the Americas.

The market for ARM has continued to expand 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 processor series.

The growing complexity of the customers' products is also raising the importance of a well-functioning ecosystem of partners surrounding our products. This is an area where we have previously chosen to also act as a reseller on demand. By focusing the sales organization on proprietary products with a higher gross margin than third-party products, we have also enhanced our profitability.

Some of the growth we have reported in recent years can be tied to a concept known as 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 goal 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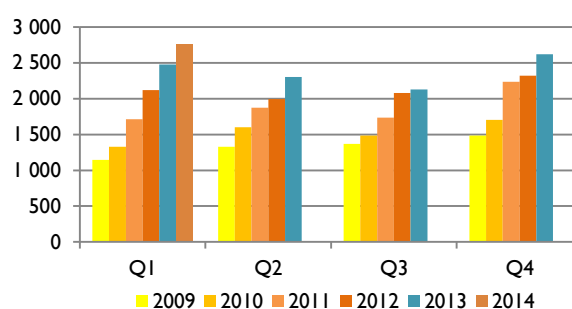 already using IAR Embedded Workbench to program their products. Now these products will also be used to communicate with the Internet, which will boost demand for our tools.
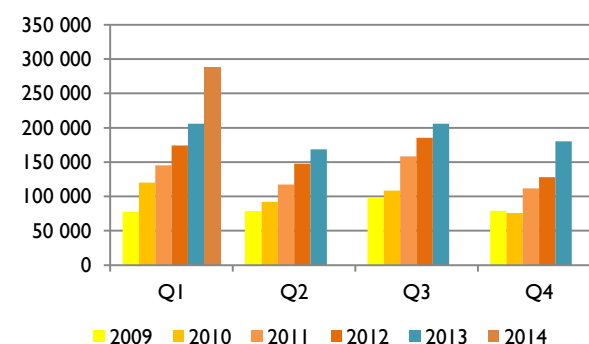
IAR SYSTEMS' DEVELOPMENT BY REGION

Net sales in the Americas (USD th)
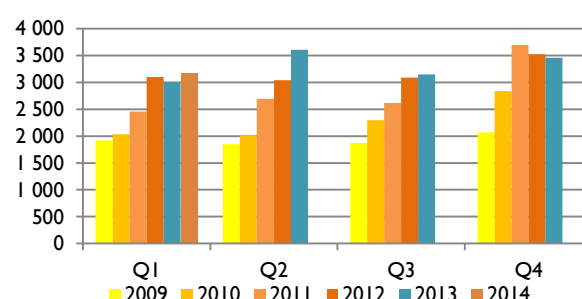
Net sales in Europe (EUR th)

Net sales in Asia (JPY th)

Products and technology

The first quarter was marked by the launch of our first add-on product ever, C-RUN. C-RUN is a tool that helps our customers and individual developers to analyze their code. C-RUN is an in-house developed product that is fully integrated with IAR Embedded Workbench and has feature-rich and powerful performance.

Several new products were launched in the first quarter, but the period was most strongly marked by the launch of C-RUN. C-RUN is an in-house developed add-on product that is a result of recent years' close collaboration with a large number of customers and attention to their needs and requirements for add-on products.

C-RUN is fully integrated, which is vital in order to capitalize on both use and sales of products for the development tool suite IAR Embedded Workbench, which is IAR Systems' flagship product. In addition, C-RUN has both functionality and performance that are adapted for users of IAR Systems' products. This gives C-RUN a unique market position, as there is no competing tool that knows our products better.

C-RUN will be offered for the majority of the most highly demanded products, which means that we can continue to position our offering as independent when it comes to the choice of different processors.

The financial effects of C-RUN will be visible already in the second quarter, but mainly in the latter half of the year since the majority of customers will continue to use a one-month evaluation period.

In the first quarter we launched a new version of IAR Embedded Workbench (EWARM) that supports processors from ARM. This version of EWARM has been primarily updated for more advanced usage. In the most advanced applications, multiple processors are used at the same time to increase the performance of the product. This technology is known as "multicore" and is used in advanced products such as those that are safety-critical. We have also added functionality that is used in the automotive industry for development of products that utilize advanced graphical solutions.

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. At several locations around the world we offer training in both basic and advanced usage of our products. The courses are led by our technical experts. To read more on this topic, go to iar.com/academy. In the first quarter we carried out a number of training courses primarily in the USA and Europe, of which most were adapted for major customers.

In the previous year IAR Systems launched a certified version of IAR Embedded Workbench for ARM and Renesas RX processors. 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. In the first quarter we saw higher demand for the certified versions of our products. Demand for other products has also increased with respect to the certification, since our customers see our certification as proof of the quality of the product, documentation and development process.

Sales of third-party products have continued to fall 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.

We carry out many product launches in the course of a year and to increase the amount of information about all product launches, we present an annual overview on the following page. For those who are

interested in additional and, in particular, more
technical information, visit our website
www.iar.com.

Product launches in the past 12 months

Q1 2014

January 31   IAR Systems boosts ease of use for embedded development of Renesas Super-H-based applications

February 25   IAR Systems unveils C-RUN, an extension product for runtime analysis of developed code

February 25   IAR Systems adds functionality for multicore applications to world-leading development tools for ARM

February 26   IAR Embedded Workbench strengthens development of new low-power ARM CortexM0+ core from STMicroelectronics

February 26   IAR Systems enhances functionality for Renesas for RX MCUs

March 31   IAR Systems improves user-friendliness for Freescale HCS12

Q2 2013

April 9, 2013
IAR Embedded Workbench is certified for development of safety-critical systems

April 22, 2013
IAR Systems offers powerful development tools for Renesas Electronics' new RX100

April 23, 2013
IAR Systems' new probe for energy optimization is now available for delivery

June 4, 2013
IAR Systems launches updated version of development tools for Renesas V850

June 26, 2013
IAR Systems launches updated version of development tools for Renesas M16C and R8C

June 27, 2013
IAR Embedded Workbench for ARM is extended with easy integration of analysis tools and wide support for power optimization

June 27, 2013
IAR Systems strengthens its ARM offering with market-leading development tools for Renesas Electronics' new RZ family of microprocessors

Q3 2013

July 3, 2013
IAR Systems adds support for Atmels' new SAM D20 microprocessors

July 9, 2013
IAR Systems updated development tools for Atmel AVR32 result in 80% faster code

July 10, 2013
IAR Systems launches full support for ARM-based Vybrid Controller Solutions from Freescale

July 22, 2013
IAR Systems lauches Experiment! — a series of development kits for creative, easy and low-cost evaluation

August 5, 2013
IAR Systems supports new Kinetis E series microprocessors from Freescale

September 27, 2013
IAR Systems updates its leading development tools for Texas Instruments ultra-low-power MSP430-processors

September 30, 2013
Analog Devices chooses IAR Systems as sole provider of development tools for its new ADSP-CM40x control processors

Q4 2013

October 30, 2013
IAR Systems releases new version of leading development tools for ARM

November 7, 2013
IAR Systems launches starter kits for the new high-performance ARM Cortex-M4 series from STMicroelectronics

November 12, 2013
IAR Embedded Workbench supports Renesas' new high-performance RXv2 core

November 19, 2013
IAR Systems updates is leading development tools for 8051-based microprocessors

November 21, 2013
IAR Systems improves performance of development tools for Texas Instruments' ultra-low-power MSP430 microcontrollers

November 26, 2013
IAR Systems and Renesas Electronics Europe offer certified tools for safety-critical development

December 4, 2013
IAR Systems launches complete starter kit for evaluation of Renesas' low-power RX111 microprocessors December 19, 2013
IAR Systems updates its popular development tools for Atmel AVR 8-bit microcontrollers

Financial information

JANUARY – MARCH 2014

SALES AND PROFIT

Net sales for the quarter rose by 7.5% compared to the previous quarter and amounted to SEK 62.0m (57.7). In a year-on-year comparison, foreign exchange effects had a negative impact on sales for the quarter of SEK 0.2m.

Operating profit improved by over 40% and reached SEK 11.4m (8.1) for the quarter. In a year-on-year comparison, foreign exchange effects had a positive impact on operating profit for the quarter of SEK 0.1m.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the quarter are reported at SEK 0.6m (0.7). Investments in intangible assets for the quarter totaled SEK 5.8m (4.4). These investments consist 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 March 31, 2014, was 81% (80).

CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the quarter was SEK 13.8m (1.9). The improved cash flow is an effect of the company's earnings growth and the fact that the previous year closed with high sales at the end of December, which has affected cash flow in the first quarter of 2014.

Cash flow from investing activities for the first quarter was SEK -6.5m (-4.8).

Cash flow from financing activities during the quarter was SEK 6.5m (1.0).

During the quarter, 190,000 subscription warrants were exercised to subscribe for new class B shares. The issue of these new shares has provided the company with proceeds of SEK 6.5m.

On March 31, 2014, the Group had net cash of SEK 93.5m (46.7).

Cash and cash equivalents on the same date amounted to SEK 96.3m (49.0), of which SEK 0.6m (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 120.7m (71.4).

EMPLOYEES

The number of employees in IAR Systems at the end of the quarter was 172 (167). The average number of employees during the quarter was 162 (159).

PARENT COMPANY

The activities of the Parent Company consist of group management, finance and IR/PR functions. The Parent Company's net sales for the quarter amounted to SEK 3.3m (3.0). Profit after financial items was SEK 0.1m (0.2). Net investments in property, plant and equipment totaled SEK 0.0m (0.3). At March 31, 2014, the Parent Company had cash and cash equivalents of SEK 50.6m (17.0), of which SEK 0.6m (2.6) consisted of blocked funds for the acquisition of Signum. The Parent Company's total available cash and cash equivalents thus amounted to SEK 50.0m (14.4).

The number of employees in the Parent Company at the end of the quarter was 4 (4).

Net sales (SEK M)

Operating profit (SEK M)

7
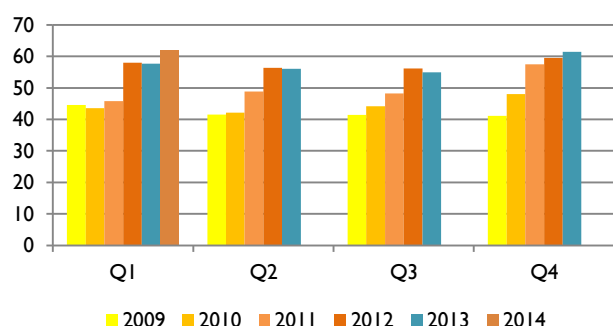
ACCOUNTING POLICIES

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 th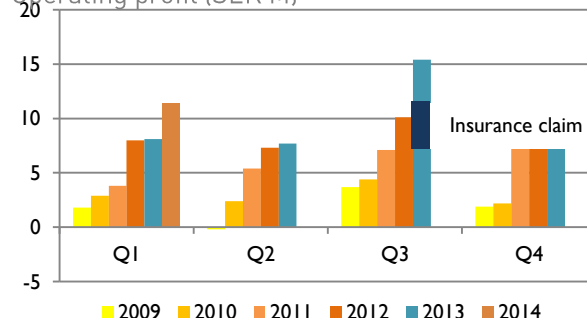e EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied. This consolidated interim report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and IAS 34, Interim Financial Reporting. The accounts 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. Unless otherwise stated, the accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report.

The new or revised IFRS standards, interpretations from the IFRS Interpretations Committee and amendments to RFR 2 that are effective as of January 1, 2014, have not had any material impact on the financial statements of the Group or the Parent Company.

GOODWILL

Goodwill is tested for impairment yearly and is measured at cost less accumulated impairment. Goodwill at March 31, 2014, amounted to SEK 109.9m.

DEFERRED TAX ASSET

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. At March 31, 2014, the Group had cumulative loss carryforwards of around SEK 246m, all of which are attributable to Sweden. In the balance sheet, these losses are recognized at SEK 54.1m (57.5).

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 quarter the share price varied from a low of SEK 43.00 (37.60) to a high of SEK 62.25 (41.30). The share price at March 31, 2014, was SEK 62.25 (39.00).

IAR Systems Group's market capitalization on the same date was SEK 780m (444).

The number of shareholders in IAR Systems Group at March 31, 2014, was 8,239 (8,357). Of these, 464 (431) held more than 1,000 shares each. Foreign shareholders held approximately 17% (21) of the share capital and 16% (27) of the votes.

During the year, the warrant series TO4B 2011/2014 has been exercised to subscribe for 190,000 new class B shares. The issue of new shares has provided the company with proceeds of SEK 6.5m. IAR Systems Group's share capital at March 31, 2014, amounted to SEK 125,345,614, divided between 12,534,561 shares of which 100,000 are of class A and 12,434,561 are of class B.

SHARE PRICE PERFORMANCE JANUARY – MARCH 2014

IAR Systems Group 2014

B-aktien
OMX Stockholm_PI
Omsatt antal aktier, 1 000-tal

© NASDAQ OMX
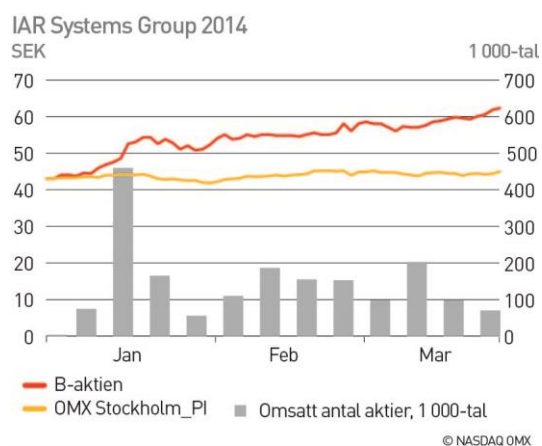
WARRANT SERIES TO4B

The Annual General Meeting (AGM) in May 2011 resolved that the company would issue not more than 1,168,856 subscription warrants, each entitling the holder to subscribe for one class B share in IAR Systems Group AB. A total of 1,017,000 warrants were subscribed for on market-based terms in July 2011.

Each warrant gives the holder the right to subscribe for one new class B share in IAR Systems Group AB for a price of SEK 34.30 during the period through June 2014.

In total, warrants have been exercised to subscribe for 846,000 new class B shares, of which 190,000 were subscribed for during the first quarter of 2014. After this, there are 171,000 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 Strand-
bodgatan 1 in Uppsala.

NOMINATING COMMITTEE
In accordance with the decision of the AGM in April
2013, the nominating committee has been appoint-
ed 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 proposes that the profits of SEK
176,043,056 be appropriated so that SEK 61,722 805
is transferred to the shareholders through a 2-for-
1 share split combined with a mandatory redemp-
tion procedure. In this procedure, each share will
be split into one ordinary share and one redemption
share. It is proposed that the redemption shares be
redeemed for SEK 5.00 each, which is equal to a
capital distribution of approximately SEK 61.7m to
the company's shareholders.

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 2013 under
"Administration report" on page 23 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% an-
nually in local currency and for the operating mar-
gin to exceed 20% over a business cycle.

Stockholm, Thursday, April 24, 2014

Stefan Skarin
President and CEO of IAR Systems Group AB

FINANCIAL CALENDAR 2014
Interim report Jan-Jun 2014, August 19, 2014
Interim report Jan-Sep 2014, October 21 2014

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

REVIEW REPORT
This report has not been examined by the compa-
ny's independent auditor.

Income statements

INCOME STATEMENTS, GROUP	3 mths Jan-Mar		Full year
SEK M	2014	2013	2013
Net sales	62.0	57.7	230.2
Other operating income	-	-	6.0
Goods for resale	-3.4	-4.5	-14.5
Other external expenses	-10.7	-10.7	-41.3
Personnel costs	-34.2	-32.1	-129.8
Depreciation of property. plant and equipment	-0.5	-0.7	-2.2
Amortization of intangible assets	-1.8	-1.6	-7.1
Operating profit	11.4	8.1	41.3
Financial income	0.3	0.1	0.3
Financial expenses	-0.1	-0.1	-0.2
Profit before tax	11.6	8.1	41.4
Income tax	-3.1	-2.1	-11.5
Profit for the period	8.5	6.0	29.9
Earnings per share for the period, basic, SEK	0.69	0.53	2.59
Earnings per share for the period, diluted, SEK	0.67	0.49	2.40

STATEMENTS OF COMPREHENSIVE INCOME	3 mths Jan-Mar		Full year
SEK M	2014	2013	2013
Profit for the period	8.5	6.0	29.9
Other comprehensive income for the period			
Items that will be reclassified subsequently to profit or loss			
Foreign exchange gains/losses	-0.6	-0.3	-0.5
Total other comprehensive income	-0.6	-0.3	-0.5
Comprehensive income for the period	7.9	5.7	29.4
Comprehensive income for the period attributable to owners of the Parent Company	7.9	5.7	29.4

Net sales rolling 12 months
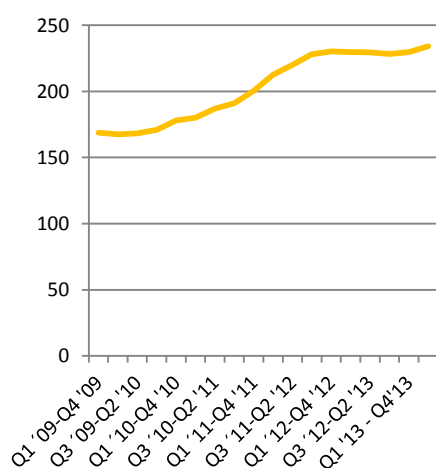
Operating profit rolling 12 months
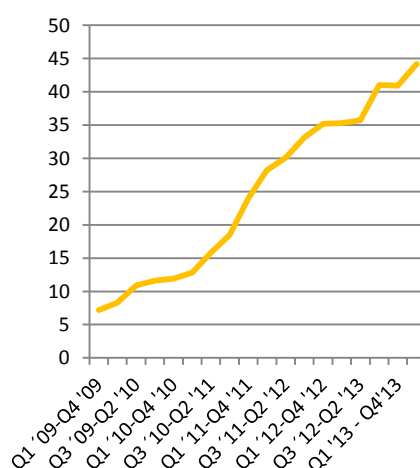
Operating margin rolling 12 months

Balance sheets

BALANCE SHEETS, GROUP

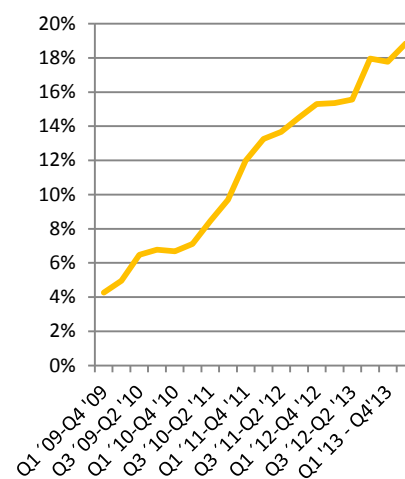| SEK M	Mar 31, 2014-	Mar 31 2013	Dec 31, 2013
ASSETS			
Non-current assets			
Goodwill	109.9	110.7	110.7
Other intangible assets	57.7	44.4	53.7
Property, plant and equipment	6.3	6.4	6.1
Financial assets	5.4	4.6	5.3
Deferred tax asset	57.7	61.6	59.2
Total non-current assets	237.0	227.7	235.0
Current assets			
Inventories	3.8	3.8	3.3
Other current assets	11.9	11.2	14.6
Trade receivables	33.4	34.3	34.1
Blocked funds	0.6	2.6	0.7
Cash and cash equivalents	95.7	46.4	81.8
Total current assets	145.4	98.3	134.5
TOTAL ASSETS	382.4	326.0	369.5
EQUITY AND LIABILITIES			
Total equity	309.4	260.5	295.0
Non-current liabilities			
Interest-bearing liabilities	1.5	1.0	1.1
Deferred tax liabilities	13.3	9.3	13.3
Total non-current liabilities	14.8	10.3	14.4
Current liabilities			
Trade payables	4.6	5.5	5.7
Interest-bearing liabilities	1.0	1.3	1.3
Other current liabilities	52.6	48.4	53.1
Total current liabilities	58.2	55.2	60.1
TOTAL EQUITY AND LIABILITIES	382.4	326.0	369.5
Pledged assets	4.8	6.7	4.9
Contingent liabilities	-	-	-

Changes in equity

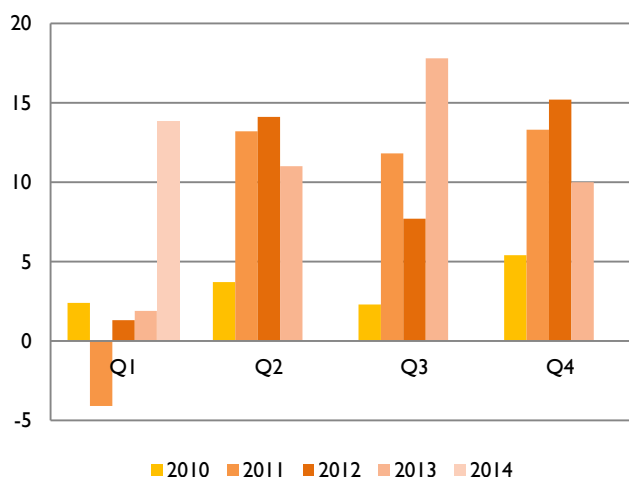| GROUP	3 mths Jan-Mar		Full year
SEK M	2014	2013	2013
Equity at beginning of period	295.0	253.8	253.8
Dividends	-	-	-22.8
New share issue	6.5	1.0	22.3
Sale of shares	-	-	12.3
Comprehensive income for the period	7.9	5.7	29.4
Equity at end of period	309.4	260.5	295.0
of which, attributable to owners of the Parent Company	309.4	260.5	295.0

Cash flows

GROUP	3 mths Jan-Mar		Full year
SEK M	2014	2013	2013
Incoming payments from customers	63.5	54.5	234.6
Outgoing payments to suppliers and employees	-49.5	-50.7	-187.4
Interest received	0.3	0.0	0.3
Interest paid	-0.0	-0.0	-0.2
Income tax paid	-0.5	-1.9	-6.6
Cash flow from operating activities	13.8	1.9	40.7
Investments in property, plant and equipment	-0.7	-0.7	-1.9
Investments in intangible assets	-5.8	-4.4	-19.2
Other investments	-0.0	0.3	2.0
Cash flow from investing activities	-6.5	-4.8	-19.1
New share issue	6.5	1.0	22.3
Sale of shares	-	-	12.3
New borrowings	0.0	0.0	0.0
Amortization of financial liabilities	-0.0	-0.0	-0.0
Dividends to owners of the Parent Company	-	-	-22.8
Cash flow from financing activities	6.5	1.0	11.8
Cash flow for the period	13.8	-1.9	33.4
Cash and cash equivalents at beginning of period	81.8	49.0	49.0
Exchange difference in cash and cash equivalents			
- attributable to cash and cash equivalents at beginning of period	0.1	-0.7	-0.5
- attributable to cash flow for the period	0.0	0.0	-0.1
Cash and cash equivalents at end of period	95.7	46.4	81.8

CASH AND CASH EQUIVALENTS, GROUP			
SEK M	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Cash and cash equivalents at end of period	95.7	46.4	81.8
Unutilized overdraft facilities	25.0	25.0	25.0
Total available cash and cash equivalents	120.7	71.4	106.8

Cash flow from operating activities, SEK M

Net cash Q2 2011 – Q1 2014, SEK M

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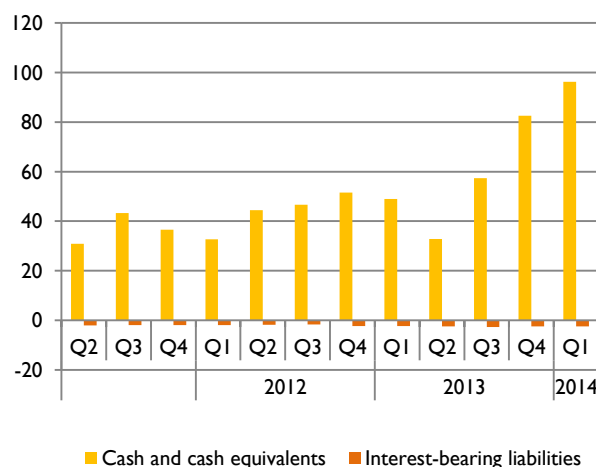
Key ratios

GROUP		3 mths Jan-Mar		Full year
		2014	2013	2013
Gross margin, %		94.5	92.2	93.7
Operating margin, %		18.4	14.0	17.9
Profit margin, %		18.7	14.0	18.0
Cash flow, %		22.3	3.3	17.7
Equity/assets ratio, %		80.9	79.9	79.8
Return on equity, %		2.8	2.3	10.9
Return on capital employed, %		3.8	3.2	15.0
Capital employed, SEK M		311.9	262.8	297.4
Net cash, SEK M		93.8	46.7	80.1
Net debt/equity ratio, times		-0.30	-0.18	-0.27
Number of employees at end of period		172	167	168
Average number of employees		162	158	160
Net sales per employee, SEK M		0.4	0.4	1.4

SHARE DATA		3 mths Jan-Mar		Full year
		2014	2013	2013
Equity per share, SEK		24.68	22.87	23.90
Number of shares at end of period, millions		12.53	11.69	12.34
Number of shares at end of period, diluted, millions		12.71	12.37	12.71
Average number of shares, millions		12.34	11.36	11.53
Average number of shares, diluted, millions		12.71	12.37	12.46
Cash flow from operating activities per share, SEK		1.12	0.17	3.53
Earnings per share, basic, after current tax, SEK		0.87	0.64	3.20
Earnings per share, basic, SEK		0.69	0.53	2.59
Earnings per share, diluted, SEK		0.67	0.49	2.40

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
2014	Q1	62.0	11.4	18.4	2.8	24.68	1.12
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	3 mths Jan-Mar		Full year
SEK M	2014	2013	2013
Net sales	3.3	3.0	12.5
Other operating income	-	-	6.0
Operating expenses	-3.4	-2.9	-14.8
Depreciation of property, plant and equipment	-0.0	-0.0	-0.1
Operating profit/loss	-0.1	0.1	3.6
Result from financial investments	0.2	0.1	15.6
Profit before tax	0.1	0.2	19.2
Income tax	-0.0	-0.0	-3.1
Profit for the period	0.1	0.2	16.1

Statement of comprehensive income

PARENT COMPANY	3 mths Jan-Mar		Full year
SEK M	2014	2013	2013
Profit for the period	0.1	0.2	16.1
Total other comprehensive income	-	-	-
Comprehensive income for the period	0.1	0.2	16.1

Balance sheets

BALANCE SHEETS, PARENT COMPANY			
SEK M	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	0.4	0.5	0.4
Shares in subsidiaries	189.4	189.4	189.4
Other financial assets	4.0	3.4	4.0
Deferred tax asset	54.9	58.0	54.9
Total non-current assets	248.7	251.3	248.7
Current assets			
Receivables from subsidiaries	10.0	10.2	10.0
Other current assets	1.8	2.2	1.7
Blocked funds	0.6	2.6	0.7
Cash and cash equivalents	50.0	14.4	44.7
Total current assets	62.4	29.4	57.1
TOTAL ASSETS	311.1	280.7	305.8
EQUITY AND LIABILITIES			
Total equity	306.1	272.7	299.4
Non-current liabilities			
Provisions	-	2.0	-
Total non-current liabilities	-	2.0	-
Current liabilities			
Trade payables	0.3	0.8	0.6

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Other current liabilities	4.7	5.2	5.8
Total current liabilities	5.0	6.0	6.4
TOTAL EQUITY AND LIABILITIES	311.1	280.7	305.8

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.

- Americas (33%)
- Asia (27%)
- Europe (40%)
- Not allocated by region (0%)

Breakdown of revenue
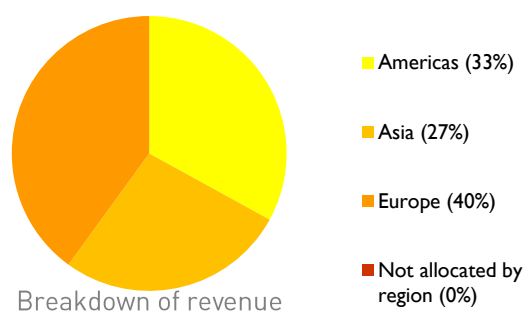
ECOSYSTEM

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.

15

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 complier is a computer program (or set of programs) that transforms source code written in a programming language (similar to English) into instructions that the microprocessor can understand and execute.
Microprocessor	A microprocessor consists of a single integrated circuit (or at most a few integrated circuits). The circuit incorporates the functions of a computer's central processing unit (CPU) with storage of code and data.
Power debugging	Power debugging is a programming technology that makes it easier to see how the finished product's power consumption is directly related to the source code written by a programmer. This makes it possible to detect which program code is causing unexpectedly high power consumption.
Processor	When the word is used in connection with IAR Systems' products, processor is an abbreviation of *microprocessor.*
RTOS	An operating system (OS) is a set of programs that manage a computer's hardware resources and provide common services for application software. The operating system is the most important type of software in a computer system. A real-time operating system (RTOS) is specialized at quickly and reliably handling input and output data from the computer system, which is important in embedded systems.
Standardization	By standardizing on IAR Systems' tool chain, customers can significantly improve their efficiency and time-to-market for new products. In a single environment, they can move freely between 8-, 16-, 32-bit MCUs from all major vendors in all relevant architectures, including all ARM cores.
SUA	Software products from IAR Systems usually include a 12-month "Support and Update Agreement" (SUA) that gives the customer access to new product versions, product updates, technical support, etc.
Development kit	A development kit (also called a starter kit or evaluation kit) contains all of the equipment and software needed for a programmer to design, develop, integrate and test his or her products. IAR Systems offers fully integrated kits for development of embedded application software. Each kit contains an evaluation board and development tools (software) with example applications.
Development tools	The software tools used by programmers to create their own programs. The most important of these is an editor in which to write source code, a compiler to transform the source code into instructions that the processor can use, a linker that combines smaller program segments into an executable program, and a debugger that is used to locate problems in a program. IAR Embedded Workbench is a set of development tools.