

INTERIM REPORT JANUARY – SEPTEMBER 2011



Best quarterly profit of all time and growth in all markets

- Net sales of SEK 142.9m (129.9), of which SEK 48.2m (44.2) in the third quarter
- Operating profit of SEK 16.3m (9.7), of which SEK 7.1m (4.4) in the third quarter
Operating profit for the third quarter was charged with SEK 0.6m for the acquisition of Signum Systems Corp
- Operating margin of 11.4% (7.5) for the period and 14.7% (10.0) for the third quarter
- Earnings per share of SEK -2.66 (2.21) for the period and SEK 0.67 (0.77) for the third quarter
Earnings per share calculated on profit from continuing operations were SEK 1.48 (0.89) for the period and SEK 0.67 (0.39) for the third quarter
- In local currency, net sales for the period rose by 22% in the USA, 15% in Europe and 29% in Asia

Key events during the quarter

- The Annual General Meeting on May 3, 2011, approved an incentive scheme through a directed issue of not more than 1,168 856 warrants. During the subscription period ending on July 7, 2011, the employees subscribed for 1,017,000 (87%) of the warrants.
- On September 12, 2011, IAR Systems acquired Signum with complementary technology for advanced embedded systems. The acquisition is expected to have a limited financial effect on IAR Systems during 2011 and to make a positive contribution to both sales and profit starting in 2012, partly through the sale of Signum's products but also because this reinforcement of the offering is expected to boost sales of IAR Systems' development tools. The change of ownership took place on October 3, 2011.

Comments from the CEO JANUARY–SEPTEMBER 2011

Sustained growth in all markets

IAR has continued to grow in all markets. Activity during the third quarter was highest in Asia, but other markets are also showing sustained growth compared to the previous year. Net sales for the third quarter rose by 9% to SEK 48.2m. For the nine-month period, net sales in local currency were up by 22% in the USA, 15% in Europe and 29% in Asia.

Improved earnings in the third quarter

The earnings trend is favorable and operating profit for the third quarter increased by more than 60% to SEK 7.1m. In general, the effect of the summer vacation in the form of lower personnel costs had a positive impact on third quarter earnings.

Operating profit for the nine-month period grew by over 68%. We reported a higher profit for the period than for the entire previous year.

Operating margin also continued to improve and was 14.7% for the third quarter, compared to 11.0% for the second quarter of 2011 and 8.3% for the first quarter of 2011. Operating margin for the nine-month period was 11.4%, compared to 7.5% for the same period of 2010.

Strong cash flow for the quarter

Third quarter cash flow from operating activities was SEK 13.3m. At the end of the quarter we had net cash of SEK 43m and unutilized bank overdraft facilities of SEK 25m, which means that total available cash and cash equivalents amount to SEK 68m.

Part of our cash and cash equivalents, SEK 13.6m, was used for the acquisition of Signum in October.

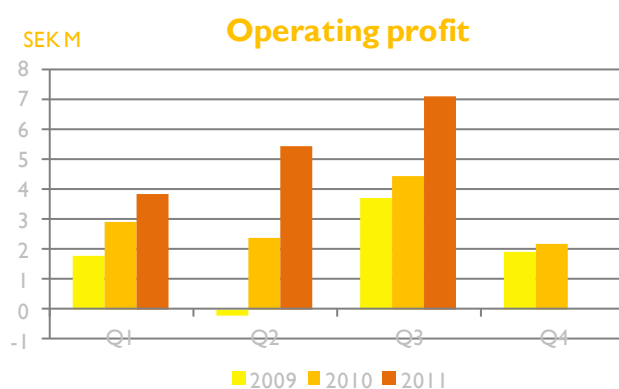
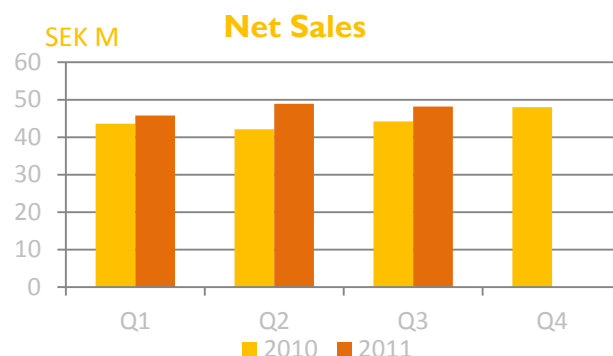
Strongest growth in ARM

We are seeing continued strong growth in ARM, where the new applications for ARM Cortex are expanding in all markets. Aside from market-leading technology, another factor behind this growth is that the customers evaluating processors for new digital products have a wide range of suppliers to choose from. This allows the customers to evaluate and compare in terms of product, price and performance.

Acquisition of technology opens new opportunities

The acquisition of Signum, combined with our market-leading product IAR Embedded Workbench, will open the door for a new market for advanced integrated solutions. The acquisition itself will result in new products and a wider offering, which will generate increased income. In addition, these new products will strengthen sales of IAR's development tools, which will have a positive impact on both sales and profit already in 2012.

Stefan Skarin, President and CEO of IAR Systems Group AB



PROFIT SUMMARY, 9 months

SEK M	2011	2010	2009
Net sales	142.9	129.9	127.5
Operating expenses	-126.6	-120.2	-122.2
Operating profit	16.3	9.7	5.3

KEY RATIOS, 9 months

	2011	2010	2009
Growth, %	10	2	9
Operating margin, %	11.4	7.5	4.2
Equity/assets ratio, %	80	82	78
Net cash, SEK M	41.3	-1.2	-36.1
Number of employees	133	130	129

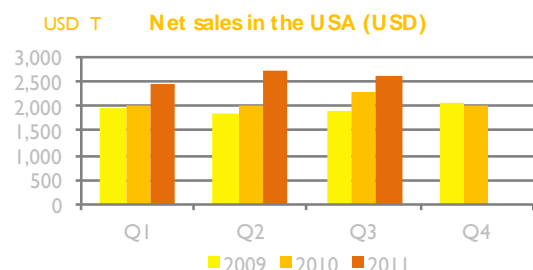
Customers and market

Growth during the quarter was driven mainly by an expanding market for ARM and ARM Cortex-M, but we are also seeing increased sales of our other development tools for the more advanced processors.

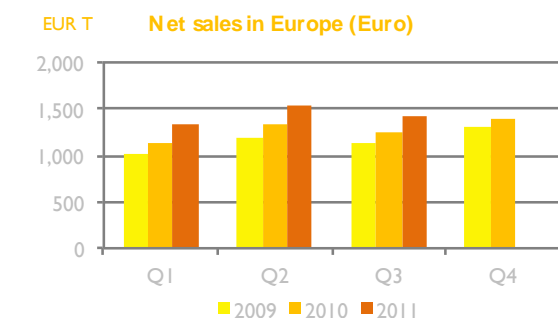
The acquisition of Signum has been very well received by IAR Systems' customers. The use of more powerful processors and the rising complexity of the products are creating a strong interest in better tools for testing and debugging. By combining Signum's technology with our market-leading development tool IAR Embedded Workbench, we are opening the door to a new market for integrated software and hardware solutions for advanced processors.

Interest in standardizing on IAR Embedded Workbench remains high. In the third quarter we signed 11 enterprise agreements. So far this year IAR Systems has signed 45 enterprise agreements, compared to 25 for the full year 2010. We are working actively to reach more programmers and last month's launch of a new website contributed to 8,400 downloads of evaluation products in September alone. The number of readers of IAR's newsletter rose by 10,000 during the quarter and today it reaches 124,000 programmers every month.

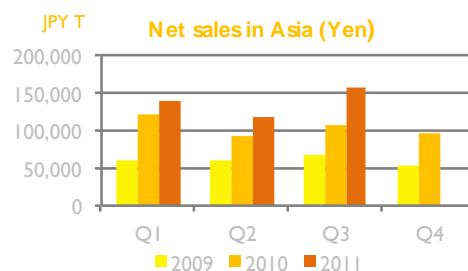
IAR Systems' development by region



- The USA accounts for around 40% of income
- Net sales for the period were up by 22% in local currency
- Took part in Embedded Systems Conference in Boston



- Europe, excluding the Nordic region, accounts for around 30% of income
- Net sales for the period rose by 15 % in local currency
- Signed enterprise agreement with Miele & Cie



- Asia accounts for approximately 25% of income
- Net sales for the period improved by 29% in local currency
- Four enterprise agreements were signed during the period

Products and technology

The third quarter was very eventful. The acquisition of Signum has resulted in an important widening of IAR Systems' offering of emulators and debuggers for the more advanced ARM processors. An emulator consists of both hardware and software and is used to duplicate the functions of a processor in another environment, such as a PC. A debugger is a software tool that is used to test code in a processor. These functions are growing increasingly important in pace with the rising complexity of embedded systems. Like IAR Systems, Signum has its strongest position in the fast-growing ARM market and today offers extensive support for ARM Cortex-M, Cortex-R and Cortex-A processors.

Alongside the acquisition, IAR Systems launched six new versions of IAR Embedded Workbench and five new development kits for ARM during the quarter. A few of the more notable launches are:

- Advanced analysis tools for code optimization of Renesas' popular RX processor family.
- More products adapted for compliance with the C standard known as C99, which facilitates the portability of code between different processor families. IAR Embedded Workbench currently offers C99 support for five different processor families, including ARM.
- More products integrated with the version control system Subversions. There is a powerful interest in version control among customers that drive projects with many programmers across multiple countries.
- Support for STMicroelectronics new ARM Cortex-M4 family.

Other interesting launches during the period include:

- Several new launches of power debugging technology for analysis of power consumption in chips.
- Increased support for ARM's most advanced processors, Cortex A8 and A9, for high performance applications and power efficiency. These processors are often used in mobile consumer electronics and medical devices.

Financial information JANUARY – SEPTEMBER 2011

Reporting of operations distributed/sold

The operations in Deltaco AB and Northern Parklife AB and related subsidiaries were distributed and sold during the period. Profit from these operations is reported under profit from operations distributed/sold. The income statement and cash flow statement for 2010 have been restated accordingly.

Continuing operations include IAR Systems and central functions in the Parent Company. The comparison figures in the following financial information refer to continuing operations unless otherwise stated.

Cash flow, cash and cash equivalents

Cash flow from operating activities was SEK 21.6m (8.4) for the period and SEK 13.3m (2.3) for the third quarter.

Cash flow from investing activities was SEK -6.3m (-8.0) for the period and SEK -1.8m (-2.0) for the third quarter.

Cash flow from financing activities was SEK 8.1m (-0.7) for the period and SEK 0.9m (2.9) for the third quarter.

At September 30, 2011, the Group had net cash of SEK 41.3m (-1.2), in addition to a holding of 634,600 treasury shares.

Cash and cash equivalents at the end of the period totaled SEK 43.3m (21.6) and unutilized bank overdraft facilities amounted to SEK 25.0m (33.5). The Group's total available cash and cash equivalents thus amounted to SEK 68.3m (55.1). After the end of the reporting period, IAR Systems Group acquired Signum Systems Corp. In connection with this, the Group's cash and cash equivalents decreased by SEK 13.6m.

Goodwill

Goodwill is tested for impairment yearly and is measured at cost less accumulated impairment. Goodwill for IAR Systems and September 30, 2011, amounted to SEK 97.4m.

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 September 30, 2011, the Group had cumulative loss carryforwards of around SEK 279m. In the balance sheet, the current estimated value of these losses is SEK 69.7m (90.2).

Investments and financing

Net investments in property, plant and equipment for the period are reported at SEK -1.8m (-1.1). Investments in intangible assets for the same period totaled SEK -4.5m (-6.9). The equity/assets ratio at September 30, 2011, was 80% (82). Pledged assets decreased during the period by SEK 0.8m and amounted to SEK 3.3m (102.8) at September 30, 2011. No changes in contingent liabilities took place.

Employees

The number of employees in IAR Systems (including central) at the end of the period was 135 (134). The average number of employees during the period was 133 (130).

Parent Company

The activities of the Parent Company consist of group management and IR/PR functions. The Parent Company's net sales for the period reached SEK 10.9m (9.6). Profit after financial items was SEK -34.6m (-0.9).

Net investments in property, plant and equipment amounted to SEK -1.0m (0.0). At September 30, 2011, the Parent Company had cash and cash equivalents of SEK 20.4m (0.3) and unutilized overdraft facilities of SEK 25.0m (33.5). The Parent Company's total available cash and cash equivalents thus amounted to SEK 45.3m (33.8). After the end of the reporting period, IAR Systems Group acquired Signum Systems Corp. In connection with this, the Parent Company's cash and cash equivalents decreased by SEK 13.6m. The number of employees in the Parent Company at the end of the period was 4 (3).

Accounting policies

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Commission for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied. This consolidated interim report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and IAS 34, Interim Financial Reporting. The accounts of the Parent Company are presented in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The new or changed IFRSs effective as of January 1, 2011, have not had any impact on the consolidated financial statements during the period. The Group's accounting policies are thus unchanged from the prior year.

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 17.64 (12.40) to a high of SEK 24.50 (16.22). At September 30, 2011, the share price was SEK 21.90 (13.61) and IAR Systems Group's market capitalization was SEK 242 (150). During the period the subsidiary Deltaco AB was distributed to the shareholders. Deltaco AB is quoted on NASDAQ OMX First North since April 2011. At the time of the listing, Deltaco had a share price of SEK 18.80 and a market capitalization of SEK 208m. The comparison figures have been restated with respect to the distribution.

The number of shareholders in IAR Systems Group at September 30, 2011, was 9,544 (10,557), of which 513 (613) held more than 1,000 shares each. Foreign shareholders held approximately 235 (22) of the share capital and 29% (28) of the votes.

No shares were repurchased during the period. However, 634,600 class B shares for total value of SEK 30.1m had been repurchased at June 30, 2011. These are not included in the share data at September 30, 2011.

IAR Systems Group's share capital at September 30, 2011, amounted to SEK 116,885,614, divided between 11,688,561 shares of which 100,000 are of class A and 11,588,561 are of class B. Following buybacks, 634,600 of these class B shares are held in treasury by IAR Systems Group. This

means that the number of class B shares on the market at September 30, 2011, was 10,953,961.

Share price performance, January – September 2011 (reinvested)



Warrant series TO4B

The Annual General Meeting (AGM) in May 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 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 through June 2014.

Distribution of Deltaco AB

An Extraordinary General Meeting (EGM) in January 2011 resolved to reduce the statutory reserve in IAR Systems Group AB by SEK 270,200,041 for repayment to the shareholders through the distribution in kind of all shares in the subsidiary Deltaco AB (name changed from TurnIT AB) and a transfer to non-restricted reserves to be used according to the decision of the General Meeting. In April the Swedish Companies Registration Office granted permission to reduce the statutory reserve in accordance with this decision. The record date for the distribution of shares in Deltaco was April 14, 2011. The distribution of the shares in Deltaco is covered by the so-called Lex ASEA rule and is thereby tax-exempt in Sweden. In the distribution, each share in IAR Systems Group AB (publ), regardless of class, entitled the holder to one share in Deltaco.

Swedish Tax Agency's general recommendations for allocating the acquisition cost of shares for the distribution of shares in Deltaco

Of the acquisition cost of shares in IAR Systems Group, 55% should be attributed to these shares and 45% to the received shares in Deltaco AB.

Sale of Northern Parklife AB

Northern was sold to its own management, as approved by the EGM on May 3, 2011. In addition to a small initial payment, the sale is subject to contingent consideration equal to 80% of future dividends and 80% of the value of a possible future sale (less the initial payment). The effect on profit (reported in profit from operations distributed/sold) was SEK – 45m in the first quarter based on the initial purchase price, after which all future contingent consideration will have a positive impact on profit.

Acquisition of Signum Systems Corp

IAR Systems acquired all of the shares in Signum Systems Corp in September 2011. Signum Systems is based in Camarillo, California, and has 11 employees. The company was founded in 1979 and has a leading technical position in the market for emulators and debuggers.

The acquisition is expected to have a limited financial effect on IAR Systems in 2011 and make a positive contribution to both sales and profit starting in 2012.

The acquisition was financed by a combination of cash and shares in IAR Systems Group AB, with an initial payment and contingent consideration based on the attainment of goals during the period through October 1, 2015. No new shares in IAR Systems were issued in connection with this transaction, since the company used its own shares acquired in earlier buybacks. IAR Systems completed the acquisition on October 3, 2011.

2011 Annual General Meeting

The Annual General Meeting of IAR Systems was held on May 3, 2011. For information about the AGM and the resolutions passed there, see the company's website, www.iar.com.

Nominations Committee

In accordance with the decision of the AGM in May 2011, the Nominations Committee consists of Ulf Strömsten (Catella), Peter Larsson and Tedde Jeansson. Ulf Strömsten was appointed as chairman of the committee. Stefan Skarin, in his role as major shareholder and CEO, has been co-opted to take part in meeting of the Nominations Committee.

Significant risks and uncertainties

The market for IAR Systems' software is developing rapidly and forecasts about the future 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 2010 under the heading "Business risks" on page 14 and in Note 2 on pages 39-41. No essential changes have taken place since that time.

Future outlook

The Board's assessment is that both net sales and profit for the full year will be higher in 2011 than in 2010.

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 operating margin to exceed 20% over a business cycle.

Stockholm, Tuesday, 25 October 2011

Stefan Skarin
President and CEO

Review

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

Financial calendar 2012

2011 year-end report, January 31, 2012
Interim report for January-March 2012, April 24, 2012
Annual General Meeting, April 24, 2012
Interim report for January-June 2012, July 24, 2012
Interim report for January-September 2012, October 24, 2012

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INCOME STATEMENTS, GROUP SEK M	9 mths, Jan-Sep		3 mths, Jul-Sep		Full year
	2011	2010	2011	2010	2010
Net sales	142.9	129.9	48.2	44.2	177.9
Operating expenses	-122.9	-117.3	-39.9	-38.7	-161.8
Depreciation of property, plant and equipment	-1.2	-0.9	-0.4	-0.2	-1.2
Amortization of intangible assets	-2.5	-2.0	-0.8	-0.9	-3.0
Operating profit	16.3	9.7	7.1	4.4	11.9
Result from financial investments	0.1	0.1	0.3	-0.1	0.0
Profit after financial items	16.4	9.8	7.4	4.3	11.9
Profit from operations distributed/sold	-45.8	14.6	-	4.2	8.9
Profit after financial items	-29.4	24.4	7.4	8.5	20.8
Income tax	0.0	0.0	0.0	0.0	0.0
Profit for the period	-29.4	24.4	7.4	8.5	20.8
<i>Earnings per share for the period, basic and diluted, SEK</i>	<i>-2.66</i>	<i>2.21</i>	<i>0.67</i>	<i>0.77</i>	<i>1.88</i>
<i>Earnings per share for the period, calculated on profit from continuing operations, basic and diluted, SEK</i>	<i>1.48</i>	<i>0.89</i>	<i>0.67</i>	<i>0.39</i>	<i>1.08</i>
<i>Earnings per share for the period, calculated on profit from distributed/sold operations, basic and diluted, SEK</i>	<i>-4.14</i>	<i>1.32</i>	<i>-</i>	<i>0.38</i>	<i>0.80</i>

STATEMENTS OF COMPREHENSIVE INCOME SEK M	9 mths, Jan-Sep		3 mths, Jul-Sep		Full year
	2011	2010	2011	2010	2010
Profit for the period	-29.4	24.4	7.4	8.5	20.8
Other comprehensive income					
Foreign exchange gains/losses	1.0	-0.5	0.8	-1.1	-0.4
Total other comprehensive income	1.0	-0.5	0.8	-1.1	-0.4
Comprehensive income for the period	-28.4	23.9	8.2	7.4	20.4
<i>Comprehensive income for the period attributable to owners of the parent</i>	<i>-28.4</i>	<i>23.9</i>	<i>8.2</i>	<i>7.4</i>	<i>20.4</i>

CASH FLOWS, GROUP SEK M	9 mths, Jan-Sep		3 mths, Jul-Sep		Full year
	2011	2010	2011	2010	2010
Incoming payments from customers	139.4	146.3	48.7	50.3	197.8
Outgoing payments to suppliers and employees	-116.9	-137.5	-35.6	-47.5	-182.6
Interest received	0.5	0.1	0.2	0.0	0.3
Interest paid	-0.4	-0.1	-0.0	-0.1	0.0
Income tax paid	-1.0	-0.4	0.0	-0.4	-1.7
Cash flow from operating activities	21.6	8.4	13.3	2.3	13.8
Cash flow from operating activities for operations distributed/sold	8.5	-12.6	-	-4.3	6.0
Total cash flow from operating activities	30.1	-4.2	13.3	-2.0	19.8
Investments in property, plant and equipment	-1.8	-1.1	-0.5	-0.4	-2.8
Investments in intangible assets	-4.5	-6.9	-1.3	-1.6	-9.8
Other	-6.3	-8.0	-1.8	-2.0	-12.6
Cash flow from investing activities	-0.9	-3.4	-	-0.5	-8.6
Total cash flow from investing activities for operations distributed/sold	-7.2	-11.4	-1.8	-2.5	-21.2
Repurchase of shares	-	-	-	-	-
Dividends	-	-13.8	-	-	-13.8
Subscription warrant series TO4B	1.0	-	1.0	-	-
Newly raised loans	7.1	13.1	-	2.9	10.7
Repayment of financial liabilities	-	-	-0.1	-	-
Cash flow from financing activities	8.1	-0.7	0.9	2.9	-3.1
Cash flow from financing activities for operations distributed/sold	-39.7	0.2	-	0.8	-4.1
Total cash flow from financing activities	-31.4	-0.5	0.9	3.7	-7.2
Cash flow for the period	-8.7	-16.1	12.4	-0.8	-8.6
Cash and cash equivalents at beginning of period	52.0	60.6	30.9	45.3	60.6
Cash and cash equivalents at end of period	43.3	44.5	43.3	44.5	52.0

CASH AND CASH EQUIVALENTS, GROUP SEK M	9 mths, Jan-Sep		3 mths, Jul-Sep		Full year
	2011	2010	2011	2010	2010
Breakdown of cash and cash equivalents at the end of the period					
Cash and cash equivalents at end of period	43.3	44.5	43.3	44.5	52.0
Cash and cash equivalents included in assets held for distribution/sale	-	22.9	-	22.9	32.0
Total cash and cash equivalents	43.3	21.6	43.3	21.6	20.0
Unutilized overdraft facilities	25.0	33.5	25.0	33.5	40.4
Total available cash and cash equivalents	68.3	55.1	68.3	55.1	60.4

BALANCE SHEETS, GROUP		Sep 30, 2011		Sep 30, 2010	Dec 31, 2010	
SEK M						
ASSETS						
Non-current assets						
Goodwill		97.4		288.4	132.1	
Other intangible assets		25.5		35.4	26.7	
Property, plant and equipment		5.2		54.3	5.9	
Financial assets		78.4		107.7	80.7	
Total non-current assets		206.5		485.8	245.4	
Current assets						
Inventories		2.9		91.0	1.9	
Other current assets		10.9		25.2	15.6	
Trade receivables		24.0		88.2	33.8	
Cash and cash equivalents		43.3		44.5	25.1	
Total current assets		81.1		248.9	76.4	
Assets held for distribution/sale		-		-	422.4	
TOTAL ASSETS		287.6		734.7	744.2	
EQUITY AND LIABILITIES						
Total equity		231.2		602.0	598.5	
Non-current liabilities						
Interest-bearing liabilities		1.5		24.4	2.0	
Provisions		3.6		7.3	4.8	
Total non-current liabilities		5.1		31.7	6.8	
Current liabilities						
Trade payables		5.7		23.2	14.1	
Interest-bearing liabilities		0.5		21.3	10.3	
Other current liabilities		45.1		56.5	46.8	
Total current liabilities		51.3		101.0	71.2	
Liabilities held for distribution/sale		-		-	67.7	
TOTAL EQUITY AND LIABILITIES		287.6		734.7	744.2	
Pledged assets		3.8		102.8	4.1	
Contingent liabilities		-		-	-	
CHANGES IN EQUITY, GROUP		9 mths, Jan-Sep		3 mths, jul-Sep		Full year
SEK M		2011	2010	2011	2010	2010
Equity at beginning of period		598.5	591.9	222.0	594.6	591.9
Dividends		-339.9	-13.8	-	-	-13.8
Issue of subscription warrants		1.0	-	1.0	-	-
Comprehensive income for the period		-28.4	23.9	8.2	7.4	20.4
Equity at end of period		231.2	602.0	231.2	602.0	598.5
KEY RATIOS, GROUP 1)		9 mths, Jan-Sep		3 mths, jul-Sep		Full year
		2011	2010	2011	2010	2010
Gross margin, %		14.0	9.7	17.2	12.4	9.1
Operating margin, %		11.4	7.5	14.7	10.0	6.7
Profit margin, %		11.5	7.5	15.4	9.7	6.7
Cash flow, %		15.1	6.7	27.6	5.2	7.8
Equity/assets ratio, %		80.4	81.9			80.4
Return on equity, %		4.0	4.1	3.3	1.4	3.5
Return on capital employed, %		4.0	3.7	3.3	1.3	3.5
Interest coverage ratio, times		42.5	119.1	202.8	123.9	98.5
Capital employed, SEK M		233.2	647.7			610.8
Net interest-bearing liabilities, SEK M		-41.3	1.2			12.8
Net debt/equity ratio, times		-0.18	0.00			0.02
Number of employees at end of period		135	134			133
Average number of employees		133	130	133	132	132
Net sales per employee, SEK M		1.1	1.0	0.4	0.3	1.3

1) When possible, the key ratios have been calculated excluding operations held for distribution/sale.

SHARE DATA	9 mths, Jan-Sep		3 mths, jul-Sep		Full year
	2011	2010	2011	2010	2010
Equity per share, SEK	20.92	54.48			54.16
Number of shares at end of period, millions	11.05	11.05			11.05
Average number of shares, millions	11.05	11.05	11.05	11.05	11.05
Cash flow from operating activities per share, SEK	1.95	0.76	1.20	0.21	1.25
Earnings per share, SEK	-2.66	2.21	0.67	0.77	1.88

QUARTERLY OVERVIEW, GROUP SEK M	2011		2010				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, SEK M	48.2	48.9	45.8	48.0	44.2	42.1	43.6
Operating profit, SEK M	7.1	5.4	3.8	2.2	4.4	2.4	2.9
Operating margin, %	14.7	11.0	8.3	4.6	10.0	5.7	6.7
Return on equity, %	3.3	1.4	0.6	-0.6	1.4	1.1	1.6
Equity per share, SEK	20.92	20.09	50.35	54.16	55.50	53.81	54.42
Cash flow from operating activities per share, SEK	1.20	1.23	-0.49	0.47	0.23	0.33	0.22

INCOME STATEMENTS, PARENT COMPANY SEK M	9 mths, Jan-Sep		Full year
	2011	2010	2010
Net sales	10.9	9.6	14.2
Operating expenses	-11.4	10.5	-17.4
Depreciation of property, plant and equipment	-0.2	-0.1	-0.2
Other operating expenses	-	-	-8.1
Operating profit/loss	-1.5	-1.0	-11.5
Result from financial investments	-33.1	0.1	-1.5
Profit/loss after financial items	-34.6	-0.9	-13.0
Income tax	0.0	0.0	8.1
Profit/loss for the period	-34.6	-0.9	-4.9

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY SEK M	9 mths, Jan-Sep		Full year
	2011	2010	2010
Profit/loss for the period	-34.6	-0.9	-4.9
Other comprehensive income			
Group contributions, net	-	-	1.6
Total other comprehensive income	-	-	1.6
Comprehensive income for the period	-34.6	-0.9	-3.3

BALANCE SHEETS, PARENT COMPANY SEK M	Sep 30, 2011		Dec 31, 2010
	Sep 30, 2011		Dec 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment	0.3	0.4	0.4
Shares in subsidiaries	162.3	414.3	414.3
Other financial assets	75.1	70.4	76.5
Total non-current assets	237.7	485.1	491.2
Current assets			
Receivables from subsidiaries	0.0	8.0	6.0
Other current assets	1.3	10.8	3.4
Cash and cash equivalents	20.4	0.3	0.3
Total current assets	21.7	19.1	9.7
TOTAL ASSETS	259.4	504.2	500.9
EQUITY AND LIABILITIES			
Total equity	222.0	485.1	483.2
Non-current liabilities			
Liabilities to subsidiaries	20.3	-	-
Total non-current liabilities	20.3	-	-
Current liabilities			
Trade payables	0.5	1.0	3.8
Interest-bearing liabilities	14.5	16.5	9.6
Other current liabilities	2.4	1.6	4.3
Total current liabilities	17.1	19.1	17.7
TOTAL EQUITY AND LIABILITIES	259.4	504.2	500.9

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 focus on IAR Systems, Intoi distributed Deltaco and sold Northern in April 2011. The restructuring was completed in the fourth quarter 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 product

IAR Systems' products consist of software that is used to program microprocessors that control products in the areas of industrial automation, medical devices, consumer electronics, the automotive industry, etc. We are at the cutting edge of technology with development tools that support most of the world's chip makers and therefore also embedded systems.

IAR System is growing faster than the market and has good 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 chips. 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.

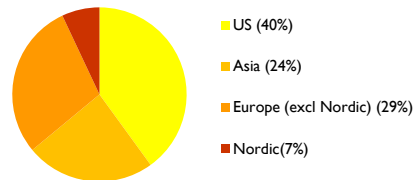
Our market position is strongest in the most advanced systems based on 32-bit architecture (often ARM), which now account for 58% of net sales.

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 14,000 customers are found across all industries and all regions of the world.

IAR Systems combines a good inflow of new customers with excellent customer relationships. A full 90% of all sales go to recurring customers. IAR Systems works actively to sell more licenses to each customer, where the goal is for the customers to standardize on IAR Systems' tool chain.

Breakdown of net sales



Ecosystem

IAR Systems is the hub of a powerful ecosystem of partners that include all of the world's leading chip makers, 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 resources, knowledge and scope for sales. But above all, it ensures that IAR Systems' software supports more chips in more architectures than any other tools on the market. With software tools from IAR Systems, the customers can work in the same environment for all chips in their current and future projects.

ARM

ARM Holdings plc is a multinational company that has developed a standard for microprocessor chips with its headquarters in Cambridge, UK. ARM is one of the largest and fastest-growing companies in the industry and dominates the market for processors for smart phones. For many years IAR Systems has been committed to providing reliable and powerful development tools for a wide spectrum of ARM chips. IAR Systems is one of the leading suppliers of development tools for chips based on ARM technology.

Investment case IAR Systems

At the leading edge of technology

IAR Systems' software is a technical leader and the company is often first in the market to offer new functionality. IAR Systems was the first to launch a new tool to analyze power consumption in processors, known as power debugging.

A changing market

The market is driven by digitalization and is undergoing rapid changes in pace with:

- Growth in the number of digital products
- Growth in the number of processors
- A rising level of complexity in the processors
- Growth in ARM processors
- Growth in energy-efficient solutions

Global reach

IAR Systems has international reach through its head office in Uppsala, Sweden, and sales offices in Sweden, the USA, Japan, France, China, Germany and the UK. The office in Paris opened during 2010. In addition, the company is represented in 25 other countries through distributors.

A wide and loyal customer base

IAR Systems' software is used by many of the world's largest corporations, but also by thousands of small and mid-sized companies that develop digital products. Software from IAR Systems is used by more than 120,000 developers in over 14,000 organizations across many different industries.

Close to the chip makers

IAR Systems works closely with the world's leading chip makers. This collaboration gives IAR Systems resources, knowledge and scope for sales. But above all, it ensures that IAR Systems' software supports more chips in more architectures than any other tools on the market. With software tools from IAR Systems, the customers can work in the same environment for all chips in their current and future projects.

Skilled employees

IAR Systems is a knowledge-intensive organization that has attracted expertise and talents from many countries. IAR Systems places high demands on ambition and innovation, and is a dynamic workplace that contributes to personal well-being and professional development.

DEFINITIONS

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 interest-bearing liabilities	Interest-bearing liabilities less interest-bearing assets.
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.
Interest coverage ratio	Profit after financial items plus financial expenses divided by financial expenses.
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	The software developed by the user of the IAR Systems tools and which will be running on a microprocessor in an embedded system.
Architecture	A microprocessor for architecture is a specific combination of integrated circuit design and instructions that control how the processor works.
ARM	ARM Holdings plc is a multinational intellectual property company headquartered in Cambridge, United Kingdom. ARM holds the licensing rights to one of the world's most successful processor designs and is one of the fastest growing companies in the industry. ARM is market dominant in the field of processors for smartphones, and growing in other segments.
ARM Cortex	ARM Cortex is a processor family of energy-efficient, easy to use processors, designed to help developers deliver more features at a lower cost, increase connectivity, facilitate better code reuse and improve energy efficiency.
Chip	Another name for an integrated circuit (IC).
Chip vendor	A chip vendor (also referred to as a semiconductor vendor or a silicon vendor) manufactures integrated circuits. IAR Systems is the hub of a powerful ecosystem of partners that include suppliers of real time operating systems (RTOS), middleware and all of the world's leading chip vendors.
Debug probe	An electronic tool that provides information about the state of the processor when the software application runs, used to locate problems and errors in the application that the developer has created.
Debugger	Software that helps the programmer to locate problems and errors in the application he/she has created, by analyzing and showing what happens "under the surface" when the application runs, often by using a debug probe.
Digitalization trend	The increasing number of different digital products in the world. More and more products are digital and contain processors that enable mobility, remote control, energy-efficiency, metering etc.
Emulator	Another name for debug probe.
IAR Embedded Workbench	IAR Embedded Workbench is a high-performance tool suite for programming applications for small and medium-sized (8-, 16-, and 32-bit) microprocessors. IAR Systems collaborates with all of the leading silicon vendors worldwide to ensure that our software supports devices based on more processor architectures than any other tool on the market.
Embedded system	An embedded system consists of one or more microprocessors with related circuits, including the software that is running on the system. Embedded systems control the operation of products like mobile phones, coffee machines, credit card readers, dish washers etc. The customers of IAR Systems develop and market products operated by embedded computer systems. Embedded systems are becoming more and more common in products all over the world.
Integrated circuit (IC)	A usually rectangular small piece of silicon with tiny transistors, sometimes millions of them on a single IC.
Compiler	A compiler is a computer program (or set of programs) that transforms source code written in a programming language (that resembles English) into instructions that are used by the microprocessor.
Microprocessor	A microprocessor is a single (or a very small number) of integrated circuits. The circuit combines the functions of a computer's central processing unit with memory storage for code and data.
Power debugging	Power debugging makes it easier to see how the power consumption of the finished product depends directly on the source code the programmer writes, making it possible to detect which code that causes unexpectedly high power consumption.
Processor	In the context of IAR Systems' products, processor is short for <i>microprocessor</i> .
RTOS	An operating system (OS) is a set of programs that handles the computer hardware and provides a foundation for the application software. The operating system is the fundamental software in a computer system. A <i>real-time</i> operating system (RTOS) is specialized in handling input and output from the computer system fast and reliably, which is very important for embedded systems.
Standardization	By standardizing on IAR Systems' toolchain, customers are able to vastly improve efficiency and time to market for new products. In one environment, they move freely between 8-, 16-, 32-bit microcontrollers from all major vendors in all relevant architectures, including all ARM cores.
SUA	Software products from IAR Systems typically include a 12-month Support and Update Agreement (SUA) that entitles the customer to new product releases, product updates, technical support etc.
Development kit	A development kit (also called starter kit and evaluation kit) contains all the necessary hardware and software and allows the programmers to design, develop, integrate and test the applications they have created. IAR Systems provides completely integrated kits for development of embedded applications. Each kit contains a development/evaluation board, software development tools with sample projects and a hardware debug probe.
Development tools	The software that a programmer uses for creating computer programs. The most important of these are an Editor to write the source code in, a Compiler to transform the source code to something that the processor can use, a Linker that combines various smaller pieces of software to an application program, and a Debugger that is used for detecting problems with the program. IAR Embedded Workbench is a suite of development tools.
8, 16, 32-bit	Microprocessor architectures vary in complexity and size. 8, 16, and 32-bit refer to how much code and data the microprocessor can process. Generally, the larger the architecture is the more complex and powerful are the processors.