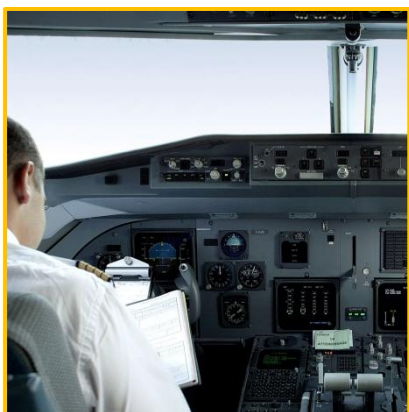


# Q2 IAR SYSTEMS GROUP AB (PUBL)

## INTERIM REPORT JANUARY – JUNE 2011



### Higher sales in all regions and improved profitability

- Net sales of SEK 94.7m (85.7), of which SEK 48.9m (42.1) in the second quarter
- Operating profit of SEK 9.2m (5.3), of which SEK 5.4m (2.4) in the second quarter
- Operating margin of 9.7% (6.2) for the period and 11.0% (5.7) for the second quarter
- Earnings per share of SEK -3.33 (1.44) for the period and 0.49 (0.60) for the second quarter
- In local currency, net sales for the period rose by 27% in the USA, 15% in Europe and 36% in Asia
- As earlier, the Board's long-term financial targets are for net sales to grow by 10-15% annually in local currency and for operating margin to exceed 20% over a business cycle

#### Key events during the period

- Deltaco was distributed to the shareholders, with April 19, 2011, as the first day of trading on First North
- Northern was sold to its management on April 15, 2011. The sale was approved by the Extraordinary General Meeting on May 3, 2011
- The Annual General Meeting on May 3, 2011, resolved to change the company's name IAR Systems Group AB
- The company has products to support development environments in Eclipse and launched a number of important products for ARM and Renesas

#### Key events after the end of the period

- 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.

# Comments from the CEO

JANUARY – JUNE 2011

The second quarter showed positive development in all regions. This was partly attributable to increased demand, particularly for the more advanced applications, but was also due to a desire by the customers to standardize on our products in order to accelerate application development, which resulted in a greater need for service and support. The standardization trend is visible above all in the ARM and Renesas product areas.

Net sales for the second quarter rose by 16% to SEK 48.9m. Net sales in local currency were up by 34% in the USA, 14% in Europe and 47% in Asia.

Operating profit improved by 125% to SEK 5.4m. Operating margin strengthened to 11.0%, compared to 5.7% for the second quarter of 2010 and 8.3% for the first quarter of 2011.

Cash flow from operating activities was SEK 8.3m. At the end of the quarter we had net cash of SEK 30.9m and unutilized bank overdraft facilities of SEK 25.0m, which means that total available cash and cash equivalents amount to SEK 55.9m.

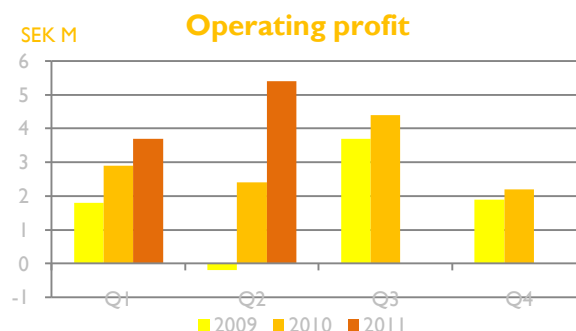
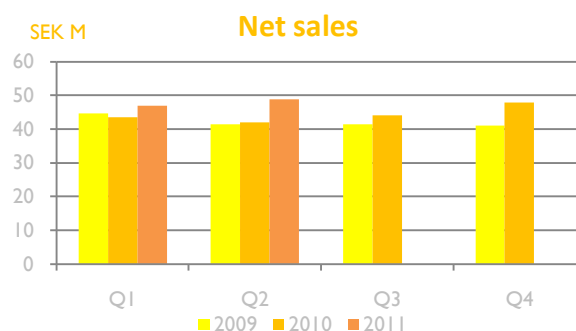
The market for embedded systems is growing steadily in pace with ongoing digitalization, where we are noting the strongest demand in mobile and energy-efficient applications.

ARM is one of the most expansive companies in the industry and its technology lay behind 1.1 billion mobile units in the second quarter alone. Our product EWARM is following this trend as the Group's largest and fastest-growing product.

We are noting sustained growth in demand for our products, although the current global financial unrest is limiting our ability to forecast development in all markets.

We are planning for an intensive autumn with recruitment of staff, an increased number of marketing activities and continued enhancement of our product portfolio.

Stefan Skarin, President and CEO of IAR Systems Group AB



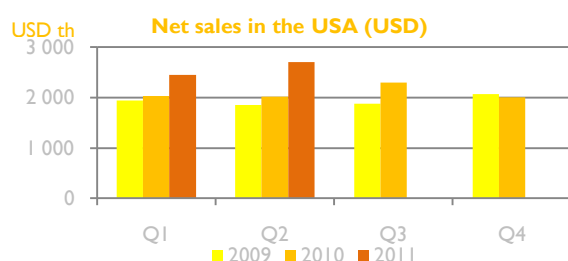
PROFIT SUMMARY, 6 mths			
SEK M	2011	2010	2009
Net sales	94.7	85.7	86.1
Operating expenses	-85.5	-81.4	-84.5
Operating profit	9.2	5.3	1.6

KEY RATIOS, 6 months			
	2011	2010	2009
Growth, %	11	-0	9
Operating margin, %	9.7	6.2	1.9
Equity/assets ratio, %	81	81	80
Net interest-bearing liabilities, SEK M	-28.8	-3.3	23.5
Number of employees	133	129	129

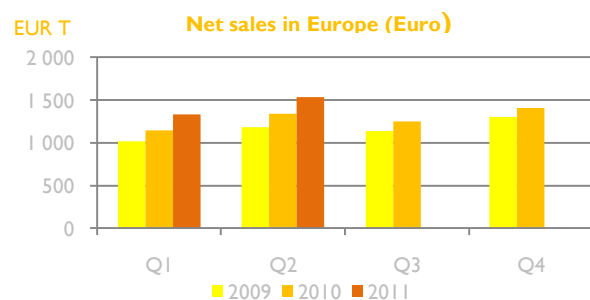
### Customers and market

Net sales were up in all markets during the second quarter, when growth was driven by the expanding ARM market and several major customer contracts. Customer relations are good and a full 90% of sales go to recurring customers. To maximize the number of licenses to each customer, we are actively encouraging customers to standardize on our tool chain. We signed 19 enterprise agreements in the second quarter and a total of 34 in the first half of the year, compared to 25 for the full year 2010. Interest in IAR Systems' products is rising steadily and we had 23,000 downloads of test versions and a 250,000 visitors to our website in the second quarter. We are working actively to reach more programmers and in the past quarter distributed our monthly newsletter to more than 114,000 recipients.

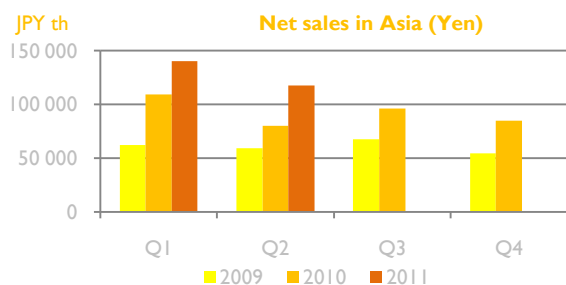
### IAR Systems' development by region



- Net sales for the period rose by 27% in local currency
- Higher share of major customers, such as the aerospace industry
- Increased sales of Renesas products

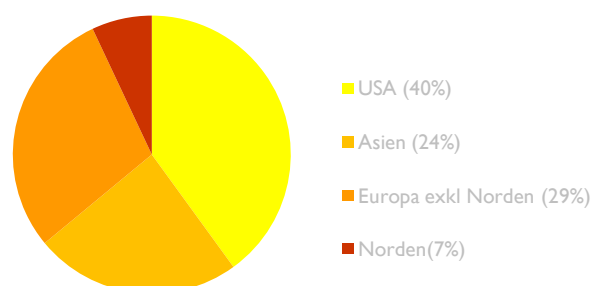


- Net sales for the period improved by 15% in local currency
- Direct sales started in Sweden
- Establishment in France showing positive development



- Net sales for the period were up by 36% in local currency
- The earthquake in Japan had no effect during the quarter
- Growth is driven by the expansion of ARM in Asia

### Breakdown of net sales



Asia showed the strongest growth for the quarter. The USA also reported growth and thereby remains our largest market.

### Product and technology

A number of new technical launches were carried out during the quarter. A few of the most notable are:

- 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.
- Support for Texas Instruments' latest ultra-low power chip.
- Integration of a version control system (Subversions) for customers that drive projects with multiple programmers in different countries.
- Three new development kits for ARM architectures launched for chips from Texas Instruments, STMicroelectronics and Fujitsu. These make it easier for developers to evaluate chips and software.
- In the second quarter the American companies Qualcomm and On Semiconductors chose to begin distributing IAR Systems' software as part of their solutions.
- Support for Eclipse development environments in Renesas RL78.

IAR Systems' power debugging technology has won several international awards, most recently from the French electronics industry periodical Electron d'Or.

Power debugging makes it possible to correlate power consumption directly to the source code, enabling programmers to easily detect which code triggers higher consumption.

### 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 8.3m (6.1) for the period and SEK 13.6m (3.7) for the second quarter. Cash flow from investing activities was SEK -4.5m (-6.0) for the period and SEK -2.5m (-5.0) for the second quarter. Cash flow from financing activities was SEK 7.2m (-3.6) for the period and SEK 0.0m (-2.3) for the second quarter. At June 30, 2011, the Group had net cash of SEK 28.8m (3.3) in addition to a holding of 634,600 treasury shares. Cash and cash equivalents at the end of the period totaled SEK 30.9m (19.9) and unutilized bank overdraft facilities amounted to SEK 25.0m (38.3). The Group's total available cash and cash equivalents thus amounted to SEK 55.9m (58.2). At the end of the second quarter the Group changed its principal bank to SEB.

### Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share in identifiable net assets of the acquired subsidiary on the acquisition date. Goodwill is tested for impairment yearly and is measured at cost less accumulated impairment. Goodwill for IAR Systems at June 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 June 30, 2011, the Group had cumulative loss carryforwards of around SEK 287m. In the balance sheet, the current estimated value of these losses is SEK 69.2m (90.1).

### Investments and financing

Net investments in property, plant and equipment for the period are reported at SEK -1.3m (-0.7). Investments in intangible assets for the same period totaled SEK -3.2m (-5.3). The equity/assets ratio at June 30, 2011, was 81% (81). Pledged assets decreased during the period by SEK 0.6m and amounted to SEK 3.5m (2.7) at June 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 133 (130). The average number of employees during the period was 133 (129).

### 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 are reported at SEK 7.9m (6.4). Profit after financial items was SEK -33.8m (-0.9). Net investments in property, plant and equipment amounted to SEK -0.0m (-0.1). At June 30, 2011, the Parent Company had cash and cash equivalents of SEK 0.3m (0.3) and unutilized overdraft facilities of SEK 25.0m (38.3). The Parent Company's total available cash and cash equivalents thus amounted to SEK 25.3m (38.6). The number of employees in the Parent Company at the end of the period was 4 (3).

### Executive management

The executive management team has been enlarged in connection with the company's focus on IAR Systems. The Group's executive management now consists of CEO Stefan Skarin and CFO Stefan Ström CFO, both of whom previously had the same functions in Intoi AB. As of May 3, 2011, the executive management team also includes Human Resource Director Lena Forssblad, CTO Petter Edman, Marketing Director Fredrik Medin and Product Director Mats Ullström, all of whom previously had the same functions in IAR Systems AB.

### Accounting policies

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting 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 previous 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 17.37 (12.19) to a high of SEK 23.60 (15.96). The share price at June 30, 2011, was

SEK 23.60 (14.18). IAR Systems Group's market capitalization on the same date was SEK 261m (157).

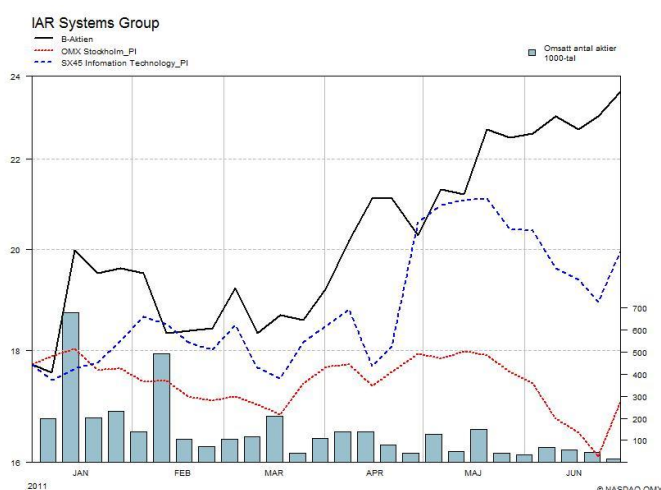
During the period the subsidiary Deltaco AB was distributed to the shareholders. Deltaco AB is quoted on NASDAQ OMX First North since April 2011. At the time of the listing, Deltaco had a share price of SEK 18.80 and a market capitalization of SEK 208m. The comparison figures have been restated with respect to the distribution.

The number of shareholders in IAR Systems Group at June 30, 2011, was 9,685 (10,698), of whom 535 (607) held more than 1,000 shares each. Foreign shareholders held approximately 29% (20) of the share capital and 34% (26) of the votes.

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

IAR Systems Group's share capital at June 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 June 30, 2011, was 10,953,961.

#### Share price performance, January – June 2011 (reinvested)



#### Extraordinary General Meeting in January 2011

The Extraordinary General Meeting (EGM) 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. 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.

#### 2011 Annual General Meeting

The Annual General Meeting (AGM) re-elected sitting Board members Peter Larsson, Karin Moberg, Jonas Mårtensson and

Stefan Skarin and elected Markus Gerdien as a new Board member. The AGM appointed Peter Larsson as Board Chairman. The AGM also resolved that Board fees would be paid in an annual amount of SEK 300,000 to the Board Chairman and SEK 125,000 to each of the other Board members. No fees will be paid to Board members who are employed in the company.

The AGM resolved to appoint a Nominations Committee in which the Board Chairman shall call together the company's three largest shareholders in terms of voting power, each of which shall then have the right to appoint one member to the Nominations Committee. Furthermore, the Board Chairman may be appointed as a member of the Nominations Committee.

The AGM resolved that no dividend would be paid.

The AGM resolved that the company shall issue not more than 1,168,856 subscription warrants, each of which shall entitle the holder to subscribe for one class B share in IAR Systems Group AB. The subscription price shall be equal to 150% of the average price of the IAR Systems Group's class B share during the period from June 7 to June 17, 2011.

The warrants may be subscribed for by the wholly owned subsidiary IAR Systems AB, with the right and obligation to offer the Group's employees the opportunity to acquire the warrants at a market premium. The AGM also approved the sale of the warrants in accordance with the program.

The Board was authorized, on one or several occasions during the period until the next AGM, to decide on the issue of new class B shares in a maximum number equal to 10% of all registered shares in the company on the date of the AGM in exchange for non-cash consideration. The motive for the authorization is to provide opportunity for acquisitions with payment in kind. The Board was also authorized to decide on the repurchase of a maximum number of class B shares whereby the company's holding of treasury shares at no time exceeds 10% of all registered shares in the company. The motive for the authorization is to give the Board greater freedom of action in optimizing the company's capital structure. In addition, the Board was authorized to decide on the sale of treasury shares as payment in the acquisition of companies or operations.

#### Extraordinary General Meeting in May 2011

The Extraordinary General Meeting (EGM) was held directly after the Annual General Meeting on May 3, 2011. The EGM approved the sale of the shares in Northern Parklife 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 purchase price, the sale is subject to contingent consideration equal to 80% of future dividends and 80% of the value of a possible future sale (minus the initial purchase price). 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.

#### 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.

#### **The Swedish Tax Agency's general recommendations for allocating the acquisition cost of shares with respect to 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.

#### **Key events after the end of the period**

On May 3, 2011, the Annual General Meeting approved an incentive scheme through a directed issue of not more than 1,168,856 subscription warrants. During the subscription period ending on July 7, 2011, the employees subscribed for 1,017,000 (87%) of the warrants.

#### **Statement of assurance**

The Board of Directors and the CEO give their assurance that the semi-annual report provides a true and fair picture of the business activities, financial position and results of operations of the Parent Company and the Group, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, Wednesday, August 24, 2011

Stefan Skarin President and CEO	Peter Larsson Chairman
Markus Gerdien Board member	Karin Moberg Board member
Jonas Mårtensson Board member	

#### **Review report**

We have reviewed the interim report for IAR Systems Group AB for the period from the period from January 1 to June 30, 2011. The Board of Directors and CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

Uppsala, August 24, 2011

Öhrlings PricewaterhouseCoopers  
Lars Kylberg  
Auditor-in-Chief

#### **Financial calendar 2011**

Interim report for January-September 2011, October 25, 2011

#### **IAR Systems Group AB (publ)**

Corporate identification number 556400-7200  
Kista Science Tower, SE-164 51 Kista, Sweden  
Tel. +46 8 410 920 00 [www.iarsystemsgroup.com](http://www.iarsystemsgroup.com)  
Stefan Skarin, President and CEO, tel +46 708 651005  
Stefan Ström, CFO, tel +46 708 651068



INCOME STATEMENTS, GROUP SEK M	6 mths, Jan-Jun		3 mths, Apr-Jun		Full year
	2011	2010	2011	2010	2010
Net sales	94.7	85.7	48.9	42.1	177.9
Operating expenses	-83.0	-78.6	-42.2	-38.9	-161.8
Depreciation of tangible assets	-0.8	-0.7	-0.4	-0.3	-1.2
Amortization of intangible assets	-1.7	-1.1	-0.9	-0.5	-3.0
<b>Operating profit</b>	<b>9.2</b>	<b>5.3</b>	<b>5.4</b>	<b>2.4</b>	<b>11.9</b>
Result from financial investments	-0.2	0.2	-0.1	0.2	0.0
<b>Profit after financial items</b>	<b>9.0</b>	<b>5.5</b>	<b>5.3</b>	<b>2.6</b>	<b>11.9</b>
Profit from operations distributed/sold	-45.8	10.4	0.0	4.0	8.9
<b>Profit after financial items</b>	<b>-36.8</b>	<b>15.9</b>	<b>5.3</b>	<b>6.6</b>	<b>20.8</b>
Income tax	0.0	0.0	0.0	0.0	0.0
<b>Profit for the period</b>	<b>-36.8</b>	<b>15.9</b>	<b>5.3</b>	<b>6.6</b>	<b>20.8</b>
<i>Earnings per share for the period, basic and diluted, SEK</i>	<i>-3.33</i>	<i>1.44</i>	<i>0.49</i>	<i>0.60</i>	<i>1.88</i>

STATEMENT OF COMPREHENSIVE INCOME SEK M	6 mths, Jan-Jun		3 mths, Apr-Jun		Full year
	2011	2010	2011	2010	2010
Profit for the period	-36.8	15.9	5.3	6.6	20.8
Other comprehensive income					
Foreign exchange gains/losses	0.2	0.6	0.2	0.5	-0.4
Total other comprehensive income	0.2	0.6	0.2	0.5	-0.4
<b>Comprehensive income for the period</b>	<b>-36.6</b>	<b>16.5</b>	<b>5.5</b>	<b>7.1</b>	<b>20.4</b>
<i>Comprehensive income for the period attributable to owners of the Parent Company</i>	<i>-36.6</i>	<i>16.5</i>	<i>5.5</i>	<i>7.1</i>	<i>20.4</i>

CASH FLOWS, GROUP SEK M	6 mths, Jan-Jun		3 mths, Apr-Jun		Full year
	2011	2010	2011	2010	2010
Incoming payments from customers	90.7	96.0	47.5	47.3	197.8
Outgoing payments to suppliers and employees	-81.3	-90.0	-33.6	-43.8	-182.6
Interest received	0.3	0.1	0.0	0.1	0.3
Interest paid	-0.4	0.0	-0.1	0.0	0.0
Income tax paid	-1.0	0.0	-0.2	0.1	-1.7
<b>Cash flow from operating activities</b>	<b>8.3</b>	<b>6.1</b>	<b>13.6</b>	<b>3.7</b>	<b>13.8</b>
Cash flow from operating activities for operations distributed/sold	8.5	-8.3	0.0	-0.4	6.0
<b>Total cash flow from operating activities</b>	<b>16.8</b>	<b>-2.2</b>	<b>13.6</b>	<b>3.3</b>	<b>19.8</b>
Investments in property, plant and equipment	-1.3	-0.7	-0.7	-0.5	-2.8
Investments in intangible assets	-3.2	-5.3	-1.8	-4.5	-9.8
Other	-	-	-	-	-
<b>Cash flow from investing activities</b>	<b>-4.5</b>	<b>-6.0</b>	<b>-2.5</b>	<b>-5.0</b>	<b>-12.6</b>
Cash flow from investing activities for operations distributed/sold	-0.9	-2.9	0.0	-2.0	-8.6
<b>Total cash flow from investing activities</b>	<b>-5.4</b>	<b>-8.9</b>	<b>-2.5</b>	<b>-7.0</b>	<b>-21.2</b>
Repurchase of shares	-	-	-	-	-
Dividends	-	-13.8	-	-13.8	-13.8
Change in financial liabilities	7.2	10.2	0.0	11.5	10.7
<b>Cash flow from financing activities</b>	<b>7.2</b>	<b>-3.6</b>	<b>0.0</b>	<b>-2.3</b>	<b>-3.1</b>
Cash flow from financing activities for operations distributed/sold	-39.7	-0.6	-40.0	-0.8	-4.1
<b>Total cash flow from financing activities</b>	<b>-32.5</b>	<b>-4.2</b>	<b>-40.0</b>	<b>-3.1</b>	<b>-7.2</b>
<b>Cash flow for the period</b>	<b>-21.1</b>	<b>-15.3</b>	<b>-28.9</b>	<b>-6.8</b>	<b>-8.6</b>
Cash and cash equivalents at beginning of period	52.0	60.6	59.8	52.1	60.6
<b>Cash and cash equivalents at end of period</b>	<b>30.9</b>	<b>45.3</b>	<b>30.9</b>	<b>45.3</b>	<b>52.0</b>

CASH AND CASH EQUIVALENTS, GROUP SEK M	6 mths, Jan-Jun		3 mths, Apr-Jun		Full year
	2011	2010	2011	2010	2010
<b>Breakdown of cash and cash equivalents at the end of the period</b>					
Cash and cash equivalents at end of period	30.9	45.3	30.9	45.3	52.0
Cash and cash equivalents included in assets held for distribution/sale	-	25.4	-	25.4	32.0
<b>Total cash and cash equivalents</b>	<b>30.9</b>	<b>19.9</b>	<b>30.9</b>	<b>19.9</b>	<b>20.0</b>
Unutilized overdraft facilities	25.0	38.3	25.0	38.3	40.4
<b>Total available cash and cash equivalents</b>	<b>55.9</b>	<b>58.2</b>	<b>55.9</b>	<b>58.2</b>	<b>60.4</b>

BALANCE SHEETS, GROUP					
SEK M	Jun 30, 2011		Jun 30, 2010		Dec 31, 2010
ASSETS					
Non-current assets					
Goodwill	97.4		288.4		132.1
Other intangible assets	25.0		34.8		26.7
Tangible assets	5.1		54.4		5.9
Financial assets	76.0		107.9		80.7
Total non-current assets	203.5		485.5		245.4
Current assets					
Inventories	2.8		90.0		1.9
Other current assets	13.9		27.8		15.6
Trade receivables	24.5		88.3		33.8
Cash and cash equivalents	30.9		45.3		25.1
Total current assets	72.1		251.4		76.4
Assets held for distribution/sale	-		-		422.4
TOTAL ASSETS	275.6		736.9		744.2
EQUITY AND LIABILITIES					
Total equity	222.0		594.6		598.5
Non-current liabilities					
Interest-bearing liabilities	1.6		25.5		2.0
Deferred tax	3.6		7.6		4.8
Total non-current liabilities	5.2		33.1		6.8
Current liabilities					
Trade payables	7.1		32.7		14.1
Interest-bearing liabilities	0.5		16.5		10.3
Other current liabilities	40.8		60.0		46.8
Total current liabilities	48.4		109.2		71.2
Liabilities held for distribution/sale	-		-		67.7
TOTAL EQUITY AND LIABILITIES	275.6		736.9		744.2
Pledged assets	3.5		102.6		4.1
Contingent liabilities	-		-		-
CHANGES IN EQUITY, GROUP					
SEK M	6 mths, Jan-Jun		3 mths, Apr-Jun		Full year
	2011	2010	2011	2010	2010
Equity at beginning of period	598.5	591.9	556.4	601.3	591.9
Dividends	-339.9	-13.8	-339.9	-13.8	-13.8
Comprehensive income for the period	-36.6	16.5	5.5	7.1	20.4
Equity at end of period	222.0	594.6	222.0	594.6	598.5
KEY RATIOS, GROUP <sup>1)</sup>					
	6 mths, Jan-Jun		3 mths, Apr-Jun		Full year
	2011	2010	2011	2010	2010
Gross margin, %	12.4	8.3	13.7	7.6	9.1
Operating margin, %	9.7	6.2	11.0	5.7	6.7
Profit margin, %	9.5	6.4	10.8	6.2	6.7
Cash flow, %	8.8	7.1	27.8	8.8	7.8
Equity/assets ratio, %	80.6	80.7			80.4
Return on equity, %	2.2	2.7	1.4	1.1	3.5
Return on capital employed, %	2.3	2.4	1.4	1.0	3.5
Interest coverage ratio, times	23.0	115.6	111.4	73.2	98.5
Capital employed, SEK M	224.2	636.6			610.8
Net interest-bearing liabilities, SEK M	-28.8	-3.3			12.8
Net debt/equity ratio, times	-0.13	-0.01			0.02
Number of employees at end of period	133	130			133
Average number of employees	133	129	133	129	132
Net sales per employee, SEK M	0.7	0.7	0.4	0.3	1.3

1) The key ratios for 2011 have been calculated excluding operations held for distribution/sale.



SHARE DATA	6 mths, Jan-Jun		3 mths, Apr-Jun		Full year
	2011	2010	2011	2010	2010
Equity per share, SEK	20.09	53.81			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	0.75	0.55	1.23	0.33	1.25
Earnings per share, SEK	-3.33	1.44	0.49	0.60	1.88

GROUP SEK M	Total net sales by quarter					Total operating profit by quarter				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
2009	44.6	41.5	41.4	41.1	<b>168.6</b>	1.8	-0.2	3.7	1.9	<b>7.2</b>
2010	43.6	42.1	44.2	48.0	<b>177.9</b>	2.9	2.4	4.4	2.2	<b>11.9</b>
2011	45.8	48.9				3.8	5.4			

INCOME STATEMENTS, PARENT COMPANY SEK M						6 mths, Jan-Jun		Full year
						2011	2010	2010
Net sales						7.9	6.4	14.2
Operating expenses						-8.3	-7.3	-17.4
Depreciation of tangible assets						-0.1	-0.1	-0.2
Other operating expenses						-	-	-8.1
<b>Operating profit/loss</b>						<b>-0.5</b>	<b>-1.0</b>	<b>-11.5</b>
Result from financial investments						-33.3	0.1	-1.5
<b>Profit/loss after financial items</b>						<b>-33.8</b>	<b>-0.9</b>	<b>-13.0</b>
Income tax						0.0	0.0	8.1
<b>Profit/loss for the period</b>						<b>-33.8</b>	<b>-0.9</b>	<b>-4.9</b>

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY SEK M						6 mths, Jan-Jun		Full year
						2011	2010	2010
Profit/loss for the period						-33.8	-0.9	-4.9
Other comprehensive income								
Group contributions, net						-	-	1.6
Total other comprehensive income						-	-	1.6
<b>Comprehensive income for the period</b>						<b>-33.8</b>	<b>-0.9</b>	<b>-3.3</b>

BALANCE SHEETS, PARENT COMPANY SEK M				
ASSETS				
<b>Non-current assets</b>				
Tangible assets				0.3
Shares in subsidiaries				162.3
Other financial assets				73.1
<b>Total non-current assets</b>				<b>235.7</b>
<b>Current assets</b>				
Receivables from subsidiaries				3.6
Other current assets				4.4
Cash and cash equivalents				0.3
<b>Total current assets</b>				<b>8.3</b>
<b>TOTAL ASSETS</b>				<b>244.0</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Total equity</b>				<b>222.0</b>
<b>Current liabilities</b>				
Trade payables				0.6
Interest-bearing liabilities				18.6
Other current liabilities				2.8
<b>Total current liabilities</b>				<b>22.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>				<b>244.0</b>

# 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.

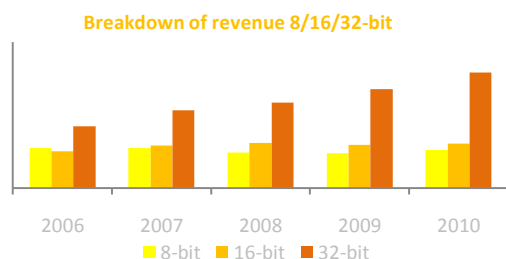
## Business model and product

The software 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. This provides a high gross margin and creates a scalable business model with significant capacity to boost profitability.

The software is well established and is used by more than 120,000 programmers at 14,000 companies across all industries worldwide.

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 (often ARM) 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 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.

## 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 is a UK-based company that has developed a standard for microprocessor chips. More and more chip makers are basing their products on ARM's design.

For several years IAR Systems has provided support for a wide spectrum of ARM chips. IAR Systems always supports the most extensive selection of ARM chips and often launches its innovations specifically for chips based on ARM technology. This strategy has proven highly successful and ARM is acting a lever for IAR Systems' growth.