

**I.A.R. SYSTEMS GROUP AB**  
**INTERIM REPORT JANUARY-MARCH 2022**

**Q1**

# Q1 2022

Net sales SEK 97.4m (88.9), EBITDA SEK 30.3m (29.8)

## PROFIT SUMMARY

	3 months Jan-Mar		Full-year
	2022	2021	2021
SEK m			
Net sales	97.4	88.9	355.9
Capitalised work on own account	12.2	20.3	64.4
Other income	0.9	-	2.1
Operating expenses	-93.2	-92.2	-490.9
<b>Operating profit/loss</b>	<b>17.3</b>	<b>17.0</b>	<b>-68.5</b>
Loss from financial items	-0.9	-0.6	-0.1
<b>Profit/loss before tax</b>	<b>16.4</b>	<b>16.4</b>	<b>-68.6</b>
Tax	-4.4	-3.6	1.2
<b>Profit/loss for the period</b>	<b>12.0</b>	<b>12.8</b>	<b>-67.4</b>

## JANUARY-MARCH 2021

- › EBITDA of SEK 30.3m (29.8), corresponding to an EBITDA margin of 31.1% (33.5)
- › Operating profit of SEK 17.3m (17.0), corresponding to an operating margin of 17.8% (19.1)
- › Profit before tax of SEK 16.4m (16.4)
- › Basic earnings per share of SEK 0.88 (0.94) and diluted earnings per share of SEK 0.88 (0.94)
- › Cash flow from operating activities of SEK 28.8m (22.0)
- › Net cash of SEK 72.0m (3.0) at the end of the quarter

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

## KEY PERFORMANCE MEASURES

	3 months Jan-Mar		Full-year
	2022	2021	2021
Gross margin, %	97.1	96.2	96.6
EBITDA margin, %	31.1	33.5	33.7*
Operating margin, %	17.8	19.1	18.5*
Cash flow, %	29.6	24.7	37.0
Net cash, SEK m	72.0	3.0	57.4
No. of employees at end of period	212	212	214

## KEY EVENTS

The nominating committee announced a proposal that the Annual General Meeting (AGM) on April 26, 2022 elect Sabina Lindén as a new Board member. Current Board members Kent Sander and Richard Lind have declined re-election.

# Comments from the CEO – Q1 2022

## Overview

The quarter as a whole turned out differently than we had expected. The first two months gave reason for cautious optimism about business conditions, and there were widespread announcements of new investments in production capacity from semiconductor manufacturers such as Intel.

Tragically, a war broke out within Europe's borders that is having a clear impact on business. Our business exposure to Russia and Ukraine is not large: only approximately 0.6% of annual sales in the last few years. However, it's important for us to take a stand against the war, and we therefore immediately stopped doing business with Russia on February 24. We also informed our customers in Ukraine that they will continue to receive the support they need from us pro bono.

A fundraising collection for the UNHCR was also held, and employee contributions were matched by the company.

However, Russia's attack is having a major impact on supply chains in industries that are important to us, especially the automotive industry. The invasion also caused many customers to temporarily halt investments due to uncertainty. We're not losing business, but the transactions have been postponed.

## Comments by region

EMEA: Growth in EMEA was -4.8% for the quarter compared with the preceding year. Several major transactions in Germany and Central Europe were postponed

and are expected to close in the second quarter. The trend of increased interest in RISC-V and our Functional Safety offering continues.

APAC: Despite the lockdown in China, growth in APAC was up 19% compared with the previous year. All of the countries are showing healthy growth, but as in EMEA, some transactions in China have been postponed. We are hoping for a return to a more normal situation and to be able to complete postponed transactions in China in the second quarter, but the situation remains uncertain. Our restructuring of our compensation model is beginning to show results, with a 16% increase in sales of new licenses. We closed important RISC-V deals in Taiwan during the quarter.

NA: Growth was -4.6% compared with the previous year, and several major transactions were postponed until the second quarter. North America felt an indirect impact of both the war and the situation in China in the form of uncertainty about the impact on supply chains, resulting in some caution about investments, which have been postponed here as well. Our focus on our revised compensation model is yielding clear results in North America as well, with a 20% increase in sales of new licenses. It's gratifying to see that both our Functional Safety offering and our Linux and Windows solutions are meeting with increasing interest, with some interest coming from new sectors such as renewable energy.

We also see a strong interest in our security offering in the USA, which has resulted in the completion of several transactions as well as a strong and growing pipeline. We've also seen that Mexico and Brazil have begun making serious inquiries and issuing requests for quotes (RFQs) as a result of greater outsourcing of development from the USA to these countries.

## Technology

We launched 64-bit support for Arm in 2021, and added 64-bit support for RISC-V during the period. We also expanded AI/ML support for ARM and launched new versions of our IAR Visual State and Functional Safety products. We also launched new development tools for our security solutions, C-Trust and Embedded Trust. Our security offering with the motto "Security Made Simple" is beginning to take off with our customers. We are well positioned to respond to market trends in RISC-V, AI/ML and CI/CD, and we continue to invest in these growth areas.

## Summary

Despite the challenges posed by the quarter, our journey of transformation continues at full force. We have begun to address the necessary changes we identified during the previous period in terms of organization, strategy and expertise. We are continuing to develop our business, our employees and our offerings. We are also improving our market position and expanding the addressable market in order to ensure future growth and competitiveness.

Richard

# Financial information

## Sales

Sales during the quarter amounted to SEK 97.4m [88.9], a 10% increase, partly due to a foreign exchange effect of SEK 5.8m which also had an effect of SEK 2.6m on earnings. In addition to the foreign exchange effect, sales were also affected by a change to the treatment of strategic transactions that began in 2021, which resulted in income from these contracts being delivered and recognized on an annual basis instead.

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 first quarter was SEK 2.2m [-0.0]. The balance sheet includes SEK 19.1m in net receivables as of March 31. These will be invoiced over the next few years and then not reported as net sales. This structure for strategic transactions makes it difficult to compare financial figures between periods and the ongoing restructuring means that the overview given for the sales trend 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 strong sales growth in local currency in Asia during the first quarter of 2022, while EMEA and the USA were somewhat weaker in comparison with the first quarter of last 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), which accounted for approximately 62% of licenses sold, remained stable during the pandemic.

## Markets and products

APAC contributed 34% of net sales, or SEK 33.1m [26.7]. Foreign exchange effects had a positive effect of SEK 1.4m on sales, and if foreign exchange effects are excluded APAC contributed strong growth of 19% in local currency during the period. All markets in APAC are growing: growth amounted to 50% in China, 147% in Taiwan and 22% in Korea. Japan, which accounts for the largest portion of sales in APAC, delivered growth of 17%. EMEA contributed 33% of sales, or SEK 32.1m [32.4]. Sales in EMEA declined by 1% adjusted for multi-year contracts and SEK 1.2m in foreign exchange effects. France/Benelux and southern Europe experienced growth of 10%, but the Nordic and central parts of EMEA reported weaker

results. The USA contributed 33% of income, or SEK 31.8m [29.9].

Sales in the USA declined by 3% adjusted for multi-year contracts and SEK 3.2m in foreign exchange effects.

Our products in IAR Embedded Workbench for Arm account for approximately 80% of sales. The 64-bit offering has been well received, and we see great potential there and in RISC-V. These technologies and Security are areas for future growth. We are not satisfied with the sales performance in Security. We have modified our business model and are adding new sales representatives.

## Effects from the pandemic, the war in Ukraine and the semiconductor shortage

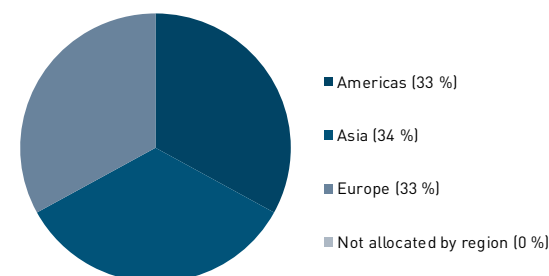
During the second and third waves of the pandemic, we saw a growing share of projects that were postponed or terminated. We also saw many projects where the choice of chip architecture was modified due to the semiconductor shortage. We saw a clear trend towards a higher willingness to invest in countries with high vaccination coverage. The Asian markets, and China in particular, are currently the most affected by the pandemic. Even if this cannot be seen in a general sales decline in Asia, it still affects operating activities and the ability to travel in the region. The global pandemic and access to semiconductors have affected all of our markets to varying degrees.

IAR has stopped all sales to the Russian market and parts of Ukraine as a result of the war in Ukraine and sanctions against Russia. Sales in EMEA have been somewhat affected although only marginally, since Russia is not a large market for IAR.

## ADJUSTED SALES

SEK m	2021	2020	2019	2018	2022 Q1	2021 Q1
Net sales	355.9	372.0	405.6	385.2	97.4	88.9
Adjusted multi-year contracts	16.8	-17.2	-2.7	-16.3	2.2	-0.0
<b>Adjusted net sales</b>	<b>372.6</b>	<b>354.8</b>	<b>402.9</b>	<b>368.9</b>	<b>99.6</b>	<b>88.9</b>
Foreign exchange effects (compared with previous year)	-20.5	-4.6	23.5	14.4	-5.8	
<b>Adjusted net sales</b>	<b>393.1</b>	<b>359.4</b>	<b>379.4</b>	<b>354.5</b>	<b>93.8</b>	<b>88.9</b>
<i>Adjusted growth</i>	<i>10.8%</i>	<i>-10.8%</i>	<i>2.9%</i>	<i>0.7%</i>	<i>5.5%</i>	

## BREAKDOWN OF REVENUE Q1 2022



## NET SALES

### Net sales for the first quarter of 2022

Net sales for the quarter increased year-on-year and amounted to SEK 97.4m [88.9]. Currency translation had a positive impact of SEK 5.8m on net sales for the period.

The trend in Asia has persisted from earlier quarters, and we can report healthy growth during the first quarter. Europe and the USA did not perform as well, and taking into account the net effect of the transaction-based business and the strategic business, they reported negative total growth during the quarter.

### Other income for the first quarter of 2022

During the first quarter, we received a payment of SEK 0.9m in accordance with an earlier judgment against the previous CEO of IAR Systems' US subsidiary IAR Systems Software Inc.

### Deferred income March 31, 2022

Deferred income in the form of accrued support agreements increased during the period by SEK 1.6m and amounted to SEK 92.9m [91.2] at March 31, 2022.

## EARNINGS

### Earnings for the first quarter of 2022

Earnings in the first quarter of the year were on par with the corresponding quarter in the preceding year. EBITDA for the quarter totaled SEK 30.3m [29.8], corresponding to an EBITDA margin of 31.1% [33.5]. Operating profit for the quarter amounted to SEK 17.3m [17.0].

The gross margin for the quarter amounted to 97.1% [96.2].

Operating expenses were reduced by SEK 12.2m [20.3] for the capitalization of development costs for software during the first quarter. Of the internally generated costs that were capitalized, SEK 10.2m [16.8] pertained to personnel costs.

In a year-on-year comparison, currency translation had a positive impact of SEK 2.6m on operating profit.

## INVESTMENTS AND FINANCING

We have continued to focus on investments in our major product areas in 2022. Investments in software during the quarter totaled SEK 12.2m [20.3]. 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 quarter totaled SEK 1.2m [0.4].

The bank overdraft facility is recognized in the consolidated balance sheet as liabilities to credit institutions and amounted to SEK 18.4m [18.0] on March 31, 2022. The bank overdraft facility is issued in SEK. The unutilized credit margin at March 31, 2022 amounted to SEK 206.6m [207.0].

Other interest-bearing liabilities in balance sheet pertain to current and non-current lease liabilities and amounted to SEK 34.6m [38.0] at March 31, 2022. Lease liabilities recognized in the balance sheet pertain to commitments for leases and the largest portion, SEK 32.4m [35.6], is connected to leases for our offices.

The equity/assets ratio at March 31, 2022 was 73% [72].

## CASH FLOW AND LIQUIDITY

Cash flow from operating activities for the quarter amounted to SEK 28.8m (22.0). Our customers' ability to pay remained adequate during the first quarter of 2022, and we have not noted any negative effects on cash flow as a result of the pandemic.

Cash flow from investing activities for the quarter totaled SEK -13.4m (-20.6). Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities for the quarter totaled SEK -4.1m (-4.1). 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 the end of the period totaled SEK 125.0m (113.4). In addition, the Group had unutilized bank overdraft facilities of SEK 206.6m (207.0). The Group's total available cash and cash equivalents thus amounted to SEK 331.6m (320.4). At the end of the period, the company had healthy margins in terms of the contractual covenants that form the basis for the above credit limits. As of March 31, 2022, the Group had net cash of SEK 72.0m (3.0).

## EMPLOYEES

The number of employees at IAR Systems at the end of the period was 212 (212). The average number of employees during the period was 203 (202).

## 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 3.3m (3.3). The Parent Company posted a loss after financial items of SEK -1.3m (profit: 4.1).

Net investments in property, plant and equipment amounted to SEK 0.0m (0.0). Cash and cash equivalents at March 31, 2022 totaled SEK 4.6m (4.5). The number of employees in the Parent Company at the end of the period 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 2021 annual report under "Administration report" on pages 48-49 and in Note 2 on pages 65-67, except for the risks and uncertainties caused by Russia's war against Ukraine.

## 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

2022 AGM, April 26, 2022

Interim report January-June 2022, August 17, 2022

Interim report January-September 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 April 26, 2022 at 1:00 p.m. CEST.**

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

# Income statement

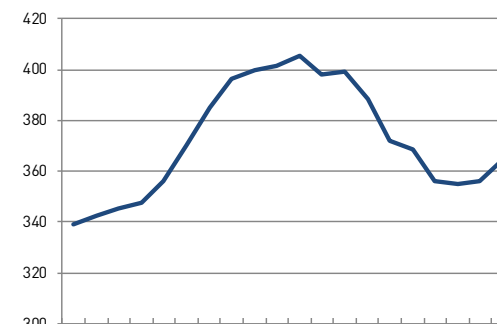
## CONDENSED CONSOLIDATED INCOME STATEMENT

SEK m	Note	3 months Jan-Mar		Full-year
		2022	2021	2021
Net sales	1, 2	97.4	88.9	355.9
Capitalised work on own account		12.2	20.3	64.4
Other income		0.9	-	2.1
Goods for resale		-2.8	-3.4	-12.0
Other external expenses		-11.5	-10.9	-48.3
Personnel costs		-66.0	-65.1	-258.2
Depreciation of property, plant and equipment		-1.2	-0.6	-3.7
Depreciation of right-of-use assets		-4.5	-4.3	-16.7
Amortization of intangible assets		-7.3	-7.9	-33.8
Impairment of intangible assets		-	-	-118.2
<b>Operating profit/loss</b>		<b>17.3</b>	<b>17.0</b>	<b>-68.5</b>
Financial income		0.0	0.0	1.5
Financial expenses		-0.9	-0.6	-1.6
<b>Profit/loss before tax</b>		<b>16.4</b>	<b>16.4</b>	<b>-68.6</b>
Tax		-4.4	-3.6	1.2
<b>Profit/loss for the period</b>		<b>12.0</b>	<b>12.8</b>	<b>-67.4</b>
Comprehensive income for the period attributable to owners of the Parent Company		12.0	12.8	-67.4
Earnings per share for the period, basic, SEK		0.88	0.94	-4.94
Earnings per share for the period, diluted, SEK		0.88	0.94	-4.94

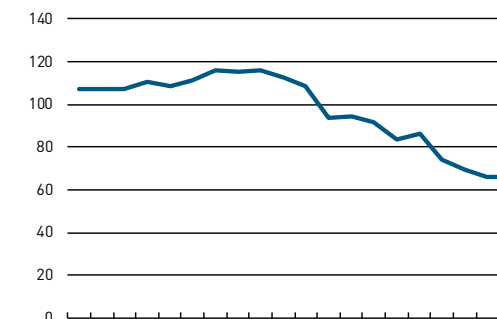
## STATEMENT OF COMPREHENSIVE INCOME

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Profit/loss for the period	12.0	12.8	-67.4
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences	1.2	35.5	41.2
Tax effect, items reported in comprehensive income	0.1	-2.0	-2.3
<b>Total other comprehensive income</b>	<b>1.3</b>	<b>33.5</b>	<b>38.9</b>
<b>Comprehensive income for the period</b>	<b>13.3</b>	<b>46.3</b>	<b>-28.5</b>
Comprehensive income for the period attributable to owners of the Parent Company	13.3	46.3	-28.5

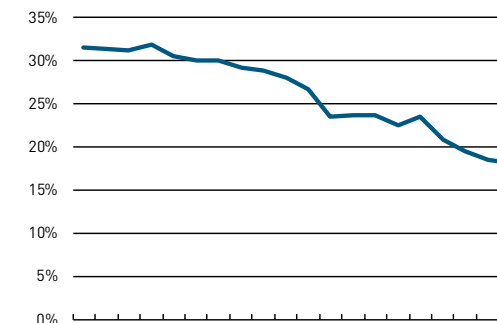
NET SALES ROLLING 12 MONTHS  
Q2 2017 - Q1 2022



OPERATING PROFIT\* ROLLING 12 MONTHS  
Q2 2017 - Q1 2022



OPERATING MARGIN\* ROLLING 12 MONTHS  
Q2 2017 - Q1 2022



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

# Balance sheet

## CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Note	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
<b>ASSETS</b>				
Non-current assets				
Goodwill	3	356.2	351.7	355.9
Other intangible assets	4	180.6	272.0	175.5
Property, plant and equipment		14.3	7.6	14.6
Right-of-use assets		33.4	44.0	35.6
Financial assets	7	2.9	2.9	3.0
Deferred tax assets	5	3.5	3.4	2.5
Total non-current assets		590.9	681.7	587.1
Current assets				
Inventories		9.9	7.1	9.5
Other current assets	7	44.3	67.4	43.8
Trade receivables	7	52.8	61.4	58.9
Cash and cash equivalents	7	125.0	66.8	113.4
Total current assets		232.0	202.7	225.7
<b>TOTAL ASSETS</b>		<b>822.9</b>	<b>884.4</b>	<b>812.8</b>
<b>EQUITY AND LIABILITIES</b>				
Total equity		598.6	659.9	585.3
Non-current liabilities				
Lease liabilities	7	17.5	28.6	19.5
Other non-current liabilities		1.2	1.2	1.1
Deferred tax liabilities		28.0	36.8	28.4
Total non-current liabilities		46.7	66.6	49.0
Current liabilities				
Trade payables	7	8.7	6.9	9.2
Liabilities to credit institutions	7	18.4	17.8	18.0
Lease liabilities	7	17.1	17.4	18.5
Deferred income		92.9	88.2	91.2
Other current liabilities	7	40.5	27.6	41.6
Total current liabilities		177.6	157.9	178.5
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>822.9</b>	<b>884.4</b>	<b>812.8</b>

## CHANGES IN EQUITY, GROUP

SEK m	3 months Jan-Mar	Full-year
	2022	2021
Equity at beginning of period	585.3	613.4
Share buybacks	-	-
Warrants, after deductions for transaction costs and tax	0.0	0.1
Value of share-based remuneration	0.0	0.1
Dividend	-	-
Comprehensive income for the period	13.3	46.3
<b>Equity at end of period</b>	<b>598.6</b>	<b>659.9</b>
Of which, attributable to owners of the Parent Company	598.6	659.9



# Cash flows

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 months Jan-Mar		Full-year
SEK m	2022	2021	2021
Incoming payments from customers	103.5	85.3	359.4
Outgoing payments to suppliers and employees	-69.8	-57.1	-222.6
Interest received	0.0	0.0	0.0
Interest paid	-0.4	-0.4	-1.6
Tax relief received	-	-	11.8
Income taxes paid	-4.5	-5.8	-15.4
Cash flow from operating activities	28.8	22.0	131.6
Investments in property, plant and equipment	-1.2	-0.4	-9.9
Investments in intangible assets	-12.2	-20.2	-64.2
Cash flow from investing activities	-13.4	-20.6	-74.1
Warrants, after deductions for transaction costs	-	0.1	0.2
Amortization of financial liabilities	-4.5	-4.5	-16.2
Borrowings	0.4	0.3	0.9
Cash flow from financing activities	-4.1	-4.1	-15.1
Cash flow for the period	11.3	-2.7	42.4
Cash and cash equivalents at beginning of period	113.4	67.8	67.8
Exchange difference in cash and cash equivalents			
- attributable to cash and cash equivalents at beginning of	0.4	1.8	2.7
- attributable to cash flow for the period	-0.1	-0.1	0.5
Cash and cash equivalents at end of period	125.0	66.8	113.4

## CASH AND CASH EQUIVALENTS, GROUP

SEK m	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Cash and cash equivalents at end of period	125.0	66.8	113.4
Unutilized overdraft facilities	206.6	207.2	207.0
Total available cash and cash equivalents	331.6	274.0	320.4

# Key performance measures

## GROUP

	3 months Jan-Mar		Full-year
	2022	2021	2021
Gross margin, %	97.1	96.2	96.6
EBITDA, %	31.1	33.5	33.7*
Operating margin, %	17.8	19.1	18.5*
Profit margin, %	16.8	18.5	18.4*
Cash flow, %	29.6	24.8	37.0
Equity/assets ratio, %	72.7	74.6	72.0
Return on equity, %	2.0	2.0	-11.2
Return on capital employed, %	2.7	2.4	-10.1
Capital employed, SEK m	651.6	723.7	641.3
Net cash, SEK m	72.0	3.0	57.4
Net debt/equity ratio, multiple	-0.1	-0.0	-0.1
No. of employees at end of period	212	212	214
Average no. of employees	203	202	203
Sales per employee, SEK m	0.5	0.4	1.8

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

## SHARE DATA

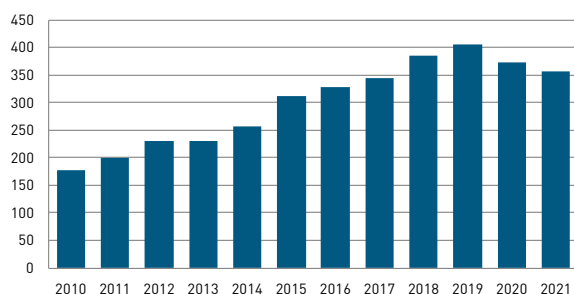
	3 months Jan-Mar		Full-year
	2022	2021	2021
Equity per share, SEK	43.85	48.38	42.88
No. of shares at end of period, million	13.65	13.64	13.64
Average no. of shares, million	13.65	13.64	13.64
Average no. of shares, diluted, million	13.66	13.65	13.65
Cash flow from operating activities per share, SEK	2.11	1.61	9.65
Earnings per share, SEK*	0.88	0.94	-4.94
Earnings per share, diluted, SEK*	0.88	0.94	-4.94

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

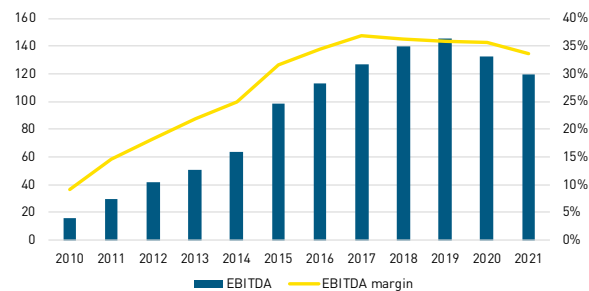
# Multi-year overview

	Net sales, SEK m	EBITDA, SEK m	EBITDA margin, % profit, SEK m	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

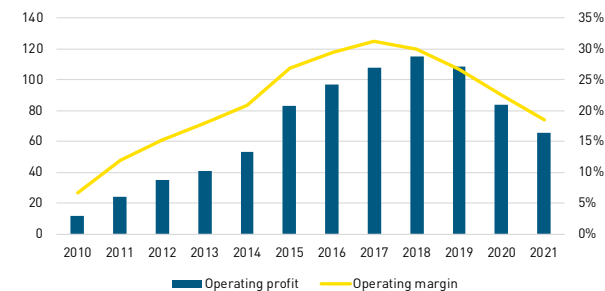
NET SALES



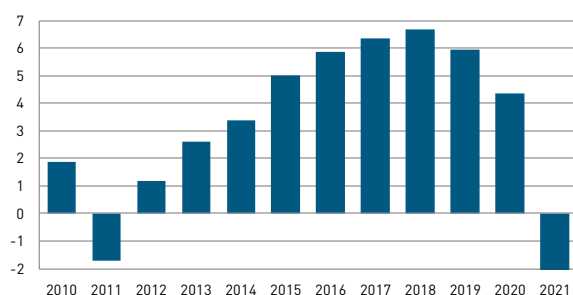
EBITDA AND EBITDA MARGIN\*



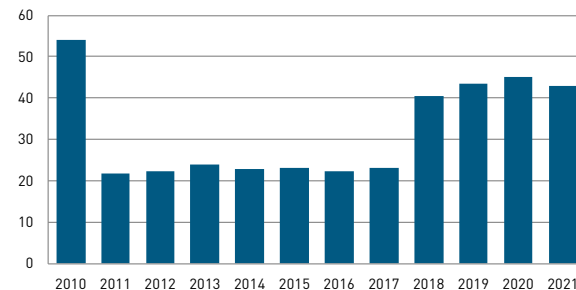
OPERATING PROFIT AND OPERATING MARGIN\*



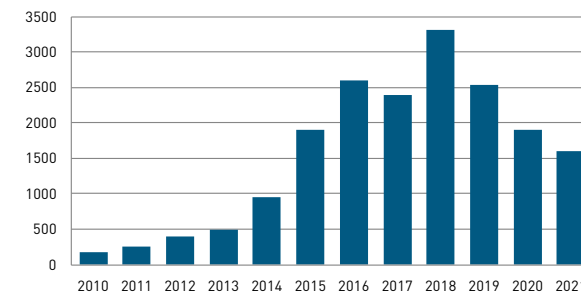
EARNINGS PER SHARE, SEK



EQUITY PER SHARE, SEK



MARKET CAPITALIZATION, SEK m



\* Adjusted for non-recurring items, 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	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2022	Q1	97.4	30.3	31.1	17.3	17.8	0.88	2.0	2.11	43.85	132.00	1,802
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

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

\*\* Definition in accordance with IFRS.

# Parent Company

## CONDENSED INCOME STATEMENT

	3 months Jan-Mar		Full-year
SEK m	2022	2021	2021
Net sales	3.3	3.3	13.1
Operating expenses	-4.0	-8.9	-37.5
Depreciation of property, plant and equipment	-0.0	-0.0	-0.0
Operating loss	-0.7	-5.6	-24.4
Profit/loss from financial items	-0.6	9.7	108.4
Profit/loss before tax	-1.3	4.1	84.0
Tax	0.2	-1.0	-17.8
Profit/loss for the period	-1.1	3.1	66.2

## STATEMENT OF COMPREHENSIVE INCOME

	3 months Jan-Mar		Full-year
SEK m	2022	2021	2021
Profit/loss for the period	-1.1	3.1	66.2
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or			
Change in value of non-current securities	-	-	-
Total other comprehensive income	-	-	-
Comprehensive income for the period	-1.1	3.1	66.2

## CONDENSED BALANCE SHEET

SEK m	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	0.2	0.2	0.2
Shares in subsidiaries	481.4	481.2	481.4
Other financial assets	0.1	0.1	0.1
Total non-current assets	481.7	481.5	481.7
Current assets			
Receivables from subsidiaries	187.9	138.7	172.7
Other current assets	6.0	12.7	0.5
Cash and cash equivalents	4.6	0.6	4.5
Total current assets	198.5	152.0	177.7
<b>TOTAL ASSETS</b>	<b>680.2</b>	<b>633.5</b>	<b>659.4</b>
<b>EQUITY AND LIABILITIES</b>			
Total equity	622.6	560.1	623.7
Current liabilities			
Trade payables	1.3	0.6	0.5
Liabilities to credit institutions	18.4	17.8	18.0
Liabilities to subsidiaries	23.9	50.3	1.4
Other current liabilities	14.0	4.7	15.8
Total current liabilities	57.6	73.4	35.7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>680.2</b>	<b>633.5</b>	<b>659.4</b>

# 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, 2022 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:

	3 months Jan-Mar		Full-year
SEK m	2022	2021	2021
Development solutions	97.0	88.6	355.2
Security solutions	0.4	0.3	0.7
<b>Net sales</b>	<b>97.4</b>	<b>88.9</b>	<b>355.9</b>

	3 months Jan-Mar		Full-year
SEK m	2022	2021	2021
License-based revenue	52.0	50.1	196.1
Support and software updates	41.2	34.7	141.7
Other	4.2	4.1	18.1
<b>Net sales</b>	<b>97.4</b>	<b>88.9</b>	<b>355.9</b>

	2022	2021	2021
At a point in time	56.2	54.2	214.2
Over time	41.2	34.7	141.7
<b>Net sales</b>	<b>97.4</b>	<b>88.9</b>	<b>355.9</b>

	3 months Jan-Mar		Full-year
SEK m	2022	2021	2021
Americas	31.8	29.7	119.1
Asia	33.1	26.5	110.4
Europe	32.1	32.3	124.7
Not allocated by region	0.4	0.4	1.7
<b>Net sales</b>	<b>97.4</b>	<b>88.9</b>	<b>355.9</b>

## 3. GOODWILL

Goodwill increased by SEK 0.3m during the period 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 March 31, 2022 amounted to SEK 356.2m (355.9).

## 4. OTHER INTANGIBLE ASSETS

During the period, other intangible assets increased SEK 5.1m and amounted to SEK 180.6m (175.5) on March 31, 2022. Operating expenses were reduced by SEK 12.2m (20.3) for the capitalization of development costs for software during the period. Of the internally generated costs that were capitalized, SEK 10.2m (16.8) pertained to personnel costs.

## 5. DEFERRED TAX ASSETS

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of March 31, 2022, the Group had accumulated loss carryforwards outside Sweden of SEK 232m, of which SEK 72m (58) are reported in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 3.5m (2.5), and the deferred tax liability is recognized in an amount of SEK 28.0m (28.4), of which SEK 13.7m (11.0) pertains to loss carryforwards. 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 2022 connected to research and development costs is estimated at approximately SEK 11.0m (11.8). The payment reduced aggregate loss carryforwards by an equivalent amount.

## Notes, cont.

### 6. PLEDGED ASSETS

SEK m	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
To secure pensions	18.3	14.4	17.7
To secure liabilities to credit institutions	2.6	2.5	2.7
<b>Total pledged assets</b>	<b>20.9</b>	<b>16.9</b>	<b>20.5</b>

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 of 2021, 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
Net sales	355.9		355.9
Other income	2.1		2.1
Goods for resale	- 12.0		- 12.0
Other external expenses	- 38.3		- 38.3
Personnel costs	- 203.8	16.0	- 187.8
Depreciation of property, plant and equipment	- 3.7		- 3.7
Depreciation of right-of-use assets	- 16.7		- 16.7
Amortization of intangible assets	-33.8		-33.8
Impairment of intangible assets	- 118.2	118.2	-
<b>Operating profit/loss</b>	<b>-68.5</b>		<b>65.7</b>

### 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.

## 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	3 months Jan-Mar		Full-year
	2022	2021	2021
Net sales	97.4	88.9	355.9
Goods for resale	-2.8	-3.4	-12.0
Gross profit	94.6	85.5	343.9
Gross margin	97.1%	96.2%	96.6%

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Operating profit	17.3	17.0	65.7*
Depreciation of property, plant and equipment	1.2	0.6	3.7
Depreciation of right-of-use assets	4.5	4.3	16.7
Amortization of intangible assets	7.3	7.9	33.8
EBITDA	30.3	29.8	119.9*

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Net sales	97.4	88.9	355.9
EBITDA	30.3	29.8	119.9*
EBITDA margin	31.1%	33.5%	33.7%*

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Net sales	97.4	88.9	355.9
Operating profit	17.3	17.0	65.7*
Operating margin	17.8%	19.1%	18.5%*

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Net sales	97.4	88.9	355.9
Profit before tax	16.4	16.4	65.6*
Profit margin	16.8%	18.4%	18.4%*

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Net sales	97.4	88.9	355.9
Cash flow from operating activities	28.8	22.0	131.6
Cash flow	29.6%	24.7%	37.0%

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

SEK m	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Equity	598.6	659.9	585.3
Total assets	822.9	884.4	812.3
Equity/assets ratio	72.7%	74.6%	72.0%

**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	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021	Dec 31, 2020
Equity	598.6	585.3	659.9	613.4

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Average equity	592.0	636.7	599.4

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Profit/loss after tax	12.0	12.8	-67.4
Average equity	592.0	636.7	599.4
Return on equity	2.0%	2.0%	-11.2%

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

SEK m	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021	Dec 31, 2020
Interest-bearing liabilities	53.0	56.0	63.8	66.3
Cash and cash equivalents	-125.0	-113.4	-66.8	-67.8
Net interest-bearing liabilities	-72.0	-57.4	-3.0	-1.5
Net debt/equity ratio	-0.1	-0.1	-0.0	-0.0

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Profit/loss before tax	16.4	16.4	-68.6
Financial expenses	0.9	0.6	1.6
Profit/loss before tax plus	17.3	17.0	-67.0
Return on capital employed	2.7%	2.4%	-10.1%

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

## Reconciliations, cont.

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

SEK m	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021	Dec 31, 2020
Cash and cash	125.0	113.4	66.8	67.8
Interest-bearing liabilities	-53.0	-56.0	-63.8	-66.3
<b>Net cash</b>	<b>72.0</b>	<b>57.4</b>	<b>3.0</b>	<b>1.5</b>

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

SEK m	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021	Dec 31, 2020
Total assets	822.9	812.8	884.4	833.5
Non-interest-bearing liabilities	-171.3	-171.5	-160.7	-153.8
<b>Capital employed</b>	<b>651.6</b>	<b>641.3</b>	<b>723.7</b>	<b>679.7</b>

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Average capital employed	646.5	701.7	660.5

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

SEK m	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021	Dec 31, 2020
Equity	598.6	585.3	659.9	613.4
No. of shares at end of period, million	13.65	13.65	13.64	13.64
<b>Equity per share</b>	<b>43.85</b>	<b>42.88</b>	<b>48.38</b>	<b>44.97</b>

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

SEK m	3 months Jan-Mar		Full-year
	2022	2021	2021
Cash flow from operating activities	28.8	22.0	131.6
Average no. of shares, million	13.65	13.64	13.64
<b>Cash flow from operating activities per share</b>	<b>2.11</b>	<b>1.61</b>	<b>9.65</b>

# 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 quarter, the share price varied from a low of SEK 105.40 (123.00) to a high of SEK 141.20 (166.00). The share price at March 31, 2022 was SEK 132.00 (132.40). I.A.R. Systems Group's market capitalization on the same date was SEK 1,802m (1,806).

The number of shareholders in I.A.R. Systems Group at March 31, 2022 was 7,250 (7,823). Of these shareholders, 433 (476) held more than 1,000 shares each. Foreign shareholders held approximately 29% (27) of the share capital and 29% (25) of the votes.

I.A.R. Systems Group's share capital at March 31, 2022 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. No class C shares were converted into class B shares and delivered under an incentive program during the quarter. A total of 35,693 class C shares have been converted into class B shares and delivered under an incentive program since the original buyback of 359,688 class C shares.

## INCENTIVE PROGRAMS

In accordance with the decision of the AGM in 2019, a long-term incentive program for I.A.R. Systems Group employees has been introduced ("LTIP 2019"). A total of 418,000 warrants were acquired or allocated 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 for LTIP 2019 are based on average annual growth of the Group's net sales for the 2019, 2020 and 2021 financial years. Refer to the table.

### 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.

### 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 continue until October 2022 and the program extends until 2027. Vested stock options can be exercised on an ongoing basis until 2027 at the latest. A total of 35,693 stock options were exercised and 20,621 stock options were forfeited.

### LTI 2022 – proposed long-term incentive program for 2022

The Board has proposed to the AGM on April 26, 2022 that the company establish a performance-based incentive program for certain IAR employees ("LTI 2022"). The proposal concerns a maximum of 140,000 share rights. For more information on the proposal, see the notice to attend the AGM on the company's website at [www.iar](http://www.iar).

### INCENTIVE PROGRAMS

	Total	Subscribed /Allotted	Qualifying year			Past due/ forfeited
			2019	2020	2021	
LTIP2019						
Share warrants	151,500	63,000	1,160	0	0	61,840
Stock options	381,000	355,000	5,370	0	0	349,630
		Sub- scribed/ Allocated	Exercised Mar 31, 2022	Forfeited Mar 31, 2022	Qualified Mar 31, 2022	Qualified after Mar 31, 2022
EXCHANGE ALLOTMENT 2018						
Stock options	73,413	73,413	35,693	20,621	16,705	394

## 2022 AGM

The AGM of I.A.R. Systems Group AB will be held on April 26, 2022.

Due to Covid-19, the Board has decided that the AGM will be held without physical attendance by shareholders, proxies or outside parties, and that shareholders will only be entitled to exercise their voting rights via post ahead of the meeting. Information regarding the resolutions passed by the AGM will be published on April 26, 2022 as soon as the results of the postal voting have been finalized.

As of the end of March 2022, the annual report for I.A.R. Systems Group is available on the company's website, [www.iar.com](http://www.iar.com), and at the company's offices at Kungsgatan 33 in Stockholm and Strandbodgatan 1 in Uppsala.

## NOMINATING COMMITTEE

In accordance with the decision of the AGM in April 2021, the nominating committee has been appointed and consists of Jonas Eixmann (appointed by Andra AP-fonden), Ossi 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. The nominating committee's motions for the 2022 AGM are available on the company's website, [www.iar.com](http://www.iar.com).

## PROPOSED DIVIDEND

The Board proposes to the AGM on April 26, 2022 that no dividend be paid. The Board

## BREAKDOWN OF SHAREHOLDINGS

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
1-500	6,464	89	4	4
501-1,000	353	5	2	2
1,001-10,000	349	5	8	8
10,001-	84	1	86	86
<b>Total *</b>	<b>7,250</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* excluding 318,888 class C shares held in treasury

## GEOGRAPHICAL DISTRIBUTION

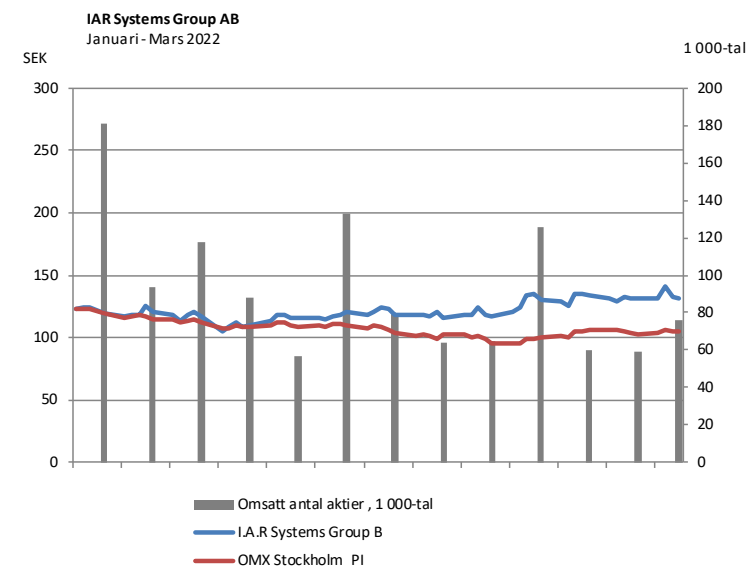
	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	7,003	97	71	71
Europe excl. Sweden	209	3	28	28
Other countries	38	0	1	1
<b>Total *</b>	<b>7,250</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* 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	915,000	7	7
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 Aktiefond	540,167	4	4
Sijotusrahasto Aktia Nordic	500,000	4	4
Arbejdsmaarkedets Tillægspension	479,826	4	4
Försäkringsaktiefonderna Avanza	306,314	2	2
Säästöpankki Itämeri - Sijotus	295,556	2	2
Fondita Nordic Small Cap Invest	270,000	2	2
Säästöpankki Pieniyhtiöt - Itämeri	242,010	2	2
Other	4,415,551	32	32
<b>Total *</b>	<b>13,649,445</b>	<b>100</b>	<b>100</b>

\* 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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