Q4

IAR SYSTEMS

IAR Systems Group AB
Year-end-report 2015

Net sales of SEK 312m, EBITDA of SEK 98m

Operating margin of 27%, cash flow of SEK 99m

Profit summary	Full-year		Q4	
SEK m	**2015**	**2014**	**2015**	**2014**
Net sales	311.7	255.7	75.9	66.1
Operating expenses	-228.3	-202.5	-57.5	-52.6
Operating profit	83.4	53.2	18.4	13.5

Key ratios	Full-year		Q4	
	2015	**2014**	**2015**	**2014**
Growth, %	21.9	11.1	14.8	7.5
EBITDA margin, %	31.5	24.9	29.2	24.7
Operating margin, %	26.8	20.8	24.2	20.4
Net cash, SEK m	87.6	68.4	87.6	68.4
No. of employees at end of period	164	169	164	169

Full-year 2015

- Net sales of SEK 311.7m (255.7)
- EBITDA of SEK 98.3m (63.6), corresponding to an EBITDA margin of 31.5% (24.9)
- Operating profit of SEK 83.4m (53.2), corresponding to an operating margin of 26.8% (20.8)
- Profit before tax of SEK 83.3m (53.6)
- Earnings per share of SEK 6.33 (4.15) after current tax
- Basic earnings per share of SEK 5.02 (3.37) and diluted earnings per share of SEK 5.02m (3.35)
- Cash flow from operating activities of SEK 98.7m (70.3)
- Net cash of SEK 87.6m (68.4) at the end of the period
- The Board intends to propose an ordinary dividend of SEK 5.00 and an extraordinary dividend at SEK 2.00 for approval by the Annual General Meeting on April 27, 2016

October-December 2015

- Net sales of SEK 75.9m (66.1)
- EBITDA of SEK 22.2m (16.3), corresponding to an EBITDA margin of 29.2% (24.7)
- Operating profit of SEK 18.4m (13.5), corresponding to an operating margin of 24.2% (20.4)
- Profit before tax of SEK 18.4m (13.5)
- Basic earnings per share of SEK 1.09 (0.84) and diluted earnings per share of SEK 1.09 (0.84)

Key events during the year

- Launch of C-STAT as an add-on product

Events after the reporting period

- The board has set new financial goals

Comments
from the CEO

We continued to grow during the fourth quarter as a result of increased demand and our new add-on products for code analysis. C-STAT, which was launched during the year, is now available as an add-on product for more than ten of our products and for 8-, 16-, and 32-bit technology. With a more comprehensive offering of analysis tools, this extensive interest in C-STAT contributed to increased sales of C-RUN.

We also experienced higher demand for our support and update agreement (SUA) products. Historically speaking, SUAs tend to have the greatest impact during the fourth quarter of the year. An SUA entails a one-year future commitment to provide support and update services. The revenue for these services is recognized during the term of the agreement in order to ensure that it matches our commitment to provide our customers with support and update services throughout the agreement period. Sales of SUAs in 2015 also increased compared with the preceding year. This meant that accrued SUA revenue rose SEK 13m and amounted to SEK 61m (48) at year-end.

Over the past few years, we have devoted extensive resources to strengthening our partnership with Renesas, one of the world's largest processor vendors. Like many other Japanese companies, Renesas has experienced some turbulent years as a result of a weak local market. That phase is now over and Renesas commands a strong strategic position in the market, which means that our close relationship will benefit us in both the short and long term. You can read more about Renesas in the section "Market and customers" and in an analysis of Renesas that I wrote a couple of years ago (www.iar.com/investors/about-iar-systems-group/count-on-renesas/). During the year, Renesas Electronics launched Renesas Synergy – a platform that streamlines and facilitates the innovative development of Internet of Things products in the market for embedded systems. IAR Systems is the exclusive supplier of the development tools in the Renesas Synergy development platform.

During our more than 30 years in the industry, we have amassed extensive knowledge about embedded development, as well as a unique understanding of different customer needs. The best way to capitalize on the opportunities presented by the Internet of Things is to offer new technology, create new business models and build strong strategic alliances, such as our partnership with Renesas. With IAR Connect, we are enabling innovation by connecting people and technology, and I am confident that IAR Connect (www.iarconnect.com) will inspire and give everyone who is interested an opportunity to explore the potential of the Internet of Things.

All in all, 2015 has been an outstanding year. A year of meetings, relationships, opportunities, challenges, new products and record-breaking sales and profit. We are now entering 2016 with a strong sense of pride, enduring ambitions and a desire to show our customers, partners and owners that we are more ready than ever before.

Stefan Skarin
CEO of IAR Systems Group AB

Net sales (SEK m)
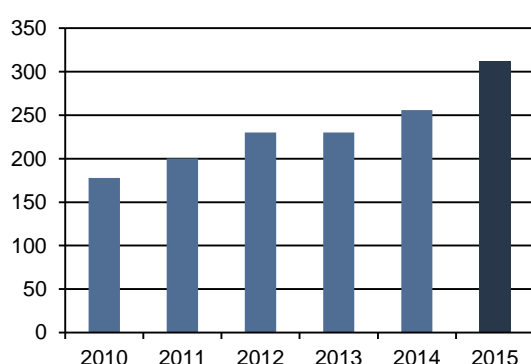
Operating profit (SEK m) and operating margin (%)
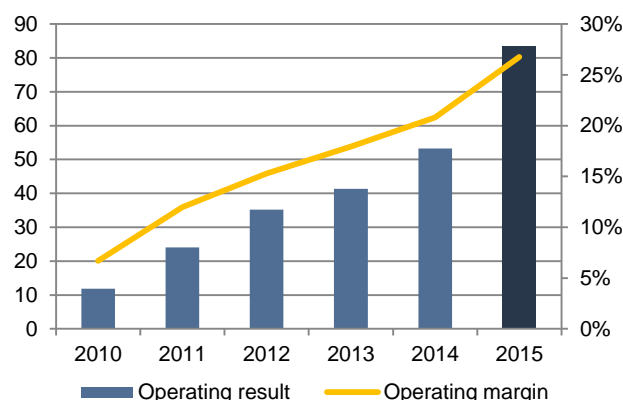
Market and customers

All regions grew during the fourth quarter. Growth during the year, excluding foreign exchange effects, amounted to 9% (Americas 7%, Europe 9% and Asia 11%). This increase in demand was mainly attributable to sales of products for ARM and Renesas, as well as sales of our add-on products, and to higher demand for SUAs. Our customers continued to improve and diversify their performance at the global level, resulting in a higher number of global enterprise agreements. According to our assessment, the automotive and medical technology industries are showing the fastest growth rates. The most important goal for many customers is to maintain a low level of energy consumption in their products. This is one of the factors driving our customers to continuously refine their products by incorporating our technology, thereby gaining superior performance and global support.

Our add-on products C-RUN (launched in 2014) and C-STAT (launched earlier this year) are well suited to a market that continues to grow thanks to the increasing complexity of our customers' applications. We are also experiencing increased demand in the market for certified applications – not only because more formal requirements are being imposed on the code used in embedded systems, but also because code quality is becoming increasingly important.

The market continues to consolidate. Renesas is the processor vendor that delivers the largest number of processors in the world, has sales of more than JPY 800bn (corresponding to slightly more than SEK 56bn) and over 30,000 employees. Thanks to its size, market position and secured financing through the Japanese government, Renesas does not have the same need for consolidation. Renesas delivers more than a quarter of all processors (market share of 27%) and commands a market share of 42% in the automotive industry. Renesas and IAR Systems initiated a closer partnership in the second quarter focused on a more solution-oriented approach to product development for embedded systems. This partnership was strengthened during the year and will result in a clearer product offering in 2016.

Products and technology

IAR is continuing on the established path and investing significant time and resources in developing and refining its product offering. Approximately 25 product releases were carried out during the year, supplying significant add-on functions and new product features. In addition, the company released a number of service packs containing minor function updates and bug fixes. The most important product news during the year was the launch of the C-STAT static analysis tool. As with our previously launched add-on product C-RUN, C-STAT is being sold as an add-on to IAR Embedded Workbench. Unlike C-RUN, which analyzes the code as it is executed (a so-called runtime analysis), C-STAT completes a static analysis by reading and matching the code against a large number of coding standards. The advantage of this approach is that C-STAT can be used to assure the quality of the code throughout the development cycle, without needing to wait for a fully executable program. Because they use different analysis methods, C-STAT and C-RUN do not simply detect the same types of errors, but also collectively detect more specific errors than they are unable to detect on their own.

C-STAT is, by nature, relatively easy to port in order to support various processor architectures. As a result, C-STAT was already able to support two different processor families – ARM and MSP430 – at the time of its launch. Support for several additional processor families was added during the year, including Atmel AVR, Renesas RX and RL78 and 8051. This means that a total of ten of our products now support C-STAT. Another important feature of C-STAT is that it contains support for the automotive industry standards MISRA C:2004, MISRA C++:2008 and MISRA C:2012, which is becoming increasingly important for many of our customers.

In other major product news, the company launched another product certified by the TÜV SÜD safety certification agency: IAR Embedded Workbench for Renesas RL78. Following this launch, IAR Systems now has three safety-certified products: IAR Embedded Workbench for ARM, for RX and for RL78. While the demand for certified products mainly comes from the automotive industry, certified products are also required in other areas, such as medical devices and industrial automation. A new certified version of IAR Embedded Workbench for ARM was also released during the year, granting customers using the certified version of this product access to C-STAT and C-RUN.

Another important add-on function introduced during the year was support for parallel compilation, which involves using multiple processors on the computer more efficiently to shorten the compilation time. A stack analysis function was also introduced, providing intelligent information about the usage of and access to stack space.

Financial information

January–December 2015

NET SALES AND PROFIT

Net sales for the period rose 22% compared with the preceding year and amounted to SEK 311.7m (255.7), of which SEK 75.9m (66.1) was attributable to the fourth quarter. In a year-on-year comparison, currency translation had a positive impact of SEK 33.6m on net sales for the year, of which SEK 5.0m pertained to the fourth quarter.

EBITDA for the year amounted to SEK 98.3m (63.6), of which SEK 22.2m (16.3) was attributable to the fourth quarter. This corresponds to an EBITDA margin of 31.5% (24.9) for the year and 29.2% (24.7) for the fourth quarter.

Operating profit for the period increased 57% to SEK 83.4m (53.2). Operating profit for the fourth quarter amounted to SEK 18.4m (13.5). Operating expenses were reduced by SEK 13.5m (16.9) during the year through the capitalization of development costs for debug probes and analysis tools. Of the internal expenses that were capitalized, SEK 10.3m (13.4) pertains to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 17.8m on operating profit for the year, of which SEK 1.9m pertained to the fourth quarter.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the year totaled SEK 1.1m (4.4), of which SEK 0.1m (1.9) was attributable to the fourth quarter. Investments in intangible assets for the year amounted to SEK 17.7m (27.9), of which SEK 3.8m (4.3) pertained to the fourth quarter. Most of these investments, SEK 13.5m (16.9), pertained to internal staff expenses for the development of debug probes and analysis tools. The investments were in line with the company's plans. The equity/assets ratio at December 31, 2015, was 73% (76).
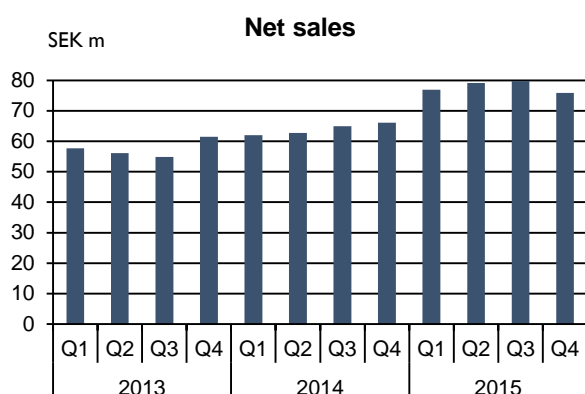
CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the year amounted to SEK 98.7m (70.3), of which SEK 28.1m (16.0) pertained to the fourth quarter. This improved cash flow was attributable to the company's earnings growth.

Cash flow from investing activities for the period totaled SEK -17.7m (-31.7), of which SEK -2.7m (-5.5) was attributable to the fourth quarter.
Cash flow from financing activities for the year amounted to SEK -63.6m (-53.2), of which SEK -0.3m (-0.0) pertained to the fourth quarter. A total dividend of SEK 63.2m was paid to the company's shareholders in May.

As of December 31, 2015, the Group had net cash of SEK 87.6m (68.4). Cash and cash equivalents at year-end totaled SEK 89.4m (70.7). In addition, the Group had unutilized bank overdraft facilities of SEK 25.0m (25.0). The Group's total available cash and cash equivalents thus amounted to SEK 114.4m (95.7).

EMPLOYEES

The number of employees in IAR Systems at year-end was 164 (169). The average number of employees during the year was 157 (159).

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 year amounted to SEK 12.2m (12.5). Profit after financial items totaled SEK 65.9m (39.3). Net investments in property, plant and equipment amounted to SEK 0.0m (0.0), of which SEK 0.0m (0.0) was attributable to the fourth quarter. Cash and cash equivalents at December 31, 2015, totaled SEK 4.2m (4.4). The number of employees in the Parent Company at year-end was 4 (4).

Net sales

SEK m

Operating profit

SEKm
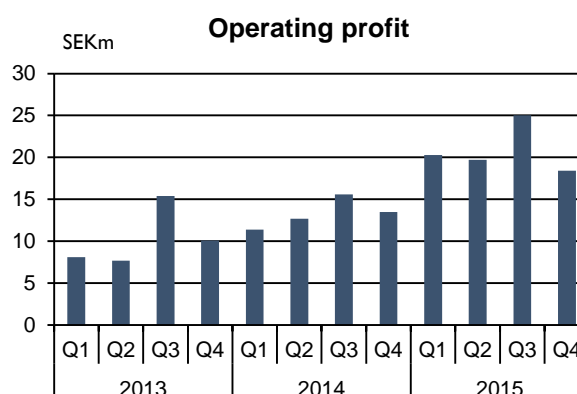
ACCOUNTING POLICIES
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted for application in the EU. In addition, the Swedish Financial 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 standards, interpretations from the IFRS Interpretations Committee and amendments to RFR 2 effective as of January 1, 2015, have not had any material impact on the financial statements of the Group or the Parent Company.

GOODWILL
Goodwill is tested annually for impairment and recognized at cost less accumulated impairment. The impairment test carried out at year-end 2014 showed no indication of impairment. Goodwill at December 31, 2015, amounted to SEK 113.5m (112.4). This increase of SEK 1.1m for the year was a result of translation differences.

DEFERRED TAX ASSET
The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of December 31, 2015, the Group had accumulated loss carryforwards of approximately SEK 147m (214), all of which were attributable to its Swedish operations. The deferred tax asset is recognized in the balance sheet in an amount of SEK 36.8m (51.4), of which SEK 32.3m (47.2) pertains to loss carryforwards.
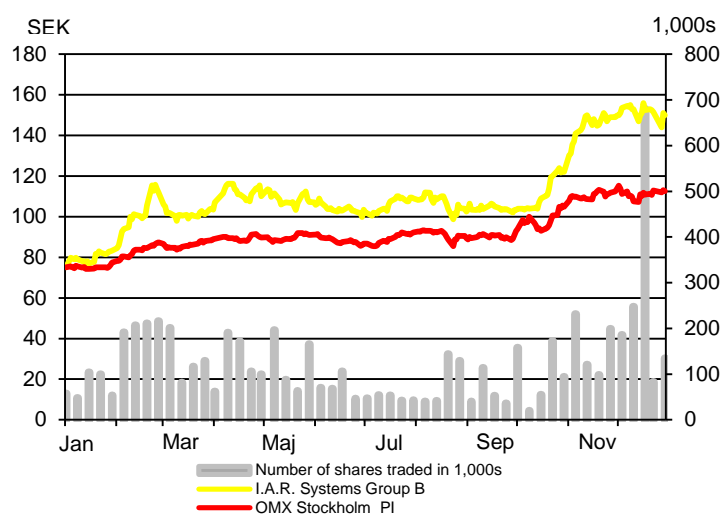
THE IAR SYSTEMS GROUP SHARE
IAR Systems Group's class B share is quoted on the Small Cap list of Nasdaq Stockholm. During the year, the share price varied from a low of SEK 75.00 (39.77) to a high of SEK 156.00 (80.75). The share price at December 31 was SEK 150.00 (74.75). IAR Systems Group's market capitalization on the same date was SEK 1,895m (944).

The number of shareholders in IAR Systems Group at December 31, 2015, was 8,946 (8,030). Of these shareholders, 562 (479) held more than 1,000 shares each. Foreign shareholders held approximately 16% (20) of the share capital and 15% (19) of the votes.

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

SHARE PRICE PERFORMANCE JANUARY– DECEMBER 2015

Number of shares traded in 1,000s
I.A.R. Systems Group B
OMX Stockholm_PI

2016 ANNUAL GENERAL MEETING
The Annual General Meeting of IAR Systems Group will be held on April 27, 2016, at Spårvagnshallarna, Birger Jarlsgatan 57 A, in Stockholm.

IAR Systems Group's annual report will be available starting at the end of March 2016 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 2015, the nominating committee has been appointed and consists of Ulf Strömsten (Catella), Håkan Berg (Robur) and Tedde Jeansson.

PROPOSED DIVIDEND
The Board intends to propose a total dividend of SEK 7.00 per share for approval by the Annual General Meeting on April 27, 2016. The ordinary dividend is proposed at SEK 5.00 and an extraordinary dividend at SEK 2.00. The motion entails a total dividend of SEK 88.4m.

SIGNIFICANT RISKS AND UNCERTAINTIES

The market for IAR Systems' software is evolving rapidly and forecasts about future developments are thus uncertain. IAR Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the annual report for 2014 under "Administration report" on page 30 and in Note 2 on pages 48-49. No material changes have taken place since that time.

FUTURE OUTLOOK

The Board's long-term 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% (previous 20%) over a business cycle.

Stockholm, Wednesday, February 10, 2016

Stefan Skarin
CEO of IAR Systems Group AB

FINANCIAL CALENDAR 2016

Interim report Jan–Mar 2016, April 27, 2016
2016 Annual General Meeting, April 27, 2016
Interim report Jan–Jun 2016, August 18, 2016
Interim report Jan–Sep 2016, October 20, 2016

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Stefan Skarin, President and CEO, phone +46 708 651 005
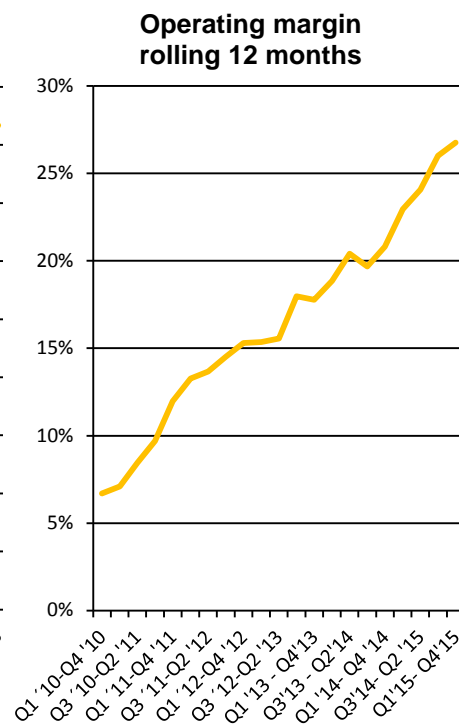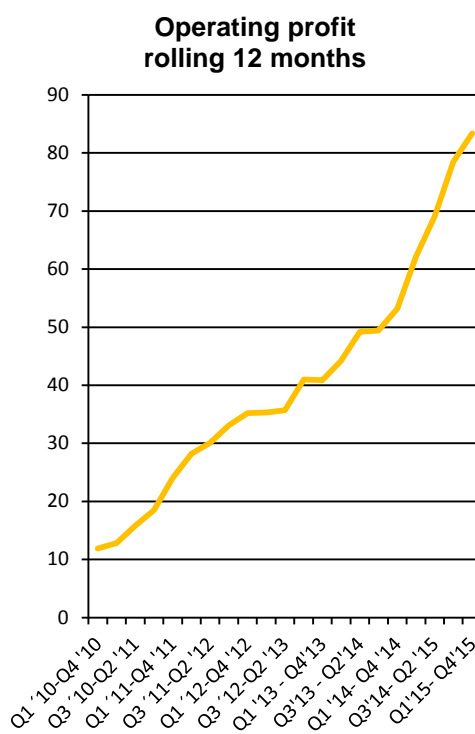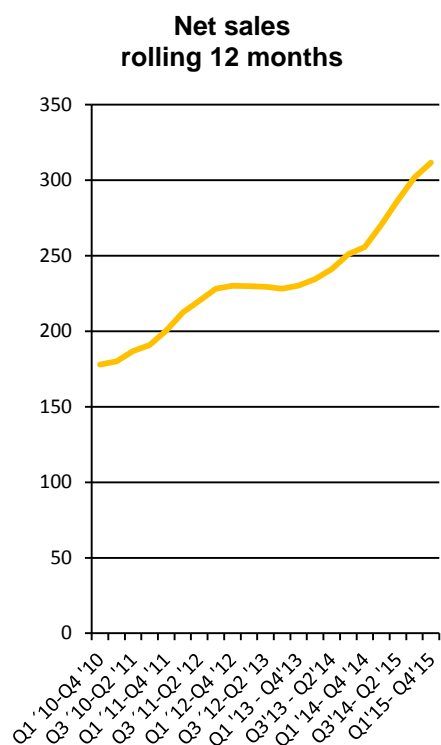Stefan Ström, CFO, phone +46 708 651 068

REVIEW

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

Income statement

CONDENSED CONSOLIDATED INCOME STATEMENT	Full-year		3 months Oct-Dec	
SEK m	2015	2014	2015	2014
Net sales	311.7	255.7	75.9	66.1
Goods for resale	-10.3	-12.9	-1.1	-3.0
Other external expenses	-51.1	-42.1	-13.9	-11.6
Personnel costs	-152.0	-137.1	-38.7	-35.2
Depreciation of property, plant and equipment	-2.5	-2.3	-0.6	-0.6
Amortization of intangible assets	-12.4	-8.1	-3.2	-2.2
Operating profit	83.4	53.2	18.4	13.5
Financial income	0.1	0.6	0.1	0.1
Financial expenses	-0.2	-0.2	-0.1	-0.1
Profit before tax	83.3	53.6	18.4	13.5
Income tax	-19.9	-11.4	-4.6	-2.9
Profit for the period	**63.4**	**42.2**	**13.8**	**10.6**
Earnings per share for the period, basic, SEK	5.02	3.37	1.09	0.84
Earnings per share for the period, diluted, SEK	5.02	3.34	1.09	0.84

STATEMENT OF COMPREHENSIVE INCOME	Full-year		3 months Oct-Dec	
SEK m	2015	2014	2015	2014
Profit for the period	63.4	42.2	13.8	10.6
Other comprehensive income for the period				
Items that will be reclassified subsequently to profit or loss:				
Exchange differences	2.1	4.6	-0.3	2.3
Total other comprehensive income	2.1	4.6	-0.3	2.3
Comprehensive income for the period	**65.5**	**46.8**	**13.5**	**12.9**
Comprehensive income for the period attributable to owners of the Parent Company	65.5	46.8	13.5	12.9

**Net sales
rolling 12 months**

**Operating profit
rolling 12 months**

**Operating margin
rolling 12 months**

Balance sheet

CONDENSED CONSOLIDATED BALANCE SHEET
SEK m

	Dec 31, 2015	Dec 31, 2014
ASSETS		
Non-current assets		
Goodwill	113.5	112.4
Other intangible assets	78.8	73.5
Property, plant and equipment	6.5	8.0
Financial assets	5.0	6.0
Deferred tax asset	36.8	51.4
Total non-current assets	240.6	251.3
Current assets		
Inventories	5.1	3.7
Other current assets	20.1	15.9
Trade receivables	43.5	39.1
Cash and cash equivalents	89.4	70.7
Total current assets	158.1	129.4
TOTAL ASSETS	398.7	380.7
EQUITY AND LIABILITIES		
Total equity	290.9	288.6
Non-current liabilities		
Interest-bearing liabilities	0.6	1.5
Other non-current liabilities	1.1	1.1
Deferred tax liabilities	16.5	14.6
Total non-current liabilities	18.2	17.2
Current liabilities		
Trade payables	4.8	5.2
Interest-bearing liabilities	1.2	0.8
Other current liabilities	83.6	68.9
Total current liabilities	89.6	74.9
TOTAL EQUITY AND LIABILITIES	398.7	380.7
Pledged assets	3.6	4.1
Contingent liabilities	-	-

Changes in equity

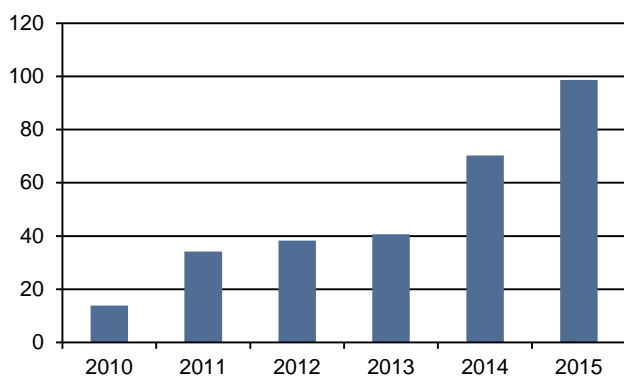| GROUP	Full-year		3 months Oct-Dec	
SEK m	2015	2014	2015	2014
Equity at beginning of period	288.6	295.0	277.4	275.7
Redemption procedure	-	-63.0	-	-
Dividend	-63.2	-	-	-
New share issue	-	9.8	-	-
Comprehensive income for the period	65.5	46.8	13.5	12.9
Equity at end of period	290.9	288.6	290.9	288.6
of which, attributable to owners of the Parent Company	290.9	288.6	290.9	288.6

Cash flows

CONDENSED CONSOLIDATED CASH FLOW STATEMENT	Full-year		3 months Oct-Dec	
SEK m	2015	2014	2015	2014
Incoming payments from customers	309.2	250.4	77.0	61.8
Outgoing payments to suppliers and employees	-207.6	-179.1	-48.4	-45.6
Interest received	0.0	0.4	0.0	0.0
Interest paid	-0.2	-0.1	-0.1	-0.0
Income tax paid	-2.7	-1.3	-0.4	-0.2
Cash flow from operating activities	98.7	70.3	28.1	16.0
Investments in property, plant and equipment	-1.1	-4.4	-0.1	-1.9
Investments in intangible assets	-17.7	-27.9	-3.8	-4.3
Other investments	1.1	0.6	1.2	0.7
Cash flow from investing activities	-17.7	-31.7	-2.7	-5.5
New share issue	-	9.8	-	-
Amortization of financial liabilities	-0.4	-	-0.3	-0.0
Dividend	-63.2	-	-	-
Redemption procedure	-	-63.0	-	-
Cash flow from financing activities	-63.6	-53.2	-0.3	-0.0
Cash flow for the period	17.4	-14.6	25.1	10.5
Cash and cash equivalents at beginning of period	70.7	81.8	64.5	58.8
Exchange difference in cash and cash equivalents				
- attributable to cash and cash equivalents at beginning of period	1.3	2.4	-0.3	0.9
- attributable to cash flow for the period	0.0	1.1	0.1	0.5
Cash and cash equivalents at end of period	89.4	70.7	89.4	70.7

CASH AND CASH EQUIVALENTS, GROUP		
SEK m	Dec 31, 2015	Dec 31, 2014
Cash and cash equivalents at end of period	89.4	70.7
Unutilized overdraft facilities	25.0	25.0
Total available cash and cash equivalents	114.4	95.7

Cash flow from operating activities SEK m

Net cash SEK m
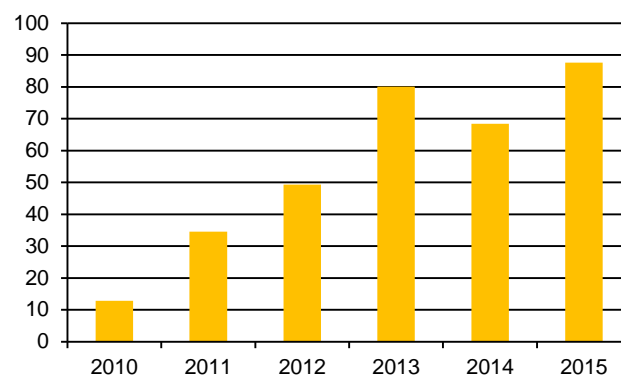
Key ratios

GROUP	Full-year		3 months Oct-Dec	
	2015	2014	2015	2014
Gross margin, %	96.7	95.0	98.6	95.5
EBITDA, %	31.5	24.9	29.2	24.7
Operating margin, %	26.8	20.8	24.2	20.4
Profit margin, %	26.7	21.0	24.2	20.4
Cash flow, %	31.7	27.5	37.0	24.2
Equity/assets ratio, %	73.0	75.8		
Return on equity, %	21.9	14.5	4.9	3.8
Return on capital employed, %	28.6	18.3	6.4	4.7
Capital employed, SEK m	292.7	290.9		
Net cash, SEK m	87.6	68.4		
Net debt/equity ratio, multiple	-0.30	-0.24		
No. of employees at end of period	164	169		
Average no. of employees	157	159	157	158
Sales per employee, MSEK	2.0	1.6	0.5	0.4

SHARE DATA	Full-year		3 months Oct-Dec	
	2015	2014	2015	2014
Equity per share, SEK	23.03	22.85		
No. of shares at end of period, million	12.63	12.63		
Average no. of shares, million	12.63	12.54	12.63	12.63
Average number of shares after dilution, million	12.63	12.58	12.63	12.63
Cash flow from operating activities per share, SEK	7.81	5.61	2.22	1.27
Earnings per share, basic, after current tax, SEK	6.33	4.15	1.36	1.04
Earnings per share, SEK	5.02	3.37	1.09	0.84
Earnings per share, diluted, SEK	5.02	3.35	1.09	0.84

QUARTERLY OVERVIEW

		Net sales, SEK m	Operating profit, SEK m	Operating margin, %	Return on equity, %	Equity per share, SEK	Cash flow from operating activities per share, SEK
2015	Q4	75.9	18.4	24.2	4.9	23.03	2.22
	Q3	79.8	25.0	31.3	7.0	21.96	1.63
	Q2	79.1	19.7	24.9	5.4	20.43	2.51
	Q1	76.9	20.3	26.4	5.2	24.36	1.45
2014	Q4	66.1	13.5	20.4	3.8	22.85	1.27
	Q3	64.9	15.6	24.0	5.0	21.83	1.89
	Q2	62.7	12.7	20.3	3.4	20.72	1.33
	Q1	62.0	11.4	18.4	2.8	24.68	1.12
2013	Q4	61.5	10.1	16.4	2.5	23.90	0.84
	Q3	54.9	15.4	28.1	4.3	22.77	1.56
	Q2	56.1	7.7	13.7	2.4	21.42	0.97
	Q1	57.7	8.1	14.0	2.3	22.87	0.17
2012	Q4	59.5	9.8	16.5	-2.1	22.34	1.34
	Q3	56.2	10.1	18.0	3.3	22.84	0.68
	Q2	56.4	7.3	12.9	1.9	22.15	1.27
	Q1	58.0	8.0	13.8	2.2	22.22	0.12
2011	Q4	57.5	7.7	13.4	4.5	21.82	1.20
	Q3	48.2	7.1	14.7	3.3	20.92	1.07
	Q2	48.9	5.4	11.0	1.4	20.09	1.19
	Q1	45.8	3.8	8.3	0.6	50.35	-0.37
2010	Q4	48.0	2.2	4.6	-0.6	54.16	0.47
	Q3	44.2	4.4	10.0	1.4	55.50	0.23
	Q2	42.1	2.4	5.7	1.1	53.81	0.33
	Q1	43.6	2.9	6.7	1.6	54.42	0.22

Parent Company

Condensed income statement

SEK m	Full-year 2015	2014
Net sales	12.2	12.5
Operating expenses	-16.2	-15.4
Depreciation of property, plant and equipment	-0.1	-0.1
Operating profit	-4.1	-3.0
Result from financial investments	70.0	42.3
Profit before tax	65.9	39.3
Income tax	-14.5	-8.7
Profit for the period	51.4	30.6

Statement of comprehensive income

PARENT COMPANY SEK m	Full-year 2015	2014
Profit for the period	51.4	30.6
Total other comprehensive income	-	-
Comprehensive income for the period	51.4	30.6

Condensed balance sheet

SEK m	Dec 31, 2015	Dec 31, 2014
ASSETS		
Non-current assets		
Property, plant and equipment	0.2	0.3
Shares in subsidiaries	189.4	189.4
Other financial assets	3.3	4.6
Deferred tax asset	31.7	46.2
Total non-current assets	224.6	240.5
Current assets		
Receivables from subsidiaries	40.0	35.3
Other current assets	1.0	0.6
Cash and cash equivalents	4.2	4.4
Total current assets	45.2	40.3
TOTAL ASSETS	269.8	280.8
EQUITY AND LIABILITIES		
Total equity	265.0	276.8
Current liabilities		
Trade payables	0.4	0.3
Other current liabilities	4.4	3.7
Total current liabilities	4.8	4.0
TOTAL EQUITY AND LIABILITIES	269.8	280.8

About IAR Systems

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

STRATEGY AND GOALS

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

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

PRODUCTS

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

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

CUSTOMERS AND SALES

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

Breakdown of revenue

- Americas (41%)
- Asia (23%)
- EMEA (35%)
- Not allocated by region (1%)
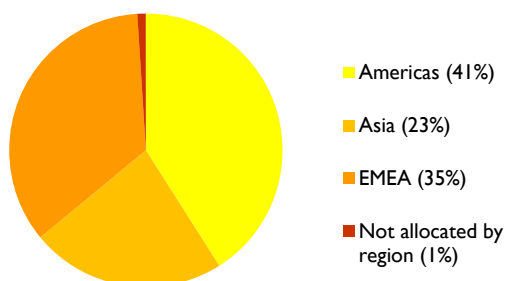
Investment case for IAR Systems

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

A profitable growth company

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

World leader in a strong network of partners

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

Unique offering and competitive advantages

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

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

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

New growth opportunities

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

Definitions

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

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

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

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

Earnings per share, diluted
Diluted earnings per share are calculated by dividing profit attributable to owners of the Parent Company by the weighted average number of shares outstanding during the period including outstanding options/warrants.

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

EBITDA
Earnings before interest, tax, depreciation and amortization.

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

Equity
Recognized equity including 78.0% of untaxed reserves.

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

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

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

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

Operating margin
Operating profit as a percentage of sales.

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

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

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

Industry-specific glossary

8-, 16-, 32-bit
Processor architectures vary in complexity and size. IAR Systems' development tools are used to develop 8-, 16-, and 32-bit processors. These numbers define the amount of code and data the processor can address. The general rule is that the larger the architecture, the more powerful and expensive the processors.

Application
Another word for a program developed by the user of IAR Systems' tools, to be run on a processor in an embedded system.

Architecture
A microprocessor architecture is a specific combination of integrated circuit design and instructions that control how the processor works.

ARM Cortex
ARM Cortex is a product family of low-energy, easy-to-use microprocessors that has been developed to enable partners to develop more functions at a lower cost, simplify reuse of program code and increase power efficiency.

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

Compiler
A complier is a computer program (or set of programs) that transforms source code written in a programming language (similar to English) into instructions that the microprocessor can understand and execute.

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

Debug probe
An electronic tool that measures how a processor works when the program code is executed and can therefore be used to locate problems and errors in a program that a developer has created.

Debugger
Computer software that helps programmers to locate problems and errors in the program that they have created by analyzing and showing what is happening "under the surface" when the program code is executed, often with the help of a debug probe.

Development kit
A development kit (also called a starter kit or evaluation kit) contains all of the equipment and software needed for a programmer to design, develop, integrate and test his or her products quickly and easily. IAR Systems offers fully integrated kits for development of embedded application software. Each kit contains an evaluation board and development tools (software) with example applications for the specific hardware.

Development tools
The software tools used by programmers to create their own programs. The most important of these is an editor in which to write source code, a compiler to transform the source code into instructions that the processor can use, a linker that combines smaller program segments into an executable program, and a debugger that is used to locate problems in a program. IAR Embedded Workbench is a set of development tools.

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

Embedded system
An embedded (computer) system consists of one or more microprocessors with related circuits and the software that is run in the system. Embedded systems control the functions in electronic products such as cell phones, coffee machines, credit card readers, dishwashers, etc. IAR Systems' customers develop and market products that are driven by embedded systems. Embedded systems are increasingly being used in products worldwide, in pace with the so-called digitization trend.

Emulator
Another name for debug probe.

IAR Embedded Workbench
IAR Embedded Workbench is a high-performance tool suite for development of software for small and mid-sized (8-, 16-, and 32-bit) microprocessors. IAR Systems collaborates with all world-leading processor makers to guarantee that its tools can be used for more processor architectures than any other development tool on the market.

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

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

Microprocessor

A microprocessor consists of a single integrated circuit (or at most a few integrated circuits). The circuit incorporates the functions of a computer's central processing unit (CPU) with storage of code and data.

Power debugging

Power debugging is a programming technology that makes it easier to see how the finished product's power consumption is directly related to the source code written by a programmer. This makes it possible to detect which program code is causing unexpectedly high power consumption.

Processor maker

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

Processor

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

Renesas

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

RTOS

An operating system (OS) is a set of programs that manage a computer's hardware resources and provide common services for application software. The operating system is the most important type of software in a computer system. A real-time operating system (RTOS) is specialized at quickly and reliably handling input and output data from the computer system, which is important in embedded systems.

Safety certification

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

Standardization

By standardizing on IAR Systems' tool chain, customers can significantly improve their efficiency and time-to-market for new products. In a single environment, they can move freely between 8-, 16-, 32-bit MCUs from all major vendors in all relevant architectures, including all ARM cores.

SUA

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

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