

I.A.R. SYSTEMS GROUP AB
YEAR-END REPORT 2021

Q4

Q4 2021

Net sales SEK 91.6m (90.7), EBITDA SEK 29.2*m (32.5)

PROFIT SUMMARY

	Full-year		3 months Oct-Dec	
SEK m	2021	2020	2021	2020
Net sales	355.9	372.0	91.6	90.7
Other income	2.1	-	-	-
Operating expenses	-426.5	-288.2	-210.6	-71.7
Operating profit/loss	-68.5	83.8	-119.0	19.0
Profit/loss from financial items	-0.1	-7.0	1.9	-4.5
Profit/loss before tax	-68.6	76.8	-117.2	14.5
Tax	1.2	-17.4	11.8	-2.5
Profit/loss for the period	-67.4	59.4	-105.4	12.0

JANUARY-DECEMBER 2021

- › EBITDA adjusted for non-recurring items of SEK 119.9m* (132.7), corresponding to an EBITDA margin of 33.7%* (35.7)
- › Operating profit adjusted for non-recurring items of SEK 65.7m* (83.8), corresponding to an operating margin of 18.5%* (22.5)
- › Loss before tax of SEK -68.6m (76.8)
- › Basic earnings per share of SEK -4.94 (4.35) and diluted earnings per share of SEK -4.94 (4.35)
- › Operating expenses included impairment of intangible assets of SEK 118m and costs of SEK 16m related to the dismissal of the CEO
- › In a year-on-year comparison, currency translation had a negative impact of SEK -20.5m on net sales for the period and a negative impact of SEK -9.2 on operating profit.
- › Cash flow from operating activities of SEK 131.6m (118.4)
- › Net cash of SEK 57.4m (1.5) at the end of the period

* Adjusted for non-recurring items, refer to Note 8

KEY PERFORMANCE MEASURES

	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Gross margin, %	96.6	96.2	96.7	95.6
EBITDA margin, %	33.7*	35.7	31.9*	35.8
Operating margin, %	18.5*	22.5	16.6*	20.9
Cash flow, %	37.0	31.8	44.2	30.7
Net cash, SEK m	57.4	1.5	57.4	1.5
No. of employees at end of period	214	215	214	215

* Adjusted for non-recurring items, refer to Note 8

OCTOBER-DECEMBER 2021

- › EBITDA adjusted for non-recurring items of SEK 29.2m* (32.5), corresponding to an EBITDA margin of 31.9%* (35.8)
- › Operating profit adjusted for non-recurring items of SEK 15.2m* (19.0), corresponding to an operating margin of 16.6%* (20.9)
- › Loss before tax of SEK -117.2m (14.5)
- › Basic earnings per share of SEK -7.72 (0.88) and diluted earnings per share of SEK -7.72 (0.88)
- › Operating expenses included impairment of intangible assets of SEK 118m and costs of SEK 16m related to the dismissal of the CEO
- › In a year-on-year comparison, currency translation had a negative impact of SEK -0.9m on net sales for the quarter and a positive impact of SEK 0.5m on operating profit
- › Cash flow from operating activities of SEK 40.5m (27.8)

KEY EVENTS DURING THE QUARTER

- › On October 18, 2021, the Board resolved to relieve former CEO and to appoint Richard Lind as acting CEO. On December 9, 2021, the Board appointed Richard Lind as permanent CEO.
- › On December 17, 2021, the company announced an impairment of individual intangible development assets that are no longer relevant products, mainly within the area of security as a result of a revised assessment of the rate of innovation and development, which will also affect the amortization periods of certain intangible assets in the future. The impairment of SEK 118m is of a non-recurring nature and will not affect cash flow.

Comments from the CEO – Q4 2021

A journey around the world in 80 days

I've now had the privilege of being CEO, both acting and then permanent, since October 17 of last year. It's been a challenging time for IAR Systems. Challenges in the form of a new CEO, our customers' supply chains in various vertical markets and the effect of the pandemic on various countries.

The return of the pandemic was a challenge when it came to planning for 2022. Several of the events and trade fairs we intended to attend in the spring have been pushed back.

The semiconductor shortage has meant that our customers couldn't start projects they had planned, and that they had to revise designs and make use of the semiconductors that were available at the time. This has benefited IAR Systems, since we provide support for essentially all relevant processors. However, it did not fully offset the challenges many customers faced in the supply chain.

Skills and expertise. To ensure that we have a clear and comprehensive understanding of our operating environment today and tomorrow, new roles have been established in the organization. They cover several areas, and we have also created a larger, global management group. This will allow us to more quickly understand what is going on. The new management group is made up of 50% women and 50% men.

Infrastructure. The most important decision we made was to replace our new license management system with an entirely new cloud-based system that will be put into operation in 2022. This will allow us to offer our customers a greater variety of licensing models, from perpetual and hybrid to SaaS (Software as a Service).

Security Platform

For several years, we've struggled to find the right business and sales model for our security offering. By moving to a platform that provides relevant services and a business model where we earn income through royalties when our modules are installed during production rather than through a product license granted to a single developer, we've created a scalable, global model. We have signed agreements with several of the largest international companies that provide secure coding used in manufacturing connected devices, and will sign more. We've already received our first royalty payments from these contracts.

Development Platform

We plan to make further investments in our IAR Embedded Workbench in 2022. We're creating a modern architecture and experience that is well suited for future delivery models and can include new aspects of AI and machine learning within the framework of our development platform.

Geography

We saw growth return to all regions in the fourth quarter. Despite restrictions and lockdowns, our operations grew in APAC. China continues to post growth figures, which will allow us to double the number of employees we have in China. In the USA, we are involved in new discussions concerning automation (CI/CD) and build tools within Automotive as well as debugging, for which there are no open source alternatives. In EMEA, we saw significant interest in our Linux solutions and our solutions in Functional Safety. The combination of these two solutions was the main topic of conversation during the period.

RISC-V has also started to come up in our discussions with customers in EMEA. We believe that the growth we saw in the fourth quarter will continue in 2022.

The start of a new journey

IAR underperformed in 2021, and several decisions were made in the fourth quarter – painful, good and necessary. These decisions marked the start of a new journey that will help us grow into the best possible company and innovative partner for our current and new customers and that will create a smarter, more secure future for our customers and their customers. In addition to growing with our existing customers, we will also grow the market through new customers and new solutions. This is a journey that we've already started and that will take longer than 80 days – a journey that will never end, and one we look forward to with confidence.

// Richard

Financial information

Sales

Sales in SEK during the year amounted to SEK 355.9m (372.0) and were weaker than in the previous year largely due to a foreign exchange effect of SEK -20.5m, which also had an impact of SEK -9.2m on earnings. In addition to the foreign exchange effect, sales were also affected by a change started in 2021, in the way strategic transactions are handled, which resulted in the income from these contracts instead being delivered and recognized as income annually.

Most of the transactions that we deem to be strategic have extended for several years. This means that when we sign a strategic agreement in one year, we do not recognize significant recurring revenue until the next agreement period (usually within three to five years). The effect from these previously recognized multi-year strategic agreements during the year was SEK -16.8m. Net receivables of SEK 19.5m that will reduce income in the coming years are included in the balance sheet as of December 31. This structure for strategic transactions makes it difficult to compare financial figures between periods and the restructuring means that the overview given for the sales trend for 2021 is unduly negative. The table below illustrates what sales and growth would have been if strategic contracts had instead been invoiced annually, with corrections for foreign exchange effects.

We experienced sales growth in local currency in Asia during the year. EMEA would also have experienced strong growth in

local currency if the invoicing for strategic transactions had been recognized in income for the year. Focusing on new customers is important, as is reviewing the price structure and price adjustments to follow inflation and create growth in the future. One of our major strengths is that 95% of our existing customers become returning customers over the years. We have noted that demand for support and update agreements (SUAs) remained stable during the pandemic, which accounted for approximately 62% of licenses sold.

Markets and products

APAC contributed 31% of net sales, or SEK 110.4m (101.9). Foreign exchange effects had an impact of SEK -7.9m on sales. APAC posted excellent growth of 16% in local currency during the year. All markets in APAC are growing: 70% growth in China, 114% in Taiwan and 7% in Korea. Japan, which accounts for the largest portion of sales in APAC, posted growth of 10%. EMEA contributed 35% of sales, or SEK 124.7m (135.5). Sales in EMEA decreased due to strategic transactions of SEK -11.0m and foreign exchange effects of SEK 4.0m. With corrections for currency and contracts, EMEA had growth of 10%. The USA contributed 33% of income, or SEK 119.1m (132.0). Foreign exchange effects had an impact of SEK -8.6m on sales. With corrections for currency and

contracts, USA had growth of 2%. Our products in IAR Embedded Workbench for Arm account for approximately 80% of sales. The new 64-bit offering has been well received, and we see great potential there and in RISC-V. These, like Security, are areas for future growth. We are not satisfied with the sales performance in Security and have made changes to the business model and will recruit new sales resources.

Effects of the pandemic on the operations

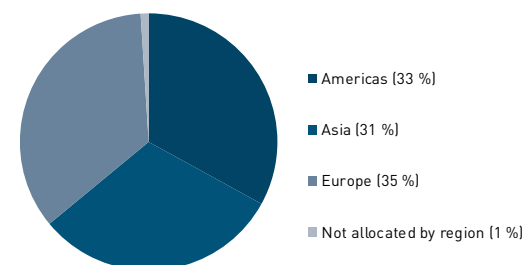
The global pandemic has impacted all of our markets to varying degrees as our customers have shifted from working at the office to working from home. We have also seen increased demand for licenses suited to remote virtual development as well as products that improve the customer's development efficiency. During the second and third waves of the pandemic, we have seen a growing share of projects being postponed or canceled as the world waits for the effects of the pandemic to stabilize. This has mainly impacted resources in the form of availability and the scope of project staffing.

In countries with a high vaccination rate, we saw a clear trend toward an increased willingness to invest.

ADJUSTED SALES

SEK m	2017	2018	2019	2020	2021
Net sales	345.0	385.2	405.6	372.0	355.9
Adjustment multi-year contracts	7.2	-16.3	-2.7	-17.2	16.8
Adjusted net sales	352.1	368.9	402.9	354.8	372.6
Foreign exchange effects (compared with previous year)	-0.1	14.4	23.5	-4.6	-20.5
Adjusted net sales	352.2	354.5	379.4	359.4	393.1
<i>Adjusted growth</i>	<i>7.3%</i>	<i>0.7%</i>	<i>2.9%</i>	<i>-10.8%</i>	<i>10.8%</i>

BREAKDOWN OF REVENUE Q1-Q4 2021



NET SALES

Net sales for the fourth quarter of 2021

Net sales for the quarter increased year-on-year and amounted to SEK 91.6m [90.7]. Currency translation had a negative effect of SEK -0.9m on net sales for the quarter.

The previous quarter's trend continued, and Asia continued to grow well during the fourth quarter. Europe reversed the trend from the most recent quarter and is now posting positive growth, while the USA, taking into account the net effect of the transaction-based business and the strategic business, reported negative growth during the quarter.

Net sales for full-year 2021

Net sales for the year amounted to SEK 355.9m [372.0]. Currency translation had a negative effect of SEK -20.5m on net sales for the year.

Other income for full-year 2021

During the third quarter, we received a payment of SEK 2.1m in connection with a judgment against the previous CEO of IAR Systems' US subsidiary IAR Systems Software Inc.

Deferred income December 31, 2021

Deferred income in the form of accrued support agreements increased during the year by SEK 6.9m and amounted to SEK 91.2m [84.3] at December 31, 2021.

EARNINGS

Earnings for the fourth quarter of 2021

Earnings in the fourth quarter of the year declined compared with the corresponding quarter in the preceding year. EBITDA adjusted for non-recurring items amounted to SEK 29.2m* [32.5] for the quarter, corresponding to an EBITDA margin of 31.9%* [35.8]. Operating profit adjusted for non-recurring items amounted to SEK 15.2m* [19.0].

The gross margin for the quarter amounted to 96.7% [95.6].

Operating expenses for the fourth quarter included impairment of intangible assets of SEK 118.2m and costs of SEK 16.0m related to the dismissal of the CEO. Operating expenses were also reduced by SEK 14.1m [17.5] during the quarter through the capitalization of development costs for software. The new 64-bit product area was launched during the first quarter of 2021. After the launch, the size of capitalization decreased and operating expenses increased compared with the earlier quarters. Of the internally generated costs that were capitalized, SEK 12.0m [13.5] pertained to personnel costs.

In a year-on-year comparison, currency translation had a positive impact of SEK 0.5m on operating profit.

Earnings for full-year 2021

EBITDA for the year totaled SEK 119.9m* [132.7], corresponding to an EBITDA margin of 33.7%* [35.7]. Operating profit for the year amounted to SEK 65.7m* [83.8].

The gross margin for the year amounted to 96.6% [96.2].

Operating expenses for the full year included impairment of intangible assets of SEK 118.2m and costs of SEK 16.0m related to the dismissal of the CEO. Operating expenses were reduced by SEK 64.4m [79.0] during the year through the capitalization of development costs for software. Of

the internally generated costs that were capitalized, SEK 54.4m [65.2] pertained to personnel costs. In a year-on-year comparison, currency translation had a negative impact of SEK -9.2m on operating profit for the year.

INVESTMENTS AND FINANCING

During 2021, we focused on investments in our major product areas. Software investments for the year totaled SEK 64.4m [79.0], of which SEK 14.1m [17.5] was attributable to the fourth quarter. A large portion of the investments was in foreign currencies, which entailed foreign exchange effects upon conversion to SEK.

Investments in property, plant and equipment for the full year totaled SEK 9.9m [3.2], of which SEK 3.0m [0.8] was attributable to the fourth quarter.

The bank overdraft facility is recognized in the consolidated balance sheet as liabilities to credit institutions and amounted to SEK 18.0m [17.5] on December 31, 2021. The bank overdraft facility is issued in SEK. The unutilized credit margin at December 31, 2021 amounted to SEK 207.0m [207.5].

Other interest-bearing liabilities in balance sheet pertain to current and non-current lease liabilities and amounted to SEK 38.0m [48.8] at December 31, 2021. Lease liabilities recognized in the balance sheet pertain to commitments for leases and the largest portion, SEK 35.6m [45.8], is connected to leases for our offices.

The equity/assets ratio at December 31, 2021 was 72% [74].

* Adjusted for non-recurring items, refer to Note 8

CASH FLOW AND LIQUIDITY

Cash flow from operating activities for the year amounted to SEK 131.6m [118.4], of which SEK 40.5m [27.8] pertained to the fourth quarter. During the year, the Group received SEK 11.8m [18.8] in tax relief related to research and development costs in the UK, which affected the cash flow from operating activities but not EBITDA. Our customers' ability to pay remained adequate during 2021, and we have not noted any negative effects on cash flow as a result of the pandemic.

Cash flow from investing activities for the year totaled SEK -74.1m [-81.4], of which SEK -17.1m [-18.2] was attributable to the fourth quarter. Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities for the year amounted to SEK -15.1m [-24.6], of which SEK -2.6m [-3.2] pertained to the fourth quarter. Cash flow from financing activities during the year comprised the net of the utilization of the bank overdraft facility and amortization of lease liabilities.

Cash and cash equivalents

Cash and cash equivalents at year-end totaled SEK 113.4m [67.8]. In addition, the Group had unutilized bank overdraft facilities of SEK 207.0m [207.5]. The Group's total available cash and cash equivalents thus amounted to SEK 320.4m [275.3]. At the end of the year, the Company had healthy margins in terms of the contractual covenants that form the basis for the above credit limits.

As of December 31, 2021, the Group had net cash of SEK 57.4m [1.5].

EMPLOYEES

The number of employees at IAR Systems at year-end was 214 [215]. The average number of employees during the year was 203 [211].

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 13.1m [13.0]. Profit after financial items amounted to SEK 84.0m [55.7].

Net investments in property, plant and equipment amounted to SEK 0.0m [0.1]. Cash and cash equivalents at December 31, 2021 totaled SEK 4.5m [0.6]. The number of employees in the Parent Company at the end of the year was four (four).

SIGNIFICANT RISKS AND UNCERTAINTIES

The market for IAR Systems' software is evolving rapidly and forecasts about future developments are thus uncertain. I.A.R. Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the 2020 annual report under "Administration report" on pages 48-49 and in Note 2 on pages 65-67, aside from uncertainties regarding the semiconductor shortage in the wake of the pandemic, since there is a risk that our customers' lack of semiconductors could entail project delays.

FUTURE OUTLOOK

The Board's financial targets are for IAR Systems' sales to grow 10-15% annually in local currency and for the operating margin to exceed 25% over a business cycle.

REVIEW

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

FINANCIAL CALENDAR 2022

Publication of the 2021 Annual Report is scheduled for the week of March 21, 2022.

Interim report Jan-Mar 2022, April 26, 2022

2022 Annual General Meeting, April 26, 2022

Interim report Jan-Jun 2022, August 17, 2022

Interim report Jan-Sep 2022, October 27, 2022

This information is inside information that I.A.R. Systems Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on February 10, 2022, at 1:00 p.m. CET.

Contact person: Josefin Skarin, Investor Contact, I.A.R. Systems Group AB, Email: josefin.skarin@iar.com

Income statement

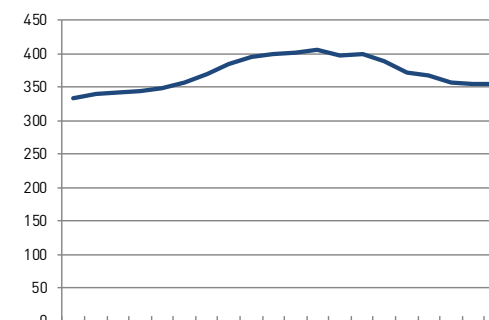
CONDENSED CONSOLIDATED INCOME STATEMENT

SEK m	Note	Full-year		3 months Oct-Dec	
		2021	2020	2021	2020
Net sales	1, 2	355.9	372.0	91.6	90.7
Other income		2.1	-	0.0	-
Goods for resale		- 12.0	-14.1	- 3.0	-4.0
Other external expenses		- 38.3	-37.7	- 12.0	-7.2
Personnel costs		- 203.8	-187.5	- 63.4	-47.0
Depreciation of property, plant and equipment		- 3.7	-3.1	- 1.1	-0.8
Depreciation of right-of-use assets		- 16.7	-17.2	- 4.1	-4.6
Amortization of intangible assets		-33.8	-28.6	-8.8	-8.1
Impairment of intangible assets		- 118.2	-	- 118.2	-
Operating profit/loss		-68.5	83.8	-119.0	19.0
Financial income		1.5	0.5	2.3	0.0
Financial expenses		-1.6	-7.5	-0.5	-4.5
Profit/loss before tax		-68.6	76.8	-117.2	14.5
Tax		1.2	-17.4	11.8	-2.5
Profit/loss for the period		-67.4	59.4	-105.4	12.0
Comprehensive income for the period attributable to owners of the Parent Company		-67.4	59.4	-105.4	12.0
Earnings per share for the period, basic, SEK		-4.94	4.35	-7.72	0.88
Earnings per share for the period, diluted, SEK		-4.94	4.35	-7.72	0.88

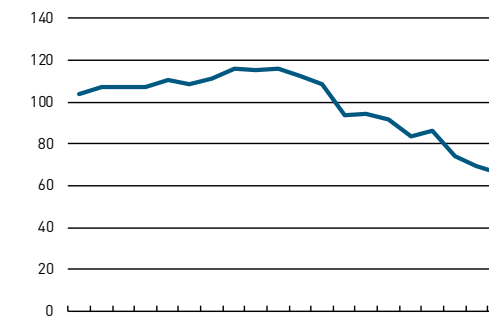
STATEMENT OF COMPREHENSIVE INCOME

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Profit/loss for the period	-67.4	59.4	-105.4	12.0
Other comprehensive income for the period				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences	41.2	-41.4	11.3	-19.7
Tax effect, items reported in comprehensive income	-2.3	2.2	-0.7	2.2
Total other comprehensive income	38.9	39.2	10.6	-17.5
Comprehensive income for the period	-28.5	20.2	-94.8	-5.5
Comprehensive income for the period attributable to owners of the Parent Company	-28.5	20.2	-94.8	-5.5

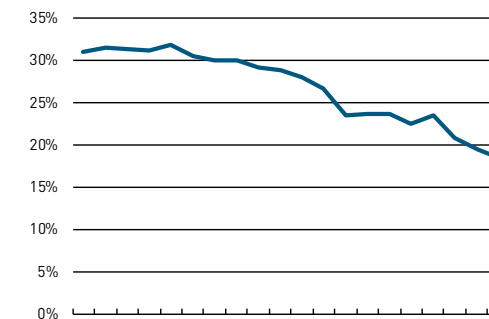
NET SALES ROLLING 12 MONTHS
Q1 2017 - Q4 2021



OPERATING PROFIT* ROLLING 12 MONTHS
Q1 2017 - Q4 2021



OPERATING MARGIN* ROLLING 12 MONTHS
Q1 2017 - Q4 2021



* Adjusted for items of a non-recurring nature, refer to Note 8

Balance sheet

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec 31, 2021	Dec 31, 2020
ASSETS			
Non-current assets			
Goodwill	3	355.9	332.7
Other intangible assets	4	175.5	244.0
Property, plant and equipment		14.6	7.5
Right-of-use assets		35.6	46.9
Financial assets	7	3.0	2.9
Deferred tax assets	5	2.5	3.5
Total non-current assets		587.1	637.5
Current assets			
Inventories		9.5	5.7
Other current assets	7	43.8	63.8
Trade receivables	7	58.9	58.7
Cash and cash equivalents	7	113.4	67.8
Total current assets		225.7	196.0
TOTAL ASSETS		812.8	833.5
EQUITY AND LIABILITIES			
Total equity		585.3	613.4
Non-current liabilities			
Lease liabilities	7	19.5	31.7
Other non-current liabilities		1.1	1.1
Deferred tax liabilities		28.4	37.2
Total non-current liabilities		49.0	70.0
Current liabilities			
Trade payables	7	9.2	5.0
Liabilities to credit institutions	7	18.0	17.5
Lease liabilities	7	18.5	17.1
Deferred income		91.2	84.3
Other current liabilities	7	41.6	26.2
Total current liabilities		178.5	150.1
TOTAL EQUITY AND LIABILITIES		812.8	833.5

CHANGES IN EQUITY, GROUP

	Full-year		3 months Oct-Dec	
SEK m	2021	2020	2021	2020
Equity at beginning of period	613.4	592.0	680.5	619.2
Share buybacks	-	-	-	-
Warrants, after deductions for transaction costs and tax	0.2	0.1	0.1	-
Value of share-based remuneration	0.2	1.1	-0.5	-0.3
Dividend	-	-	-	-
Comprehensive income for the period	-28.5	20.2	-94.8	-5.5
Equity at end of period	585.3	613.4	585.3	613.4
Of which, attributable to owners of the Parent Company	585.3	613.4	585.3	613.4

Cash flows

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Full-year		3 months Oct-Dec	
SEK m	2021	2020	2021	2020
Incoming payments from customers and other incoming payments	359.4	378.4	89.2	82.2
Outgoing payments to suppliers and employees	-222.6	-250.4	-52.2	-47.8
Interest received	0.0	0.1	0.0	0.0
Interest paid	-1.6	-1.8	-0.4	-0.4
Tax relief received	11.8	18.8	-	-
Income taxes paid	-15.4	-26.7	3.9	-6.2
Cash flow from operating activities	131.6	118.4	40.5	27.8
Investments in property, plant and equipment	-9.9	-3.2	-3.0	-0.8
Investments in intangible assets	-64.2	-78.2	-14.1	-17.4
Cash flow from investing activities	-74.1	-81.4	-17.1	-18.2
Warrants, after deductions for transaction costs	0.2	0.1	0.1	0.0
Amortization of financial liabilities	-16.2	-30.2	-2.7	-3.3
Borrowings	0.9	5.5	0.0	0.1
Cash flow from financing activities	-15.1	-24.6	-2.6	-3.2
Cash flow for the period	42.4	12.4	20.8	6.4
Cash and cash equivalents at beginning of period	67.8	60.7	91.3	65.7
Exchange difference in cash and cash equivalents				
- attributable to cash and cash equivalents at beginning of period	2.7	-4.3	0.9	-3.4
- attributable to cash flow for the period	0.5	-1.0	0.4	0.9
Cash and cash equivalents at end of period	113.4	67.8	113.4	67.8

CASH AND CASH EQUIVALENTS, GROUP

SEK m	Dec 31, 2021	Dec 31, 2020
Cash and cash equivalents at end of period	113.4	67.8
Unutilized overdraft facilities	207.0	207.5
Total available cash and cash equivalents	320.4	275.3

Key performance measures

GROUP

	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Gross margin, %	96.6	96.2	96.7	95.6
EBITDA, %	33.7*	35.7	31.9*	35.8
Operating margin, %	18.5*	22.5	16.6*	20.9
Profit margin, %	18.4*	20.6	18.6*	16.0
Cash flow, %	37.0	31.8	44.2	30.7
Equity/assets ratio, %	72.0	73.6		
Return on equity, %	-11.2	9.9	-16.7	1.9
Return on capital employed, %	-10.1	12.5	-17.0	2.8
Capital employed, SEK m	641.3	679.7		
Net cash, SEK m	57.4	1.5		
Net debt/equity ratio, multiple	-0.1	-0.0		
No. of employees at end of period	214	215		
Average no. of employees	203	208	205	205
Sales per employee, SEK m	1.8	1.8	0.4	0.4

* Adjusted for items of a non-recurring nature, refer to Note 8

SHARE DATA

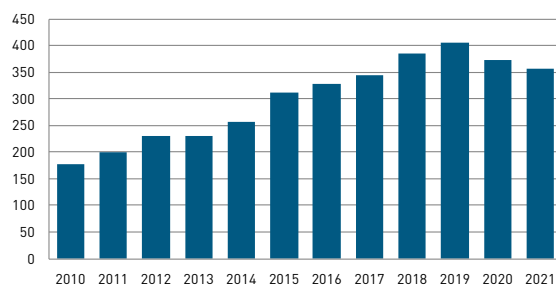
	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Equity per share, SEK	42.88	44.97		
No. of shares at end of period, million	13.64	13.64		
Average no. of shares, million	13.64	13.63	13.65	13.64
Average no. of shares, diluted, million	13.65	13.65	13.66	13.66
Cash flow from operating activities per share, SEK	9.65	8.69	2.97	2.04
Earnings per share, SEK*	-4.94	4.35	-7.72	0.88
Earnings per share, diluted, SEK*	-4.94	4.35	-7.72	0.88

* Definition in accordance with IFRS. Refer also to definitions on page 20.

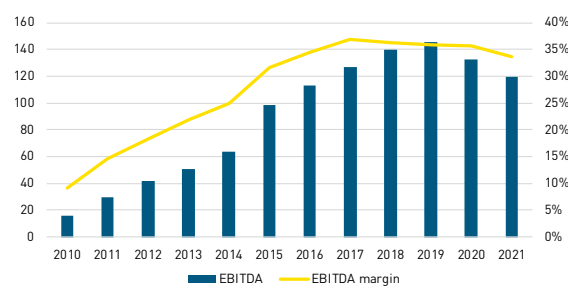
Multi-year overview

	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
2021	355.9	119.9*	33.7*	65.7*	18.5*	-4.94	-11.2	9.65	42.88	117.80	1,608
2020	372.0	132.7	35.7	83.8	22.5	4.35	9.9	8.69	44.97	139.80	1,906
2019	405.6	145.8	35.9	108.4	26.7	5.96	14.2	7.78	43.43	186.00	2,535
2018	385.2	140.1	36.4	115.6	30.0	6.67	20.8	7.05	40.38	243.00	3,310
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

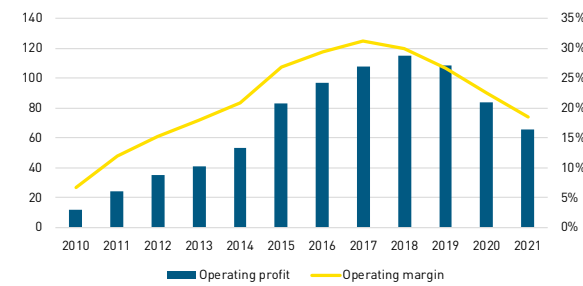
NET SALES



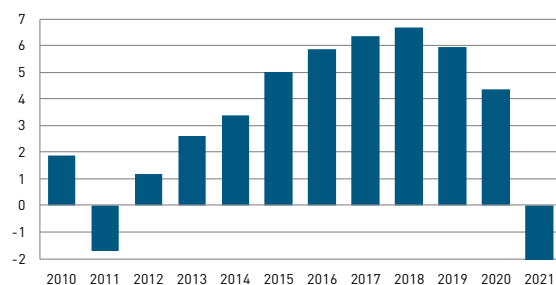
EBITDA AND EBITDA MARGIN*



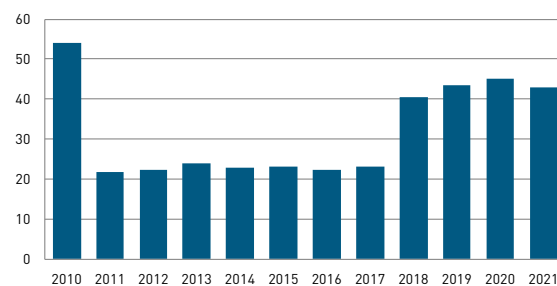
OPERATING PROFIT AND OPERATING MARGIN*



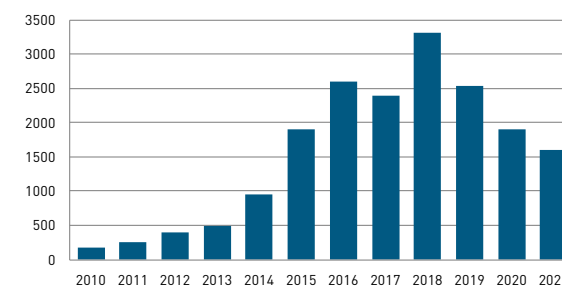
EARNINGS PER SHARE, SEK



EQUITY PER SHARE, SEK



MARKET CAPITALIZATION, SEK m



* Adjusted for items of a non-recurring nature, refer to Note 8

** Definition in accordance with IFRS.

Quarterly 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
2021	Q4	91.6	29.2*	31.9*	15.2*	16.6*	-7.72	-16.7	2.97	42.88	117.80	1,608
	Q3	87.9	35.0	39.8	20.9	23.8	1.17	2.4	3.04	49.89	100.00	1,364
	Q2	87.4	25.9	29.6	12.6	14.4	0.68	1.4	2.02	48.39	140.20	1,913
	Q1	88.9	29.8	33.5	17.0	19.1	0.94	2.0	1.61	48.38	132.40	1,806
2020	Q4	90.7	32.5	35.8	19.0	20.9	0.88	1.9	2.04	44.97	139.80	1,906
	Q3	88.9	36.8	41.4	25.4	28.6	1.37	3.1	2.40	45.43	161.00	2 195
	Q2	100.1	36.8	36.8	25.0	25.0	1.29	2.9	3.15	44.10	114.80	1,565
	Q1	92.3	26.6	28.8	14.4	15.6	0.81	1.8	1.10	45.14	116.40	1,587
2019	Q4	106.8	37.0	34.6	27.1	25.4	1.47	3.4	2.27	43.43	186.00	2,535
	Q3	100.0	37.5	37.5	28.1	28.1	1.58	3.9	2.00	42.11	234.50	3,196
	Q2	99.0	32.9	33.2	23.8	24.0	1.23	2.9	2.11	39.63	269.50	3,673
	Q1	99.8	38.4	38.5	29.4	29.5	1.68	4.0	1.40	43.58	260.00	3,542
2018	Q4	102.8	37.6	36.6	31.1	30.3	1.60	3.9	2.45	40.38	243.00	3,310
	Q3	97.9	37.8	38.6	31.3	32.0	1.97	5.0	1.09	40.88	258.50	3,518
	Q2	95.6	30.0	31.4	23.7	24.8	1.20	3.2	1.86	37.29	277.00	3,770
	Q1	88.9	34.7	39.0	29.5	33.2	1.81	5.7	1.51	32.76	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

* Adjusted for items of a non-recurring nature, refer to Note 8

** Definition in accordance with IFRS.

Parent Company

CONDENSED INCOME STATEMENT

	Full-year	
SEK m	2021	2020
Net sales	13.1	13.0
Operating expenses	-37.5	-19.1
Depreciation of property, plant and equipment	-0.0	-0.0
Operating loss	-24.4	-6.1
Profit from financial items	108.4	61.8
Profit before tax	84.0	55.7
Tax	-17.8	-11.9
Profit/loss for the period	-66.2	43.8

STATEMENT OF COMPREHENSIVE INCOME

	Full-year	
SEK m	2021	2020
Profit/loss for the period	-66.2	43.8
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Change in value of non-current securities	-	-
Total other comprehensive income	-	-
Comprehensive income for the period	-66.2	43.8

CONDENSED BALANCE SHEET

SEK m	Dec 31, 2021	Dec 31, 2020
ASSETS		
Non-current assets		
Property, plant and equipment	0.2	0.2
Shares in subsidiaries	481.4	481.2
Other financial assets	0.1	0.1
Deferred tax assets	0.0	0.0
Total non-current assets	481.7	481.5
Current assets		
Receivables from subsidiaries	172.7	116.6
Other current assets	0.5	8.9
Cash and cash equivalents	4.5	0.6
Total current assets	177.7	126.1
TOTAL ASSETS	659.4	607.6
EQUITY AND LIABILITIES		
Total equity	623.7	557.0
Current liabilities		
Trade payables	0.5	0.3
Liabilities to credit institutions	18.0	17.5
Liabilities to subsidiaries	1.4	27.0
Other current liabilities	15.8	5.8
Total current liabilities	35.7	50.6
TOTAL EQUITY AND LIABILITIES	659.4	607.6

Notes

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. This consolidated interim report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and IAS 34 Interim Financial Reporting. The accounts of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report. New or revised standards and new interpretations from the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRIC) and amendments to RFR 2 effective as of January 1, 2021 have not had any material impact on the financial statements of the Group or the Parent Company.

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

2. NET SALES

Net sales are distributed as follows:

	Full-year		3 months Oct-Dec	
SEK m	2021	2020	2021	2020
Development tools	355.2	367.0	91.5	89.5
Security solutions	0.7	5.0	0.1	1.2
Net sales	355.9	372.0	91.6	90.7

	Full-year		3 months Oct-Dec	
SEK m	2021	2020	2021	2020
License-based revenue	196.1	212.4	49.4	52.0
Support and software updates	141.7	145.2	36.1	35.3
Other	18.1	14.4	6.1	3.4
Net sales	355.9	372.0	91.6	90.7

At a certain point in time	214.2	226.8	55.5	55.4
Over time	141.7	145.2	36.1	35.3
Net sales	355.9	372.0	91.6	90.7

	Full-year		3 months Oct-Dec	
SEK m	2021	2020	2021	2020
Americas	119.1	132.0	29.2	32.3
Asia	110.4	101.9	29.5	26.0
Europe	124.7	135.5	32.4	31.7
Not allocated by region	1.7	2.6	0.5	0.7
Net sales	355.9	372.0	91.6	90.7

3. GOODWILL

Goodwill increased by SEK 23.2m during the year as a result of currency translation. 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. Goodwill at December 31, 2021 amounted to SEK 355.9m (332.7).

4. OTHER INTANGIBLE ASSETS

Other intangible assets decreased by SEK 68.5m during the year and amounted to SEK 175.5m (244.0) on December 31, 2021. Impairment of individual intangible development assets that are no longer relevant products, mainly within the area of security, reduced the item other intangible assets by SEK 118.2m. Management has reviewed both IAR's established development tools business and the Group's security offering. The changes that have been made to the product offering, business model and sales strategy have given rise to impairment, primarily in the area of security. After a review of future business and sales models for the company's various security offerings, IAR Systems has decided that the company will focus on fewer areas where it has the potential to generate healthy future income.

The impairment is of a non-recurring nature and will not affect cash flow. Operating expenses were reduced by SEK 64.4m (79.0) during the year through the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 54.4m (65.2) 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 December 31, 2021, the Group had accumulated loss carryforwards outside Sweden of SEK 217m, of which SEK 57.9m (91) are recognized in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 2.5m (3.5), and the deferred tax liability is recognized in an amount of SEK 28.4m (37.2), of which SEK 11.0m (15.4) pertains to loss carryforwards.

Notes, cont.

The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount since they are connected to the same tax subject. The tax relief payment in the UK for 2021 connected to research and development costs was approximately SEK 11.8m (18.8). The payment reduced aggregate loss carryforwards by an equivalent amount.

6. PLEDGED ASSETS

SEK m	Dec 31, 2021	Dec 31, 2020
To secure pensions	17.7	9.1
To secure liabilities to credit institutions	2.7	2.9
Total pledged assets	20.5	12.0

In addition to the above pledged assets in the Group, the Parent Company I.A.R. Systems Group AB has committed financial support as needed to the Group company Secure Thingz Ltd.

7. INFORMATION ABOUT MEASUREMENT AT FAIR VALUE

For cash and cash equivalents, trade receivables and trade payables, the carrying amount is a good approximation of fair value since the maturity is short. For borrowings, the carrying amount is a good approximation of fair value since the interest rate is variable and the credit margin is relatively unchanged. No financial instruments measured at fair value in the Group were acquired/reclassified in the year.

8. ADJUSTMENT OF PERFORMANCE MEASURES FOR NON-RECURRING ITEMS

During the fourth quarter, earnings were charged with non-recurring items. To simplify the comparison with earlier periods, some performance measures are stated with these items excluded. Adjustments have been made for impairment of intangible assets of SEK 118.2m and costs of SEK 16.0m related to the dismissal of the CEO, which are non-recurring items.

The following table presents the effect of adjustments on the condensed income statement and operating profit for the full year.

SEK m	Full-year			
	2021	Adjustment	2021 adjusted	2020
Net sales	355.9		355.9	372.0
Other income	2.1		2.1	-
Goods for resale	- 12.0		- 12.0	-14.1
Other external expenses	- 38.3		- 38.3	-37.7
Personnel costs	- 203.8	16.0	- 187.8	-187.5
Depreciation of property, plant and equipment	- 3.7		- 3.7	-3.1
Depreciation of right-of-use assets	- 16.7		- 16.7	-17.2
Amortization of intangible assets	-33.8		-33.8	-28.6
Impairment of intangible assets	- 118.2	118.2	-	-
Operating profit/loss	-68.5		65.7	83.8

The following table presents the effect of adjustments on the condensed income statement and operating profit for the fourth quarter.

SEK m	3 months Oct-Dec			
	2021	Adjustment	2021 adjusted	2020
Net sales	91.6		91.6	90.7
Other income	0.0		0.0	-
Goods for resale	- 3.0		- 3.0	-4.0
Other external expenses	- 12.0		- 12.0	-7.2
Personnel costs	- 63.4	16.0	- 47.4	-47.0
Depreciation of property, plant and equipment	- 1.1		- 1.1	-0.8
Depreciation of right-of-use assets	- 4.1		- 4.1	-4.6
Amortization of intangible assets	-8.8		-8.8	-8.1
Impairment of intangible assets	- 118.2	118.2	-	-
Operating profit/loss	-119.0		15.2	19.0

9. RELATED PARTY TRANSACTIONS

The dismissal of the previous CEO means that salary payments during the period of notice, termination benefits and pension will continue after the date of dismissal pursuant to the terms of the contract. Refer to Note 6 in the 2020 Annual Report.

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. The following section "Reconciliations" presents reconciliations and accounts for the components included in the alternative performance measures used in the company's financial reporting.

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 78.6% 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.
Cash flow from operating activities per share	Cash flow from operating activities divided by the average number of shares during the period.	Measures the company's cash generation in relation to the number of shares in the company.
Net cash	Cash and cash equivalents less interest-bearing liabilities.	A measure of the ability to use available cash and cash equivalents to pay off all liabilities if they were due for payment on the date of the calculation and thereby a measure of the risk in relation to the company's capital structure.
Net interest-bearing liabilities	Interest-bearing liabilities less cash and cash equivalents.	A measure used to follow the liability trend and see the size of the need for refinancing. This measure is one component in calculating net cash and the net debt/equity ratio.

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.
Return on equity	Profit after tax as a percentage of average equity.	Return on equity shows the total accounting returns on capital invested by the owners and reflects the effects of both the profitability of operations and financial gearing. This measure is mainly used to analyze the profitability of owners over time.
Return on capital employed	Profit before tax plus financial expenses as a percentage of average capital employed.	Return on capital employed shows how well operations use the capital tied up in the business. This measure is mainly used to study the Group's profitability over time.
Interest-bearing liabilities	Borrowings in banks or the equivalent.	This measure is one component in calculating net cash and the net debt/equity ratio.
Operating margin	Operating profit as a percentage of net sales.	This measure reflects the operating profitability of the business. It is useful for following up profitability and efficiency in operations before taking into account capital tied up. This key ratio is used both internally in governance and follow-up of operations and to compare with other companies.
Operating profit	Profit before tax less financial income plus financial expenses.	Used to calculate the operating margin.
Equity/assets ratio	Equity as a percentage of total assets.	This key ratio shows the proportion of assets financed with equity and can be used as an indication of the company's long-term solvency.
Capital employed	Total assets less non-interest-bearing liabilities. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at the end of the year divided by two.	The capital made available to the company by shareholders and lenders. This shows the net capital invested in operating activities with the addition of financial assets.
Profit margin	Profit before tax as a percentage of net sales.	Profit margin shows the earnings capacity of the business from operating activities regardless of the tax situation in relation to the company's net sales and can be used to in a comparison with other companies in the same industry.

* Definition in accordance with IFRS.

Reconciliations

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Net sales	355.9	372.0	91.6	90.7
Goods for resale	-12.0	-14.1	-3.0	-4.0
Gross profit	343.9	357.9	88.6	86.7
Gross margin	96.6%	96.2%	96.7%	95.6%

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Operating profit	65.7*	83.8	15.2*	19.0
Depreciation of property, plant and equipment	3.7	3.1	1.1	0.8
Depreciation of right-of-use assets	16.7	17.2	4.1	4.6
Amortization of intangible assets	33.8	28.6	8.8	8.1
EBITDA	119.9*	132.7	29.2*	32.5

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Net sales	355.9	372.0	91.6	90.7
EBITDA	119.9*	132.7	29.2*	32.5
EBITDA margin	33.7%*	35.7%	31.9%*	35.8%

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Net sales	355.9	372.0	91.6	90.7
Operating profit	65.7*	83.8	15.2*	19.0
Operating margin	18.5%*	22.5%	16.6%*	20.9%

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Net sales	355.9	372.0	91.6	90.7
Profit before tax	65.6*	76.8	17.0*	14.5
Profit margin	18.4%*	20.6%	18.6%*	16.0%

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Net sales	355.9	372.0	91.6	90.7
Cash flow from operating activities	131.6	118.4	40.5	27.8
Cash flow	37.0%	31.8%	44.2%*	30.7%

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

SEK m	Dec 31, 2021	Dec 31, 2020
Equity	585.3	613.4
Total assets	812.8	833.5
Equity/assets ratio	72.0%	73.6%

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

SEK m	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Sep 30, 2020	Dec 31, 2019
Equity	585.3	680.5	613.4	619.2	592.0

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Average equity	599.4	602.7	632.9	616.3

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Profit/loss after tax	-67.4	59.4	-105.4	12.0
Average equity	599.4	602.7	632.9	616.3
Return on equity	-11.2%	9.9%	-16.7%	1.9%

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

SEK m	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Sep 30, 2020	Dec 31, 2019
Interest-bearing liabilities	56.0	54.9	66.3	66.1	79.1
Cash and cash equivalents	-113.4	-91.3	-67.8	-65.7	-60.7
Net interest-bearing liabilities	-57.4	-36.4	-1.5	0.4	18.4

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Profit/loss before tax	-68.6	76.8	-117.2	14.5
Financial expenses	1.6	7.5	0.5	4.5
Profit/loss before tax plus	-67.0	84.3	-116.7	19.0
Return on capital employed	-10.1%	12.5%	-17.0%	2.8%

* Adjusted for items of a non-recurring nature, refer to Note 8

Reconciliations, cont.

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

SEK m	Dec 31, 2021	Dec 31, 2020
Cash and cash equivalents	113.4	67.8
Interest-bearing liabilities	-56.0	-66.3

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	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Sep 30, 2020	Dec 31, 2019
Total assets	812.8	901.4	833.5	838.6	824.9
Non-interest-bearing liabilities	-171.5	-165.9	-153.8	-153.3	-153.8
Capital employed	641.3	735.5	679.7	685.3	671.1

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Average capital employed	660.5	675.4	688.4	681.4

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

SEK m	Dec 31, 2021	Dec 31, 2020
Equity	585.3	613.4
No. of shares at end of period, million	13.65	13.64

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

SEK m	Full-year		3 months Oct-Dec	
	2021	2020	2021	2020
Cash flow from operating activities	131.6	118.4	40.5	27.8
Average no. of shares, million	13.64	13.63	13.65	13.64
Cash flow from operating activities per share	9.65	8.69	2.97	2.04

The IAR Systems share

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. During the year, the share price varied from a low of SEK 100.00 [95.80] to a high of SEK 166.0 [193.40]. The share price at December 31, 2021 was SEK 117.80 [139.80]. I.A.R. Systems Group's market capitalization on the same date was SEK 1,608m [1,906].

The number of shareholders in I.A.R. Systems Group at December 31, 2021 was 7,271 [7,516]. Of these shareholders, 472 [465] held more than 1,000 shares each. Foreign shareholders held approximately 27% [27] of the share capital and 27% [25] of the votes.

I.A.R. Systems Group's share capital at December 31, 2021 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,649,445 are class B shares and 318,888 are class C shares. All of the class C shares are held in treasury. These are not included in the information submitted regarding the IAR Systems share. Class C shares do not entitle the holder to dividends.

The aim of the company's treasury holding of class C shares is to ensure the delivery of shares to employees through the exercise of stock options according to the Group's incentive program and, in terms of cash flow, to ensure payment of future social security expenses attributable to this program. Prior to any delivery of shares according to the Group's employee ownership program, the company will convert the class C shares into class B shares. During the year, 8,179 class C shares were converted into class B shares and delivered within the framework of the incentive program. A total of 35,693 class C shares have been converted into class B shares and delivered within the framework of the incentive program since the original buy-back of 359,688 class C shares.

INCENTIVE PROGRAMS

In accordance with the decision of the 2018 and 2019 AGM, a long-term incentive program for IAR Systems Group employees has been introduced ("LTIP 2018" and "LTIP 2019," respectively). The programs encompass 1,132,500 warrants. A total of 915,500 warrants were acquired or allocated, of which 497,500 were under LTIP 2018 and 418,000 under LTIP 2019. The incentive programs consist of two different types of warrants: share warrants and stock options. The share warrants are intended for employees in Sweden and the stock options are intended for employees outside Sweden. The final number of warrants to which each participant is entitled is dependent on the degree to which the Group's performance conditions are fulfilled. The performance conditions are based on average annual growth of the Group's net sales for the 2018, 2019 and 2020 financial years for LTIP 2018 and the 2019, 2020 and 2021 financial years for LTIP 2019. Refer to the table.

LTIP 2018

A premium of SEK 16.30 per warrant was paid for share warrants. The warrants, which entitled the participants to subscribe for or acquire one class B share in the company during the period August 20 until September 17, 2021, had a subscription price of SEK 323.90 and an acquisition price of SEK 330.00. All warrants in the program have expired. No participants subscribed for or acquired shares during the aforementioned period.

LTIP 2019

A premium of SEK 11.17 per warrant was paid for share warrants. The warrants, which carry the entitlement to subscribe for or acquire one class B share in the company during the period May 1 until May 31, 2022, have a subscription and an acquisition price of SEK 347.70. As the performance conditions for the 2021 financial year were not met, these share warrants expired.

Exchange allotment 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in accordance with the approval from the Extraordinary General Meeting held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program will con-

INCENTIVE PROGRAMS

	Total	Subscribed /Allotted	Qualifying year				Past due/ forfeited
			2018	2019	2020	2021	
LTIP 2018							
Share warrants	315,000	243,500	80,813	4,850	0	n/a	243,500
Stock options	285,000	254,000	55,648	3,380	0	n/a	254,000
LTIP 2019							
Share warrants	151,500	63,000	n/a	1,160	0	0	61,840
Stock options	381,000	355,000	n/a	5,370	0	0	349,630
EXCHANGE ALLOTMENT 2018	Total	Sub- scribed/ Allocated	Exercised Dec 31, 2021	Forfeited Dec 31, 2021	Qualified Dec 31, 2021	Qualified after Dec 31, 2021	
Stock options	73,413	73,413	35,693	20,621	16,040	1,059	

2021 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of I.A.R. Systems Group AB was held on April 27, 2021. For information about the AGM and the resolutions passed, refer to the company's website: www.iar.com

NOMINATING COMMITTEE

In accordance with the resolution of the AGM in April 2021, the nominating committee has been appointed and consists of Jonas Eixmann (appointed by Andra AP-fonden), Ossian Ekdahl (appointed by Första AP-fonden), Markus Lindqvist (appointed by Aktia) and Jan Dworsky (appointed by Swedbank Robur Fonder).

Jonas Eixmann was appointed Chairman of the nominating committee.

PROPOSED DIVIDEND

The Board of Directors intends to propose to the AGM on April 26, 2022 that no dividend be paid. The Board based this proposal on the fact that it will enable the company's growth strategy to be accelerated.

BREAKDOWN OF SHAREHOLDINGS

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
1-500	6,404	88	4	4
501-1,000	396	6	2	2
1,001-10,000	387	5	8	8
10,001-	84	1	86	86
Total *	7,271	100	100	100

GEOGRAPHICAL DISTRIBUTION

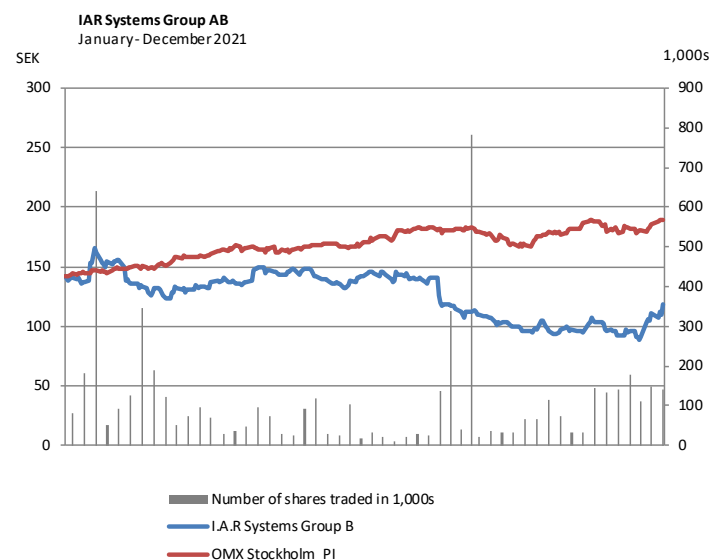
	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	7,029	97	72	72
Europe excl. Sweden	209	3	26	26
Other countries	33	0	2	2
Total *	7,271	100	100	100

* excluding 318,888 class C shares held in treasury

LARGEST SHAREHOLDERS (VOTES)

	No. of shares	Share of capital, %	Share of votes, %
Andra AP-fonden	1,295,415	9	9
Första AP-fonden	1,176,506	9	9
Swedbank Robur Fonder	1,070,000	8	8
Tredje AP-fonden	728,930	5	5
The Northern Trust Company	710,000	5	5
Aktia Nordic Mid	631,500	5	5
Fjärde AP-fonden	591,620	4	4
Aktia Nordic Small	551,050	4	4
Ribbskottet Aktiebolag	542,881	4	4
Försäkringsaktiebolaget Avanza	356,796	3	3
Säästöpankki Itämeri- Sijoitusr	312,028	2	2
Fondita Nordic Small Cap Invest	270,000	2	2
Säästöpankki Pienyhtiöt - Itämeri	258,010	2	2
Herenco Holding Aktiebolag	208,038	2	2
Stefan Engqvist	196,377	2	1
Other	4,744,123	35	35
Total *	13,643,274	100	100

* excluding 318,888 class C shares held in treasury



Investment case

IAR Systems is a world-leading supplier of programming tools and services for embedded systems. These tools and services enable the development of digital products for over 46,000 corporate clients and 150,000 developers, supported by growing demand for digital technology, primarily within industrial automation, medical technology, telecommunication, consumer electronics and the automotive industry. Secure Thingz is a supplier of advanced security solutions with a focus on IoT. Together, the two companies deliver the solutions necessary to create essential security in a world of connected devices and products.

A profitable growth company driving change in the industry

IAR Systems was founded in 1983 and has continuously developed and refined their products to meet customer demand. The head office is located in Uppsala, Sweden but has a global reach worldwide. The tailorable business model includes selling flexible user licenses for access to the IAR Embedded Workbench software, which enables close customer relations, a high level of customer loyalty and even revenue streams. The collaboration with Secure Thingz, which began in 2018, expands the possible market significantly, from product development alone to the provision of services, manufacturing and product management.

Superior technology with new patented additions

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.

The most important competitive advantages are the following:

1. IAR Systems offers a unique product range consisting of a complete tool chain for product developers.
2. IAR Systems is independent and thereby supports a variety of different processor architectures, which means that customers can choose the exact programming environment that fits their needs, regardless of processor and project. This way, customers do not need to lock themselves into a particular technical platform, which provides a number of advantages, such as being able to reuse 70–80% of previously written code
3. IAR Systems provides superior quality so that customers do not need to compromise on product performance, reliability and user-friendliness and so that the time from product to market launch is as efficient as possible.
4. Through the acquisition of Secure Thingz, both companies have together developed a unique, patented technology and specialist security expertise that fulfill the customer's need to protect its products and intellectual property. This can also be a crucial distinguishing factor in maximizing market potential in security for embedded systems.

The spread of digital technology is driving market growth

The spread of digital technology is driving the market for embedded systems, largely as a result of IoT. Almost all industries have devices and products that could be developed further through improved communication and connectivity. The market has a number of underlying driving forces that all indicate that the recent decade of stable growth within the industry will continue. The following factors are likely to affect IAR Systems' growth:

1. Continued increase in the number of embedded systems and complexity of these systems.
2. Continued high demand for reliable and advanced programming tools that provide a complete development platform and efficient time management from product to market launch.
3. New opportunities through new players entering the market for embedded systems.
4. Unexploited potential within security solutions for embedded systems. Secure Thingz operates as its own company, but takes advantage of IAR Systems' worldwide sales and support organization, and thereby its large and loyal customer base.

5. The processor architecture RISC-V is challenging the Arm architecture, and IAR Systems is positioning itself to be the leading software supplier in this area. We remain active in RISC-V and launched a number of updates in our tools in 2020 that allow customers to take better advantage of the possibilities offered by the RISC-V processor architecture.

6. New collaborations create potential such as the collaboration with Microsoft where IAR Systems presents one solution that works from development, via programming and now also with an update via Microsoft Azure's cloud solution.

Committed team who knows how to take advantage of growth potential

IAR Systems' global organization and great passion for product development and technology attract competencies and talent in all countries where the company operates. Employees' different cultural backgrounds, unique perspectives and local knowledge is an important contributing factor to the strong presence IAR Systems has all over the world, which allows the company to meet customers on their own market. With employees sharing knowledge and experience IAR Systems creates the most competitive customer solutions.





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