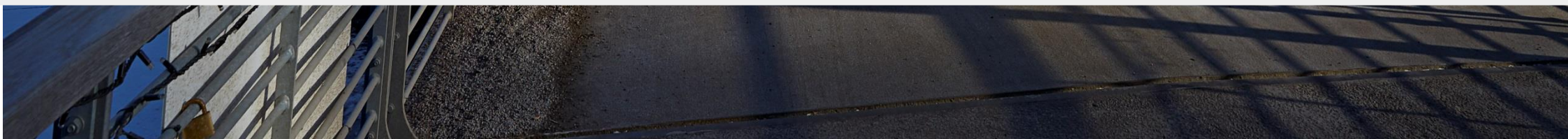




IAR Systems Group AB
Interim report January - September 2017

Q3



A stronger Europe results in our best quarterly results

Third quarter EBITDA of SEK 33.8m

Net sales for the period of SEK 257m and EBITDA of SEK 95m

Operating margin of 31% and cash flow of SEK 91m

| Profit summary | January–September | | July–September | | Full-year |
|--------------------|-------------------|--------|----------------|-------|-----------|
| SEK m | 2017 | 2016 | 2017 | 2016 | 2016 |
| Net sales | 257.4 | 243.4 | 84.2 | 81.1 | 328.4 |
| Operating expenses | -176.8 | -173.6 | -55.6 | -52.6 | -231.9 |
| Operating profit | 80.6 | 69.8 | 28.6 | 28.5 | 96.5 |

| Key ratios | January–September | | July–September | | Full-year |
|-----------------------------------|-------------------|------|----------------|------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| EBITDA margin, % | 37.0 | 33.7 | 40.1 | 40.6 | 34.5 |
| Operating margin, % | 31.3 | 28.7 | 34.0 | 35.1 | 29.4 |
| Net cash, SEK m | 87.3 | 61.6 | 87.3 | 61.6 | 96.5 |
| No. of employees at end of period | 163 | 166 | 163 | 166 | 165 |

January–September 2017

- Net sales of SEK 257.4m (243.4)
- EBITDA of SEK 95.3m (82.0), corresponding to an EBITDA margin of 37.0% (33.7)
- Operating profit of SEK 80.6m (69.8), corresponding to an operating margin of 31.3% (28.7)
- Profit before tax of SEK 79.3m (69.7)
- Basic earnings per share of SEK 4.77 (4.27) and diluted earnings per share of SEK 4.77 (4.27)
- Earnings per share of SEK 5.89 (5.38) after current tax
- Cash flow from operating activities of SEK 90.6m (74.7)
- Net cash of SEK 87.3m (61.6) at the end of the period

Key events during the period

- IAR Systems supplemented its data security product portfolio through an investment in an equity stake in Secure Thingz
- The company increased its credit margin by an additional SEK 200m

July–September 2017

- Net sales of SEK 84.2m (81.1)
- EBITDA of SEK 33.8m (32.9), corresponding to an EBITDA margin of 40.1% (40.6)
- Operating profit of SEK 28.6m (28.5), corresponding to an operating margin of 34.0% (35.1)
- Profit before tax of SEK 28.2m (28.5)
- Basic earnings per share of SEK 1.61 (1.73) and diluted earnings per share of SEK 1.61 (1.73)
- Earnings per share of SEK 1.97 (2.18) after current tax
- Cash flow from operating activities of SEK 31.8m (32.1)



A stronger Europe results in our best quarterly result

A stronger Europe results in our best quarterly result. During the period, the regions came closer to each other in terms of sales growth as Europe reported a stronger third quarter and Asia a strong second quarter. Despite the recovery in Europe, total sales growth for the third quarter was limited as the Americas did not report growth. Our assessment is that the decrease in the Americas was due to a somewhat turbulent market as well as a focus on certain customer segments that have failed to give the anticipated results in the short term. The varied performances of the regions were due to differences in the percentage of major transactions as well as in the product mix. Generally, sales of support and upgrade agreements are increasing in all regions. The percentage of new users of our software increased most in Europe in the third quarter, as a result of new projects among our customers.

Our sales per product remain stable and are progressing as planned. However, sales of our add-on products and safety-certified versions of our software are growing faster. When it comes to sales by market segment, we saw continued demand in the automotive industry and also in the Internet of Things (IoT).

The consolidation of the processor vendor market in recent years, and thus of product portfolios, is resulting in a volatility among customers about their choice of processor vendor. At the same time, launches of new processors have been limited as vendors are focusing more on mergers than on market activity. Among processor vendors, Arm continues to have a strong influence on future processors, even if we can see that some new architecture is appearing on the market, though on a very small scale.

Renesas Synergy Platform is following its previously communicated plan. The launch is proceeding as expected and manufacturing of Renesas Synergy processors began during the period. The production of units involves small volumes and should be seen as a start-up phase for most customers. Most users are in a development stage in their use of Renesas Synergy Platform and will, therefore, begin production during the latter part of 2017 or more likely in 2018. The guaranteed remuneration for Renesas Synergy Platform in the period was slightly higher than in previous years since the agreement with Renesas was signed during the second quarter of 2016.

Embedded systems play an important role in today's product development and will become even more significant in the future. This, in turn, will make the issues of functional safety and data security even more critical. There is significant potential in the market when it comes to security, particularly with respect to IoT, the automotive industry and medical technology, and leveraging new market opportunities will require knowledge sharing, strong strategic alliances and new technology.

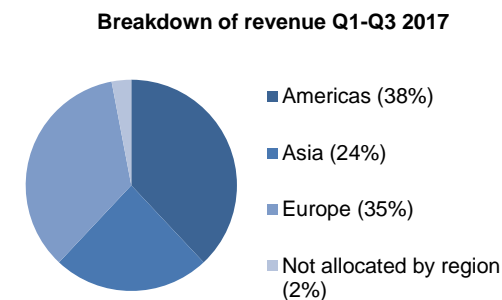
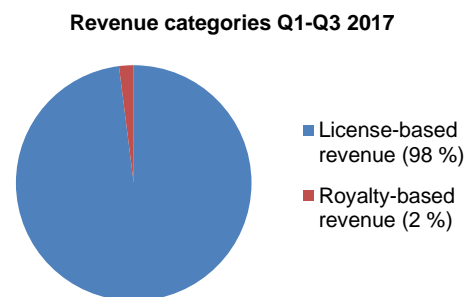
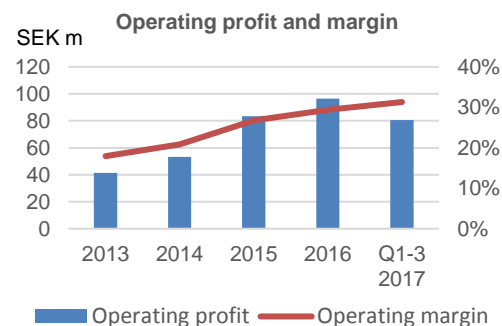
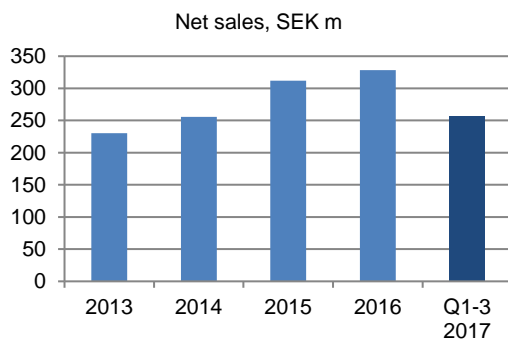
Another distinct market trend is a focus by many suppliers on the automotive industry, where the number of processor-controlled applications is increasing sharply. Trends such as autonomous vehicles are fueling the development of both innovation and market positioning in all areas of the automotive industry. This trend became very clear at the annual Embedded World trade fair in Germany, which we attended this year in a more ambitious capacity than ever before. At this year's fair, we launched a number of products for the automotive industry as well as a major upgrade to our product IAR Embedded Workbench for Arm.

Our investment in Secure Thingz, which was carried out in the second quarter, will enable us to offer our customers products that guarantee their data security throughout the development and manufacturing process. Secure Thingz delivers products and services for the development, management and deployment of embedded data security in devices and products. The company's Secure Deploy Platform was developed to solve the complex security challenges associated with IoT. The platform provides a cost-efficient means to guarantee basic processor security and offers services to ensure data security throughout a product's life cycle. The collaboration between Secure Thingz and IAR Systems will mainly focus on the management of critical information during the development process.

We are at a stage in the company's development where we can observe a clear market trend where embedded systems are increasing in value through their broader application and increased use. This trend is boosting demand in various customer segments and across vertical markets.

The remainder of 2017 will be highly intensive with a large number of market activities in all regions. We expect these activities and related product launches to have an impact in both the short and long term. We will also focus, to a greater extent than in previous years, on customers starting new projects and preparing to start new product initiatives. These customers operate in segments where we have developed a strong offering in recent years and where we have a unique market position.

Stefan Skarin, CEO of IAR Systems Group AB



The IAR Systems share

IAR Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. During the period, the share price varied from a low of SEK 162.00 (119.00) to a high of SEK 209.00 (195.00). The share price at September 30, 2017 was SEK 180.50 (190.00). IAR Systems Group's market capitalization on the same date was SEK 2,280m (2,400).

The number of shareholders in IAR Systems Group at September 30, 2017 was 8,306 (9,042). Of these shareholders, 505 (543) held more than 1,000 shares each. Foreign shareholders held approximately 23% (11) of the share capital and 22% (11) of the votes.

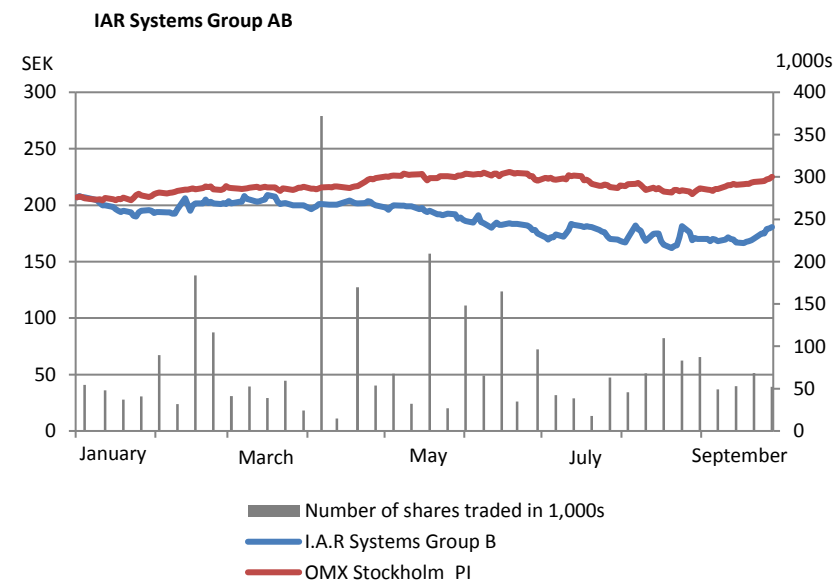
IAR Systems Group's share capital at September 30, 2017 amounted to SEK 126,320,614, divided between 12,632,061 shares, of which 100,000 are class A shares and 12,532,061 are class B shares.

| Largest shareholders (votes) | No. of shares | Share of capital, % | Share of votes, % |
|-------------------------------------|----------------------|----------------------------|--------------------------|
| Andra AP-fonden | 1,135,415 | 9% | 8% |
| Danica Pension* | 218,700 | 2% | 8% |
| Ribbskottet AB | 885,000 | 7% | 7% |
| Första AP-fonden | 770,157 | 6% | 6% |
| SEB S.A. Client Assets UCITS | 736,994 | 6% | 5% |
| Other | 8,885,795 | 70% | 66% |
| Total | 12,632,061 | 100% | 100% |

*of which 100,000 class A shares

| Breakdown of shareholdings | No. of shareholders | No. of shareholders, % | Share of capital, % | Share of votes, % |
|-----------------------------------|----------------------------|-------------------------------|----------------------------|--------------------------|
| 1-100 | 5,579 | 67% | 1% | 1% |
| 101-1 000 | 2,222 | 27% | 7% | 6% |
| 1,001-10,000 | 408 | 5% | 10% | 9% |
| 10,001- | 97 | 1% | 82% | 84% |
| Total | 8,306 | 100% | 100% | 100% |

| Geographical distribution | No. of shareholders | No. of shareholders, % | Share of capital, % | Share of votes, % |
|----------------------------------|----------------------------|-------------------------------|----------------------------|--------------------------|
| Sweden | 8,077 | 97% | 77% | 78% |
| Europe excl. Sweden | 191 | 2% | 20% | 19% |
| Other countries | 38 | 1% | 3% | 3% |
| Total | 8,306 | 100% | 100% | 100% |



Financial information

NET SALES AND PROFIT

Net sales for the period rose 6% compared with the corresponding period in the preceding year and amounted to SEK 257.4m (243.4), of which SEK 84.2m (81.1) was attributable to the third quarter. Royalty-based revenue of SEK 5.6m (2.7) from the agreement with Renesas Electronics Corporation was reported during the period, of which SEK 1.3m (0.9) during the third quarter. The guaranteed share of Renesas Synergy Platform was slightly higher in this period compared with preceding years since the agreement with Renesas was signed during the second quarter of 2016. In a year-on-year comparison, currency translation had a positive impact of SEK 4.5m on net sales for the period, of which SEK -3.7m pertained to the third quarter.

EBITDA for the period totaled SEK 95.3m (82.0), corresponding to an EBITDA margin of 37.0% (33.7). EBITDA for the third quarter totaled SEK 33.8m (32.9), corresponding to an EBITDA margin of 40.1% (40.6) for the quarter. Operating profit for the period increased 15% to SEK 80.6m (69.8). Legal costs in the USA of SEK 4.0m were charged to operating profit in the year-earlier period. Excluding this non-recurring item, operating profit increased 9%. Operating profit for the third quarter amounted to SEK 28.6m (28.5).

Operating expenses were cut by SEK 9.6m (11.6) during the period through the capitalization of development costs for software and debug probes. Of the internal expenses that were capitalized, SEK 7.6m (8.9) pertained to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 3.1m on operating profit for the period, of which SEK -2.1m pertained to the third quarter.

During the period, the company participated in an issue of new shares in Northern Parklife to increase the prospects of divesting the financial holding. Financial expenses for the period largely comprise a SEK 0.8m (-) impairment loss on the holding in Northern Parklife, corresponding to the company's share in the issue of

new shares above as well as credit expenses for the increased credit margin by SEK 200m.

The company now has no further loss carryforwards. The Group's earnings and cash flow in the future will be charged with current tax payable.

SALES TREND

The company reported growth in both sales and turnover. The different between these growth figures is that some sales (upgrade agreement licenses) are allocated during a 12-month period. In a year-on-year comparison, total sales growth in local currency was 5%. The 5% sales growth for the period resulted in an increase in net sales of 6% after the accrual of prepaid maintenance revenue (-1%) and the positive foreign exchange effects (+2%).

| | Sales growth in local currency | | | | Prepaid maintenance revenue | Foreign exchange effect | Growth in net sales | Share of net sales |
|---------------|--------------------------------|-----|-----|------|-----------------------------|-------------------------|---------------------|--------------------|
| | Q1 | Q2 | Q3 | Q1-3 | | | | |
| Americas | 13% | 11% | -8% | 5% | -1% | 3% | 7% | 38% |
| Europe | -2% | 0% | 7% | 2% | -2% | 2% | 2% | 35% |
| Asia | -6% | 24% | 2% | 5% | -5% | 0% | 5% | 24% |
| Not allocated | 200% | -8% | 18% | 45% | - | - | 45% | 3% |
| Total | 5% | 9% | 0% | 5% | -1% | 2% | 6% | 100% |

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the period totaled SEK 1.6m (1.1), of which SEK 0.5m (0.2) was attributable to the third quarter. Investments in intangible assets for the period amounted to SEK 12.5m (13.2), of which SEK 3.7m (3.8) pertained to the third quarter. Most of these investments, SEK 9.6m (11.6), pertain to the capitalization of development costs for software and debug probes. In addition, the company invested in an equity stake in Secure Thingz amounting to SEK 17.8m during the second quarter. The holding in Secure Thingz corresponds to just over 10% of the total number of shares in the

company and is classified as other non-current securities. The holding is measured at fair value.

The equity/assets ratio at September 30, 2017, was 70% (71).

CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the period amounted to SEK 90.6m (74.7), of which SEK 31.8m (32.1) pertained to the third quarter.

Cash flow from investing activities for the period totaled SEK -32.7m (-14.6), of which SEK -4.2m (-4.2) was attributable to the third quarter. During the period, the company invested in an equity stake in Secure Thingz amounting to SEK 17.8m. In addition to this investment, the company mainly invested in intangible assets.

Cash flow from financing activities for the period totaled SEK -63.2m (-88.4), of which SEK -0.0m (-0.0) was attributable to the third quarter and pertains in its entirety to dividends paid to the company's shareholders.

As of September 30, 2017, the Group had net cash of SEK 87.3m (96.5). Cash and cash equivalents at the end of the period totaled SEK 90.0m (99.2). In addition, the Group had unutilized bank overdraft facilities of SEK 225.0m (25.0). The Group's total available cash and cash equivalents thus amounted to SEK 315.0m (124.2).

EMPLOYEES

The number of employees in IAR Systems at the end of the period was 163 (166). The average number of employees during the period was 154 (158).

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 period amounted to SEK 9.1m (9.1). The Parent Company posted a loss after financial items of SEK -3.6m (-1.6). Net investments in property, plant and equipment amounted to SEK 0.0m (0.0).

Cash and cash equivalents at September 30, 2017 totaled SEK 5.3 (3.5). The number of employees in the Parent Company at the end of the period was four (four).

2017 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of IAR Systems Group was held on April 26. For information about the AGM and the resolutions passed, refer to the company's website: www.iar.com

NOMINATING COMMITTEE

In accordance with the decision of the AGM in April 2017, the nominating committee has been appointed and consists of Malin Björkmo (Handelsbanken Fonder), Anders Bladh (Ribbskottet AB), Jonas Eixman (Andra AP-fonden) and Mats Larsson (Första AP-fonden). Jonas Eixman was appointed Chairman of the nominating committee.

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 2016 under "Risk management" on page 32, under "Administration report" on page 35 and in Note 2 on pages 50-52.

FUTURE OUTLOOK

The Board's 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 25% over a business cycle.

Stockholm, Wednesday, October 18, 2017

Stefan Skarin
CEO of IAR Systems Group AB

FINANCIAL CALENDAR 2018

Year-end report 2017, February 15, 2018

Interim report Jan–Mar 2018, April 25, 2018

2018 Annual General Meeting, April 25, 2018

Interim report Jan-Jun 2018, August 15, 2018

Interim report Jan-Sep 2018, November 9, 2018

IAR SYSTEMS GROUP AB (PUBL)

Corporate identification number 556400-7200

Kungsgatan 33, SE-111 56 Stockholm, Sweden

Phone +46 8 410 920 00

www.iar.com

Stefan Skarin, President and CEO, phone +46 708 651 005

stefan.skarin@iar.com

Stefan Ström, CFO, phone +46 708 651 068 stefan.strom@iar.com

REVIEW REPORT

Introduction

We have reviewed the interim report for IAR Systems Group AB (publ) for the period from January 1 to September 30, 2017. The Board of Directors and the 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.

Scope and focus of the review

We conducted our review in accordance with the International Standard on Review Engagements Performed by the Independent Auditor of the Entity (ISRE 2410).

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and a substantially more limited scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing 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 circumstances that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not, in all material aspects, been compiled in accordance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act, and for the Parent Company, in accordance with the Swedish Annual Accounts Act.

Stockholm, October 18, 2017

Deloitte AB

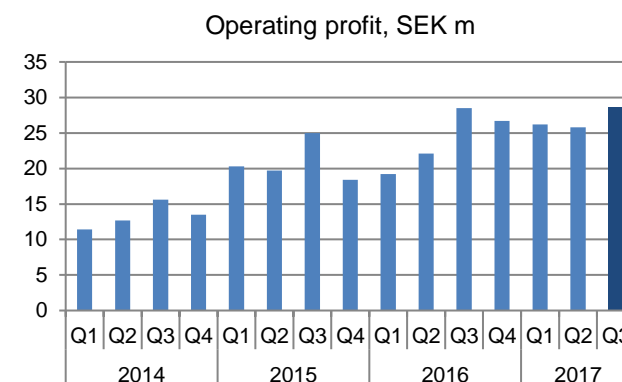
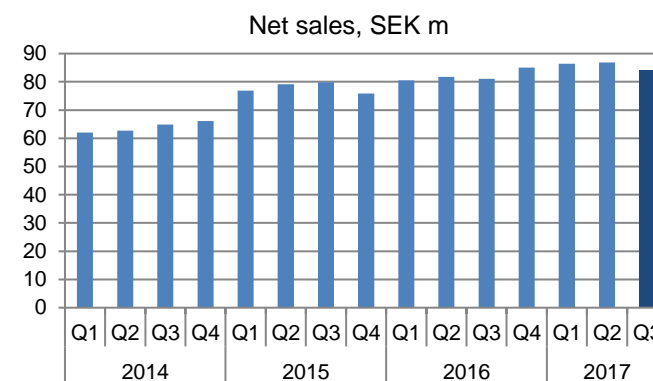
Erik Olin

Income statement

CONDENSED CONSOLIDATED INCOME STATEMENT

| SEK m | Note | 9 months Jan-Sep | | 3 months Jul-Sep | | Full-year 2016 |
|---|------|------------------|-------------|------------------|-------------|-------------------|
| | | 2017 | 2016 | 2017 | 2016 | |
| Net sales | 1.2 | 257.4 | 243.4 | 84.2 | 81.1 | 328.4 |
| Goods for resale | | -5.9 | -9.3 | -1.9 | -2.3 | -12.2 |
| Other external expenses | | -37.6 | -36.2 | -12.5 | -10.5 | -48.4 |
| Personnel costs | | -118.6 | -115.9 | -36.0 | -35.4 | -154.6 |
| Depreciation of property, plant and equipment | | -1.8 | -1.9 | -0.6 | -0.7 | -2.5 |
| Amortization of intangible assets | | -12.9 | -10.3 | -4.6 | -3.7 | -14.2 |
| Operating profit | | 80.6 | 69.8 | 28.6 | 28.5 | 96.5 |
| Financial income | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial expenses | | -1.3 | -0.1 | -0.4 | -0.0 | -0.4 |
| Profit before tax | | 79.3 | 69.7 | 28.2 | 28.5 | 96.1 |
| Tax | | -19.0 | -15.8 | -7.9 | -6.7 | -22.1 |
| Profit for the period | | 60.3 | 53.9 | 20.3 | 21.8 | 74.0 |
| Earnings per share for the period, basic, SEK | | 4.77 | 4.27 | 1.61 | 1.73 | 5.86 |
| Earnings per share for the period, diluted, SEK | | 4.77 | 4.27 | 1.61 | 1.73 | 5.86 |

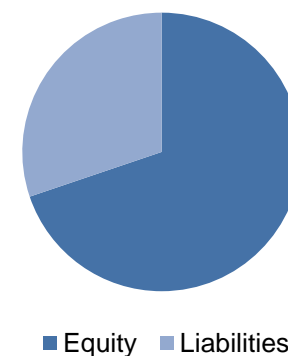
| STATEMENT OF COMPREHENSIVE INCOME SEK m | 9 months Jan-Sep | | 3 months Jul-Sep | | Full-year 2016 |
|--|------------------|-------------|------------------|-------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | |
| Profit for the period | 60.3 | 53.9 | 20.3 | 21.8 | 74.0 |
| Other comprehensive income for the period | | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences | -4.2 | 1.7 | -1.7 | 0.8 | 3.0 |
| Total other comprehensive income | -4.2 | 1.7 | -1.7 | 0.8 | 3.0 |
| Comprehensive income for the period | 56.1 | 55.6 | 18.6 | 22.6 | 77.0 |
| Comprehensive income for the period attributable to owners of the Parent Company | 56.1 | 55.6 | 18.6 | 22.6 | 77.0 |



Balance sheet

| CONDENSED CONSOLIDATED BALANCE SHEET SEK m | Note | Sep 30, 2017 | Sep 30, 2016 | Dec 31, 2016 |
|---|------|-----------------|-----------------|-----------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Goodwill | 3 | 113.0 | 114.0 | 114.9 |
| Other intangible assets | 4 | 81.5 | 81.7 | 82.1 |
| Property, plant and equipment | | 6.1 | 6.2 | 6.2 |
| Financial assets | | 22.4 | 5.2 | 4.8 |
| Deferred tax assets | 5 | 1.9 | 23.4 | 15.9 |
| Total non-current assets | | 224.9 | 230.5 | 223.9 |
| Current assets | | | | |
| Inventories | | 5.5 | 5.9 | 5.6 |
| Other current assets | | 21.2 | 24.1 | 18.9 |
| Trade receivables | | 48.8 | 48.3 | 48.3 |
| Cash and cash equivalents | | 90.0 | 63.8 | 99.2 |
| Total current assets | | 165.5 | 142.1 | 172.0 |
| TOTAL ASSETS | | 390.4 | 372.6 | 395.9 |
| EQUITY AND LIABILITIES | | | | |
| Total equity | | 272.4 | 258.1 | 279.5 |
| Non-current liabilities | | | | |
| Interest-bearing liabilities | | 1.8 | 1.1 | 1.6 |
| Other non-current liabilities | | 1.5 | 1.5 | 1.4 |
| Deferred tax liabilities | | 14.9 | 17.1 | 14.8 |
| Total non-current liabilities | | 18.2 | 19.7 | 17.8 |
| Current liabilities | | | | |
| Trade payables | | 4.3 | 3.1 | 5.3 |
| Interest-bearing liabilities | | 0.9 | 1.1 | 1.1 |
| Other current liabilities | | 94.6 | 90.6 | 92.2 |
| Total current liabilities | | 99.8 | 94.8 | 98.6 |
| TOTAL EQUITY AND LIABILITIES | | 390.4 | 372.6 | 395.9 |

Equity/assets ratio, %
September 30, 2017



Changes in equity

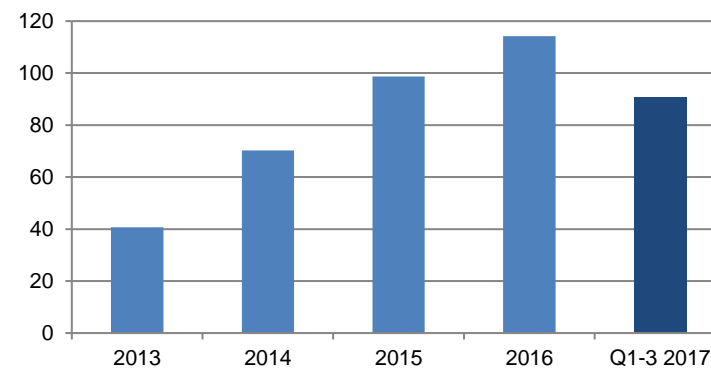
| GROUP SEK m | 9 months Jan- Sep 2017 | 2016 | 3 months Jul- Sep 2017 | 2016 | Full- year 2016 |
|--|------------------------------|--------------|------------------------------|--------------|-----------------------|
| Equity at beginning of period | 279.5 | 290.9 | 253.8 | 235.5 | 290.9 |
| Dividend | -63.2 | -88.4 | - | - | -88.4 |
| Comprehensive income for the period | 56.1 | 55.6 | 18.6 | 22.6 | 77.0 |
| Equity at end of period | 272.4 | 258.1 | 272.4 | 258.1 | 279.5 |
| of which, attributable to owners of the Parent Company | 272.4 | 258.1 | 272.4 | 258.1 | 279.5 |

Cash flows

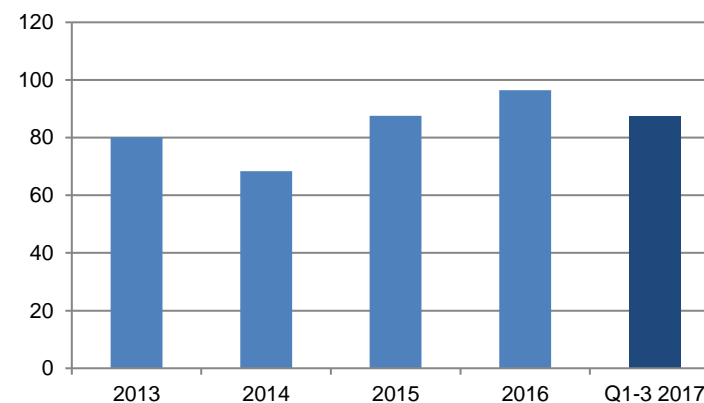
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | 9 months Jan-Sep | 3 months Jul-Sep | Full-year | |
|--|------------------|------------------|-----------|-------|
| SEK m | 2017 | 2016 | 2017 | 2016 |
| Incoming payments from customers | 257.3 | 238.4 | 92.4 | 81.7 |
| Outgoing payments to suppliers and employees | -162.7 | -160.6 | -58.6 | -48.5 |
| Interest received | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest paid | -1.1 | -0.0 | -1.0 | -0.0 |
| Income taxes paid | -2.9 | -3.1 | -1.0 | -1.1 |
| Cash flow from operating activities | 90.6 | 74.7 | 31.8 | 32.1 |
| Investments in property, plant and equipment | -1.6 | -1.1 | -0.5 | -0.2 |
| Investments in intangible assets | -12.5 | -13.2 | -3.7 | -3.8 |
| Investments in other investments | -18.6 | -0.3 | -0.0 | -0.2 |
| Cash flow from investing activities | -32.7 | -14.6 | -4.2 | -4.2 |
| Amortization of financial liabilities | -0.0 | -0.0 | -0.0 | -0.0 |
| Dividend | -63.2 | -88.4 | - | - |
| Cash flow from financing activities | -63.2 | -88.4 | -0.0 | -0.0 |
| Cash flow for the period | -5.3 | -28.3 | 27.6 | 27.9 |
| Cash and cash equivalents at beginning of period | 99.2 | 89.4 | 64.3 | 34.9 |
| Exchange difference in cash and cash equivalents | | | | |
| - attributable to cash and cash equivalents at beginning of period | -3.3 | 2.5 | -1.5 | 0.8 |
| - attributable to cash flow for the period | -0.6 | 0.2 | -0.4 | 0.2 |
| Cash and cash equivalents at end of period | 90.0 | 63.8 | 90.0 | 63.8 |
| CASH AND CASH EQUIVALENTS, GROUP | | | | |
| SEK m | Sep 30, 2017 | Sep 30, 2016 | | |
| Cash and cash equivalents at end of period | 90.0 | 63.8 | | |
| Unutilized overdraft facilities | 225.0 | 25.0 | | |
| Total available cash and cash equivalents | 315.0 | 88.8 | | |

Cash flow from operating activities, SEK m



Net cash, SEK m

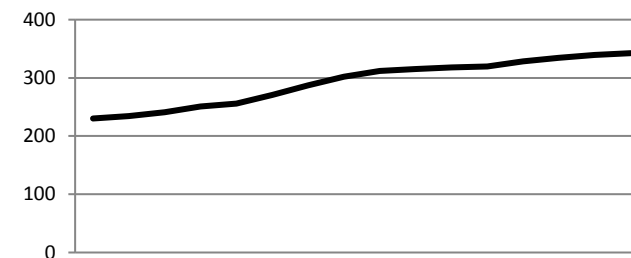


Key ratios

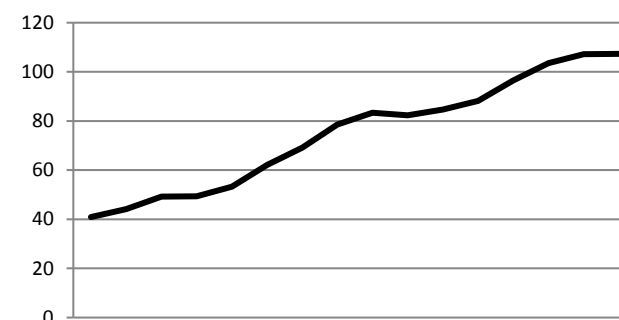
| GROUP | 9 months Jan-Sep | | 3 months Jul-Sep | | Full-year |
|--|------------------|-------|------------------|-------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| Gross margin, % | 97.7 | 96.2 | 98.2 | 97.2 | 96.3 |
| EBITDA, % | 37.0 | 33.7 | 40.1 | 40.6 | 34.5 |
| Operating margin, % | 31.3 | 28.7 | 34.0 | 35.1 | 29.4 |
| Profit margin, % | 30.8 | 28.6 | 33.5 | 35.1 | 29.3 |
| Cash flow, % | 35.2 | 30.7 | 37.8 | 39.6 | 34.8 |
| Equity/assets ratio, % | 69.8 | 69.3 | | | 70.6 |
| Return on equity, % | 21.9 | 19.6 | 7.7 | 8.8 | 25.9 |
| Return on capital employed, % | 28.9 | 25.2 | 10.8 | 11.5 | 33.6 |
| Capital employed, SEK m | 275.1 | 260.3 | | | 282.2 |
| Net cash, SEK m | 87.3 | 61.6 | | | 96.5 |
| Net debt/equity ratio, multiple | -0.32 | -0.24 | | | -0.35 |
| No. of employees at end of period | 163 | 166 | | | 165 |
| Average no. of employees | 154 | 158 | 153 | 160 | 159 |
| Sales per employee, SEK m | 1.7 | 1.5 | 0.6 | 0.5 | 2.1 |
| | | | | | |
| SHARE DATA | 9 months Jan-Sep | | 3 months Jul-Sep | | Full-year |
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| Equity per share, SEK | 21.56 | 20.44 | | | 22.13 |
| No. of shares at end of period, million | 12.63 | 12.63 | | | 12.63 |
| Average no. of shares, million | 12.63 | 12.63 | 12.63 | 12.63 | 12.63 |
| | | | | | |
| Average number of shares, diluted, million | 12.63 | 12.63 | 12.63 | 12.63 | 12.63 |
| Cash flow from operating activities per share, SEK | 7.17 | 5.91 | 2.52 | 2.54 | 9.04 |
| Earnings per share, basic, after current tax, SEK | 5.89 | 5.38 | 1.97 | 2.18 | 7.38 |
| Earnings per share, SEK* | 4.77 | 4.27 | 1.61 | 1.73 | 5.86 |
| Earnings per share, diluted, SEK | 4.77 | 4.27 | 1.61 | 1.73 | 5.86 |

*Definition in accordance with IFRS Refer also to definitions on page 15.

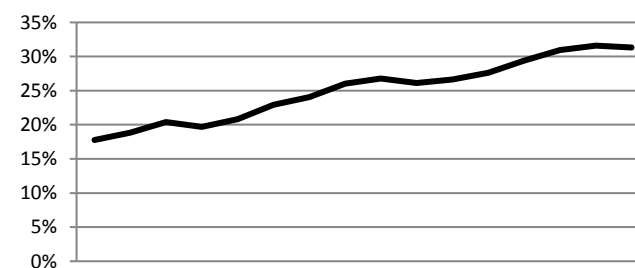
Net sales, rolling 12 months



Operating profit, rolling 12 months



Operating margin, rolling 12 months



Quarterly overview and multi-year overview

| | | Net sales, SEK m | EBITDA, SEK m | EBITDA margin, % | Operating profit, SEK m | Operating margin, % | Earnings per share, SEK* | Return on equity, % | Cash flow from operating activities per share, SEK | Equity per share, SEK | Share price, SEK | Market capitalization, SEK m |
|------|----|------------------|------------------|---------------------|----------------------------|------------------------|-----------------------------|------------------------|--|--------------------------|---------------------|------------------------------------|
| 2017 | Q3 | 84.2 | 33.8 | 40.1 | 28.6 | 34.0 | 1.61 | 7.7 | 2.52 | 21.56 | 180.50 | 2,280 |
| | Q2 | 86.8 | 30.9 | 35.6 | 25.8 | 29.7 | 1.68 | 7.7 | 2.56 | 20.09 | 175.00 | 2,211 |
| | Q1 | 86.4 | 30.6 | 35.4 | 26.2 | 30.3 | 1.49 | 6.5 | 2.10 | 23.58 | 200.00 | 2,526 |
| 2016 | Q4 | 85.0 | 31.2 | 36.7 | 26.7 | 31.4 | 1.59 | 7.5 | 3.13 | 22.13 | 206.00 | 2,602 |
| | Q3 | 81.1 | 32.9 | 40.6 | 28.5 | 35.1 | 1.73 | 8.8 | 2.54 | 20.44 | 190.00 | 2,400 |
| | Q2 | 81.8 | 26.0 | 31.8 | 22.1 | 27.0 | 1.34 | 6.2 | 1.63 | 18.64 | 157.00 | 1,983 |
| 2015 | Q1 | 80.5 | 23.1 | 28.7 | 19.2 | 23.9 | 1.20 | 5.1 | 1.74 | 24.20 | 172.50 | 2,179 |
| | Q4 | 75.9 | 22.2 | 29.2 | 18.4 | 24.2 | 1.09 | 4.9 | 2.22 | 23.03 | 150.00 | 1,895 |
| | Q3 | 79.8 | 28.9 | 36.2 | 25.0 | 31.3 | 1.49 | 7.0 | 1.63 | 21.96 | 103.25 | 1,304 |
| 2014 | Q2 | 79.1 | 23.5 | 29.7 | 19.7 | 24.9 | 1.21 | 5.4 | 2.51 | 20.43 | 99.75 | 1,260 |
| | Q1 | 76.9 | 23.7 | 30.8 | 20.3 | 26.4 | 1.23 | 5.2 | 1.45 | 24.36 | 104.00 | 1,314 |
| | Q4 | 66.1 | 16.3 | 24.7 | 13.5 | 20.4 | 0.84 | 3.8 | 1.27 | 22.85 | 74.75 | 944 |
| 2013 | Q3 | 64.9 | 18.4 | 28.4 | 15.6 | 24.0 | 1.06 | 5.0 | 1.89 | 21.83 | 68.25 | 862 |
| | Q2 | 62.7 | 15.2 | 24.2 | 12.7 | 20.3 | 0.78 | 3.4 | 1.33 | 20.72 | 68.50 | 861 |
| | Q1 | 62.0 | 13.7 | 22.1 | 11.4 | 18.4 | 0.68 | 2.8 | 1.12 | 24.68 | 57.57 | 780 |
| 2012 | Q4 | 61.5 | 12.6 | 20.5 | 10.1 | 16.4 | 0.58 | 2.5 | 0.84 | 23.90 | 39.77 | 491 |
| | Q3 | 54.9 | 17.9 | 32.6 | 15.4 | 28.1 | 0.96 | 4.3 | 1.56 | 22.77 | 38.93 | 453 |
| | Q2 | 56.1 | 9.7 | 17.3 | 7.7 | 13.7 | 0.53 | 2.4 | 0.97 | 21.42 | 34.40 | 388 |
| 2011 | Q1 | 57.7 | 10.4 | 18.0 | 8.1 | 14.0 | 0.53 | 2.3 | 0.17 | 22.87 | 36.07 | 407 |
| | Q4 | 59.5 | 11.7 | 19.7 | 9.8 | 16.5 | -0.48 | -2.1 | 1.34 | 22.34 | 35.24 | 397 |
| | Q3 | 56.2 | 12.0 | 21.4 | 10.1 | 18.0 | 0.75 | 3.3 | 0.68 | 22.84 | 37.82 | 426 |
| 2010 | Q2 | 56.4 | 8.8 | 15.6 | 7.3 | 12.9 | 0.42 | 1.9 | 1.27 | 22.15 | 39.77 | 448 |
| | Q1 | 58.0 | 9.3 | 16.0 | 8.0 | 13.8 | 0.48 | 2.2 | 0.12 | 22.22 | 32.37 | 355 |
| | Q4 | 57.5 | 9.4 | 16.3 | 7.7 | 13.4 | 0.96 | 4.5 | 1.20 | 21.82 | 22.66 | 248 |
| 2009 | Q3 | 48.2 | 8.3 | 17.2 | 7.1 | 14.7 | 0.67 | 3.3 | 1.07 | 20.92 | 20.25 | 222 |
| | Q2 | 48.9 | 6.7 | 13.7 | 5.4 | 11.0 | 0.49 | 1.4 | 1.19 | 20.09 | 21.83 | 239 |
| | Q1 | 45.8 | 5.0 | 10.9 | 3.8 | 8.3 | 0.33 | 0.6 | -0.37 | 50.35 | 17.76 | 195 |
| 2008 | Q4 | 48.0 | 3.5 | 7.3 | 2.2 | 4.6 | 0.19 | -0.6 | 0.47 | 54.16 | 16.41 | 180 |
| | Q3 | 44.2 | 5.5 | 12.4 | 4.4 | 10.0 | 0.39 | 1.4 | 0.23 | 55.50 | 12.58 | 138 |
| | Q2 | 42.1 | 3.2 | 7.6 | 2.4 | 5.7 | 0.24 | 1.1 | 0.33 | 53.81 | 13.65 | 150 |
| | Q1 | 43.6 | 3.9 | 8.9 | 2.9 | 6.7 | 0.26 | 1.6 | 0.22 | 54.42 | 13.89 | 152 |
| | | | | | | | | | | | | |
| 2016 | | 328.4 | 113.2 | 34.5 | 96.5 | 29.4 | 5.86 | 25.9 | 9.04 | 22.13 | 206.00 | 2,602 |
| 2015 | | 311.7 | 98.3 | 31.5 | 83.4 | 26.8 | 5.02 | 21.9 | 7.81 | 23.03 | 150.00 | 1,895 |
| 2014 | | 255.7 | 63.6 | 24.9 | 53.2 | 20.8 | 3.37 | 14.5 | 5.61 | 22.85 | 74.75 | 944 |
| 2013 | | 230.2 | 50.6 | 22.0 | 41.3 | 17.9 | 2.59 | 10.9 | 3.53 | 23.90 | 39.77 | 491 |
| 2012 | | 230.1 | 41.8 | 18.2 | 35.2 | 15.3 | 1.16 | 5.3 | 3.41 | 22.34 | 35.24 | 397 |
| 2011 | | 200.4 | 29.4 | 14.7 | 24.0 | 12.0 | -1.70 | 6.4 | 3.09 | 21.82 | 22.66 | 248 |
| 2010 | | 177.9 | 16.1 | 9.1 | 11.9 | 6.7 | 1.88 | 3.5 | 1.25 | 54.16 | 16.41 | 180 |

*Definition in accordance with IFRS Refer also to definitions on page 15.

Parent Company

CONDENSED INCOME STATEMENT

| SEK m | 9 months Jan-Sep | | Full-year |
|---|------------------|-------|-----------|
| | 2017 | 2016 | 2016 |
| Net sales | 9.1 | 9.1 | 12.2 |
| Operating expenses | -10.9 | -10.7 | -15.8 |
| Depreciation of property, plant and equipment | -0.1 | -0.0 | -0.0 |
| Operating loss | -1.9 | -1.6 | -3.6 |
| Result from financial investments | -1.7 | 0.0 | 86.7 |
| Profit/loss before tax | -3.6 | -1.6 | 83.1 |
| Tax | 0.8 | 0.4 | -18.4 |
| Profit/loss for the period | -2.8 | -1.2 | 64.7 |

STATEMENT OF COMPREHENSIVE INCOME

| SEK m | 2017 | 2016 |
|-------------------------------------|------|------|
| Profit/loss for the period | -2.8 | -1.2 |
| Total other comprehensive income | - | - |
| Comprehensive income for the period | -2.8 | -1.2 |

CONDENSED BALANCE SHEET

| SEK m | Sep 30, 2017 | Sep 30, 2016 | Dec 31, 2016 |
|-------------------------------------|-----------------|--------------|-----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 0.1 | 0.2 | 0.2 |
| Shares in subsidiaries | 189.4 | 189.4 | 189.4 |
| Other financial assets | 20.8 | 3.3 | 3.0 |
| Deferred tax assets | 14.1 | 32.1 | 13.3 |
| Total non-current assets | 224.4 | 225.0 | 205.9 |
| Current assets | | | |
| Receivables from subsidiaries | 0.0 | 0.0 | 38.6 |
| Other current assets | 0.7 | 0.6 | 0.6 |
| Cash and cash equivalents | 5.3 | 3.7 | 3.5 |
| Total current assets | 6.0 | 4.3 | 42.7 |
| TOTAL ASSETS | 230.4 | 229.3 | 248.6 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 175.3 | 175.3 | 241.3 |
| Current liabilities | | | |
| Trade payables | 0.3 | 0.1 | 0.4 |
| Liabilities to subsidiaries | 52.3 | 48.4 | - |
| Other current liabilities | 2.5 | 5.5 | 6.9 |
| Total current liabilities | 55.1 | 54.0 | 7.3 |
| TOTAL EQUITY AND LIABILITIES | 230.4 | 229.3 | 248.6 |

Notes

1 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) 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, interpretations from the IFRS Interpretations Committee and amendments to RFR 2 effective as of January 1, 2017 have not had any material impact on the financial statements of the Group or the Parent Company.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are to be applied from January 1, 2018. The annual report for 2016 stated that IFRS 9 will not have any material impact on the Group's financial statements and presented an analysis and preliminary assessment of IFRS 15.

Management's assessment continues to be that IFRS 15 will not have any material impact on when and in what amount revenue will be recognized compared with how it is currently reported. The Group will apply IFRS 15 retroactively for 2017.

Information in accordance with IAS 34 Interim Financial Reporting is included in both the notes and in other parts of the interim report.

2 NET SALES

Net sales are distributed into the following revenue categories:

| SEK m | 9 months Jan-Sep | | 3 months Jul-Sep | | |
|-----------------------|------------------|-------|------------------|------|-------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| License-based revenue | 251.8 | 240.7 | 82.9 | 80.2 | 324.3 |
| Royalty-based revenue | 5.6 | 2.7 | 1.3 | 0.9 | 4.1 |
| Net sales | 257.4 | 243.4 | 84.2 | 81.1 | 328.4 |

As part of the agreement with Renesas Synergy, IAR Systems receives a guaranteed annual minimum remuneration. The royalty-based revenue recognized pertains to the guaranteed minimum remuneration for the period.

3 GOODWILL

Goodwill is tested annually or when a requirement for impairment is indicated. Goodwill is recognized at cost less accumulated impairment. The impairment test performed at year-end did not indicate any requirement for impairment. No indications for impairment arose during the period. Goodwill at September 30, 2017 amounted to SEK 113.0m (114.9). This decrease of SEK 1.9m for the period was a result of translation differences.

4 OTHER INTANGIBLE ASSETS

Operating expenses were reduced by SEK 9.6m (11.6) during the period through the capitalization of development costs for debug probes and analysis tools.

Of the internal expenses that were capitalized, SEK 7.6m (8.9) pertained to personnel costs.

5 DEFERRED TAX ASSETS

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 September 30, 2017, the Group had accumulated loss carryforwards of SEK 0m (63). The deferred tax asset is recognized in the balance sheet in an amount of SEK 2.4m (15.9), of which SEK 0.0m (13.9) pertains to loss carryforwards.

6 PLEDGED ASSETS

| SEK m | Sep 30, 2017 | Sep 30, 2016 | Dec 31, 2016 |
|--|-----------------|-----------------|-----------------|
| To secure pensions | 1.8 | 1.8 | 1.8 |
| To secure liabilities to credit institutions | 2.8 | 2.2 | 2.6 |
| Total pledged assets | 4.6 | 4.0 | 4.4 |

Definitions

Certain financial performance measures are presented in this interim report that are not defined in accordance with IFRS. The company believes that these performance measures provide valuable supplementary information to investors and the company's management since they facilitate evaluations of the company's earnings trend and financial position. These financial performance measures are not always comparable with the measures used by other companies since not all companies calculate financial performance measures in the same way. Accordingly, these financial performance measures must not be regarded as a replacement for the measures defined in accordance with IFRS. The tables below present performance measures that are not defined in accordance with IFRS, unless otherwise stated.

| Key ratios | Definition/Calculation | Use |
|--------------------------------------|--|--|
| Gross margin | Net sales less the cost of goods sold as a percentage of net sales. | Measures the company's profitability after cost of goods and is used to follow up cost-efficiency and the effect of changes to the product mix. |
| EBITDA | Earnings before interest, taxes, depreciation and amortization. | This measure basically shows the earnings-generating cash flow in operations. It provides an overview of the business's ability to generate, in absolute terms, resources for investments and payments to investors and is used as a comparison over time. |
| EBITDA margin | Earnings before interest, tax, depreciation and amortization (EBITDA) in relation to sales, expressed as a percentage. | Aims to show the profitability ratio for current operations. |
| Equity, Group | Recognized equity including 78.0% of untaxed reserves. Average equity is calculated as equity at the beginning of the year plus equity at the end of the year divided by two. | Measures the company's net value. |
| Equity per share | Equity divided by the number of shares at the end of the period. | Measures the company's net value per share. |
| Sales growth in local currency | Net sales in local currency compared to sales in local currency corresponding period last year. | Measures the company's sales growth in local currency and allows the assessment of growth without the influence of foreign exchange effects. |
| Cash flow | Cash flow from operating activities as a percentage of net sales. | Measures the company's cash generation in relation to net sales. |
| Net cash | Cash and cash equivalents less interest-bearing liabilities. | A measure of the ability to use available cash and cash equivalents to pay off all liabilities if they were due for payment on the date of the calculation and thereby a measure of the risk in relation to the company's capital structure. |
| Net interest-bearing liabilities | Interest-bearing liabilities less cash and cash equivalents. | A measure used to follow the liability trend and see the size of the need for refinancing. This measure is one component in calculating net cash and the net debt/equity ratio. |
| Net debt/equity ratio | Net interest-bearing liabilities divided by equity. | This measure reflects the relationship between the Group's two forms of financing. A measure to show the proportion of loan capital in relation to the capital invested by the owners and accordingly a measure of financial strength and also the gearing effect of loans. A higher net debt/equity ratio entails a higher financial risk and higher financial gearing. |
| Earnings per share* | Profit for the period after tax divided by the average number of shares during the period. | A measure of the company's profitability after tax per share. This key ratio is important in assessing the value of a share. |
| Earnings per share after current tax | Profit for the period after current tax divided by the average number of shares during the period. | The company has substantial loss carryforwards which have been gradually utilized in recent years. This measure shows the company's profitability after tax taking into consideration loss carryforwards utilized during the period. |
| Return on equity | Profit after tax as a percentage of average equity. | Return on equity shows the total accounting returns on capital invested by the owners and reflects the effects of both the profitability of operations and financial gearing. This measure is mainly used to analyze the profitability of owners over time. |
| Return on capital employed | Profit before tax plus financial expenses as a percentage of average capital employed. | Return on capital employed shows how well operations use the capital tied up in the business. This measure is mainly used to study the Group's profitability over time. |
| Interest-bearing liabilities | Borrowings in banks or the equivalent. | This measure is one component in calculating net cash and the net debt/equity ratio. |
| Operating margin | Operating profit as a percentage of net sales. | This measure reflects the operating profitability of the business. It is useful for following up profitability and efficiency in operations before taking into account capital tied up. This key ratio is used both internally in governance and follow-up of operations and to compare with other companies. |
| Operating profit | Profit before tax less financial income plus financial expenses. | Used to calculate the operating margin. |
| Equity/assets ratio | Equity as a percentage of total assets. | This key ratio shows the proportion of assets financed with equity and can be used as an indication of the company's long-term solvency. |
| Capital employed | Total assets less non-interest-bearing liabilities. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at the end of the year divided by two. | The capital made available to the company by shareholders and lenders. This shows the net capital invested in operating activities with the addition of financial assets. |
| Profit margin | Profit before tax as a percentage of net sales. | Profit margin shows the earnings capacity of the business from operating activities regardless of the tax situation in relation to the company's net sales and can be used to in a comparison with other companies in the same industry. |

- Definition in accordance with IFRS.

Reconciliations

EBITDA is calculated as follows

| | 9 months Jan-Sep | | 3 months Jul-Sep | | Full-year |
|---|------------------|-------------|------------------|-------------|--------------|
| SEK m | 2017 | 2016 | 2017 | 2016 | 2016 |
| Operating profit | 80.6 | 69.8 | 28.6 | 28.5 | 96.5 |
| Depreciation of property, plant and equipment | 1.8 | 1.9 | 0.6 | 0.7 | 2.5 |
| Amortization of intangible assets | 12.9 | 10.3 | 4.6 | 3.7 | 14.2 |
| EBITDA | 95.3 | 82.0 | 33.8 | 32.9 | 113.2 |

Earnings per share after current tax are calculated as profit for the period after current tax divided by the average number of shares during the period.

| | 9 months Jan-Sep | | 3 months Jul-Sep | | Full-year |
|--|------------------|-------------|------------------|-------------|-------------|
| SEK m | 2017 | 2016 | 2017 | 2016 | 2016 |
| Tax | 19.0 | 15.8 | 7.9 | 6.7 | 22.1 |
| Deferred tax | -14.1 | -14.0 | -4.6 | -5.7 | -19.2 |
| Current tax | 4.9 | 1.8 | 3.3 | 1.0 | 2.9 |
| Profit before tax | 79.3 | 69.7 | 28.2 | 28.5 | 96.1 |
| Current tax | -4.9 | -1.8 | -3.3 | -1.0 | -2.9 |
| Profit after current tax | 74.4 | 67.9 | 24.9 | 27.5 | 93.2 |
| Average no. of shares, million | 12.63 | 12.63 | 12.63 | 12.63 | 12.63 |
| Earnings per share after current tax, SEK | 5.89 | 5.38 | 1.97 | 2.18 | 7.38 |

Return on capital employed is calculated as profit before tax plus financial expenses as a percentage of average capital employed.

| SEK m | Sep 30, 2017 | Sep 30, 2016 | Jun 30, 2017 | Jun 30, 2016 | Dec 31, 2016 | Dec 31, 2015 |
|---|------------------|--------------|------------------|--------------|--------------|--------------|
| Total assets | 390.4 | 372.6 | 380.9 | 353.1 | 398.2 | 398.7 |
| Non-interest-bearing liabilities | -115.3 | -112.3 | -124.5 | -115.3 | -116.0 | -106.0 |
| Capital employed | 275.1 | 260.3 | 256.4 | 237.8 | 282.2 | 292.7 |
| | 9 months Jan-Sep | | 3 months Jul-Sep | | Full-year | |
| | 2017 | 2016 | 2017 | 2016 | 2016 | |
| Profit before tax | 79.3 | 69.7 | 28.2 | 28.5 | 96.1 | |
| Financial expenses | 1.3 | 0.1 | 0.4 | 0.0 | 0.4 | |
| Profit before tax plus financial expenses | 80.6 | 69.8 | 28.6 | 28.5 | 96.5 | |
| Return on capital employed, % | 28.9 | 25.2 | 10.8 | 11.5 | 33.6 | |



Investment case

IAR Systems is the world's leading provider of software for programming of processors in embedded systems. The software is used by many of the world's largest corporations as well as thousands of small and medium-sized companies, mainly within industrial automation, medical technology, telecommunication, consumer electronics and the automotive industry. The superior technology and service offered by IAR Systems enables customers to create the products of today and the innovations of tomorrow.

A PROFITABLE GROWTH COMPANY

IAR Systems is in a unique market position thanks to its leading technology. The company was founded more than 30 years ago, and since then has continually evolved and refined its products in order to meet customer demand. Our headquarters are located in Uppsala, Sweden, but due to the company's international reach, over 95% of sales are attributable to markets outside the Nordic region. Most product development takes place in Uppsala, but also to a certain extent in the USA. In addition, there are sales and support offices in Sweden, Germany, France, Japan, China, Korea and the USA. IAR Systems is represented in an additional 43 countries around the world through its distributors.

The company has a license-based sales model in which IAR Systems sells a license to a user who is then authorized to use IAR Embedded Workbench. The model is flexible and can be adapted depending on the number of users the customer needs. This model creates closer relationships with the customers at the same time that it generates a consistent revenue stream. In addition, the company focuses on markets which it deems to have significant potential, for example, the automotive industry and the Internet of Things.

As part of IAR Systems' investment in the Internet of Things, the company has signed an exclusive royalty agreement with Renesas for the Renesas Synergy Platform, providing a comprehensive solution for innovative product development. The agreement with Renesas means that IAR Systems is complementing its current license-based business model with a royalty-based model. The new agreement with Renesas will provide revenue from royalties for each microprocessor used in the products the customer eventually manufactures. For a customer in the new model, IAR Systems will receive revenue throughout the entire period in which the customer's products are produced, which could last many years.

SUPERIOR TECHNOLOGY

In an increasingly digitized world, the software that IAR Systems offers is a key enabler for the development of smart products. Today, digital products are found in every industry – from consumer electronics, medical technology and healthcare to manufacturing and the automotive industry. All smart products have an embedded system controlled by one or more processors. The developer requires software to program instructions into the processor that then controls the smart product. IAR Systems' IAR Embedded Workbench helps developers program these processors so that they fulfill their function in the embedded system. This complete software helps facilitate, streamline and quality-assure customers' product development.

IAR Embedded Workbench is available in a number of different versions in order to match different types of processors. It is continually updated with improved functionality and support for new processors in order to meet the needs of customers and the market. IAR Embedded Workbench supports over 11,000 processors for embedded systems with 8- 16- and 32-bit architecture, 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 customers, since they



can maintain their development environment even when they intend to change processors for reasons such as a new project, and can also reuse 70-80% of previously developed code. This produces valuable savings in terms of both time and money. IAR Systems' product portfolio is continually being refined, and in recent years the company has expanded its portfolio by offering add-on products that facilitate customers' day-to-day work. Aside from driving lucrative additional sales, a broader product portfolio enables IAR Systems to further strengthen its competitiveness. IAR Systems is able to offer all customers who purchase software a comprehensive support contract that gives them access to technical support and continuous product updates. IAR Systems' support department is well-known and much appreciated for its extensive experience and impressive expertise which provide added value for customers.

DEDICATED TEAM WITH AN EMPHASIS ON SERVICE

IAR Systems' global organization and its enduring passion for product development and technology attract skilled and talented people to the company in all of the countries in which it operates. Our employees' diverse cultural backgrounds, unique perspectives and local knowledge are important contributing factors to IAR Systems' strong presence worldwide, and enable the company to meet customers in their own market. By sharing knowledge and experience among highly qualified and motivated employees, IAR Systems creates the most competitive solutions.

INTERNET OF THINGS DRIVES GROWTH

The market is now facing continued growth driven by the Internet of Things as more and more people realize the potential contained in this area. Connected products and services have grown enormously in recently years, and it is estimated that there will be more than 50 billion connected products by 2020. Almost all industries have devices and products that could be developed further through improved communication and connectivity. There are therefore many opportunities linked to the Internet of Things in almost every area, from the automotive industry, health and medical care, and logistics to smart cities and industrial automation.

IAR Systems helps to make the Internet of Things possible, enabling innovation in this field by linking products with technologies, and has already demonstrated the strength of its business model. Thanks to its technology and strong market position, IAR Systems is well equipped to meet customers' needs for stable and complete solutions for efficient product development linked to the Internet of Things. The cooperation with Renesas for the Renesas Synergy Platform is part of IAR Systems' investment in the Internet of Things.