

IAR SYSTEMS GROUP AB
INTERIM JANUARY-MARCH 2018

Q1

IAR SYSTEMS ACQUIRES SECURE THINGZ AND CONDUCTS PRIVATE PLACEMENT

NET SALES FOR THE PERIOD OF SEK 89 AND EBITDA OF SEK 35
OPERATING MARGIN OF 33% AND CASH FLOW OF SEK 19M

PROFIT SUMMARY

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Net sales	88.9	86.4	345.0
Operating expenses	-59.4	-60.2	-237.6
Operating profit	29.5	26.2	107.4

KEY RATIOS

	3 months Jan-Mar		FY
	2018	2017	2017
EBITDA margin, %	39.0	35.4	36.9
Operating margin, %	33.2	30.3	31.1
Net cash, SEK m	112.2	118.0	117.0
No. of employees at end of period	161	164	163

JANUARY-MARCH 2018

- › Net sales of SEK 88.9m (86.4)
- › EBITDA of SEK 34.7m (30.6), corresponding to an EBITDA margin of 39.0% (35.4)
- › Operating profit of SEK 29.5m (26.2), corresponding to an operating margin of 33.2% (30.3)
- › Profit before tax of SEK 29.1m (25.4)
- › Basic earnings per share of SEK 1.81 (1.49) and diluted earnings per share of SEK 1.81 (1.49)
- › Earnings per share of SEK 1.79 (1.94) after current tax
- › Cash flow from operating activities of SEK 19.1m (26.5)
- › Net cash of SEK 112.2m (118.0) at the end of the period

KEY EVENTS DURING THE PERIOD

- › IAR Systems signed an agreement to acquire Secure Thingz.
- › The Board of Directors decided to implement a private placement of 812,000 new class B shares, generating a gain for the company of SEK 178.6m before issue expenses.

KEY EVENTS AFTER THE END OF THE PERIOD

- › The acquisition of Secure Thingz was completed, and the Board resolved on a non-cash issue of 164,584 class B shares to the shareholders in Secure Thingz, who will pay for the shares through a contribution in kind in the form of shares in Secure Thingz Inc. Refer to page 6 for more information.

OFF TO A FLYING START WITH PRODUCT LAUNCHES AND ACQUISITIONS

We started the year at fast pace, with new product launches and the acquisition of Secure Thingz. Over the past few years, we have seen an increased need for security in our customers' development of digital products. It was for this reason we decided early last year to become a joint owner of Secure Thingz, a leading supplier of security solutions for embedded systems.

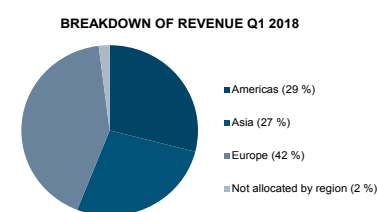
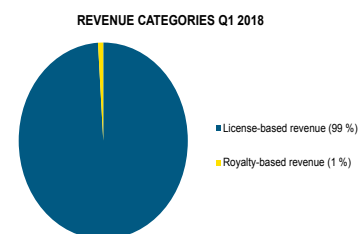
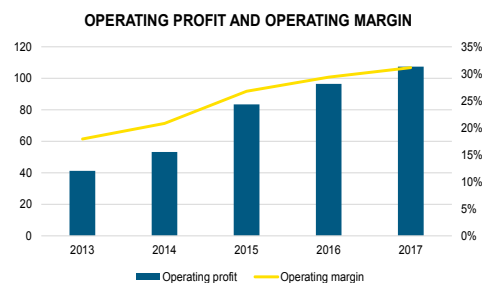
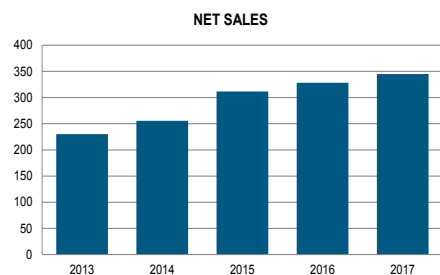
At the moment, our customers are mainly looking for solutions to protect their software against theft and various forms of unauthorized access or to prevent overproduction of their finished products. The best solution for protecting software is to encrypt the code so that it becomes extremely difficult to steal or copy. Another growing problem our customers are facing is overproduction of finished products. Selling and marketing products that are actually cheap copies has unfortunately become an increasingly common problem and one that affects a large market, with electronics accounting for the majority of stolen

designs and functions. This not only results in a loss of sales for our customers, but also creates a challenge when it comes to protecting innovations and brands. While companies can solve the problem of overproduction using encrypted software, this does not provide full protection against copying and theft.

We have launched a product that solves both of these challenges: Embedded Trust. We are also the only tool supplier in the world to have integrated these solutions into our market-leading product IAR Embedded Workbench. Our goal is to make it easy to create secure solutions to protect innovations, brands and sales revenue at an early stage of the development process. Embedded Trust was launched in February at the world's largest trade fair for embedded systems: Embedded World. The reception was very positive and made it clear that our decision to acquire the remainder of Secure Thingz was the right path to take. Once the operations are fully integrated, we plan to launch several products during the year to meet the current

and future need for security solutions in embedded systems.

Despite the energy and focus we devoted to the launch of Embedded Trust and the acquisition of Secure Thingz, we still managed to start the year with increased sales. We also expanded our market share in the automotive industry, most notably in Europe. Growth in Asia was mainly attributable to a recovery in Korea, which has faced major challenges for several years. Japan and China also displayed a positive trend, once again impacted positively by the automotive industry. The organizational change in the Americas initiated towards the end of the preceding year resulted in short-term volatility in terms of the sales trend. Our success in Europe, with growth of more than 30% in the first quarter, is the result of a focus on large, strategic customers initiated in 2017. This focus was also introduced in the Americas, but later in the process compared with Europe. During the year, we also recruited Renesas Electronics Americas' former CEO and industry expert Ali Sebt, who is one of the most experienced people in the industry when it comes to security solutions for embedded systems.



As Ali started his work related to new and existing business areas, we also restructured our central and strategic functions in order to implement our more ambitions at a faster rate.

I have spoken about our large, loyal customer base for many years. This loyalty has been earned thanks to the superior quality and performance of our products and our industry-leading global service organization. This is a technique we have endeavored to utilize to a even greater degree in relationships we deem to be strategic or important for the future. We should feel extremely proud to have started the year by launching new products for a brand-new market with the same customers, acquiring a company that views us as a partner with which it can build its future and being an attractive employer in a red-hot industry. In financial terms, we remain strong, having once again posted our best sales and profit to date.

With words such as “best financial result to date” and “long-term approach,” it may seem that I am repeating myself, but I am driven by a sense of conviction. Conviction that we growing, changing the industry and serving as an active partner. This gives me the energy to repeat in earnest the opportunities open to us, opportunities that over the past year have enabled us to take the first step on a path that over time will take us on a journey – a journey made up of steady steps down a road leading us to a larger and stronger IAR Systems.




NET SALES

(increase/decrease compared with corresponding quarter in the preceding year)



OPERATING PROFIT

(increase/decrease compared with corresponding quarter in the preceding year)



Financial information

SALES AND NET SALES

The company reported growth in terms of both sales and net sales. The different between these growth figures is that some sales (maintenance and support agreements) are allocated over the term of the contract.

In a year-on-year comparison, total sales growth in local currency was 6%. This 6% sales growth for the quarter resulted in an increase in net sales of 3% after the accrual of prepaid maintenance and support agreements (-1%) and negative foreign exchange effects (-2%). Refer to the table below.

	Sales growth in local currency					Foreign ex-		Growth in net sales	Share of net sales
	Q1	Q2	Q3	Q4	2018	Prepaid revenue	change effect		
Americas	-20%	n/a	n/a	n/a	-20%	8%	-8%	-20%	29%
Europe	32%	n/a	n/a	n/a	32%	-7%	6%	31%	42%
Asia	19%	n/a	n/a	n/a	19%	-5%	-4%	10%	27%
Not allocated	-56%	n/a	n/a	n/a	-56%	-	-	-56%	2%
Total	6%	n/a	n/a	n/a	6%	-1%	-2%	3%	100%

Sales

Despite the energy and focus we devoted to the launch of our new product Embedded Trust and the acquisition of Secure Thingz, we managed to start the year with increased sales. We also expanded our market share in the automotive industry, most notably in Europe. Growth in Asia was mainly attributable to a recovery in Korea, which has faced major challenges for several years. Japan and China also displayed a positive trend, once again impacted positively by the automotive industry. The organizational change in the Americas initiated towards the end of the preceding year resulted in short-term volatility in terms of the sales trend. Our success in Europe, with growth of more than 30% in the first quarter, is the result of a focus on large, strategic customers initiated in 2017. This focus was also introduced in the Americas, but later in the process compared with Europe.

Net sales

Net sales for the period rose 3% compared with the corresponding period in the preceding year and amounted to SEK 88.9m (86.4).

Royalty-based revenue of SEK 1.3m (2.9) from the agreement with Renesas Electronics Corporation was reported during the period. This royalty-based revenue pertained to the guaranteed minimum remuneration for the period. Revenue in the year-earlier period included revenue of a non-recurring nature.

In a year-on-year comparison, currency translation had a negative impact of SEK 1.8m on net sales for the period.

EARNINGS

The company continued to deliver earnings and profitability improvements in the first quarter of 2018. EBITDA for the period totaled SEK 34.7m (30.6), corresponding to an EBITDA margin of 39.0% (35.4) for the period. Operating profit for the period increased 13% to SEK 29.5m (26.2).

Operating expenses were cut by SEK 4.3m (4.0) during the period through the capitalization of development costs for software and debug probes. Of the internal expenses that were capitalized, SEK 3.5m (3.1) pertained to personnel costs.

In a year-on-year comparison, currency translation had a negative impact of SEK 0.2m on operating profit for the period.

Financial expenses for the period mainly comprised credit expenses for the increased credit margin of SEK 200m.

All tax loss carryforwards have now been utilized, which means that the Group's earnings and cash flow have been charged with current tax.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the period totaled SEK 0.4m (0.4).

Investments in intangible assets for the period amounted to SEK 4.7 (4.0). Most of these investments, SEK 4.3m (4.0), pertain to the capitalization of development costs for software and debug probes.

The company also utilized an option to acquire an additional 10% of the shares in Secure Thingz. This investment amounted to SEK 20.6m. At the end of the period, the holding in Secure Thingz corresponded to just over 20% of the total number

of shares in the company and was classified as other non-current securities. The holding has been recognized at fair value, with changes in value recognized in other comprehensive income. After the end of the period, IAR Systems acquired all of the remaining shares in Secure Thingz. Refer to section "Key events after the end of the period" below.

The equity/assets ratio at March 31, 2018 was 80% [72].

CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the period amounted to SEK 19.1m [26.5]. Cash flow for the period was charged with tax payments in the form of an extra tax payment of SEK 10m for the 2017 tax year as well as higher preliminary tax payments for the 2018 tax year. This was the result of the company's loss carryforwards being fully utilized in the preceding year.

Cash flow from investing activities for the period totaled SEK -25.7 [-5.2]. During the period, the company completed its SEK 20.6m investment in an additional 10% equity stake in Secure Thingz, which was announced in the fourth quarter. In addition to this investment, the company mainly invested in intangible assets.

Cash flow from financing activities for the period totaled SEK -0.0m [-0.0]. In addition, IAR Systems is carrying out a private placement of new shares that will generate a gain for the company of SEK 178.6m in April 2018.

As of March 31, 2018, the Group had net cash of SEK 112.2m [118.0]. Cash and cash equivalents at the end of the period totaled SEK 114.5m [120.5]. 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 339.5m [145.5].

EMPLOYEES

The number of employees in IAR Systems at the end of the period was 161 [164]. The average number of employees during the period was 152 [156].

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 3.0m [3.0]. The Parent Company posted a loss after financial items of SEK -1.3m [-1.7]. Net investments in property, plant and equipment amounted to SEK 0.0m [0.0].

Cash and cash equivalents at March 31, 2018 totaled SEK 1.2m [17.0]. The number of employees in the Parent Company at the end of the period was four (four).

2018 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of IAR Systems Group will be held on April 25, 2018, at Spårvagnshallarna, Birger Jarlsgatan 57 A, in Stockholm. As of the end of March 2018, the

annual report for IAR Systems Group is available 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 2017, a 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.

PROPOSED DIVIDEND

The Board intends to propose an ordinary dividend of SEK 5.00 for approval by the Annual General Meeting on April 25, 2018 Including the ongoing issue of 812,000 new class B shares, the motion entails a total dividend of SEK 67.2m.

KEY EVENTS AFTER THE END OF THE PERIOD

Acquisition of Secure Thingz and new share issue

The transaction

On April 11, 2018, IAR Systems completed the acquisition of Secure Thingz, which was announced on March 21, 2018. IAR Systems previously owned approximately 20% of the shares in Secure Thingz, and the consideration for the remaining 80% amounted to approximately SEK 220m, comprising a cash consideration of about USD 21.5m and 164,584 class B shares in IAR Systems Group AB.

With the support of the Annual General Meeting's authorization on April 26, 2017, the Board of Directors issued 164,584 new class B shares. The new shares will be subscribed for by shareholders of Secure Thingz and issued against a contribution in kind, in the form of shares in Secure Thingz Inc.

In addition to the cash consideration and contribution in kind of 164,584 class B shares as described above, an existing warrants program for employees of Secure Thingz will be replaced with warrants in IAR Systems. This change to the warrants program is contingent on the approval of the shareholders of IAR Systems. The warrants are valued at approximately SEK 18m based on the current price of the IAR Systems share and the USD/SEK exchange rate. The company intends to convene an Extraordinary General Meeting presently to decide on this matter.

IAR Systems Group financed the acquisition through a private placement of 812,000 new class B shares, which generated a gain for the company of SEK 178.6m before issue expenses. The issue proceeds have been recognized in the interim as a current receivable and share capital under registration.

The new share issue will dilute the share capital by approximately 7% as a result of an increase in the number of shares outstanding to 13,608,845 (comprising 100,000 class A shares and 13,508,845 class B shares).

The allocation of surplus values from the acquisition has not yet been finalized. The surplus values arising in connection with the acquisition are attributable to the fact that the cost includes a control premium. The transferred consideration also included amounts attributable to the benefits generated by anticipated synergies, an increase in revenue, the development of future markets and the total number of employees in the company.

These benefits have not been recognized separately from goodwill since they do not meet the criteria for the recognition of identifiable intangible assets. No portion of the potential goodwill arising in connection with the acquisition is expected to be tax deductible.

IAR Systems' previous holding of approximately 20% of the shares in Secure Thingz has been recognized in the interim report at fair value, meaning that a change in the value of the holding increased comprehensive income for the period by SEK 17.9m. Following the recognition of this change in value, the carrying amount of the holding totaled SEK 56.3m on March 31, 2018.

Secure Thingz

Secure Thingz was founded in 2016 by a group of people with extensive experience of Arm, a multinational company that licenses a standard design for processors. The company has its head office in Cambridge in the UK and another office in San José, California in the USA. Secure Thingz develops and sells products and services for the implementation of embedded data security in connected devices. The company supplies security solutions for Renesas Synergy Platform through its Secure Deploy platform offering, which was developed to solve the major security challenges related to the Internet of Things (IoT).

Secure Thingz is currently in the early stages of its development and has thus far reported limited historic sales. The company generated sales of USD 0.5m in 2017 and posted an operating loss of USD -1.8m.

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 2017 under "Administration report" on pages 44-45 and in Note 2 on pages 60-62. The acquisition of Secure Thingz is not expected to noticeably change the company's significant risks and uncertainties.

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.

FINANCIAL CALENDAR 2018

2018 Annual General Meeting, April 25, 2018

Interim report Jan-Jun 2018, August 15, 2018

Interim report Jan-Sep 2018, November 9, 2018

REVIEW

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

Income statement

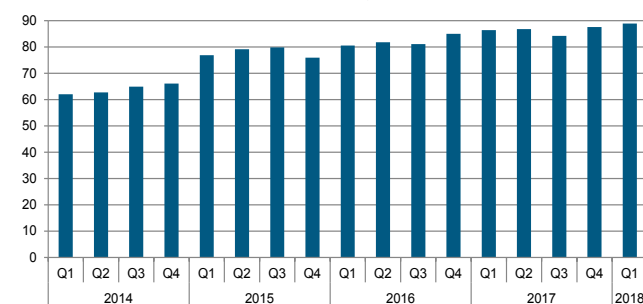
CONDENSED CONSOLIDATED INCOME STATEMENT

SEK m	Note	3 months Jan-Mar		FY
		2018	2017	2017
Net sales	1.2	88.9	86.4	345.0
Goods for resale		-2.8	-2.4	-8.5
Other external expenses		-12.3	-12.3	-49.2
Personnel costs		-39.1	-41.1	-160.1
Depreciation of property, plant and equipment		-0.5	-0.6	-2.4
Amortization of intangible assets		-4.7	-3.8	-17.4
Operating profit		29.5	26.2	107.4
Financial income		0.0	0.0	0.0
Financial expenses		-0.4	-0.8	-1.7
Profit before tax		29.1	25.4	105.7
Tax		-6.3	-6.6	-25.7
Profit for the period		22.8	18.8	80.0
Earnings per share for the period, basic, SEK		1.81	1.49	6.33
Earnings per share for the period, diluted, SEK		1.81	1.49	6.33

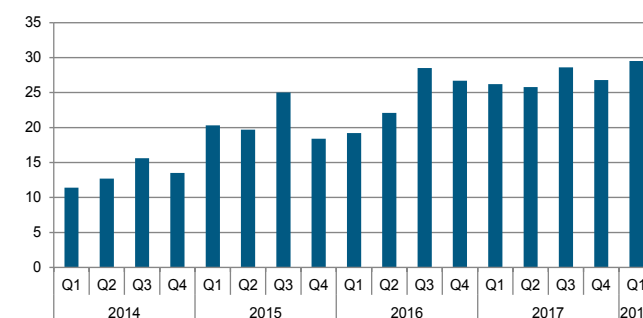
STATEMENT OF COMPREHENSIVE INCOME

SEK m	3 months Jan-Mar		FY
	2018	2017	2017
Profit for the period	22.8	18.8	80.0
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss			
Exchange differences	1.4	-0.4	-3.0
Change in value of non-current securities	17.9	-	-2.9
Total other comprehensive income	19.3	-0.4	-5.9
Comprehensive income for the period	42.1	18.4	74.1
Comprehensive income for the period attributable to owners of the Parent Company	42.1	18.4	74.1

NET SALES, SEK m



OPERATING PROFIT, SEK m



Balance sheet

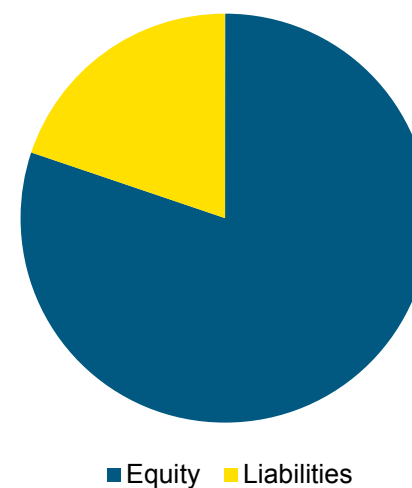
CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Note	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
ASSETS				
Non-current assets				
Goodwill	3	113.5	114.6	113.5
Other intangible assets	4	81.6	82.1	80.9
Property, plant and equipment		5.9	5.9	6.2
Financial assets		58.0	4.7	19.5
Deferred tax assets	5	2.8	10.5	2.7
Total non-current assets		261.8	217.8	222.8
Current assets				
Inventories		4.6	5.7	5.2
Other current assets		198.2	20.2	11.8
Trade receivables		54.1	50.9	50.8
Cash and cash equivalents		114.5	120.5	119.5
Total current assets		371.4	197.3	187.3
TOTAL ASSETS		633.2	415.1	410.1
EQUITY AND LIABILITIES				
Total equity		507.6	297.9	290.4
Non-current liabilities				
Interest-bearing liabilities		1.4	1.5	1.7
Other non-current liabilities		1.8	1.6	1.7
Deferred tax liabilities		13.9	15.0	14.0
Total non-current liabilities		17.1	18.1	17.4
Current liabilities				
Trade payables		7.7	4.7	5.7
Interest-bearing liabilities		0.9	1.0	0.8
Other current liabilities		99.9	93.4	95.8
Total current liabilities		108.5	99.1	102.3
TOTAL EQUITY AND LIABILITIES		633.2	415.1	410.1

CHANGES IN EQUITY, GROUP

SEK m	3 months Jan-Mar 2018	2017	FY 2017
Equity at beginning of period	290.4	279.5	279.5
New share issue	175.1	-	-
Dividend	-	-	-63.2
Comprehensive income for the period	42.1	18.4	74.1
Equity at end of period	507.6	297.9	290.4
of which, attributable to owners of the Parent	507.6	297.9	290.4

EQUITY/ASSETS RATIO Q1 2018



Cash flows

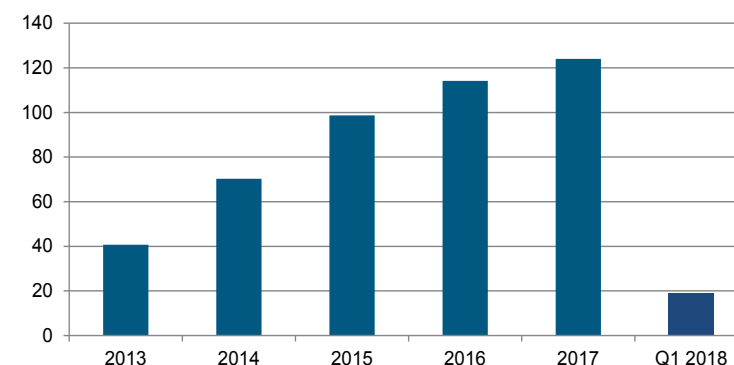
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	3 months Jan-Mar		FY
	2018	2017	2017
Incoming payments from customers	85.7	84.4	342.8
Outgoing payments to suppliers and employees	-54.0	-57.2	-214.6
Interest received	0.0	0.0	0.0
Interest paid	-0.5	-0.0	-0.9
Income taxes paid	-12.1	-0.7	-3.4
Cash flow from operating activities	19.1	26.5	123.9
Investments in property, plant and equipment	-0.4	-0.4	-2.5
Investments in intangible assets	-4.7	-4.0	-16.5
Investments in other investments	-20.6	-0.8	-18.6
Cash flow from investing activities	-25.7	-5.2	-37.6
Amortization of financial liabilities	-0.0	-0.0	-0.0
Dividend	-	-	-63.2
Cash flow from financing activities	-0.0	-0.0	-63.2
Cash flow for the period	-6.6	21.3	23.1
Cash and cash equivalents at beginning of period	119.5	99.2	99.2
Exchange difference in cash and cash equivalents			
- attributable to cash and cash equivalents at beginning of period	1.4	-0.0	-2.4
- attributable to cash flow for the period	0.2	0.0	-0.4
Cash and cash equivalents at end of period	114.5	120.5	119.5

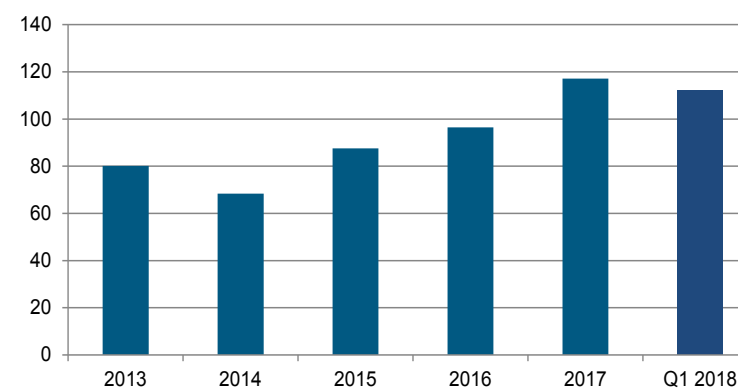
CASH AND CASH EQUIVALENTS, GROUP

SEK m	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Cash and cash equivalents at end of period	114.5	120.5	119.5
Unutilized overdraft facilities	225.0	25.0	225.0
Total available cash and cash equivalents	339.5	145.5	344.5

CASH FLOW FROM OPERATING ACTIVITIES, SEK m



NET CASH, SEK m



Key ratios

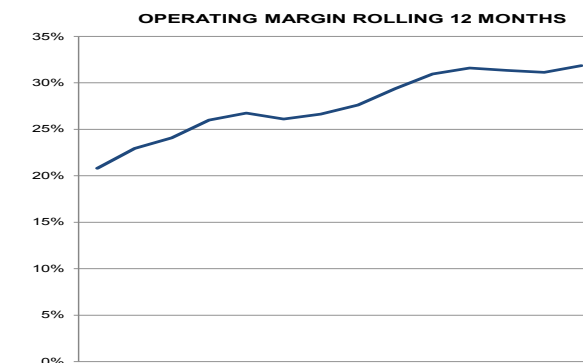
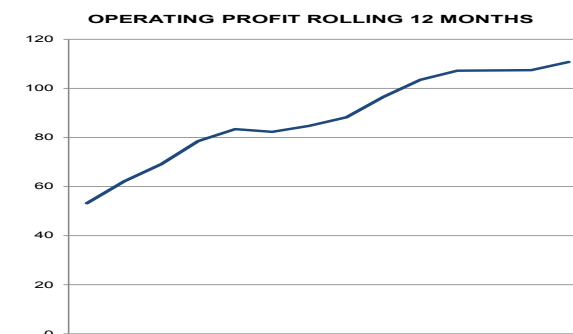
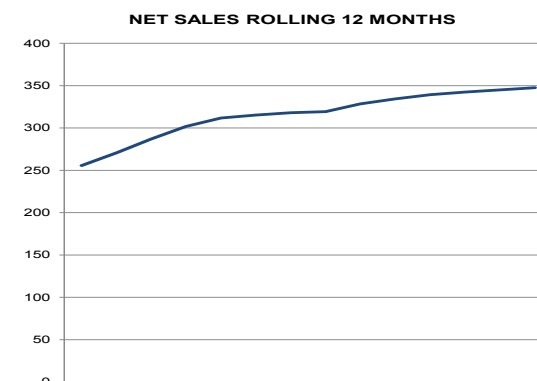
GROUP

	3 months Jan-Mar		FY
	2018	2017	2017
Gross margin, %	96.9	97.2	97.5
EBITDA, %	39.0	35.4	36.9
Operating margin, %	33.2	30.3	31.1
Profit margin, %	32.7	29.4	30.6
Cash flow, %	21.5	30.7	35.9
Equity/assets ratio, %	80.2	71.8	70.8
Return on equity, %	5.7	6.5	28.1
Return on capital employed, %	7.4	9.0	37.4
Capital employed, SEK m	509.9	300.4	292.9
Net cash, SEK m	112.2	118.0	117.0
Net debt/equity ratio, multiple	-0.2	-0.4	-0.4
No. of employees at end of period	161	164	163
Average no. of employees	152	156	153
Sales per employee, SEK m	0.6	0.6	2.2

SHARE DATA

	Full-year		FY
	2018	2017	2017
Equity per share, SEK	37.76	23.58	22.99
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
Average number of shares, diluted, million	12.63	12.63	12.63
Cash flow from operating activities per share, SEK	1.51	2.10	9.81
Earnings per share, basic, after current tax, SEK	1.79	1.94	7.32
Earnings per share, SEK*	1.81	1.49	6.33
Earnings per share, diluted, SEK	1.81	1.49	6.33

*Definition in accordance with IFRS. Refer also to definitions on page 16.



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
2018	Q1	88.9	34.7	39.0	29.5	33.2	1.81	5.7	1.51	37.76	230.00	2,905
2017	Q4	87.6	31.9	36.4	26.8	30.6	1.56	7.0	2.64	22.99	189.00	2,387
	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
	Q1	80.5	23.1	28.7	19.2	23.9	1.20	5.1	1.74	24.20	172.50	2,179
2015	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
	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
2014	Q4	66.1	16.3	24.7	13.5	20.4	0.84	3.8	1.27	22.85	74.75	944
	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
2013	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
	Q1	57.7	10.4	18.0	8.1	14.0	0.53	2.3	0.17	22.87	36.07	407
2012	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
	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
2011	Q4	57.5	9.4	16.3	7.7	13.4	0.96	4.5	1.20	21.82	22.66	248
	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
2010	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
2017		345.0	127.2	36.9	107.4	31.1	6.33	28.1	9.81	22.99	189.00	2,387
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

Parent Company

CONDENSED INCOME STATEMENT

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Net sales	3.0	3.0	12.2
Operating expenses	-3.9	-3.9	-16.9
Depreciation of property, plant and equipment	-0.0	-0.0	-0.1
Operating loss	-0.9	-0.9	-4.8
Result from financial investments	-0.4	-0.8	104.3
Profit/loss before tax	-1.3	-1.7	99.5
Tax	0.3	0.4	-22.1

STATEMENT OF COMPREHENSIVE INCOME

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Profit/loss for the period	-1.0	-1.3	77.4
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss			
Change in value of non-current securities	17.9	-	-2.9
Total other comprehensive income	17.9	-	-2.9
Comprehensive income for the period	16.9	-1.3	74.5

CONDENSED BALANCE SHEET

SEK m	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
ASSETS			
Subscribed capital unpaid	175.1	-	-
Non-current assets			
Property, plant and equipment	0.1	0.2	0.1
Shares in subsidiaries	189.4	189.4	189.4
Other financial assets	56.4	3.0	17.9
Deferred tax assets	0.3	13.7	-
Total non-current assets	246.2	206.3	207.4
Current assets			
Receivables from subsidiaries	22.6	18.6	53.3
Other current assets	8.8	0.8	1.2
Cash and cash equivalents	1.2	17.0	5.0
Total current assets	32.6	36.4	59.5
TOTAL ASSETS	453.9	242.7	266.9
EQUITY AND LIABILITIES			
Total equity	444.8	240.0	252.6
Current liabilities			
Trade payables	0.2	0.3	0.7
Other current liabilities	8.9	2.4	13.6
Total current liabilities	9.1	2.7	14.3

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 with the additions specified below.

The Group applies the following new or amended IFRS from the IFRS Interpretations Committee as of January 1, 2018:

IFRS 9 Financial Instruments, which has replaced IAS 39 Financial Instruments: IFRS 9 contains new principles for hedge accounting and the classification and measurement of financial assets. IAR has chosen to not apply the method of restating the 2017 comparison year. IAR has changed its classification of financial assets and created a new model for calculating credit reserves for trade receivables and earned but not invoiced amounts. IAR does not apply hedge accounting. The classification of financial liabilities is unchanged compared with IAS 39, and IFRS 9 has not had any impact on the amounts recognized in previous reports in accordance with IAS 39.

The change in classification entails that financial assets are classified as an asset measured at fair value through profit or loss, as an asset measured at fair value through comprehensive income or as an asset measured at amortized cost. The measurement category to which a financial asset belongs depends partly on the company's business model (purpose for the holding of the financial asset) and partly on the financial asset's contractual cash flows. Disclosures

regarding the Group's previous measurement categories in accordance with IAS 39 and new measurement categories in accordance with IFRS 39 are presented in the table below.

IAS 39 recognized at Dec 31, 2017			Restated due to IFRS 9	IFRS 9 restated at Jan 1, 2018	
Category	Available-for-sale assets	Loans and receivables		Other	Hold to collect
Measurement	Fair value through other comprehen- sive income	Amortized cost		Fair value through other comprehen- sive income	Amortized cost
ASSETS					
Other non-current receivables		1.7			1.7
Other non-current securities	17.8			17.8	
Trade receivables		50.8			50.8
Accrued income		11.8			11.8
Cash and cash equivalents		119.5			119.5

The new model for calculating credit reserves for trade receivables, contractual assets and lease receivables is based on expected losses rather than losses that have occurred. IAR uses the simplified approach for trade receivables, meaning that the reserve will correspond to the expected loss for the entire useful life. The expected credit losses for these financial assets are calculated using a provision matrix based on previous events, current conditions and forecasts of future financial conditions and the time value of money, where applicable.

The Group's holding of equity instruments (NorNor Holding and Secure Thingz) are strategic investments and have no contractual cash flows. IAR has chosen to measure its equity instruments at fair value through other comprehensive income since this best reflects the Group's strategy for the holdings. IFRS 9 has not had any impact on the amounts recognized in accordance with IAS 39.

Notes, cont.

IFRS 15 Revenue from Contracts with Customers has replaced IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 introduces a model for revenue recognition (five-step model) that is based on the time at which the control of goods or services is transferred to the customer. Information about the new accounting policies related to IFRS 15 has been provided in the most recent annual report. The transition to IFRS 15 has not had any material impact on the consolidated income statement or balance sheet, but has resulted in expanded disclosures in the consolidated financial statements.

Other new or revised IFRS, interpretations from the IFRS Interpretations Committee and amendments to RFR 2 effective as of January 1, 2018 have not had any material impact on the financial statements of the Group or the Parent Company.

New and changed standards and interpretations that are not yet effective

IFRS 16 *Leases* will replace IAS 17 *Leases* and is to be applied as of January 1, 2019. For the lessee, IFRS 16 essentially entails that all leases are to be recognized in the statement of financial position. Consequently, operating and finance leases will no longer be classified. The underlying asset in the lease is recognized in the statement of financial position. In subsequent periods, usufruct is recognized at cost less depreciation and any impairment losses and adjusted for any remeasurement of the lease liability. Lease liabilities are recognized in the statement of financial position and recognized continuously at amortized cost less transacted lease payments. Leasing liabilities are remeasured when changes are made to, for example, the lease term, residual value guaranties or lease payments.

Current operating expenses attributable to operating leases will be replaced with depreciation and interest expenses, which will impact the income statement. Short-term leasing contracts (12 months or shorter) and leases where the underlying asset amounts to a minor value do not need to be recognized in the balance sheet. These will be recognized in operating profit in the same manner as current operating leases. The new standard contains more extensive disclosure requirements compared with the current standard. For lessors, IFRS 16 entails no actual differences compared with IAS 17.

Management has not yet carried out a detailed analysis of the effects of the application of IFRS 16. 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 as follows:

SEK m	3 months Jan-Mar		FY
	2018	2017	2017
License-based revenue	56.8	53.6	217.3
Support and software updates	27.1	26.5	108.6
Royalty-based revenue	1.3	2.9	6.8
Other	3.7	3.4	12.3
Net sales	88.9	86.4	345.0

SEK m	3 months Jan-Mar		FY
	2018	2017	2017
At a certain point in time	60.5	57.0	229.6
Over time	28.4	29.4	115.4
Net sales	88.9	86.4	345.0
Americas	25.6	32.0	129.4
Asia	24.6	22.4	83.4
Europe	37.1	28.4	123.4
Not allocated by region	1.6	3.6	8.8
Net sales	88.9	86.4	345.0

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 year. Goodwill at March 31, 2018 amounted to SEK 113.5m (113.5).

4. OTHER INTANGIBLE ASSETS

Operating expenses were reduced by SEK 4.7m (4.0) during the period through the capitalization of development costs for debug probes and analysis tools. Of the internal expenses that were capitalized, SEK 4.3m (3.1) 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 March 31, 2018, the Group had accumulated loss carryforwards of SEK 0m (0). The deferred tax asset is recognized in the balance sheet in an amount of SEK 2.8m (2.7), of which SEK 0.0m (0.0) pertains to loss carryforwards.

6. SHARE ISSUE

A resolved but not completed share issue of SEK 175,1m, with transaction costs deducted, is declared in the Group's balance sheet as Other current assets under Assets, and as Share issue under Equity.

For the parent company, the corresponding item is declared as Subscribed unpaid capital under Assets, and as Total equity under Equity and Liabilities.

7. PLEDGED ASSETS

SEK m	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
To secure pensions	1.8	1.8	1.8
To secure liabilities to credit institutions	2.3	2.5	2.5
Total pledged assets	4.1	4.3	4.3

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. Components included in the alternative performance measures used in the company's financial reporting.

Ongoing share issue

On March 28, the board of directors of IAR Systems Group AB resolved to carry out a directed share issue based on the authorization granted by IAR Systems' Annual General Meeting of 2017. The new issue amounts to 812,000 class B shares and the company receives proceeds amounting to approximately SEK 178.6 million before transaction costs. The share issue was resolved but not completed at the end of the month. In the report, the proceeds with transaction costs deducted are declared as a current asset and under equities. When calculating equity per share, also the 812,000 shares under registra-

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 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..

Definitions, cont.

Key ratios	Definition/Calculation	Use
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 longterm solvency

* Definition accordance with IFRS

Reconciliations

GROSS MARGIN is calculated as net sales less the cost of goods sold as a percentage of net sales.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Net sales	88.9	86.4	345.0
Goods for resale	-2.8	-2.4	-8.5
Gross profit	86.1	84.0	336.5
Gross margin	96.9%	97.2%	97.5%

EBITDA is calculated as operating profit before depreciation of property, plant and equipment, and amortization of intangible assets.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Operating profit	29.5	26.2	107.4
Depreciation of property, plant and equipment	0.5	0.6	2.4
Amortization of intangible assets	4.7	3.8	17.4
EBITDA	34.7	30.6	127.2

EBITDA MARGIN is calculated as EBITDA as a percentage of net sales.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Net sales	88.9	86.4	345.0
EBITDA	34.7	30.6	127.2
EBITDA margin	39.0%	35.4%	36.9%

OPERATING MARGIN is calculated as operating profit as a percentage of net sales.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Net sales	88.9	86.4	345.0
Operating profit	29.5	26.2	107.4
Operating margin	33.2%	30.3%	31.1%

PROFIT MARGIN is calculated as profit before tax as a percentage of net sales.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Net sales	88.9	86.4	345.0
Profit before tax	29.1	25.4	105.7
Profit margin	32.7%	29.4%	30.6%

CASH FLOW is calculated as cash flow from operating activities as a percentage of net sales.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Net sales	88.9	86.4	345.0
Cash flow from operating activities	19.1	26.5	123.9
Cash flow	21.5%	30.7%	35.9%

EQUITY/ASSETS RATIO is calculated as equity as a percentage of total assets.

	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
SEK m			
Equity	507.6	297.9	290.4
Total assets	633.2	415.1	410.1
Equity/assets ratio	80.2%	71.8%	70.8%

AVERAGE EQUITY is calculated as equity at the beginning of the period plus equity at the end of the period divided by two.

	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017	Dec 31, 2016
SEK m				
Equity	507.6	297.9	290.4	279.5

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Average equity	399.0	288.7	285.0

RETURN ON EQUITY is calculated as profit after tax as a percentage of average equity.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Profit after tax	22.8	18.8	80.0
Average equity	399.0	288.7	285.0
Return on equity	5.7%	6.5%	28.1%

NET DEBT/EQUITY RATIO is calculated as net interest-bearing liabilities divided by equity.

	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
SEK m			
Interest-bearing liabilities	2.3	2.5	2.5
Cash and cash equivalents	-114.5	-120.5	-119.5
Net interest-bearing liabilities	-112.2	-118.0	-117.0
Net debt/equity ratio	-0.2	-0.4	-0.4

RETURN ON CAPITAL EMPLOYED is calculated as profit before tax plus financial expenses as a percentage of average capital employed.

	3 months Jan-Mar		FY
SEK m	2018	2017	2017
Profit before tax	29.1	25.4	105.7
Financial expenses	0.4	0.8	1.7
Profit before tax plus financial expenses	29.5	26.2	107.4
Return on capital employed	7.4%	9.0%	37.4%

Reconciliations, cont.

NET CASH is calculated as cash and cash equivalents less interest-bearing liabilities.

SEK m	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Cash and cash equivalents	114.5	120.5	119.5
Interest-bearing liabilities	-2.3	-2.5	-2.5
Net cash	112.2	118.0	117.0

AVERAGE NUMBER OF SHARES is calculated as the number of shares at the beginning of the period plus the number of shares at the end of the period divided by two.

SEK m	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017	Dec 31, 2016
No. of shares, million	12.63	12.63	12.63	12.63

SEK m	3 months Jan-Mar 2018	2017	FY 2017
Average no. of shares, million	12.63	12.63	12.63

CAPITAL EMPLOYED is calculated as total assets less non-interest-bearing liabilities. Average capital employed is calculated as capital employed at the beginning of the period plus capital employed at the end of the period divided by two.

SEK m	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017	Dec 31, 2016
Total assets	633.2	415.1	410.1	398.2
Non-interest-bearing	-123.3	-114.7	-117.2	-116.0
Capital employed	509.9	300.4	292.9	282.2

SEK m	3 months Jan-Mar 2018	2017	FY 2017
Average capital employed	401.4	291.3	287.6

EQUITY PER SHARE is calculated as equity divided by the number of shares at the end of the period.

SEK m	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Equity	507.6	297.9	290.4
No. of shares at end of period, million	13.44	12.63	12.63
Equity per share	37.76	23.58	22.99

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE is calculated as cash flow from operating activities divided by the average number of shares.

SEK m	3 months Jan-Mar 2018	2017	FY 2017
Cash flow from operating activities	19.1	26.5	123.9
Average no. of shares, million	12.63	12.63	12.63
Cash flow from operating activities per share	1.51	2.10	9.81

EARNINGS PER SHARE AFTER CURRENT TAX are calculated as profit for the period after current tax divided by the average number of shares.

SEK m	3 months Jan-Mar 2018	2017	FY 2017
Tax	6.3	6.6	25.7
Deferred tax	0.2	-5.7	-12.4
Current tax	6.5	0.9	13.3
Profit before tax	29.1	25.4	105.7
Current tax	-6.5	-0.9	-13.3
Profit after current tax	22.6	24.5	92.4
Average no. of shares, million	12.63	12.63	12.63
Earnings per share after current tax	1.79	1.94	7.32

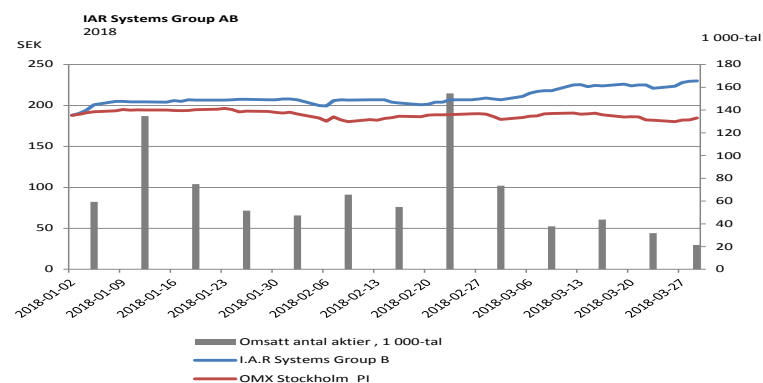
The IAR Systems share

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 188.00 (192.50) to a high of SEK 230.00 (209.00). The share price at March 31, 2018 was SEK 230.00 (200.00). IAR Systems Group's market capitalization on the same date was SEK 2,387m (2,526).

The number of shareholders in IAR Systems Group at March 31, 2018 was 7,794 (8,742). Of these shareholders, 465 (528) held more than 1,000 shares each. Foreign shareholders held approximately 28% (23) of the share capital and 27% (21) of the votes.

IAR Systems Group's share capital at March 31, 2018 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. On March 28, 2017, the Board of Directors of IAR Systems Group AB resolved on a private placement of new shares in the company in accordance with the authorization granted by the 2017 AGM. The new share issue comprises 812,000 new class B shares and will generate a gain for the company of SEK 178.6m before issue expenses. After the new share issue, IAR Systems Group's share capital will amount to SEK 134,440,614, divided between 13,444,061 shares, of which 100,000 are class A shares and 13,344,061 are class B shares.

With the support of the Annual General Meeting's authorization on April 26, 2017, the Board of Directors resolved after the end of the period to issue 164,584 new class B shares. The new shares will be subscribed for by shareholders of Secure



BREAKDOWN OF SHAREHOLDINGS

	No. of share- holders	No. of share- holders, %	Share of capital, %	Share of votes, %
1–100	5,389	69	1	1
101–1 000	1,940	25	6	5
1,001–10,000	374	5	9	9
10,001–	91	1	84	85
Total	7,794	100	100	100

GEOGRAPHICAL DISTRIBUTION

	No. of share- holders	No. of share- holders, %	Share of capital, %	Share of votes, %
Sweden	7,547	97	72	73
Europe excl. Sweden	200	2	24	23
Other countries	47	1	4	4
Total	7,794	100	100	100

LARGEST SHAREHOLDERS (VOTES)

	No. of shares	Share of capital, %	Share of votes, %
Andra AP-fonden	1,135,415	9	8
Första AP-fonden	1,092,506	9	8
Danica Pension*	215,500	2	8
SEB SA Client Assets Ucits.	920,159	7	7
Ribbskottet AB	885,000	7	7
Other	8,381,481	66	62
Total	12,632,061	100	100

* of which, 100,000 class A shares.

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 medical electronics for Renesas Synergy Platform, 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 customer 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



IAR SYSTEMS GROUP AB (PUBL)

Corporate ID Number 556400-7200

Kungsgatan 33, SE-111 56 Stockholm Tel +46 8 410 920 00

www.iar.com