IAR SYSTEMS

Q3

IAR Systems Group AB

Interim Report Jan-Sept 2015

Best quarter ever!

Profit summary	Q1 – Q3		Q3		Full-year
SEK m	2015	2014	2015	2014	2014
Net sales	235.8	189.6	79.8	64.9	255.7
Operating expenses	-170.8	-149.9	-54.8	-49.3	-202.5
Operating profit	65.0	39.7	25.0	15.6	53.2

Key ratios	Q1 – Q3		Q3		Full-year
	2015	2014	2015	2014	2014
Growth, %	24.4	12.4	23.0	18.2	11.1
EBITDA margin, %	32.3	24.9	36.2	28.4	24.9
Operating margin, %	27.6	20.9	31.3	24.0	20.8
Net cash, SEK m	62.6	57.2	62.6	57.2	68.4
No. of employees at end of period	164	170	164	170	169

January–September 2015

- Net sales of SEK 235.8m (189.6)
- EBITDA of SEK 76.1m (47.3)
- Operating profit of SEK 65.0m (39.7)
- Profit before tax of SEK 64.9m (40.1)
- Cash flow from operating activities of SEK 70.6 (54.4)
- Net cash of SEK 62.6m (57.2) at the end of the period
- EBITDA margin of 32.3% (24.9)
- Operating margin of 27.6% (20.9)
- Earnings per share of SEK 4.96 (3.12) after current tax
- Basic earnings per share of SEK 3.93 (2.53) and diluted earnings per share of SEK 3.93 (2.52)

July–September 2015

- Net sales of SEK 79.8m (64.9)
- EBITDA of SEK 28.9m (18.4)
- Operating profit of SEK 25.0m (15.6)
- Profit before tax of SEK 25.0m (15.6)
- EBITDA margin of 36.2% (28.4)
- Operating margin of 31.3% (24.0)
- Basic earnings per share of SEK 1.49 (1.06) and diluted earnings per share of SEK 1.49 (1.06)

Key events during the period

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

Comments from the CEO

We grew 23% in the quarter, with an operating margin of more than 30%.

Our add-on product C-STAT, which was launched earlier this year, has received a positive response from both customers and the media. With a more comprehensive offering of analysis tools, this extensive interest in C-STAT has also boosted sales of C-RUN. C-STAT and C-RUN are being sold as separate add-on products for several of our best-selling products. During the third quarter, we also began packaging the product for ARM together with C-RUN, C-STAT and I-jet, which has proven to be one of our most successful packages to date. This has strengthened our conviction that our customers are looking for a complete development environment that offers excellent performance, can quickly be put into operation and includes technical support.

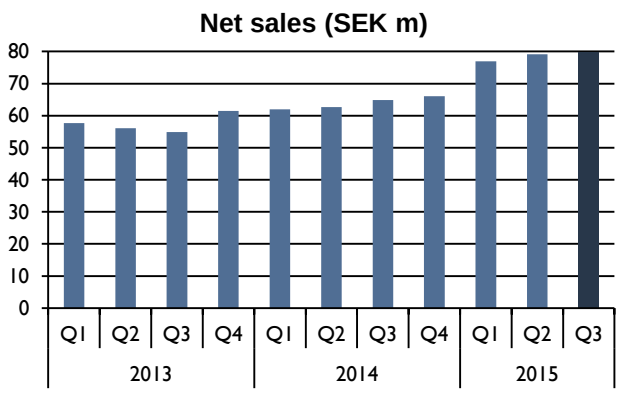
Over the past few years, we have devoted extensive resources to strengthening our partnership with Renesas, one of the world's largest processor vendors. Like many other Japanese companies, Renesas has experienced some turbulent years as a result of a weak local market. That phase is now over and Renesas 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/).

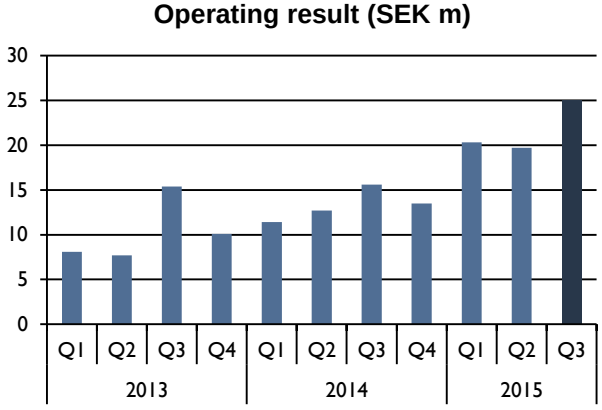
The end of the third quarter and beginning of the fourth quarter also marked the launch of IAR Connect (www.iarconnect.com), a portal that presents the development platforms and alliances of the future. The portal also serves as a meeting place for people interested in the Internet of Things and other emerging technologies. IAR Connect marks the start of our major investment in the Internet of Things. One of the members of IAR Connect is Renesas Electronics and its largest product initiative to date – Renesas Synergy. IAR Systems is the exclusive supplier of the development tools in the Renesas Synergy development platform. The Renesas Synergy platform streamlines and facilitates the innovative development of Internet of Things products in the market for embedded systems.

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 will inspire and give everyone who is interested an opportunity explore the potential of the Internet of Things.

We have never had commanded such a strong financial position and never been more ready to leverage the opportunities available to us.

Stefan Skarin
CEO of IAR Systems Group AB





Market and customers

All regions grew 11%, excluding foreign exchange effects, during the third quarter as a result of a continued increase in demand. Growth during the period,amounted to 9% (Americas 9%, Europe 9% and Asia 9%).Certain areas of the European market were adversely impacted by changes in the economy, a trend which the company expects to continue during the year.

The consolidation of the market continued through a number of major and minor acquisitions. During the first quarter, Freescale – one of the world's largest processor makers – announced its plans for a merger with fellow processor maker, NXP. During the third quarter, it was announced that Atmel will be acquired by Dialog. – This is according to us yet another acquisition carried out in a bid to achieve a strong position within embedded systems and the Internet of Things.
The transactions conducted during the year represented a continuation of the trend we have seen for several years of major processor makers creating a stronger position by broadening and deepening their product portfolios.

Renesas, the processor vendor that delivers the 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.

Products and technology

The main product news to date this year was the launch of the C-STAT static analysis tool. As with our 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. This gives the developer an opportunity to accelerate development and reduce the cost of development. 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.

The products are thus largely complementary, which is why many customers have chosen to purchase both.
Many customers find the C-STAT concept easy to understand and use. C-STAT is, by nature, relatively easy to port in order to support various processor architectures. As a result, C-STAT was already able to support to different processor families – ARM and MSP430 – at the time of its launch. Support for Atmel AVR and AVR32, and Renesas RX was also added in the spring. Support for additional processors will be launched in the fourth quarter of 2015. In total, C-STAT will be available for more than ten of our products.

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, we get continuous feedback from the market that its becoming increasingly important with standards for many of our customers.

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

Financial information

January–September 2015

NET SALES AND PROFIT

Net sales for the period rose 24% compared with the corresponding period in the preceding year and amounted to SEK 235.8m (189.6), of which SEK 79.8m (64.9) was attributable to the third quarter. In a year-on-year comparison, currency translation had a positive impact of SEK 28.6m on net sales for the period, of which SEK 7.5m pertained to the third quarter.

EBITDA for the period totaled SEK 76.1m (47.3), of which SEK 28.9m (18.4) was attributable to the third quarter. This corresponds to an EBITDA margin of 32.3% (24.9) for the period and 36.2% (28.4) for the third quarter.

Operating profit for the period increased 64% to SEK 65.0m (39.7). Operating profit for the third quarter amounted to SEK 25.0m (15.6). Employee payroll expenses were cut by SEK 10.9m (13.8) during the period through the capitalization of development costs for debug probes and analysis tools. In a year-on-year comparison, currency translation had a positive impact of SEK 15.9m on operating profit for the period, of which SEK 4.4m pertained to the third quarter.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment for the period totaled SEK 0.8m (2.4), of which SEK 0.3m (1.1) was attributable to the third quarter. Investments in intangible assets for the period amounted to SEK 13.9m (23.6), of which SEK 4.1m (5.9) pertained to the third quarter. Most of these investments, SEK 10.9m (13.8), 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 September 30, 2015, was 76% (77).

CASH FLOW, CASH AND CASH EQUIVALENTS

Cash flow from operating activities for the period amounted to SEK 70.3m (54.4), of which SEK 20.6m (23.9) pertained to the third quarter. This improved cash flow was attributable to the company's earnings growth.

Cash flow from investing activities for the period totaled SEK -15.0m (-26.2), of which SEK -4.3m (-7.0) was attributable to the third quarter.

Cash flow from financing activities for the period totaled SEK -63.3m (-53.1), of which SEK -0.0m (-0.0) pertained to the third quarter. A dividend of SEK 63.2m was paid to the company's shareholders in May.

As of September 30, 2015, the Group had net cash of SEK 62.6m (57.2). Cash and cash equivalents at the end of the period amounted to SEK 64.5m (59.5), of which SEK 0.0m (0.7) comprised blocked funds for the acquisition of Signum. In addition, the Group had unutilized bank overdraft facilities of SEK 25.0m (25.0). The Group's total available cash and cash equivalents thus amounted to SEK 89.5m (83.8).

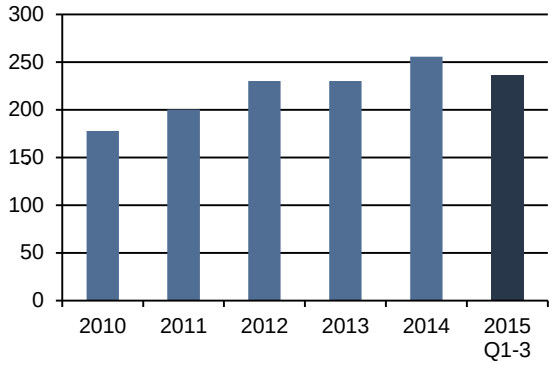
EMPLOYEES

The number of employees in IAR Systems at the end of the period was 164 (170). The average number of employees during the period was 157 (160).

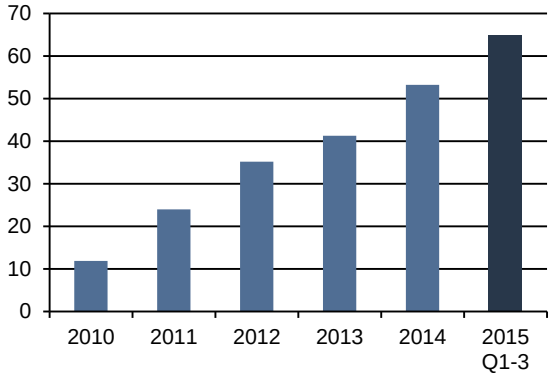
PARENT COMPANY

The activities of the Parent Company consist of Group management, finance and IR/PR functions. The Parent Company's net sales for the period amounted to SEK 9.1m (9.4). The Parent Company posted a loss after financial items of SEK -1.0m (-0.3). Net investments in

Net sales (SEK m)



Operating profit (SEK m)



property, plant and equipment totaled SEK 0.0m (0.0), of which SEK 0.0m (0.0) was attributable to the third quarter. Cash and cash equivalents at September 30, 2015 amounted to SEK 3.3m (6.8), of which SEK -m (0.7) comprised blocked funds for the acquisition of Signum. The Parent Company's total available cash and cash equivalents thus amounted to SEK 3.3m (6.1). The number of employees in the Parent Company at the end of the year was 4 (4).

ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) 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 September 30, 2015 amounted to SEK 113.6m (111.3). This increase of SEK 1.2m for the period 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 September 30, 2015, the Group had accumulated loss carryforwards of approximately SEK 158m (219), all of which were attributable to its Swedish operations. The deferred tax asset is recognized in the balance sheet in an amount of SEK 40.2m (53.5), of which SEK 34.7m (48.1) pertains to loss carryforwards.

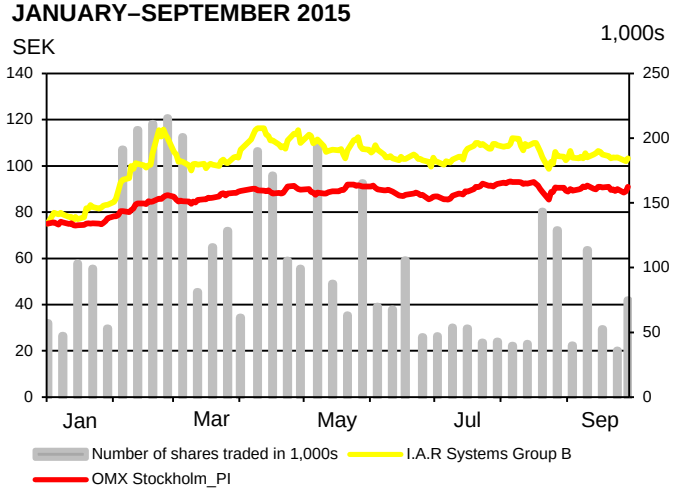
THE IAR SYSTEMS GROUP SHARE

IAR Systems Group's class B share is quoted on the Small Cap list of Nasdaq Stockholm. During the period, the share price varied from a low of SEK 75.00 (39.77) to a high of SEK 116.25 (75.00). The share price at September 30 was SEK 103.25 (68.25). IAR Systems Group's market capitalization on the same date was SEK 1,304m (862).

The number of shareholders in IAR Systems Group at September 30, 2015 was 8,525 (8,187). Of these shareholders, 539 (461) held more than 1,000 shares each. Foreign shareholders held approximately 16% (23) of the share capital and 15% (21) of the votes.

IAR Systems Group's share capital at September 30, 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–SEPTEMBER 2015



2015 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of IAR Systems Group was held on April 29. For information about the AGM and the resolutions passed, refer to the company's website: www.iar.com.

NOMINATING COMMITTEE

In accordance with the decision of the AGM in April 2015, the nominating committee has been appointed and consists of Ulf Strömsten (Catella), Håkan Berg (Robur) and Tedde Jeansson.

SIGNIFICANT RISKS AND UNCERTAINTIES

The market for IAR Systems' software is evolving rapidly and forecasts about future developments are thus uncertain. IAR Systems Group's assessment is

that no significant risks and uncertainties have changed or arisen aside from those described in the annual report for 2014 under “Administration report” on page 30 and in Note 2 on pages 48-49. No material changes have taken place since that time.

FUTURE OUTLOOK

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

Stockholm, Thursday, October 22, 2015

Stefan Skarin
CEO of IAR Systems Group AB

FINANCIAL CALENDAR 2015

Year-end report 2015, February 10, 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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REVIEW REPORT

Introduction

We have reviewed the interim report for IAR Systems Group AB (publ) for the period from January 1 to September 30, 2015. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope and focus of the review

We conducted our review in accordance with the International Standard on Review Engagements Performed by the Independent Auditor of the Entity (ISRE 2410).
A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and a substantially more limited scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant circumstances that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

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

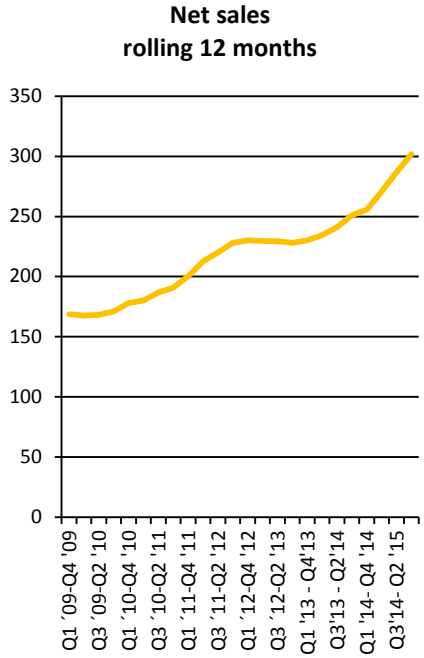
Stockholm, October 22, 2015
Deloitte AB

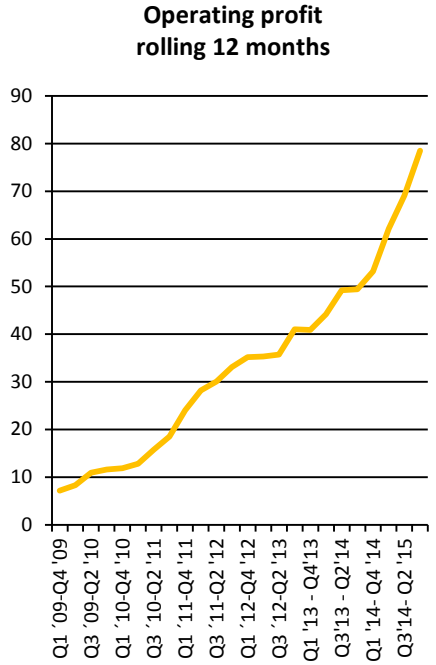
Erik Olin

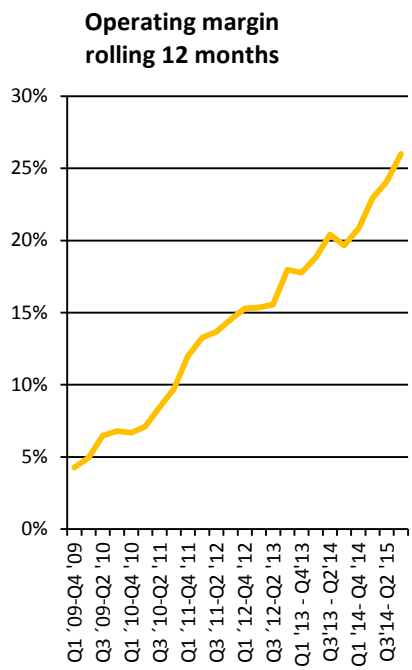
Income statement

CONDENSED CONSOLIDATED INCOME STATEMENT	9 months Jan-Sep		3 months Jul-Sep		Full-year
SEK m	2015	2014	2015	2014	2014
Net sales	235.8	189.6	79.8	64.9	255.7
Goods for resale	-9.2	-9.9	-3.0	-3.9	-12.9
Other external expenses	-37.2	-30.5	-12.0	-10.3	-42.1
Personnel costs	-113.3	-101.9	-35.9	-32.3	-137.1
Depreciation of property, plant and equipment	-1.9	-1.7	-0.6	-0.7	-2.3
Amortization of intangible assets	-9.2	-5.9	-3.3	-2.1	-8.1
Operating profit	65.0	39.7	25.0	15.6	53.2
Financial income	0.0	0.5	0.0	0.0	0.6
Financial expenses	-0.1	-0.1	-0.0	-0.0	-0.2
Profit before tax	64.9	40.1	25.0	15.6	53.6
Income tax	-15.3	-8.5	-6.2	-2.2	-11.4
Profit for the period	**49.6**	**31.6**	**18.8**	**13.4**	**42.2**
Earnings per share for the period, basic, SEK	3.93	2.53	1.49	1.06	3.37
Earnings per share for the period, diluted, SEK	3.93	2.52	1.49	1.06	3.34

STATEMENT OF COMPREHENSIVE INCOME	9 months Jan-Sep		3 months Jul-Sep		Full-year
SEK m	2015	2014	2015	2014	2014
Profit for the period	49.6	31.6	18.8	13.4	42.2
Other comprehensive income for the period					
Items that will be reclassified subsequently to profit or loss:					
Exchange differences	2.4	2.4	0.5	1.9	4.6
Total other comprehensive income	2.4	2.4	0.5	1.9	4.6
Comprehensive income for the period	**52.0**	**34.0**	**19.3**	**15.3**	**46.8**
Comprehensive income for the period attributable to owners of the Parent Company	52.0	34.0	19.3	15.3	46.8







Balance sheet

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Sep 30, 2015	Sep 30, 2014	Dec 31, 2014
ASSETS			
Non-current assets			
Goodwill	113.6	111.3	112.4
Other intangible assets	78.2	71.4	73.5
Property, plant and equipment	6.9	6.8	8.0
Financial assets	6.2	6.0	6.0
Deferred tax asset	40.2	53.5	51.4
Total non-current assets	245.1	249.0	251.3
Current assets			
Inventories	3.7	3.6	3.7
Other current assets	10.1	12.4	10.6
Trade receivables	43.9	35.1	39.1
Blocked funds	-	0.7	-
Cash and cash equivalents	64.5	58.8	70.7
Total current assets	122.2	110.6	124.1
TOTAL ASSETS	367.3	359.6	375.4
EQUITY AND LIABILITIES			
Total equity	277.4	275.7	288.6
Non-current liabilities			
Interest-bearing liabilities	0.9	1.8	1.5
Other non-current liabilties	1.0	0.9	1.1
Deferred tax liabilities	16.6	14.3	14.6
Total non-current liabilities	18.5	17.0	17.2
Current liabilities			
Trade payables	4.8	4.4	5.2
Interest-bearing liabilities	1.0	0.5	0.8
Other current liabilities	65.6	62.0	63.6
Total current liabilities	71.4	66.9	69.6
TOTAL EQUITY AND LIABILITIES	367.3	359.6	375.4
Pledged assets	3.7	4.8	4.1
Contingent liabilities	-	-	-

Changes in equity

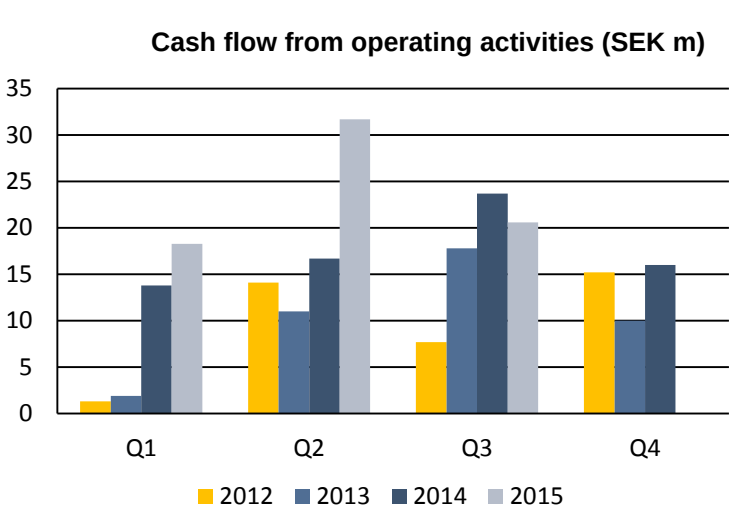
GROUP	9 months Jan-Sep		3 months Jul-Sep		Full-year
SEK m	2015	2014	2015	2014	2014
Equity at beginning of period	288.6	295.0	258.1	260.6	295.0
Redemption procedure	-	-63.1	-	-0.2	-63.0
Dividend	-63.2	-	-	-	-
New share issue	-	9.8	-	-	9.8
Comprehensive income for the period	52.0	34.0	19.3	15.3	46.8
Equity at end of period	277.4	275.7	277.4	275.7	288.6
of which, attributable to owners of the Parent Company	277.4	275.7	277.4	275.7	288.6

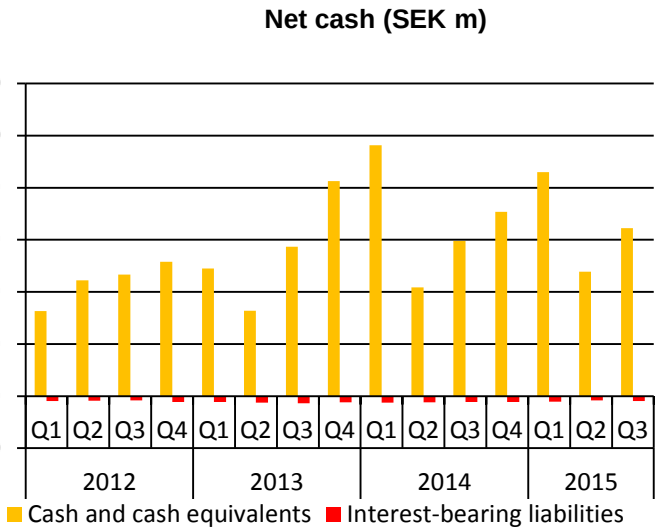
Cash flows

CONDENSED CONSOLIDATED CASH FLOW STATEMENT	9 months Jan-Sep		3 months Jul-Sep		Full-year
SEK m	2015	2014	2015	2014	2014
Incoming payments from customers	232.2	188.6	78.3	67.9	250.4
Outgoing payments to suppliers and employees	-159.2	-133.4	-57.0	-44.5	-179.1
Interest received	0.0	0.4	0.0	0.0	0.4
Interest paid	-0.1	-0.1	-0.0	-0.0	-0.1
Income tax paid	-2.3	-1.1	-0.7	0.5	-1.3
Cash flow from operating activities	70.6	54.4	20.6	23.9	70.3
Investments in property, plant and equipment	-1.0	-2.5	-0.5	-1.2	-4.4
Investments in intangible assets	-13.9	-23.6	-3.8	-5.8	-27.9
Other investments	-0.1	-0.1	-0.0	-0.0	0.6
Cash flow from investing activities	-15.0	-26.2	-4.3	-7.0	-31.7
New share issue	-	9.8	-	-	9.8
Amortization of financial liabilities	-0.1	-0.0	-0.0	-0.0	-
Dividend	-63.2	-	-	-	-
Redemption procedure	-	-63.1	-	-0.2	-63.0
Cash flow from financing activities	-63.3	-53.3	-0.0	-0.2	-53.2
Cash flow for the period	-7.7	-25.1	16.3	16.7	-14.6
Cash and cash equivalents at beginning of period	70.7	81.8	47.8	41.1	81.8
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of period	1.6	1.5	0.6	0.5	2.4
- attributable to cash flow for the period	-0.1	0.6	-0.2	0.5	1.1
Cash and cash equivalents at end of period	64.5	58.8	64.5	58.8	70.7

CASH AND CASH EQUIVALENTS, GROUP

SEK m	Sep 30, 2015	Sep 30, 2014	Dec 31, 2014
Cash and cash equivalents at end of period	64.5	58.8	70.7
Unutilized overdraft facilities	25.0	25.0	25.0
Total available cash and cash equivalents	89.5	83.8	95.7





Key ratios

GROUP	9 months Jan-Sep		3 months Jul-Sep		Full-year
	2015	2014	2015	2014	2014
Gross margin, %	96.1	94.8	96.2	94.0	95.0
EBITDA, %	32.3	24.9	36.2	28.4	24.9
Operating margin, %	27.6	20.9	31.3	24.0	20.8
Profit margin, %	27.5	21.1	31.3	24.0	21.0
Cash flow, %	29.9	28.7	25.8	36.8	27.5
Equity/assets ratio, %	75.5	76.7			76.9
Return on equity, %	17.5	11.1	7.0	5.0	14.5
Return on capital employed, %	22.8	14.0	9.3	5.8	18.3
Capital employed, SEK m	279.3	278.0			290.9
Net cash, SEK m	62.6	57.2			68.4
Net debt/equity ratio, multiple	-0.23	-0.21			-0.24
No. of employees at end of period	164	170			169
Average no. of employees	157	160	155	158	159
Sales per employee, MSEK	1.5	1.2	0.5	0.4	1.6

SHARE DATA	9 months Jan-Sep		3 months Jul-Sep		Full-year
	2015	2014	2015	2014	2014
Equity per share, SEK	21.96	21.83			22.85
No. of shares at end of period, million	12.63	12.63			12.63
Average no. of shares, million	12.63	12.51	12.63	12.63	12.54
Average number of shares after dilution, million	12.63	12.56	12.63	12.63	12.58
Cash flow from operating activities per share, SEK	5.59	4.35	1.63	1.89	5.61
Earnings per share, basic, after current tax, SEK	4.96	3.12	1.90	1.26	4.15
Earnings per share, SEK	3.93	2.53	1.49	1.06	3.37
Earnings per share, diluted, SEK	3.93	2.52	1.49	1.06	3.35

QUARTERLY OVERVIEW

		Net sales, SEK m	Operating profit, SEK m	Operating margin, %	Return on equity, %	Equity per share, SEK	Cash flow from operating activities per share, SEK
2015	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

	9 months Jan-Sep		Full-year
SEK m	2015	2014	2014
Net sales	9.1	9.4	12.5
Operating expenses	-10.0	-9.8	-15.4
Depreciation of property, plant and equipment	-0.1	-0.1	-0.1
Operating profit	-1.0	-0.5	-3.0
Result from financial investments	-0.0	0.2	42.3
Profit before tax	-1.0	-0.3	39.3
Income tax	0.2	0.1	-8.7
Profit for the period	-0.8	-0.2	30.6

Statement of comprehensive income

PARENT COMPANY	9 months Jan-Sep		Full-year
SEK m	2015	2014	2014
Profit for the period	-0.8	-0.2	30.6
Total other comprehensive income	-	-	-
Comprehensive income for the period	-0.8	-0.2	30.6

Condensed balance sheet

SEK m	Sep 30, 2015	Sep 30, 2014	Dec 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	0.2	0.3	0.3
Shares in subsidiaries	189.4	189.4	189.4
Other financial assets	4.6	4.5	4.6
Deferred tax asset	46.4	55.0	46.2
Total non-current assets	240.6	249.2	240.5
Current assets			
Receivables from subsidiaries	0.0	-	35.3
Other current assets	0.7	0.8	0.6
Blocked funds	-	0.7	-
Cash and cash equivalents	3.3	6.1	4.4
Total current assets	4.0	7.6	40.3
TOTAL ASSETS	244.6	256.8	280.8
EQUITY AND LIABILITIES			
Total equity	212.8	245.9	276.8
Current liabilities			
Trade payables	0.3	0.5	0.3
Liabilities to subsidiaries	30.0	6.8	-
Other current liabilities	1.5	3.6	3.7
Total current liabilities	31.8	10.9	4.0
TOTAL EQUITY AND LIABILITIES	244.6	256.8	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 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

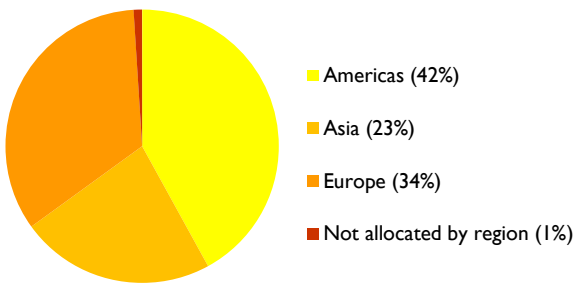
IAR Systems' software is currently available for a wide range of processors with 8-, 16- and 32-bit architectures. Its software is recognized by developers around the world for its user-friendliness, high performance and the quality of the generated code. Along with its software, IAR Systems offers its 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' 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



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 digitalization trend.

Emulator
Another name for debug probe.

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

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

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

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

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

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

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

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

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

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

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

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

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