Q1

IAR
SYSTEMS

Net sales of SEK 77m, EBITDA of SEK 24m

Operating margin of 26%, cash flow of SEK 18m

Profit summary	January–March		Full-year
SEK m	2015	2014	2014
Net sales	76.9	62.0	255.7
Operating expenses	-56.6	-50.6	-202.5
Operating profit	20.3	11.4	53.2

Key ratios	January–March		Full-year
	2015	2014	2014
Growth, %	24.0	7.5	11.1
EBITDA margin, %	30.8	22.1	24.9
Operating margin, %	26.4	18.4	20.8
Net cash, SEK m	83.9	93.8	68.4
No. of employees at end of period	167	172	169

January–March 2015
- Net sales of SEK 76.9m (62.0)
- EBITDA of SEK 23.7m (13.7)
- Operating profit of SEK 20.3m (11.4)
- Profit before tax of SEK 20.3m (11.6)
- Cash flow from operating activities of SEK 18.3m (13.8)
- Net cash of SEK 83.9m (93.8) at the end of the period
- EBITDA margin of 30.8% (22.1)
- Operating margin of 26.4% (18.4)
- Earnings per share of SEK 1.55 (0.87) after current tax
- Basic earnings per share of SEK 1.23 (0.68) and diluted earnings per share of SEK 1.23 (0.68)

Key events during the period
- Launch of C-STAT as an add-on product

Comments from the CEO

We began the year by launching yet another add-on product for analyzing code. C-STAT, which was launched in February, analyzes C/C++ code, the coding language used by our customers to program their products. Unlike C-RUN, which was launched in 2014 and analyzes the code when it is executed, C-STAT can be used to improve the quality of the customer's code from the very start of the development cycle, and to ensure that the code complies with the guidelines and coding standards applied in the industry. Such coding standards are becoming increasingly common as embedded systems become more complex and stricter demands are imposed on code quality, particularly in the automotive and medical technology industries. Another difference between C-STAT and C-RUN is that C-STAT will more quickly be made available for more product versions of IAR Embedded Workbench, which will naturally improve our chances to increase our additional sales. C-STAT has currently been launched for IAR Embedded Workbench for ARM and for Texas Instruments MSP430, as well as for Atmel AVR32.

The launch of C-STAT received a positive response from both customers and the media, and boosted sales of C-RUN by creating a more comprehensive offering of analysis tools. The goal of add-on products such as C-RUN and C-STAT is to create a broader product portfolio. This makes it easier for our customers to standardize their development on software from IAR Systems, thereby further strengthening our strategic position and increasing our chances for additional sales through our large, loyal customer base.

We have always had close relationships with processor vendors such as Renesas, Texas Instruments, Freescale, Atmel and STMicroelectronics. They are our most valuable partners. During the last few years, we have put major resources into strengthening the partnership with Renesas, who is one of the world's largest processor vendors. As many other Japanese companies, Renesas has had some turbulent years resulting from a weak local market. That phase is now over and Renesas has a strong strategic position in the market, which means that our close relationship with Renesas will benefit us both, in the short term as well as on a long term. You can read more about Renesas in the section Market and customers and in my analysis about Renesas that I wrote a couple of years ago (https://www.iar.com/investors/about-iar-systems-group/count-on-renesas/).

Global economic trends had a significant impact on our earnings during the quarter in the form of a positive foreign exchange effect. A large portion of our sales are conducted in foreign currency, predominantly USD, while most of our expenses are denominated in SEK since essentially all product development takes place in Sweden.
The company's position in the market for the Internet of Things improved during the quarter and our efforts to refine our offering in the market will be intensified over the coming quarters.

Stefan Skarin
CEO of IAR Systems Group AB

Revenue

SEK m

Operating profit

SEK m
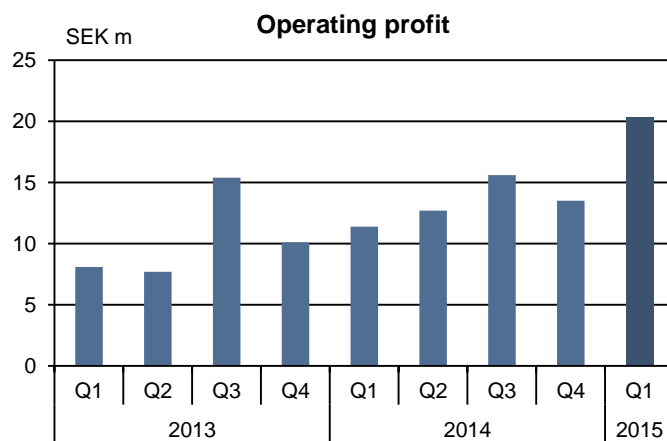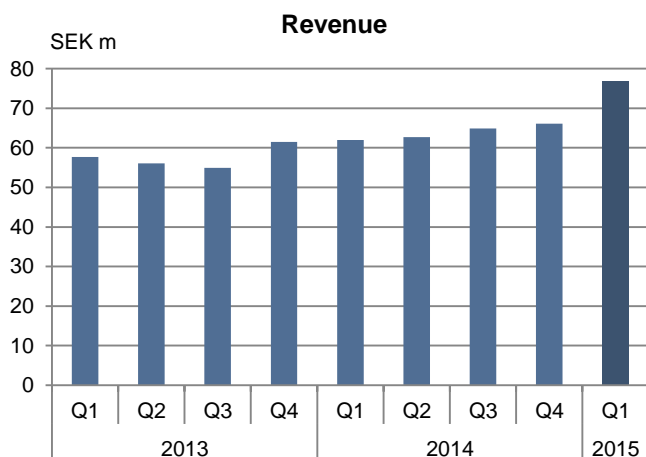
Market and customers

All regions displayed growth during the period (Americas 8%, Europe 7% and Asia 9%, excluding foreign exchange effects) as a result of continued growth in demand. Certain areas of the European market were adversely impacted by changes in the economy, a trend which the company expects to continue during the year. Although sales by major customers in certain segments in Asia were also affected negatively, we reported continued growth as a result of an increase in advanced applications and applications for the Internet of Things, as well as a handful of major transactions in the automotive industry and personal health products. While the ARM product segment continued to experience the greatest demand, demand also increased in our less advanced product areas.

The consolidation of the market continued through a number of major and minor acquisitions. During the quarter, Freescale – one of the world's largest processor makers – announced its plans to acquire fellow processor maker NXP. These companies both have broad offerings in the ARM product area and complement each other well. The merger of Freescale and NXP will not entail any major changes for IAR Systems since we support all of the ARM products in the companies' product portfolios. Should the companies' offerings change, this would simply result in a more limited product range without impacting revenue related to Freescale and NXP. This transaction represented a continuation of the trend we have seen for several years of major processor makers creating a stronger position by broadening and deepening their product portfolios.

Renesas, the processor vendor that delivers the highest amount of processors in the world, has a revenue of more than 800 billion Japanese yen (approximately 56 billion SEK) and over 30,000 employees. With its size, market position and financial security from the Japanese government, Renesas does not have the same needs for consolidations. Renesas delivers more than a quarter of all processors on the market (market share 27 %) and the company's market share in the automotive industry is 42 %.

In addition to major transactions, a number of acquisitions and mergers took place in 2014 and early 2015 involving companies offering communication solutions for the Internet of Things, as well as companies offering analysis products. This reinforced our opinion that IAR Systems is well positioned in the Internet of Things and code analysis.

Products and technology

The main product news during the first quarter was the launch of the C-STAT static analysis tool. As with our previously launched add-on product C-RUN, C-STAT is being sold as an add-on to IAR Embedded Workbench. Unlike C-RUN, which analyzes the code as it is executed (a so-called runtime analysis), C-STAT completes a static analysis by reading and matching the code against a large number of coding standards. The advantage of this approach is that C-STAT can be used to assure the quality of the code throughout the development cycle, without needing to wait for a fully executable program. Because they use different analysis methods, C-STAT and C-RUN do not simply detect the same types of errors, but also many specific errors that the other product is unable to detect. The products are largely complementary, which is why many customers have chosen to purchase both.

Many customers find the C-STAT concept easier to understand and use. This is evident in the fact that customer interest in C-STAT has grown rapidly. Only a month after its launch, C-STAT has already achieved a sales rate on par with that of C-RUN.

C-STAT is, by nature, relatively easy to port in order to support various processor architectures. As a result, C-STAT was already able to support to different processor families – ARM and MSP430 – at the time of its launch. Support for additional processors will be launched in 2015, the first of which will become available as early as the second quarter. Another important feature of C-STAT is that it contains support for the automotive industry standards MISRA C:2004, MISRA C++:2008 and MISRA C:2012.

In other major product news during the quarter, the company launched another product certified by the TÜV SÜD safety certification agency: IAR Embedded Workbench for Renesas RL78. Following this launch, IAR Systems now has three safety-certified products: IAR Embedded Workbench for ARM, for RX and for RL78. While the demand for certified products mainly comes from the automotive industry, certified products are also required in other areas, such as medical devices and industrial automation.

Financial information

January–March 2015

SALES AND PROFIT

Sales for the quarter rose 24% compared with the corresponding quarter in the preceding year and amounted to SEK 76.9m (62.0). In a year-on-year comparison, currency translation had a positive impact of SEK 10.7m on sales for the quarter.

EBITDA for the quarter totaled SEK 23.7m (13.7), corresponding to an EBITDA margin of 30.8% (22.1). Operating profit for the quarter improved by 78% and amounted to SEK 20.3m (11.4).

Staff salary costs have been reduced by 3.9 (5.7 million) relating to capitalization of development of debug probes and analysis tools. In a year-on-year comparison, currency translation had a positive impact of SEK 6.1m on operating profit for the quarter.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the quarter totaled SEK 0.3m (0.6). Investments in intangible assets for the quarter amounted to SEK 5.1m (5.8), most of which – SEK 3.9m (5.7) – pertained to internal staff expenses for the development of debug probes and analysis tools. The investments were in line with the company's plans. The equity/assets ratio at March 31, 2015 was 77% (81).

CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the first quarter of the year amounted to SEK 18.3m (13.8). This improved cash flow was attributable to the company's earnings growth. Cash flow from investing activities for the quarter totaled SEK -5.5m (-6.5). Cash flow from financing activities for the quarter amounted to SEK -0.0m (6.5).
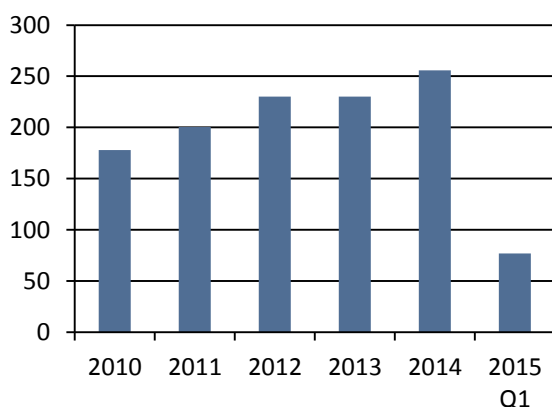
As of March 31, 2015, the Group had net cash of SEK 83.9m (93.5). Cash and cash equivalents on the same date amounted to SEK 86.0m (96.3), of which SEK -m (0.6) comprised blocked funds for the acquisition of Signum. In addition, the Group had unutilized bank overdraft facilities of SEK 25.0m (25.0). The Group's total available cash and cash equivalents thus amounted to SEK 111.0m (120.7).

EMPLOYEES

The number of employees in IAR Systems at the end of the quarter was 167 (172). The average number of employees during the quarter was 158 (162).

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 first quarter amounted to SEK 3.0m (3.3). The Parent Company posted a loss after financial items of SEK -0.7m (profit: 0.1). Net investments in property, plant and equipment totaled SEK 0.0m (0.0). Cash and cash equivalents at March 31, 2015 amounted to SEK 1.9m (50.6), of which SEK -m (0.6) comprised blocked funds for the acquisition of Signum. The Parent Company's total available cash and cash equivalents thus amounted to SEK 1.9m (50.0). The number of employees in the Parent Company at the end of the year was 4 (4).

ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC)

Sales (SEK m)

Operating profit (SEK m)
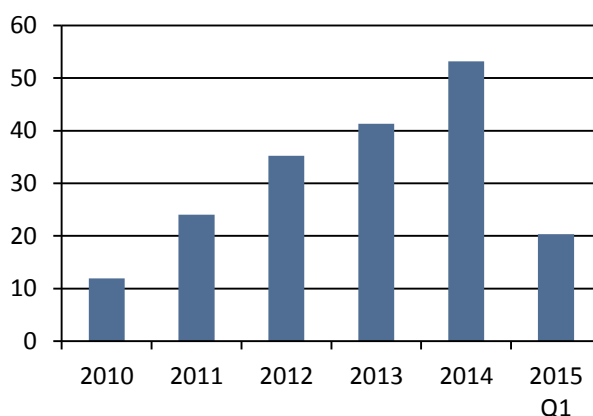
as adopted for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

 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 have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report. New or revised IFRS standards, interpretations from the IFRS Interpretations Committee and amendments to RFR 2 effective as of January 1, 2015, have not had any material impact on the financial statements of the Group or the Parent Company.

GOODWILL
Goodwill is tested annually for impairment and recognized at cost less accumulated impairment. The impairment test carried out at year-end 2014 showed no indication of impairment. Goodwill at March 31, 2015 amounted to SEK 114.0m, corresponding to an increase of SEK 1.6m during the quarter as a result of translation differences.

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. As of March 31, 2015, the Group had accumulated loss carryforwards of approximately SEK 192m, all of which were attributable to its Swedish operations. The deferred tax asset is recognized in the balance sheet in an amount of SEK 47.2m (57.7), of which SEK 42.3m (54.1) pertains to loss carryforwards.
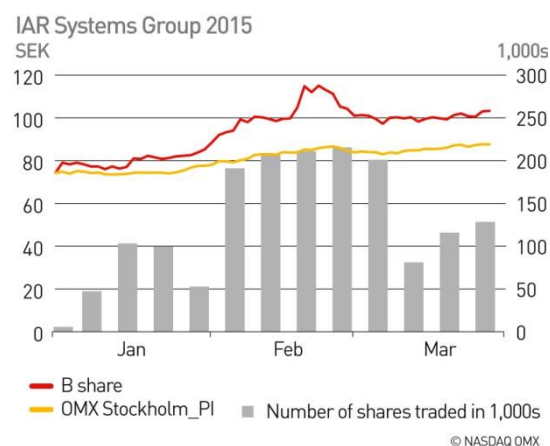
THE IAR SYSTEMS GROUP SHARE
IAR Systems Group's class B share is quoted on the Small Cap list of NASDAQ OMX. During the quarter, the share price varied from a low of SEK 75.00 (39.77) to a high of SEK 115.75 (57.57). The share price at March 31, 2015 was SEK 104.00 (57.57). IAR Systems Group's market capitalization on the same date was SEK 1,314m (780).
The number of shareholders in IAR Systems Group at March 31, 2015 was 8,389 (8,239). Of these shareholders, 518 (464) held more than 1,000

shares each. Foreign shareholders held approximately 21% (17) of the share capital and 19% (16) of the votes.

IAR Systems Group's share capital at March 31, 2015 amounted to SEK 126,320,614, divided between 12,632,061 shares of which 100,000 are class A shares and 12,532,061 are class B shares.

SHARE PRICE PERFORMANCE JANUARY–MARCH 2015

2015 ANNUAL GENERAL MEETING
The Annual General Meeting (AGM) of IAR Systems Group will be held on April 29, 2015, at Lundqvist och Lindqvist, Klarabergsviadukten 90, in Stockholm. IAR Systems Group's annual report will be available starting at the end of March 2015 on the company's website, www.iar.com, and at the company's offices at Kungsgatan 33 in Stockholm and Strandbodgatan 1 in Uppsala.

NOMINATING COMMITTEE
In accordance with the decision of the AGM in April 2014, the nominating committee has been appointed and consists of Ulf Strömsten (Catella), Markus Gerdien, Peter Larsson and Tedde Jeansson. Ulf Strömsten 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 the meetings of the nominating committee. The nominating committee's motions for the 2015 AGM have been available on the company's website, www.iar.com, since the end of March 2015.

PROPOSED DIVIDEND
The Board intends to propose a total dividend of SEK 5.00 for approval by the AGM on April 29, 2015. The ordinary dividend is proposed at SEK 4.00 and an extraordinary dividend at SEK 1.00.

The motion entails a total dividend of SEK 63.2m.

SIGNIFICANT RISKS AND UNCERTAINTIES

The market for IAR Systems' software is evolving rapidly and forecasts about future developments are thus uncertain. 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 2014 under "Administration report" on page 30 and in Note 2 on pages 48-49. No material changes have taken place since that time.

FUTURE OUTLOOK

The Board's long-term financial targets are for IAR Systems Group's sales to grow by 10-15% annually in local currency and for the operating margin to exceed 20% over a business cycle.

Stockholm, Wednesday, April 29, 2015

Stefan Skarin
CEO of IAR Systems Group AB

FINANCIAL CALENDAR 2015

Interim report Jan–Jun 2015, August 20, 2015
Interim report Jan–Sep 2015, October 22, 2015

IAR SYSTEMS GROUP AB (PUBL)

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Phone +46 8 410 920 00
www.iar.com
Stefan Skarin, President and CEO, phone +46 708 651005
Stefan Ström, CFO, phone +46 708 651068

REVIEW REPORT

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

Income statement

CONDENSED CONSOLIDATED INCOME STATEMENT	3 months Jan-Mar		Full-year
SEK m	2015	2014	2014
Net sales	76.9	62.0	255.7
Goods for resale	-3.1	-3.4	-12.9
Other external expenses	-11.7	-10.7	-42.1
Personnel costs	-38.4	-34.2	-137.1
Depreciation of property, plant and equipment	-0.6	-0.5	-2.3
Amortization of intangible assets	-2.8	-1.8	-8.1
Operating profit	20.3	11.4	53.2
Financial income	0.0	0.3	0.6
Financial expenses	-0.0	-0.1	-0.2
Profit before tax	20.3	11.6	53.6
Income tax	-4.8	-3.1	-11.4
Profit for the period	**15.5**	**8.5**	**42.2**
Earnings per share for the period, basic, SEK	1.23	0.68	3.37
Earnings per share for the period, diluted, SEK	1.23	0.68	3.34

| STATEMENT OF COMPREHENSIVE INCOME	3 months Jan-Mar		Full-year
SEK m	2015	2014	2014
Profit for the period	15.5	8.5	42.2
Other comprehensive income for the period			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences	3.6	-0.6	4.6
Total other comprehensive income	3.6	-0.6	4.6
Comprehensive income for the period	**19.1**	**7.9**	**46.8**
Comprehensive income for the period attributable to owners of the Parent Company	19.1	7.9	46.8

**Net sales
rolling 12 months**
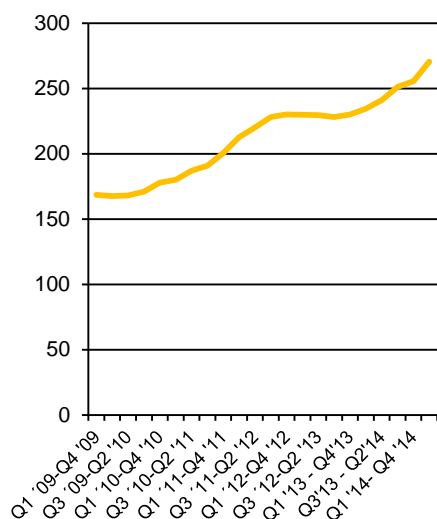
**Operating profit
rolling 12 months**
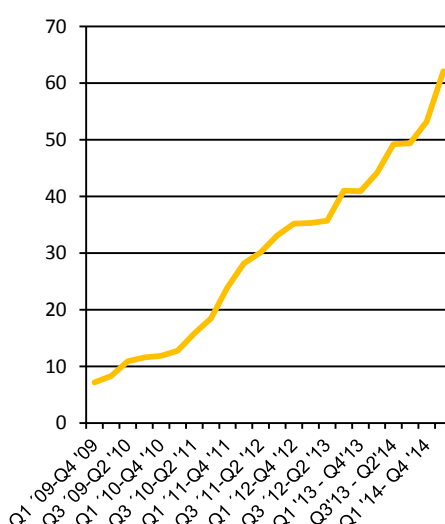
**Operating margin
rolling 12 months**
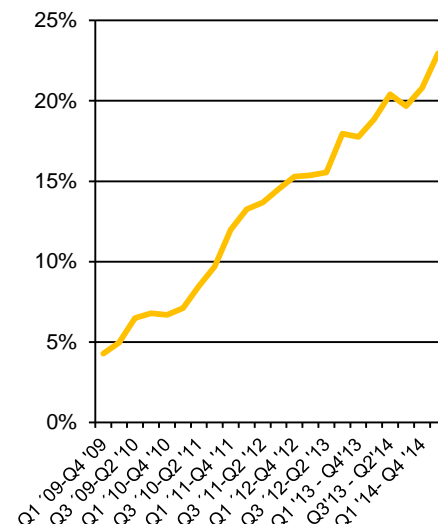
Balance sheet

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
ASSETS			
Non-current assets			
Goodwill	114.0	109.9	112.4
Other intangible assets	75.8	57.7	73.5
Property, plant and equipment	7.7	6.3	8.0
Financial assets	6.1	5.4	6.0
Deferred tax asset	47.2	57.7	51.4
Total non-current assets	250.8	237.0	251.3
Current assets			
Inventories	3.2	3.8	3.7
Other current assets	12.4	11.9	10.6
Trade receivables	46.6	33.4	39.1
Blocked funds	-	0.6	-
Cash and cash equivalents	86.0	95.7	70.7
Total current assets	148.2	145.4	124.1
TOTAL ASSETS	399.0	382.4	375.4
EQUITY AND LIABILITIES			
Total equity	307.7	309.4	288.6
Non-current liabilities			
Interest-bearing liabilities	1.7	1.5	1.5
Deferred tax liabilities	14.7	13.3	14.6
Total non-current liabilities	16.4	14.8	16.1
Current liabilities			
Trade payables	6.2	4.6	5.2
Interest-bearing liabilities	0.4	1.0	0.8
Other current liabilities	68.3	52.6	64.7
Total current liabilities	74.9	58.2	70.7
TOTAL EQUITY AND LIABILITIES	399.0	382.4	375.4
Pledged assets	3.9	4.8	4.1
Contingent liabilities	-	-	-

Changes in equity

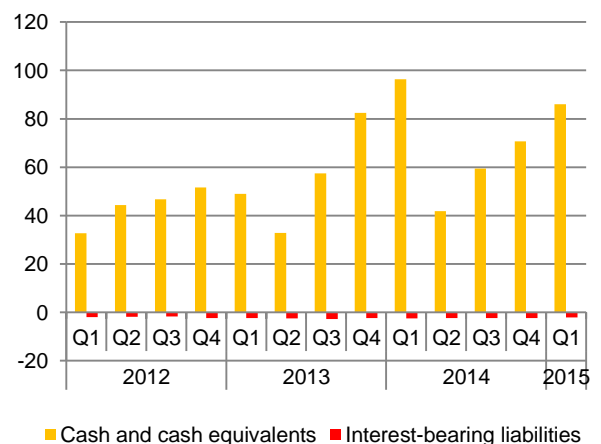| GROUP	3 months Jan-Mar		Full-year
SEK m	2015	2014	2014
Equity at beginning of period	288.6	295.0	295.0
Redemption procedure	-	-	-63.0
New share issue	-	6.5	9.8
Comprehensive income for the period	19.1	7.9	46.8
Equity at end of period	307.7	309.4	288.6
of which, attributable owners of the Parent Company	307.7	309.4	288.6

Cash flows

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT	3 months Jan-Mar		Full-year
SEK m	2015	2014	2014
Incoming payments from customers	69.5	63.5	250.4
Outgoing payments to suppliers and employees	-50.3	-49.5	-179.1
Interest received	0.0	0.3	0.4
Interest paid	-0.0	-0.0	-0.1
Income tax paid	-0.9	-0.5	-1.3
Cash flow from operating activities	18.3	13.8	70.3
Investments in property, plant and equipment	-0.4	-0.7	-4.4
Investments in intangible assets	-5.1	-5.8	-27.9
Other investments	-0.0	-0.0	0.6
Cash flow from investing activities	-5.5	-6.5	-31.7
New share issue	-	6.5	9.8
Redemption procedure	-	-	-63.0
Cash flow from financing activities	-0.0	6.5	-53.2
Cash flow for the period	12.8	13.8	-14.6
Cash and cash equivalents at beginning of period	70.7	81.8	81.8
Exchange difference in cash and cash equivalents			
- attributable to cash and cash equivalents at beginning of period	2.4	0.1	2.4
- attributable to cash flow for the period	0.1	0.0	1.1
Cash and cash equivalents at end of period	86.0	95.7	70.7

CASH AND CASH EQUIVALENTS, GROUP			
SEK m	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
Cash and cash equivalents at end of period	86.0	95.7	70.7
Unutilized overdraft facilities	25.0	25.0	25.0
Total available cash and cash equivalents	111.0	120.7	95.7

Cash Flow from operating activities, SEK m

■ 2012 ■ 2013 ■ 2014 ■ 2015

Net cash, SEK m

■ Cash and cash equivalents ■ Interest-bearing liabilities
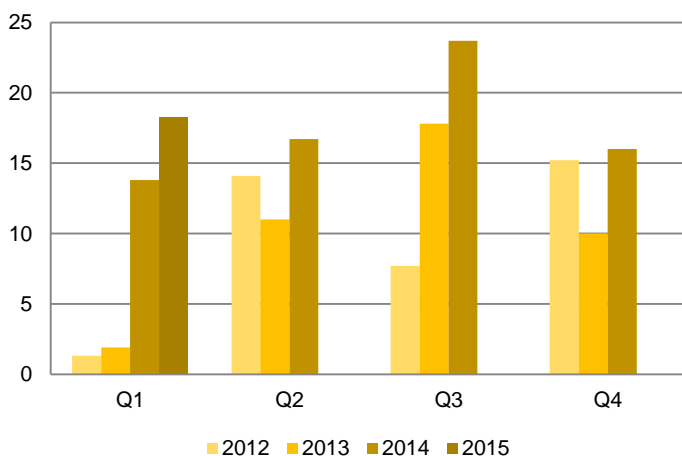
Key ratios

GROUP	3 months Jan-Mar		Full-year
	2015	2014	2014
Gross margin, %	96.0	94.5	95.0
EBITDA, %	30.8	22.1	24.9
Operating margin, %	26.4	18.4	20.8
Profit margin, %	26.4	18.7	21.0
Cash flow, %	23.8	22.3	27.5
Equity/assets ratio, %	77.1	80.9	76.9
Return on equity, %	5.2	2.8	14.5
Return on capital employed, %	6.8	3.8	18.3
Capital employed, SEK m	309.8	311.9	290.9
Net cash, SEK m	83.9	93.8	68.4
Net debt/equity ratio, multiple	-0.27	-0.30	-0.24
No. of employees at end of period	167	172	169
Average no. of employees	158	162	159
Sales per employee, MSEK	0.5	0.4	1.6

SHARE DATA	3 months Jan-Mar		Full-year
	2015	2014	2014
Equity per share, SEK	24.36	24.68	22.85
No. of shares at end of period, million	12.63	12.53	12.63
Average no. of shares, million	12.63	12.45	12.54
Average number of shares after dilution, million	12.63	12.50	12.58
Cash flow from operating activities per share, SEK	1.45	1.12	5.61
Earnings per share, basic, after current tax, SEK	1.55	0.87	4.15
Earnings per share, SEK	1.23	0.68	3.37
Earnings per share, diluted, SEK	1.23	0.68	3.35

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
2015	Q1	76.9	20.3	26.4	5.2	24.36	1.45
2014	Q4	66.1	13.5	20.4	3.8	22.85	1.27
	Q3	64.9	15.6	24.0	5.0	21.83	1.89
	Q2	62.7	12.7	20.3	3.4	20.72	1.33
	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
Condensed income statement

	3 months Jan-Mar		Full-year
SEK m	2015	2014	2014
Net sales	3.0	3.3	12.5
Operating expenses	-3.7	-3.4	-15.4
Depreciation of property, plant and equipment	-0.0	-0.0	-0.1
Operating loss	-0.7	-0.1	-3.0
Result from financial investments	0.0	0.2	42.3
Profit/loss before tax	-0.7	0.1	39.3
Income tax	0.1	-0.0	-8.7
Profit/loss for the period	-0.6	0.1	30.6

Statement of comprehensive income

PARENT COMPANY	3 months Jan-Mar		Full-year
SEK m	2015	2014	2014
Profit/loss for the period	-0.6	0.1	30.6
Total other comprehensive income	-	-	-
Comprehensive income for the period	-0.6	0.1	30.6

Condensed balance sheet

SEK m	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	0.3	0.4	0.3
Shares in subsidiaries	189.4	189.4	189.4
Other financial assets	4.6	4.0	4.6
Deferred tax asset	46.3	54.9	46.2
Total non-current assets	240.6	248.7	240.5
Current assets			
Receivables from subsidiaries	35.0	10.0	35.3
Other current assets	0.8	1.8	0.6
Blocked funds	-	0.6	-
Cash and cash equivalents	1.9	50.0	4.4
Total current assets	37.7	62.4	40.3
TOTAL ASSETS	278.3	311.1	280.8
EQUITY AND LIABILITIES			
Total equity	276.2	306.1	276.8
Current liabilities			
Trade payables	0.3	0.3	0.3
Other current liabilities	1.8	4.7	3.7
Total current liabilities	2.1	5.0	4.0
TOTAL EQUITY AND LIABILITIES	278.3	311.1	280.8

About IAR Systems

IAR Systems sells in-house developed software used by developers to program processors in embedded systems. Embedded systems can be found everywhere and are used to control electronic products in such areas as industrial automation, medical devices, consumer electronics and the automotive industry.

STRATEGY AND GOALS

IAR Systems supplies the tools and services that make embedded system development fast, efficient and reliable. This enables the company's customers across the globe to deliver better products to their markets at a faster rate. The company's sales strategy is to conduct license-based sales in all geographical regions, without focusing on specific industries.

IAR Systems has always developed its products without any dependency on specific vendors. This means that its products are developed in pace with the needs and opportunities the company sees for itself and that IAR Systems currently has one of the industry's most extensive and diverse networks of processor suppliers and other partners.

PRODUCTS

IAR Systems' software is currently available for a wide range of processors with 8-, 16- and 32-bit architectures. Its software is recognized by developers around the world for its user-friendliness, high performance and the quality of the generated code. Along with its software, IAR Systems offers its customers continuous product maintenance, which means direct access to new product versions and updates, as well as technical support. This support is available across all time zones so that customers can get the most out of the products. With their long-standing industry experience, the company's support engineers are highly appreciated by customers, which is naturally one of IAR Systems' major competitive advantages.

The company's focus on more advanced systems based on 32-bit architectures has been highly successful. While most of the company's growth in recent years has been driven by the 32-bit segment, the Internet of Things has also boosted demand for development tools for more basic 8-bit processors.

CUSTOMERS AND SALES

IAR Systems' software is used by many of the world's largest corporations, as well as thousands of small and medium-sized companies that develop digital products. The company's more than 46,000 customers are found across all industries and in all regions of the world. Thanks to IAR Systems' solid inflow of new customers and extremely loyal customer relationships, a full 95% of the companies' sales are to recurring customers. IAR Systems works proactively to sell more licenses to each customer and to include add-on products that broaden the company's offering.

Breakdown of revenue

- Americas (38%)
- Asia (23%)
- Europe (38%)
- Not allocated by region (1%)
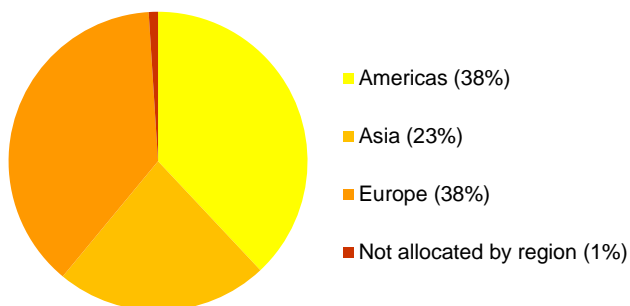
Investment case for IAR Systems

IAR Systems is the world's leading independent provider of software for the programming of processors in embedded systems.

A profitable growth company

IAR Systems commands a unique market position based on its leading technology and, since its formation 30 years ago, the company has continuously developed its software – IAR Embedded Workbench – to meet the demands of its customers. Today, IAR Embedded Workbench supports approximately 10,000 processors and IAR Systems has some 46,000 customers worldwide. IAR Systems' headquarters are located in Uppsala, Sweden, but thanks to the company's international reach, more than 95% of its sales are conducted in markets outside the Nordic region. The majority of product development takes place in Uppsala and, to a certain extent, in the US. The company also has sales offices in Sweden, Brazil, France, Japan, China, Korea, the UK, Germany and the US. IAR Systems is represented in 30 additional countries worldwide through its distributors.

World leader in a strong network of partners

IAR Systems plays a central role in a well-established network and collaborates with the key players in the market. This ecosystem of partners both complements and broadens the company's offering. Thanks to strategic partnerships and long-standing knowledge sharing with leading processor makers such as Renesas, ARM, Freescale and Texas Instruments, IAR Systems has by far the market's most comprehensive processor support. The company has a license-based revenue model in which IAR Systems sells a license to a user, typically an individual developer, who is then authorized to use IAR Embedded Workbench. The model is flexible and can be adapted depending on the number of users that need to be equipped with IAR Embedded Workbench. This model creates close customer relationships, while at the same generating a more consistent cash flow.

Unique offering and competitive advantages

In a digitized world, the software that IAR Embedded Workbench represents is a key enabler for the development of smart products. Today, smart products are found across all industries – from automotive, manufacturing and home electronics to medical, healthcare and defense. All of these products contain one or more processors and IAR Embedded Workbench helps the developer to program the processors so that they fulfill their function in the embedded system.

IAR Embedded Workbench supports approximately 10,000 processors for embedded systems, which is a major reason why IAR Systems holds such a unique position in the market. This broad support creates far-reaching flexibility and benefits for the customers, since they do not need to take the choice of software into consideration in their processor-buying decision. The customers can also maintain their development environment even when they intend to change processors. In addition, the developer can reuse 70-80% of the previously developed code when changing to a new processor. This generates valuable savings in both time and money. IAR Systems offers a well-equipped toolbox that contains most of what a developer needs to program an embedded system.

The products are under continuous development and IAR Systems has identified several opportunities to complement the toolbox in the coming years. Aside from driving lucrative additional sales, a wider product portfolio enables IAR Systems to further strengthen its competitiveness. With IAR Embedded Workbench, customers can develop products that are faster and less expensive. The software has also been highly successful due to the high quality of its generated code and its ability to reduce code size without sacrificing functionality or performance. IAR Systems has more than 46,000 customers and a return customer rate of 95%. The main explanations for the high percentage of returning customers, aside from the company's broad support and comprehensive offering, is that IAR Systems delivers high quality and user-friendliness in its products.

New growth opportunities

The market is now facing continued growth driven by the Internet of Things. By 2020, the number of products sold is expected to reach eight billion, representing a value of more than USD 1 trillion. IAR Embedded Workbench enables the Internet of Things by linking together products with technologies so that they can communicate. IAR Systems has already demonstrated the strength of its business model and is thus well positioned to capitalize on this opportunity. Historically, the number of users of IAR Systems' products – C developers – has been stable. The Internet of Things will generate increased demand for smart products and thus also boost the need for C developers. Many of the nine million IoT developers will also need to start working with products containing embedded systems, and will become potential new users of IAR Systems' products. The timing for this is uncertain, but IAR Systems intends to be optimally positioned to take advantage of the growth opportunities generated by the Internet of Things.

Definitions

Capital employed
Total assets less non-interest-bearing liabilities.

Cash flow
Cash flow from operating activities as a percentage of sales.

Earnings per share after current tax
Profit for the period after current tax divided by the average number of shares during the period.

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.

EBITDA margin
Earnings before interest, tax, depreciation and amortization (EBITDA) in relation to sales, expressed as a percentage.

EBITDA
Earnings before interest, tax, depreciation and amortization.

Equity per share
Equity divided by the number of shares at the end of the period.

Equity
Recognized equity including 78.0% of untaxed reserves.

Equity/assets ratio
Equity as a percentage of total assets.

Gross margin
Sales less the cost of goods for resale as a percentage of sales.

Net cash
Interest-bearing assets less interest-bearing liabilities.

Net debt/equity ratio
Net interest-bearing liabilities divided by equity.

Operating margin
Operating profit as a percentage of sales.

Profit margin
Profit after financial items as a percentage of sales.

Return on capital employed
Profit after financial items plus financial expenses as a percentage of average capital employed.

Return on equity
Profit after financial items less full tax as a percentage of average equity.

Industry-specific glossary

8-, 16-, 32-bit
Processor architectures vary in complexity and size. 8-, 16- and 32-bit define the amount of code and data the processor can address. The general rule is that the larger the architecture, the more powerful and expensive the processors.

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 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.

ARM
ARM Holdings plc is a multinational company that licenses a standard for processors and sells this standard to processor makers worldwide. IAR Systems is the tool supplier that supports the most ARM-based processors in the market for embedded systems.

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.

C-RUN
An add-on product for IAR Embedded Workbench that analyzes the code when it is executed in a developer's application. By using C-RUN, developers can identify errors and bugs at an early stage of the development process.

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 programmers to locate problems and errors in the program that they have 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.

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 quickly and easily. 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 for the specific hardware.

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.

Digitalization trend
Growth in the number of digital and electronic products worldwide. More and more products are digital and contain computer processors in order to be mobile, remote-controlled, energy-efficient, upgradable, etc.

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 increasingly being used in products worldwide, in pace with the so-called digitalization trend.

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 processor makers to guarantee that its tools can be used for more processor architectures than any other development tool on the market.

Integrated circuit (IC)
A small, typically rectangular silicon substrate onto which micrometer-sized transistors are mounted, sometimes in numbers of more than one million.

Internet of Things (IoT)
The Internet of Things is a term that refers the trend in which objects and products are connected to the Internet, and can thereby communicate with each other.

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 maker

A processor maker or processor vendor produces integrated circuits (ICs). IAR Systems is the hub of a powerful ecosystem of partners that includes suppliers of real-time operating systems (RTOS), so-called "middleware" and the world's leading processor makers.

Processor

When the word is used in connection with IAR Systems' products, processor is an abbreviation of microprocessor.

Renesas

A processor vendor with a wide product portfolio and a long-standing partnership with IAR Systems. IAR Systems is the tool supplier that supports the most Renesas processors in the market for embedded systems.

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.

Safety certification

When the word is used in connection with IAR Systems' products, it refers to the development tools that are safety certified to meet the needs of customers who develop embedded systems with high demands on safety. IAR Systems offers tools that are certified according to the international standard for functional safety, IEC 61508, and the ISO 26262 standard that is used in the automotive industry.

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

SUA stands for "Support and Update Agreement". Software products from IAR Systems usually include a 12-month SUA that gives the customer access to new product versions, product updates, technical support, etc.

Sources: IAR Systems, Wikipedia, IDG's dictionary.