



IAR Systems Group AB

# Annual Report 2022

Tomorrow's Intelligence  
Delivered Today

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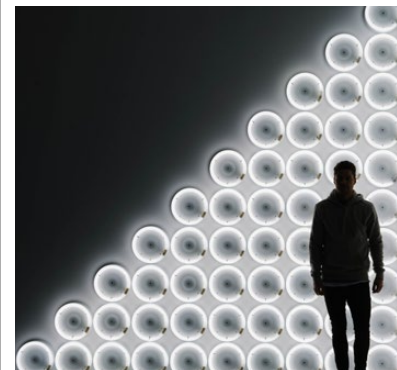
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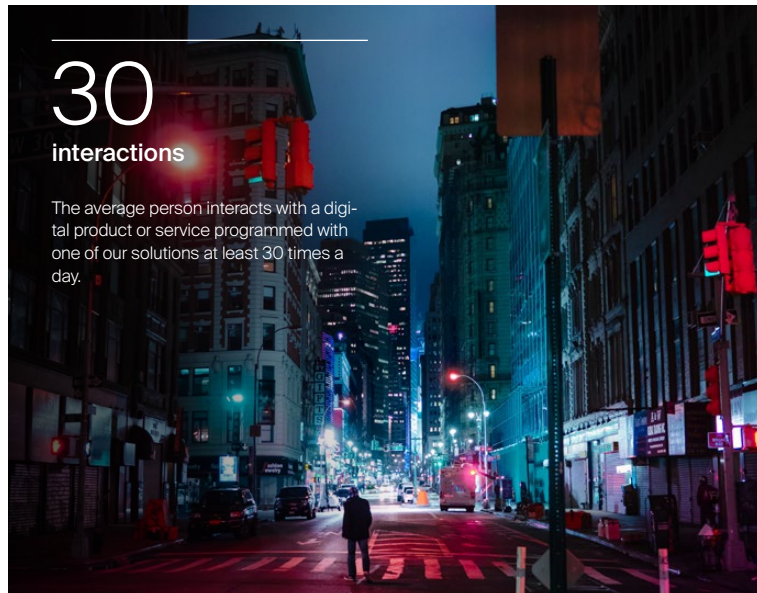
IAR in brief

# Software solutions that improve innovation, productivity and security

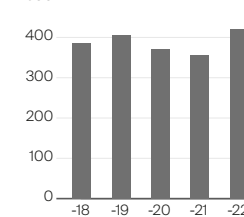
IAR offers world-leading software solutions and services that improve innovation, productivity and security in our customers' software development. This is made possible through our solutions for programming processors in a variety of digital products and other embedded systems.

Our products are packaged in two solution portfolios: **IAR Embedded Development (EDS)** and **IAR Embedded Security (ESS)**. In addition to EDS and ESS, we educate software developers around the world through **IAR Embedded Academy**. Together with our customers and partners, we are driving development in the field of ambient computing. This area is snowballing as digital products and smart services become increasingly important in work and private life, in often in ways that the end user never even notices.

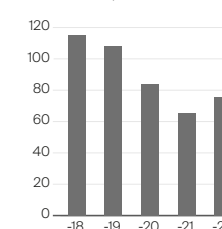
The primary markets are North America, Europe and Asia. Our customers are companies that develop digital products or entire industrial systems controlled by one or more processors. They work in fields like industrial automation, medical technology, telecommunications, consumer electronics and the automotive industry. The Parent Company of the IAR Group is I.A.R. Systems Group AB, which has been listed since 1999. The company is currently listed on the Mid Cap list of Nasdaq Stockholm.



**Net sales**  
2018–2022, MSEK



**Operating profit**  
2018–2022, MSEK



**209**  
employees

We have 209 employees across 14 offices in North America, Europe and Asia. Our headquarters are located in Uppsala, Sweden.

**40**  
years

IAR Systems was founded in 1983 by engineer Anders Rundgren (IAR). This means that we will be turning 40 in 2023.

**15,000**  
processors

Our programming solutions support more than 15,000 different processors from more than 200 processor vendors around the world.

**14,500**  
licenses

Every day, we handle 14,500 licenses for our software program, which has more than 22,000 active users.



Highlights of 2022

January February March April May June July August September October November December

ESS partners with the Netherlands-based company Intrinsic ID.

EDS offers support for over 15,000 devices.

ESS partners with Hi-Lo Systems on mass production security.

ESS introduces “Security Made Simple” at the World Economic Forum in Davos.

EDS supports advanced integrated functional safety in the automotive industry.

ESS Release updates to Embedded Trust support for external memories and enhancements for non-IAR toolchains.

EDS introduces support for 64-bit RISC-V cores.

EDS brings low-code state machine design solution to Linux.

IAR defines the vision, mission and values that make up the company’s global DNA.

Modernization of the IAR brand begins.

Integration of ESS (previously Secure-Thingz) begins.

EDS introduces an extension for Microsoft Visual Studio Code and its millions of users.

IAR attends the Embedded World 2022 trade fair in Nuremberg, Germany – the first one held since the pandemic.

EDS improves innovation for smart homes and other products by supporting the Arm Cortex®-M85 processor.

EDS introduces full support for Renesas RZ/T2 and RZ/N2 to improve real-time control.

EDS contributes to the rapid growth in smart vehicles through support for the Renesas RH850 MCU.

The new IAR logo sees the light of day for the first time.

ESS updates its solution portfolio with the launch of version 5.

ESS provides input on the EU Cyber Resilience Act, a breakthrough among decision makers.

EDS offers support for SiFive’s solutions for the automotive industry.

ESS Release Beta Of Embedded Secure IP.

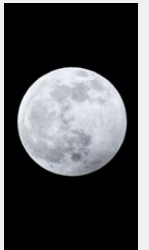
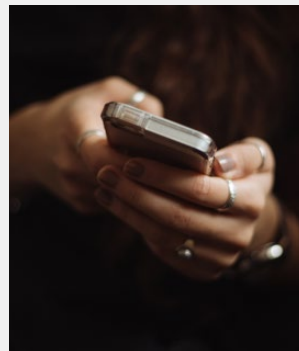
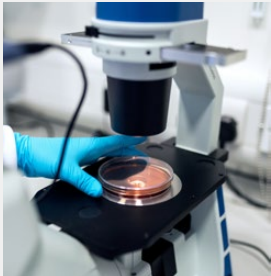
ESS fully integrates with IAR and releases a new version of its security portfolio.

IAR reports a global CSI of 75, indicating very high levels of customer satisfaction.

EDS partners with CAES in building advanced space technology.

IAR surpasses 6,000 followers on LinkedIn and 10,000 webinar visitors during the year.

IAR introduces IAR Embedded Academy to the entire active EDS user base.



EDS: Embedded Development Solutions ESS: Embedded Security Solutions



Comments from the CEO

# A journey: One year down, one to go, and a bright future ahead

This year was characterized by several new beginnings, including a new strategy for our security solutions and a modernization of the company. After a lot of hard work by our dedicated employees, we closed out the year with the best sales in IAR's history. We're not out of the woods yet, but we've made good progress.

Imagine getting into a new car that you've just purchased. It's equipped with more than 150 micro-processors that control the engine, lane assist, communication, safety and maintenance. Everything is connected and automated – something you take for granted. What you probably don't know is that the quality of these functions – meaning their safety and reliability – depends on the hardware the manufacturer of your car has chosen to use and how well the code in it has been written.

Most code has a great deal of bugs, even in premium products. As a result, air bags might not deploy at the right moment, a fire might start if the car isn't charged properly or your smart sensor system for automatic braking might be hacked and manipulated while you're driving on the highway. Using the right programming tools reduces the risk for these kinds of bugs.

At IAR, we develop programs that help engineers and software developers work more innovatively and productively to ultimately improve your safety. Circuit boards programmed with our solutions aren't only in cars – they're all over the world. In X-ray machines at hospitals, in smart watches telling you about your health, in the elevator up to the office, in the solar cell facility on the roof, in the satellite that takes the images for the map you check online and in the seat-

back screen in front of you on a flight. The number of connected digital devices in the world is growing. This means that our solutions are quickly becoming more and more important.

## A time of change

For IAR, 2022 was a year of change. We worked hard to clarify who we are, our offerings to the market, what we can do better for customers and what we need to create from scratch. One prioritized area has been developing our security offering. Instead of selling individual products, we're transitioning to offering solutions to the problems our customers face. We need to be better at explaining what distinguishes our products – things like the overall quality of code we provide and the impact high quality has on our customers' business. This is how we can increase our income per device. With our major customers, we're reviewing how we can increase the total contract value. We will never be the cheapest option in terms of purchase price, but we're the best at meeting our customers' needs and requirements for returns, competitive advantage and productivity. This means that we need to deliver the highest value for the customer in terms of total cost of ownership (TCO) and return on investment (ROI).



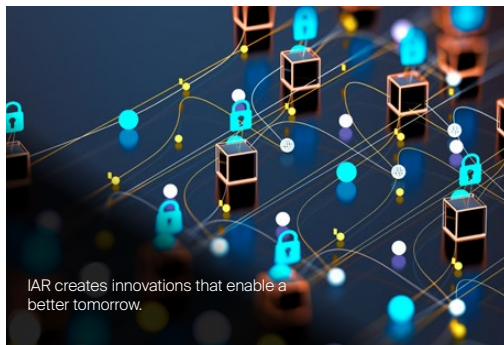
"Our customers want the freedom to choose – and we can provide it for them. This is a unique offering that's only available from IAR."

## Comments from the CEO



### Freedom and flexibility through code quality

Developers who work with embedded development write, compile and debug code in order to ultimately secure it. We have a unique offering that makes the development flow efficient, productive and optimally secure for the application in question. All of this at the lowest cost of ownership with the highest level of quality and security. No one else in the market offers support for as many circuits as IAR. This leads to flexibility for customers, as they no longer need to rely on one single supplier. They appreciate this, not least after the expensive lesson of the chip shortage. Our customers want the freedom to choose – and we can provide it for them. This is a unique offering that's only available from IAR.



### Security has many dimensions

IT security often refers to anti-virus software, protecting credit card information and preventing someone from taking over a network or computer. We seldom think about how our electricity provider's system, connected to the meter in the basement, can be the object of a security breach. It's not just consumers who can be hacked – it can also be entire infrastructure areas. Entire countries have actually been shut down, and the risk for this is greater than it has been in a long time.

We buy a new, smart lawnmower that uses innovative communication and processors to make working in our gardens easier. The company that developed the lawnmower, and programmed the chip that makes it "smart," has made an investment. If another company can simply steal that investment and make a cheaper copy of it, this will damage the first company on several levels. This company has not only had their innovation – the code – stolen. They also risk losing market share, being forced to compete on price and, in the worst case scenario, making a loss. The company has just been robbed of its intellectual property (IP).

During the year, we fully integrated SecureThingz into our existing operations. This will allow IAR to deliver security to all of the smart devices you have in your home. We have leading technology and are well positioned in this new market, which we will help to develop and which will also benefit us.

### Conclusion and future

Engineering is part of our DNA. We create innovations that allow people to think beyond outside the box and to tap into their ability to create a better tomorrow. Our robust approach to problem solving provides a firm basis for improved productivity, efficiency, scalability and flexibility.

"To think freely is great, but to think rightly is greater."

Engineering is not only about technological advances. Our approach includes more than just technological development in microprocessors, circuit boards, computers and other devices. We also include the human dimension, which makes our world more sustainable through improved safety and flexibility. Our goal is to give engineers across the world who work with embedded systems the creative ability to design innovative technologies. As leading experts in embedded development and security, we need to challenge our understanding of the future every day.

When I began my role as CEO at IAR, I said that the journey of change we had started would take two years. After one year, we've already accomplished a lot. There is an enormous sense of ambition and enthusiasm for the future and what is possible in our company. Helping create tomorrow's societies through our perspective on development gives us energy, as individuals and as an organization, and inspires us to accomplish more.

With this foundation, we will continue our journey in line with a motto from our hometown of Uppsala: "To think freely is great, but to think rightly is greater."

**Richard Lind**  
President and CEO, IAR Systems Group AB

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**Market trends**

# Market trends

Rapid growth in embedded systems, increased focus on security solutions and a need for more integration and more flexibility in development solutions – these are some of the trends currently dominating the software development market. IAR identified four development trends affecting the global market for software development that are creating business opportunities for us.

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## Embedded systems developing towards edge computing

Traditional embedded systems are continuing to grow in pace with the continuing digitalization of the economy. At the same time, systems are becoming increasingly connected, to other systems as well as to cloud services.

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**Opportunities for IAR**

The development towards edge computing is beneficial for IAR's offering, which is focused on code quality and scalable tools. New opportunities are being created alongside new application requirements. This is creating major growth opportunities for the company, which can leverage its experience from existing customers and partners to meet new challenges.

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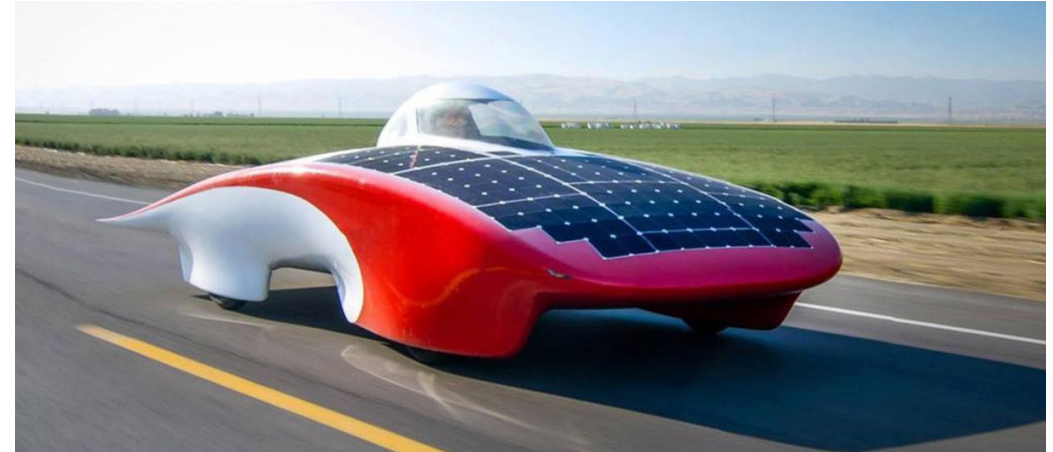
## Changing IoT legislation and regulations

Many countries have adapted to new principles and ordinances, such as the UK Product Security & Telecoms Infrastructure Act, the US Cybersecurity Improvement Act and the EU Cyber Resilience Act.

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**Opportunities for IAR**

To manage the effects of these regulations, companies are changing their supply chains and their development work. As a result, they need a policy for disclosing vulnerabilities, which requires version management and lifecycle management. It needs to be possible to update and correct vulnerabilities in a product throughout its entire lifecycle.



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## DevOps\* integration becoming the norm

Development based on continuous integration and delivery is becoming a natural way of working in many companies. Rapid integration, validation and testing are essential for agile workflows.

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**Opportunities for IAR**

Continuous delivery – with integration of corrections and updates to manage vulnerabilities and security flaws – will be the defining feature of working with embedded software. Requirements for disclosing vulnerabilities and adapting to regulations are leading to shorter, faster development cycles, version management and integrated product launches.

\*DevOps is a methodology within software development.

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## Flexibility in development solutions and licensing

Developments within embedded systems and edge computing are based on flexible solutions. At the same time, demand is increasing for cloud-based development solutions that require flexible licensing for work tools.

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**Opportunities for IAR**

IAR is well positioned to meet these market changes. New launches and expanded support for debugging make us a leading developer of embedded systems. License requirements have transitioned from selling individual licenses to offering flexible business models instead.



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**Market**

# Development in an increasingly digitalized world

Digitalization is driving the development of IAR's market. Factors include the ever-increasing number of connected products, the spread of electrification to new areas, the focus on sustainability that is paving the way for new energy solutions and the increasingly rapid pace of technological development.

Add growing political and economic uncertainty to the mix and the result is an increased focus on security in digital products and industrial systems. As a result of increased digitalization, electrification and sustainability-focused technological development, the requirements for software development are increasing and becoming even more complex. For example, circuit boards and processors need to offer a higher level of functionality and increased efficiency as the number of connected devices increases.

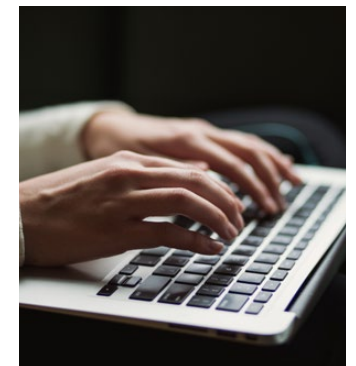
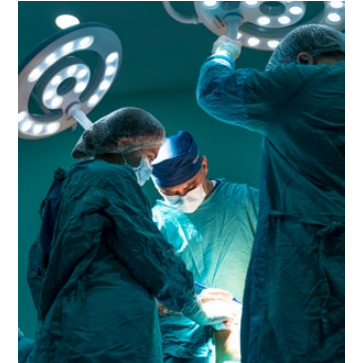
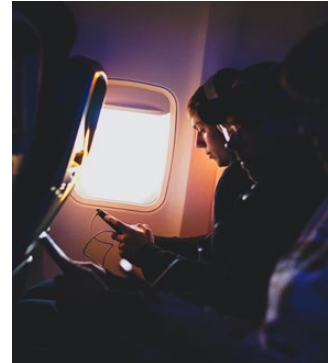
Moreover, as security aspects become more comprehensive, players in various stages have additional requirements. This includes to the developer who programs the processors – and who needs their code to be secure and protected – and to the company that manufactures the end products that use the processor and whose brand is tied to the product's quality and functionality.

It is equally important for the consumer and other end users, who need to be able to use the product safely, whether it be a collision detector in a car, a base station for mobile telecommunications or any of the many other digital products that currently use sensors or are connected in another way.

**Part of a digital ecosystem**

The process of creating electronic products involves several stages in which the company depends on tools from IAR or one of our competitors. It begins with writing and building source code, followed by securing the binary code and then choosing the software architecture, which becomes the basis for the application. Afterwards the code is transferred and tested, which paves the way for developing a prototype and beginning mass production.

During the process, companies need a variety of components to help check that the application works as expected. That is why it is important to be part of an ecosystem of suppliers, and why we need to ensure that IAR's products work well together with others. This is why we have long-term partnerships with all leading processor vendors. Ultimately, this ensures that our shared customers can take full advantage of our products.





Value creation

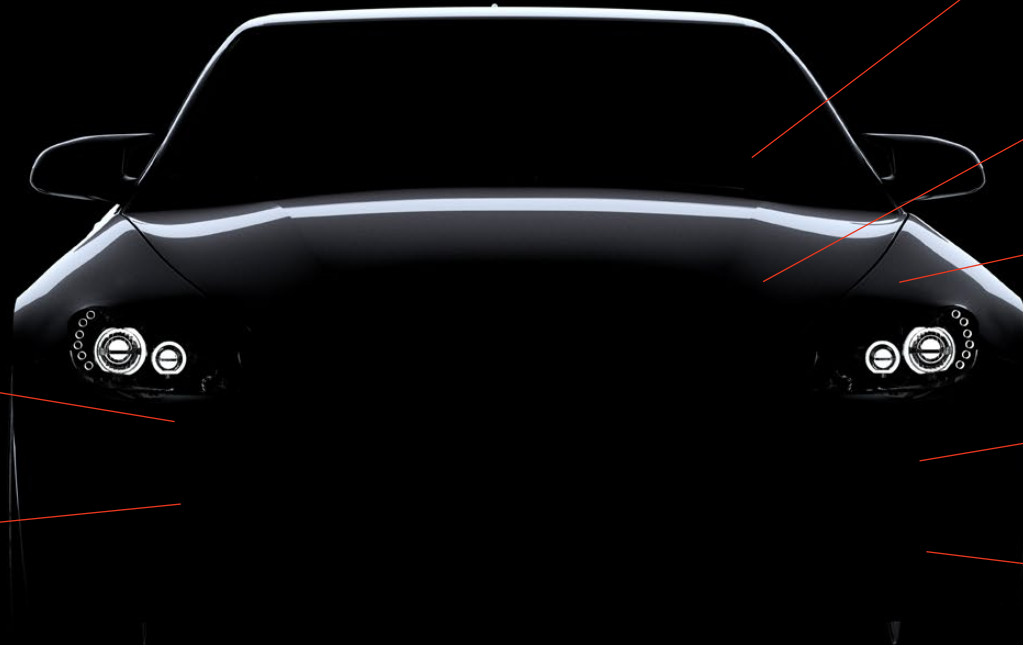
# Protection, safety and secure performance

Solar panels, airplanes, elevators, smart homes, industrial robots and medical technology. In 2022, the number of connected devices grew exponentially. This is positive, although it also means that more devices can be hacked, manipulated or disabled entirely.

A modern car is equipped with more than 150 microcontrollers (MCUs). They are programmed with millions of lines of code, some of which can be connected to the internet and some of which adhere to extremely high security standards. Here are some examples of how solutions from IAR help software developers improve reliability and security in people's daily lives and protect the things that matter the most.

 Our IAR C-STAT product maintains different functional safety standards in cars, for example when it comes to charging electric vehicles without damaging the battery.

 IAR C-RUN reduces the risk of known security flaws in the car's electronic control unit (ECU), which controls the brakes, cameras and various sensors.



The IAR products I-jet and I-jet Trace are used to debug programmed code. They ensure, for example, that displays provide clear and reliable warnings when it comes to the vehicle's performance.



IAR Embedded Trust is used to protect users' sensitive data in different devices, such as the car's infotainment system and other applications.



IAR Embedded Trust ensures that the software that controls the car's air bags cannot be damaged or manipulated.



IAR Embedded Workbench is ISO-certified for security-related software development. This ensures that programmed systems in the car – for example, lane assist – do not malfunction (fail safe).



IAR's Visual State is used for finding and solving problems that improve performance in features like the car's electronic stability control.

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 Strategies

# Develop better products more efficiently

IAR improves innovation, productivity and security in customers' software development through world-class solutions and services. This is achieved based on our strategic cornerstones, which help customers develop better, more secure products faster and more efficiently.

## Strategic cornerstones

To reach our targets and deliver world-class software solutions, IAR's operations are based on these eight strategic cornerstones:

**Unleashed efficiency** – the solutions we deliver unleash developer efficiency, reduce development costs and speed up the time to market.

**Enabling innovation** – we enable innovation and drive technological advances in embedded systems and edge computing.

**Flexible implementation** – we help our customers achieve their goals by delivering high-quality development solutions with flexible, scalable licensing.

**Embracing connectivity** – we embrace the possibilities that come with increased connectivity, which allows devices to interact with each other and to integrate with cloud services.

**Security leadership** – we make it easier for developers to use security solutions, which protects consumers as well as IP.

**Production and lifecycle** – we enable organizations to rapidly develop, validate, manufacture and update products via integrated security solutions.

**Partnerships from silicon to cloud** – we drive innovation and partnership across silicon and IP vendors, cloud infrastructure partners and beyond in order to offer a broad ecosystem of solutions.

**Relentless execution** – we serve our shareholders and create additional value through relentless innovation and execution.



## Guiding IAR's daily work

Our vision, mission and values convey who we are and what we stand for. IAR is constantly developing, and the meaning of these cornerstones was further clarified during the year. Together, they guide our progress as well as our efforts to build a stronger business.

### Vision

A secure and intelligent embedded experience for every person and device on the planet.

### Mission

To enable our customers to create and secure the products of today and the innovations of tomorrow.

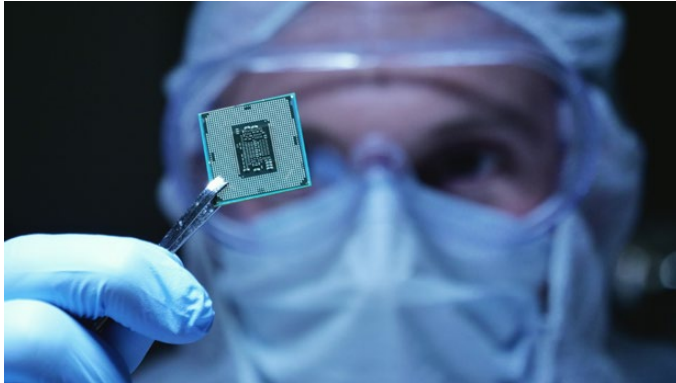
### Values

Open and respectful, courage, curiosity and conviction, passion and collaboration, warmth, fun.

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**Corporate culture**

# Our corporate culture and our principles



## Engineering is in our blood

Engineering is part of our DNA. We create innovations that allow people to think beyond outside the box and to tap into their ability to create a better tomorrow.

Our robust approach to problem solving provides a firm basis for improved productivity, efficiency, scalability and flexibility.

Through our technological progress, we want to give engineers across the world who work with embedded systems the creative ability to design innovative technologies. As leading experts in embedded development and security, we re-evaluate and renew our understanding of the future every day.



## A better place for people

A sense of curiosity and an innovative spirit permeates everything we do, say and create. Our approach includes more than technological development in microprocessors, circuit boards, computers and other devices. We include the human dimension, which makes our world more sustainable through improved safety and flexibility.

Our goal is to equip engineers with solutions that sustainably improve people's quality of life through technological achievements. In all of the industries and technologies that we come into contact with, we want to enable others to not only dream about a better tomorrow but to make the world a genuinely better place.



## Ambition and enterprise

Our ambition and enthusiasm for the future and what is possible is what gives us energy, as individuals and as an organization. We strive to help create tomorrow's societies through our credibility and our perspective on development.

We challenge each other - and others - to aim higher and never stagnate. Resilience, unpredictability and optimism are clear keywords that drive us forward when developing new solutions and technology. As a tech company that lives and breathes engineering and innovation, it is our responsibility to lead development.



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**Offering**

# A comprehensive solution for developers

In our world, the winner is the person who builds the best and most secure code in the shortest amount of time. These are the solutions that make it possible – and together improve productivity and innovation for embedded system developers.



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**iar**  
EMB Development

Fewer lines of code, fewer bugs, better code quality, support for multiple micro-processors and the ability to reuse code. This is how EDS defines the efficient developer environment of tomorrow.

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**iar**  
EMB Security

Legal requirements, protecting IP and security for the end user. Security requirements for embedded systems are increasing as quickly as the market is growing. ESS is the solution.

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**iar**  
EMB Academy

Upskilling in embedded systems development at a pace that suits your learning preferences to boost project efficiency and more easily meet tight deadlines.

## IAR Embedded Development Solutions

# Enabling innovative software development

Programmers who work with embedded development are measured on efficiency, productivity and code quality. EDS provides complete software to enable this. Software is the tool that helps developers ensure their ability to compete and innovate. It also reduces the risk of cost increases, unnecessary updates or delayed deliveries.

The largest product area is IAR Embedded Workbench, which enables efficient, quality-assured processor programming in embedded systems. IAR's software supports different types of processors and processor architecture. It increases the flexibility within the programmer's work, which also includes everything from implementation to debugging.

The software is improved regularly through new functions that support programming or improve the quality of the code.

### A complete tool

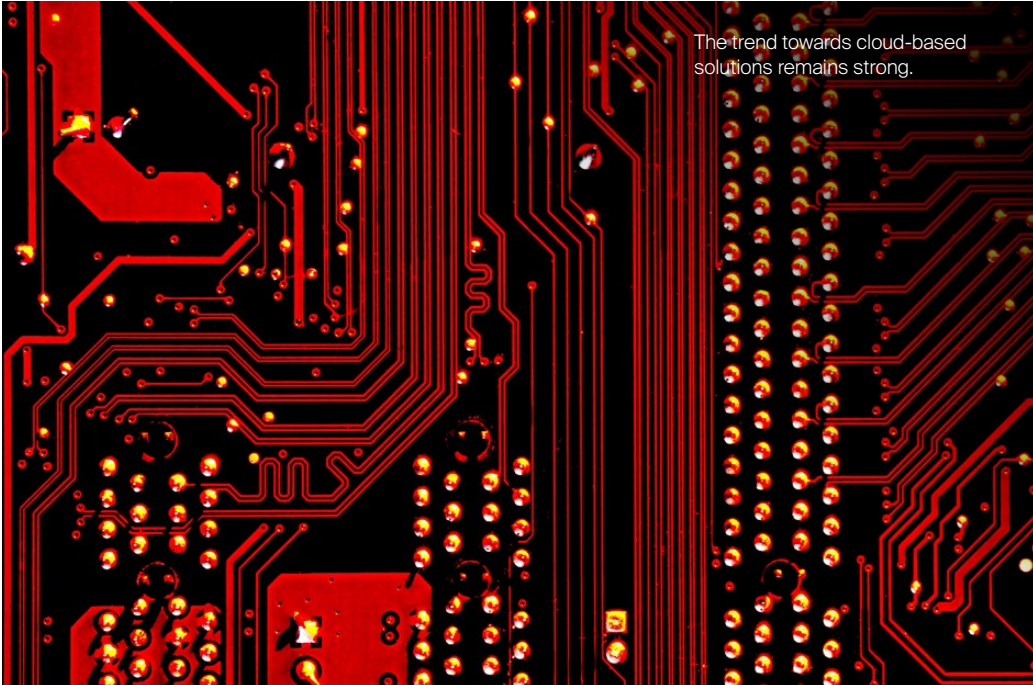
When it comes to products, two events were especially significant in 2022. The first was the launch of two extensions for Visual Studio Code (VS Code), a source code editor from Microsoft that is the most-used development environment in the software industry. One was for building new applications with IAR's components and the other was for debugging. This provides the programmer with a complete tool that makes the development environment more customized and easier to use. These extensions were launched as part of IAR's strategy to support developers in whatever environment they choose and were well received by customers during the year.

The other major event was the launch of software to support 64-bit processors in the RISC-V processor architecture. While the Arm architecture is the clear leader, the market for RISC-V is growing in Asia, the Pacific states, Europe and the USA. This year's launch allows us to support more processor architectures with a broader offering of devices for programming.

### Forward-looking development

The trend towards cloud-based solutions remains strong. One example of this is the creation of virtual environments for hardware simulation, which is accelerating software development. Interest in the solutions that IAR has developed for these environments is growing – solutions that streamline debugging and shorten development cycles for customers.

IAR is continuing to follow developments in the Arm processor architecture, where functionality is being expanded through new support in IAR Embedded Workbench for Arm. As a result, performance has improved – both in applications that use AI and ML and in other applications that require a lot of processor power. Improved functionality also entails expanded security functionality, which is obligatory for everyone building network-connected products.

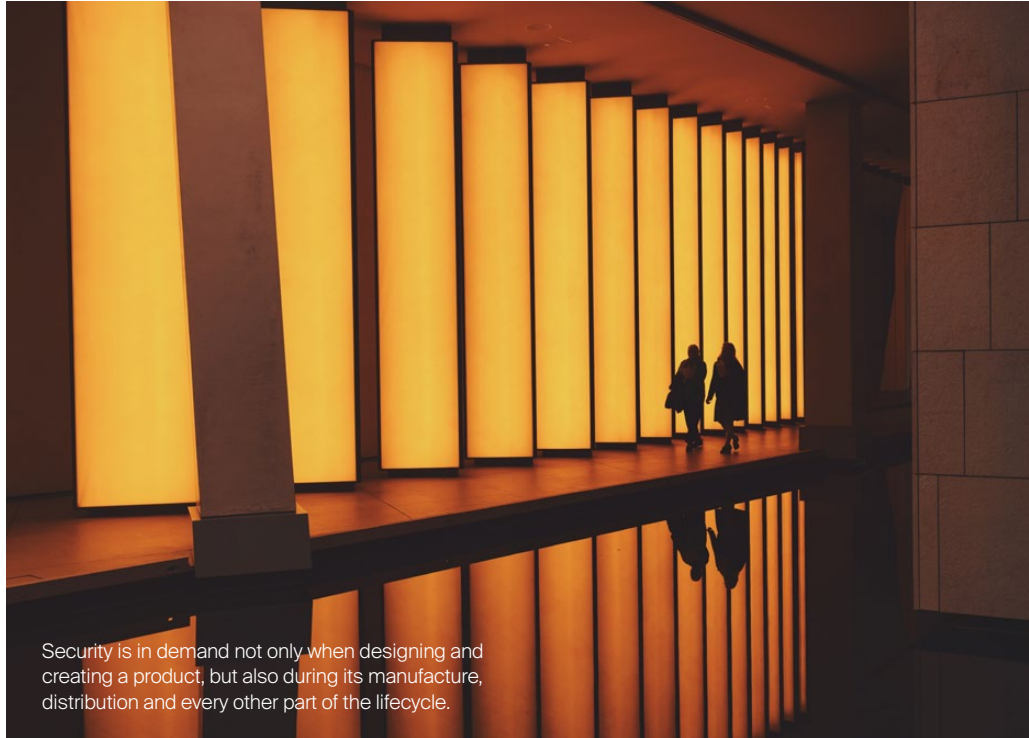


The trend towards cloud-based solutions remains strong.

## IAR Embedded Security Solutions

# Embedded security made simpler

The market for connected products is growing at an incredibly rapid rate. This means that the need – and legislative demands – for smart, simple security solutions in embedded systems are also growing. IAR Embedded Security Solutions (ESS) provides targeted solutions to support integrated security throughout the product's entire lifecycle.



Security is in demand not only when designing and creating a product, but also during its manufacture, distribution and every other part of the lifecycle.

ESS has experienced a gradual adaptation of our proprietary security solutions, which have expanded to support larger components of the product life cycle in our customers' operations. Security is in demand not only when designing and creating a product, but also during its manufacture, distribution and in-field management. As in the past, the focus is on solutions for embedded systems, an area where customers' need for increased IP protection plays a decisive role. The goal is to minimize problems like IP theft and data intrusion and to provide protection against sabotage programs and other types of security flaws that risk jeopardizing trust in companies and their products.

### Focus on existing products

Implementation of ESS's security solutions has typically been connected to the development of new products and applications, where microprocessors are programmed with the correct instructions. But the trend is now shifting toward a preference among customers to add new or improved security solutions to existing products. This is creating opportunities for IAR. As a result, ESS launched a new product during the year, Embedded Secure IP (eSecIP), where existing technology is adapted to address the interest in improved security solutions in existing applications that have already been mass produced. The invest-

ment in eSecIP is thus an example of how IAR can simplify customers' work by offering embedded security in a new, easier way.

This new direction also creates more opportunities for contact with the customer. Security work previously focused on software and product developers, but a stronger focus on the entire lifecycle of the product has put security issues on the agenda for product managers and other key individuals in the customer's organization.

### Focus in 2023

Given the adaptations to security solutions, sales are expected to accelerate in 2023. One reason is that they are now being more clearly profiled as embedded security solutions. At the same time, IT security legislation is becoming more stringent in many markets. This is resulting in stricter requirements for security solutions – and, in the long term, will result in increased demand as well. Change is also under way in the semiconductor industry, where there is no longer as much of a component shortage. This means that development of new products and applications is expected to once again increase, which will boost demand for smart, simple security solutions. IAR Embedded Security Solutions is meeting this demand through improvements to Embedded Trust and through the new product Embedded Secure IP.



IAR Embedded Academy/customer success

# Focus on strong customer relationships

Developing relationships with customers, increasing mutual value and growing together in a way that builds trust – these are some of IAR’s goals in the area of customer success. The company’s practical work is focused on improving user-friendliness and training in IAR’s products.

We see customer success as part of product development at IAR. A close dialogue with customers helps our products retain a high level of quality, ensures that the entire experience with IAR is a positive one and strengthens the company’s development.

We make this a reality by helping customers quickly and easily reach their goals with the solutions we offer, such as through our online training platform that conveys the advantages of our products. We also highlight the importance of how all of our employees contribute on their own terms to the experience of IAR’s products, service and support – and how that is positive for the customer. We are also quick to identify customers’ needs and address them through everything from improved functionality to more accessible service and support.

An important tool in this is IAR Embedded Academy, which serves as the hub for the skills development we offer and allows customers to practice and to expand their knowledge of our solutions. IAR Embedded Academy now includes ten different digital courses that weave together theory and interactive elements.

### Initiatives in 2022

One initiative during the year was aimed at improving deliveries. The entire supply chain was reviewed, resulting in a reduction in the costs for handling products and shipping. It also reduced the need for packaging, thereby reducing our climate impact.

We have also made operations more data-driven, internally as well as externally, to provide even better, more personal service. All of our customer success employees are now integrated into the same technical platform. This has improved efficiency since all customer information is now available to all employees simultaneously. Managing customer service becomes easier when the team works together cross-functionally. Making customer information more transparent also makes work with statistics and follow-up simpler.

A global customer survey was conducted during the year. It focused on all active users, who shared their perspective on IAR as a company, what it is like to work with our solutions and what they think of our support services. The results – which were very positive overall – provide guidance in how we can continue to grow with our customers and further develop our long-term relationships.

### Future focus

One area we are focusing on is developing IAR’s self-service offering, which allows customers to feel even more secure using our solutions. The self-service tool improves functionality and is connected to a new customer portal where the customer can access all relevant documentation. In parallel with this type of automated service, we will continue to offer staffed service and support. Based on our experience, we know that this is important for strengthening customer relationships. The roll-out of several courses in Embedded Academy will continue in 2023, when we will also offer specialized training in topics like debugging for more advanced users.

## 75

**Customer satisfaction index (CSI)**

Our global customer survey was carried out in November and December. The overall results were positive. Our CSI was 75, which is high.

## 82%

**Satisfied/Very satisfied customers**

Over 80 percent of respondents ranked product quality as good or very good.

**Areas that customers were most satisfied with:**

- product and service quality
- service and support staff expertise
- waiting time

**Areas where there is the greatest room for improvement:**

- access to self-service alternatives
- flexible license models
- product information and training from IAR



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## Customer case: Farm Assist

# Shortcut to smarter agriculture

Smart agriculture refers to the ability to monitor fields through computers or mobile phones. The secret? The Farm Assist service. This service streamlines agricultural activities in order to increase productivity. Farm Assist was developed with software solutions from IAR.

Farm Assist was developed by the Japanese telecommunications company NTT DOCOMO. The service is based on sensors that are placed in fields and collect data that is sent to a cloud service. This allows farmers to monitor their land from a computer or smart phone, for example to monitor the results of irrigation and other activities.

Facts about harvest volumes, sales revenue and other information can also be managed in

Farm Assist. The benefit is that work can be coordinated and streamlined in a way that boosts productivity within agriculture.

During development, NTT DOCOMO chose to use IAR Embedded Workbench for Arm to develop the program code for the sensor devices as well as for writing the program code for the microcomputers in the sensor devices. NTT DOCOMO saw one advantage of IAR's solution right away: through only minor

adjustments, they could easily reuse the original code in chips from various suppliers.

"One reason for choosing IAR was that the development tools included well-tested compiler functions and security solutions," says Sakurako Tamura, who works with services in the Smart-Life Planning Department at NTT DOCOMO.

Other strengths included the extremely fast compiling in IAR Embedded Workbench for Arm and the

warning functions, which are both indispensable to ensure program code quality.

"This is especially relevant for us at NTT DOCOMO as the code quality is extremely important. Since we are considering implementing security solutions in the future – and will need to purchase processors from more than one supplier – we need an expansive developer environment. That is why we chose IAR Embedded Workbench for Arm," concludes Tamura.

Sustainability

# Sustainability report

IAR is the world’s leading provider of software for the programming of processors in embedded systems and advanced security solutions with a focus on IoT. We provide the solutions required to create the necessary security and assured quality in the development of the digital products of today and the innovations of tomorrow.

Our products are used by many of the world's largest corporations as well as thousands of small and medium-sized companies in a range of industries, such as the automotive industry, industrial automation, medical technology, consumer electronics and IoT. IAR Systems is owned by I.A.R. Systems Group AB, which is listed on the Mid Cap list of Nasdaq Stockholm.

As the use of electronics grows, the social and environmental challenges associated with operations in the electronics industry are becoming clearer. This has led to an increased focus from regulatory authorities, investors and other stakeholders. Issues such as the use of scarce resources, working conditions in the supply chain, energy consumption, product lifecycles and e-waste must be addressed.

The ability to successfully deliver on our strategic cornerstones depends rests firmly on our commitment to ESG priorities. Our focus on sustainability also allows us to build more long-term and sustainable relationships with our business partners.

### Our materiality process

To arrive at our material ESG topics, we have assessed the topics widely adopted by the software/IT industry. We have also interviewed selected stakeholders in order to prioritize the ESG issues that have

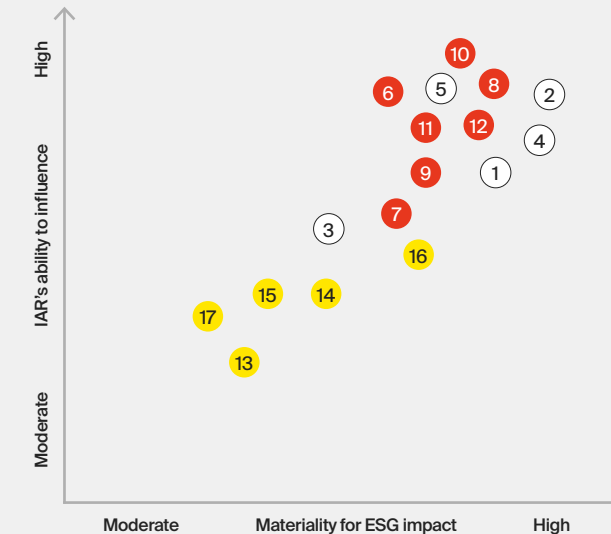
the greatest impact on our business. The results from this work were then aligned with our strategy and risk management (refer to page 27 in the administration report). To fully integrate ESG into daily operations, we provide training and implement processes that enable the identification of root causes and the establishment of solutions and targets.

### Regulatory frameworks

IAR follows the Swedish application of the EU Non Financial Reporting Directive (NFRD). We are also preparing for the coming EU Corporate Sustainability Reporting Directive (CSRD). Refer to the ESG tables on pages 23 and 24, which outline our disclosures in accordance with the European Sustainability Reporting Standards (ESRS), with index references to leading reporting frameworks such as GRI, the UN Sustainable Development Goals (SDGs), the Sustainability Accounting Standards Board (SASB) and Nasdaq Metrics (NM).

The CSRD standard set for sectors and small and medium-sized enterprises (SMEs) will be available in 2023 or 2024. The effective date of the EU CSRD for SMEs is from full-year 2027 for the 2026 financial year.

IAR's materiality analysis



- **Governance**
  - 1 Business ethics
  - 2 Data privacy and information security
  - 3 Supply chain management
  - 4 Compliance with laws and regulations
  - 5 Risk management
- **Social**
  - 6 DEI, human rights and equal pay
  - 7 Occupational health and safety
  - 8 Employee satisfaction
  - 9 Talent management and training
  - 10 Technology and innovation
  - 11 Product quality and security
  - 12 Customer engagement
- **Environment**
  - 13 Greenhouse gas (GHG) emissions
  - 14 Waste and management of hazardous materials
  - 15 Renewable energy
  - 16 Reducing material and resource consumption
  - 17 Circularity support



Sustainability

IAR is not covered by the EU Sustainable Finance Disclosure Regulation 2019/2088 (SFDR).

On January 1, 2022 the disclosure requirements in the EU Taxonomy Regulation (Taxonomy Regulation 2020/852) came into effect. IAR is not directly affected by the new requirements since the Group has fewer than 500 employees. However, we are following developments carefully as any company in a value chain may be affected even if the company by itself is not directly affected by the new disclosure requirements.

**Sustainability Policy**

Our policy governs the sustainability initiatives we

carry out. Based on this policy – and as part of the annual budget process – Group management establishes the actions necessary to execute the company’s sustainability objectives. Agreed on activities are then approved by the Board of Directors. The activities are then conducted in each business unit and followed up on as part of the company’s normal operating activities. The results are presented in our Sustainability Report, which is available on our website, [www.iar.com](http://www.iar.com).

**IAR’s focus areas**

Our focus areas are based on our risk analysis, stakeholder priorities and international goals and guidelines

for sustainable development, such as the UN SDGs. Read more about our risks and uncertainties in the administration report on pages 27–30.

Our sustainability agenda includes four focus areas:

- Governance
- Financial sustainability
- Social sustainability
- Environmental sustainability

**Focus area 1 – Governance**

The tone starts at the top. To strengthen our sustainability efforts, we appointed an ESG manager in 2022 and established our sustainability roadmap. The roadmap starts with compliance but we aim to fully integrate sustainability into all our operating procedures throughout our value chain in order to deliver comprehensive and high-quality ESG disclosures in the near future.

**Material topics**

Corporate governance includes guiding and monitoring our business and social activities in all business units. We require our employees and business partners to operate in accordance with the principles of our Code of Conduct.

The material topics we cover are:

- Risk management
- Data privacy and information security
- Supply chain management
- Compliance

**Short and long-term targets**

We have a clear and transparent model for corporate governance. It integrates our ESG criteria, risk and

opportunity management, operating activities and performance monitoring. Through sustainable corporate governance, we show that IAR has a clear ambition to:

- create leading technology and responsible products for a sustainable world,
- prioritize people and the environment,
- generate long-term value for all stakeholders.

**Actions in 2022**

- Risk management – refer to pages 27–30 in the administration report.
- Data privacy and information security – we follow the EU General Data Protection Regulation 2016/679 (GDPR), which we apply to all of our stakeholders. To further improve information security, we started the process of ISO 27001 certification in December 2022. The goal is to be certified by the end of 2024.
- Supply chain management – we conducted supplier due diligence for our I-jet series and only use qualified suppliers who agree to our Code of Conduct and can provide products/services in compliance with applicable environmental regulations, such as the Restriction of Hazardous Substances Directive (RoHS), the Registration, Evaluation, Authorisation and Restriction of Chemicals regulation (REACH), conflict minerals regulations and California Proposition 65.
- To mitigate possible compliance risks in both the upstream supply chain and export control regulations, we relocated product design of the IAR I-jet series from our development center in the USA to our head office in Sweden. This also involved

**Roadmap**

**Milestone 1 (Q4 2022)**

**ESG preparations – compliance-driven**

- ESG strategy and plans.
- Materiality assessment, prioritize regulation-driven issues.
- Initial overview by the Board and collection of defined ESG data.
- Basic disclosures for 2022 financial year.

**Milestone 3 (Q4 2024)**

**ESG integration – value-driven**

- ESG criteria fully integrated into company strategies, business models, responsibilities and remuneration to senior management.
- Establishment of Board oversight, reporting and auditing processes.
- Assessment of ESG tools for effective integration with IAR’s financial system as necessary.

**Milestone 2 (Q4 2023)**

**ESG start-up – performance-driven**

- Establishment of an ESG committee to execute ESG strategy.
- ESG training to integrate ESG impact into daily operations.
- Management of operational and reputational risks and opportunities.
- Quantitative/qualitative disclosures focused on ESG topics in line with CSRD requirements for SMEs.

**Milestone 4 (Q4 2026)**

**High-quality sustainability/ESG reports**

- ESG reporting in accordance with CSRD and leading frameworks.
- ESG ratings at maturity.

Sustainability

signing a production contract with a local sub-contractor.

- Compliance with laws, rules and legal regulations – IAR takes clear responsibility for human rights, guided by the Code of Conduct and other company values.
- We stopped providing sales and technical support to Russia on the same day Russia invaded Ukraine and coordinated an internal effort by employees to donate funds to the UNHCR. IAR will also provide continued support to our customers in Ukraine in the form of pro bono technical support as long as necessary.
- We terminated our relationship with our distributor in Russia and removed processor support for Russian vendors, all in accordance with EU sanctions against Russia.
- In order to mitigate the impact of political, economic, or geographic conflicts, such as the UK exit from the EU and the new rules for export control in

the USA, we trained our employees in export control processes focusing on the UK, the EU, and the USA. We also implemented an internal compliance program (ICP) and conducted additional supplier/ sub-contractor due diligence.

**Focus area 2 – Financial sustainability**

Financial sustainability is secured by our business model, our customer offering and our ability to provide stable cash flows. IAR’s license-based business model, with annual renewals of support and update services, ensures a secure offering for customers and simultaneously gives us a stable and predictable cash flow through recurring income.

**Short and long-term targets**

Our business model allows us to invest in developing existing and new products to ensure that customer needs are met and to ensure the company’s profitability and growth. The overall long-term targets established by the Board are for:

- net sales to grow by 10–15% annually in local currency.
- the operating margin to exceed 25% over a business cycle, and
- our dividend to fall between 30 and 50% of profit every year.

**Actions in 2022**

In 2022, we focused on:

- taking care of the existing customer base and expanding it to include new customers.
- continuing to invest in the development of existing

and new products to ensure customers’ future needs are met.

- efficiency in the use of resources with a focus on reviewing the cost structure as well as modernizing systems and processes.
- remaining an attractive employer for existing and future employees to ensure that we have or can secure the necessary competence.

**Focus area 3 – Social sustainability**

IAR is dedicated to social responsibility as a way to create long-term value for our internal and external stakeholders. Accordingly, we expect our employees and business partners to follow our Code of Conduct.

Based on IAR’s values and the Code of Conduct, we prioritize our responsibility for our employees, products, business partners and customers.

**Material topics**

Material topics and short and long-term targets:

- Employees – continue to improve employee engagement to drive financial performance and creativity.
- Products – continue to offer competitive, high-quality products with a high level of security based on our world-leading technology and solutions.
- Business partners – continue to cooperate with industry partners and widen our ecosystem while also continuing to monitor compliance with the company’s Code of Conduct.
- Customers – continue to expand our customer base and improve customer satisfaction and loyalty.

**Actions in 2022**

We categorize actions according to the following areas:

- Employee responsibility
- Product responsibility
- Customer responsibility

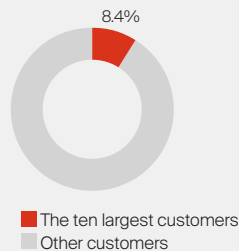
**Employee responsibility**

We value and trust our creative and committed employees. When it comes to employee responsibility, we conduct our operations in line with IAR’s corporate culture, strive to improve the work environment and encourage everyone to contribute their best performance and creative ideas. Our work environment committee, which is comprised of employee representatives, holds regular quarterly meetings to monitor employee satisfaction and compliance with laws, regulations, and organizational requirements.

In 2022, we focused on:

- Equal pay – reviewed the pay structure in all regions to establish market rates and structure as part of annual performance reviews. All salaries were reviewed in 2022, and individual remuneration criteria were set for salary and performance.
- Whistle-blower function – clearer and more confidential contact channels were established for reporting cases. No cases were reported in 2022.
- Talent management – retain employees and increase motivation.
  - IAR long-term incentive program (LTI 2022) was introduced to offer our employees additional remuneration in acknowledgement of superior

The ten largest customers’ share of sales 2022





Sustainability

**Result from this year's employee survey**

- Team spirit – 91% positive responses with an average result of 8.0 on a scale of 10.
- DEI – 95% positive response with an average result of 8.7.
- Self leadership – 93% positive responses with an average result of 7.8.

<sup>1</sup> Average value on a scale from 1 (strongly disagree) to 10 (strongly agree).

<sup>2</sup> The figure in parentheses refers to the Winning-temp index. This is an average rating of the same topics at other companies that use the Winning-temp platform.

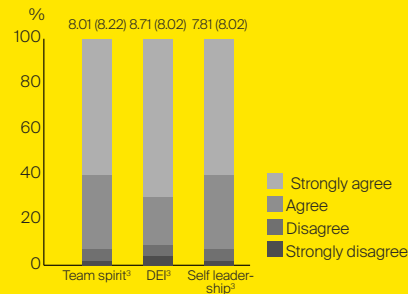
<sup>3</sup> The survey questions were formulated as follows:

**Team spirit:** Do you and your colleagues work well together? Do you keep each other informed on work matters? Do you feel respected by your colleagues? Do you build on each other's ideas? Do you cooperate to develop ideas or ways of working?  
**DEI:** Are people treated fairly and with respect at IAR regardless of ethnicity, gender, age, expertise or sexual orientation?

**Self leadership:** Do you explain your ideas for changes or new projects to your supervisor or management? Do you communicate your ideas and opinions to supervisors and management, even if there is a chance they might not agree?

Based on the results from the survey, the following measures were taken. We:

- introduced the Hibob global HR system to allow digital overviews of results and remuneration.
- improved HR through new HR resources at headquarters and through four local HR coordinators in the USA, the UK, EMEA and APAC.
- improved communication with employees through more regular and personal communication through general meetings and Hibob.
- moved IAR's headquarters to a new property in Uppsala that offers more flexible, comfortable premises, including relaxation corners and meeting rooms equipped with modern equipment for virtual meetings.



- A hackathon program was held at the offices in Uppsala and Cambridge to encourage and reward creative innovation.
- Employee engagement – internal employee surveys were carried out in 2021 and 2022. The response rate was 61%. The results for 2022 indicate that employees continue to have a great deal of confidence in their immediate supervisors, colleagues and working groups. Issues related to diversity, equality and inclusion (DEI) also received good overall results.
- Occupational health and safety – we comply with applicable laws and regulations, and provide attractive health insurance and benefits, such as wellness and sports subsidies, regular massages at work and ergonomics expert counselling, to improve our employees' physical and mental health.
- Employee training and education – we introduced a program that offers versatile online education courses to meet our employees' need for personal and professional development. We also provide opportunities for quality training tailored to employees' individual development needs.

**Product responsibility**

We continued to provide more competitive products and solutions to support customers' development ambitions and high demands on code quality and security. We have established strong cooperation with leading industry partners.

In 2022, we focused on:

- Products and opportunities for innovation – see the sections on EDS and ESS on pages 14–15 for more information.
- Product quality and safety – we have six EDS products with TÜV functional safety certification. Additional product certifications can be obtained upon market or customer demand. To improve our product quality management, we started an ISO 9001 certification process in 2022. The goal is for IAR to be quality certified by the end of 2024.

**Customer responsibility**

We are committed to providing the industry with superior products, technology, and services that enable the products of today and the innovations of tomorrow.

In 2022, we focused on:

- Customer engagement – we conducted a global customer survey in and received useful feedback that will be evaluated to enable further improvements to our products, customer services and communication. The survey results also show high customer satisfaction, with a Customer Satisfaction Index (CSI) of 75.
- Customer value and customer loyalty – we launched IAR Embedded Academy, an e-learning program designed to provide added value for IAR's support and update agreement (SUA) customers. Ten courses at different levels are currently available for customers, covering various areas such as efficient programming and advanced power debugging. More courses will be introduced depending

Sustainability

on customer requests. We integrated our CRM system with our support systems to increase cross-team efficiency and reduce resolution times. This will pave the way for a data-driven workflow, which will allow us to support our customers more proactively with improved solutions and services.

- Customer health and safety – all our hardware products, I-jet series and Secure Desktop Provisioner (SDP) are designed, manufactured and EMC-tested according to the requirements of applicable environmental and safety directives/regulations. Technical documentation, including declarations of conformity, is available upon customer request.

**Focus area 4 – Environmental sustainability**

We follow laws, regulations, and other codes of practice and make continuous efforts to improve our environmental performance. We are also implementing changes that will set us on the road to reach net zero emissions in line with the UN SDGs. As a software services company with very limited hardware production, our own business activities have a very low direct impact in the form of greenhouse gas (GHG) emissions, so we largely focus on other environmental issues where we can have a positive impact and on minimizing our environmental footprint.

To understand our total climate impact throughout the entire value chain, we will measure scope 1, 2 and 3 emissions according to the Greenhouse Gas (GHG) Protocol. These results will be reported in the 2023 sustainability report.

**Scope**

We prioritize our environmental efforts through the responsible technology – IAR’s code optimization and

power debugging technology – embedded in our products. We also strive to minimize our GHG emissions, especially in scope 2 and 3.

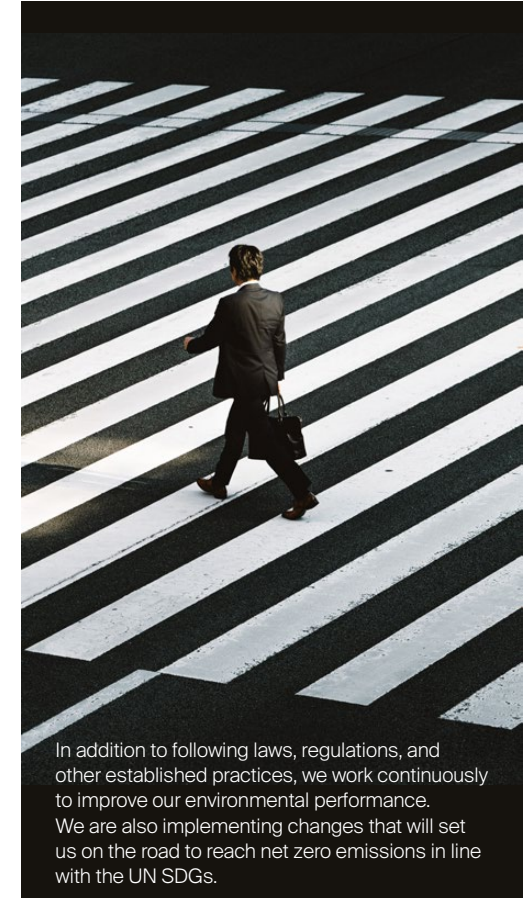
**Material topics and short and long-term targets:**

- Innovation with a focus on low energy consumption and minimizing processor memory use.
- Maximize use of renewable energy – we aim for 100% renewable energy by 2030.
- Minimize material and resource usage – we are continuing to optimize product packaging and shipments to minimize our carbon footprint.
- ISO 14001 certification – expected to be completed by the end of 2024.

**Measures in 2022 and beyond**

- Innovations for low energy consumption and minimal memory use in processors – we offer products with state-of-the-art code optimization and power debugging technology, which helps our customers to develop applications using the most efficient code, thereby improving processor performance and device longevity and reducing power consumption. We also provide products with extensive device support, which allows our customers to flexibly choose the programming environment that fits their needs and reuse most of their previously written code, regardless of processor and projects. This saves customer resources and time spent on product maintenance and upgrades.
- Maximize use of renewable energy sources – in 2022, we continued to sign green electricity contracts for our offices whenever possible and company car agreements for electric and hybrid vehicles.

- Minimize waste and use of hazardous material – we offer hardware products that are fully compliant with applicable environmental and safety regulations/directives. We follow the EU waste of electrical and electronic equipment (WEEE) scheme, and we register and report to the relevant authorities annually in France, Germany, and Sweden.
- Minimize material and resource usage – as of November 2022, all our software products are delivered electronically, which has reduced our material cost per user license by an average of 57%. In addition, we redesigned our packaging boxes and made them more suitable for multiple accessory items. This reduces not only the use of material, but also the cost related to product storage and freight as well as the cost for bookkeeping, shipment, and export processing.
- Circularity support – we continued the IAR Green Innovation Program, which offers circularity support by allowing eligible organizations including research centers, university programs, and start-ups with ten or fewer engineers to access the world’s most powerful embedded systems development tools for their innovations in the fields of renewable energy and clean-tech. The program will be expanded to include more activities in 2023.
- ISO 14001 certification – we started the process of ISO 14001 certification, aiming for certification by the end of 2024. Certification will help to improve our environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and stakeholders’ trust in IAR.



In addition to following laws, regulations, and other established practices, we work continuously to improve our environmental performance. We are also implementing changes that will set us on the road to reach net zero emissions in line with the UN SDGs.

## ESG disclosures

# ESG disclosures 2022

Disclosure metrics	Approach/location	Performance/goal	Standard references
<b>General disclosures</b>			
Sustainability governance	IAR Sustainability Policy	To be updated in Q1 2023.	GRI 102-20, 29
Business model	Page 20		GRI 102-1, 9
<b>Governance</b>			
Corporate Governance	Page 74 in the corporate governance report.	2/5 (40%) women on Board.	ESRS G1: DR G1-1 to 10
Board diversity		4/12 (33%) women in executive positions.	GRI 405-1, 2
Gender distribution			NM S1, S6
CEO pay ratio		5/5 (100%) independent Board members.	SDG 10
Risk management process			SASB*
Business conduct:	Code of Conduct.	To be updated in Q1 2023.	ESRS G2: DR G2-1 to 10
Anti-corruption		No complaints or violations reported in 2022.	GRI 102-16, 103-2, 205
Anti-competitive behavior			NM G5, G6
Ethics and integrity			SDG 4, 5, 8, 10, 16
Human rights			SASB*
DEI, non-discrimination			
Whistle-blower function			
Forced and child labor, etc.			
Supply chain management	Code of Conduct.	To be updated in Q1 2023.	ESR S2 DR S2/3-5
	Supplier due diligence.	Review in Q1 2023.	GRI 308, 414
	Regular monitoring.		NM G5
			SDG 12, 17
			SASB*
Data privacy and information security	UK NCSC Cyber Essentials and Cyber Essentials Plus certification for IAR UK.	By Q2 2023.	GRI 418
	ISO 27001 certification for IAR Group.	By Q4 2024.	SASB*
Compliance with laws, rules, and legal regulations	Code of Conduct.	To be updated in Q1 2023.	GRI 2-27
	Training in export control and environmental regulations.	Export control audited at UK office in November 2022.	SDG 2, 3
		By Q2 2023.	
	Internal compliance control (ICP).		

Disclosure metrics	Approach/location	Performance/goal	Standard references
<b>Environmental sustainability</b>			
Environmental policy	Code of Conduct.	To be updated in Q1 2023.	ESRS E1 SDG 13
Environmental management systems	ISO 14001 certification.	By the end of 2024.	NM 7.3
Waste and hazardous material management	Follow EU WEEE scheme.	Registration in France, Germany and Sweden with annual reports.	ESRS E2: DR E2-5 GRI 306-5, NM E7, SASB*
GHG emissions	Reduce GHG emissions with focus on scope 2 and 3.	Data collection from 2023.	ESRS E1: DR E1-9 GRI 305-2 to 5, SASB*, SDG 13, 15
Responsible products and technology	IAR code optimization and debugging technology. IAR security solution.	Reduce e-waste and power consumption. Secure applications and IP protection.	ESRS E5: DR E5-7 SDG 9
Renewable energy	Sign green electricity contracts for office electricity usage.	100% renewable energy by 2030. Data collection from 2023.	ESRS E5: DR E5-7 GRI 302-1 NM E7.2, SDG 7
Reduce material and resource consumption	E-delivery of all software products. Minimize packaging material consumption. Optimize shipment options.	From November 2022. Packaging material cost reduced by 57.6% per license.	ESRS E5: DR E5-7 GRI 306-2 NM E7.2 SDG 15
Circularity support	IAR Green Innovation Program.	To be reviewed and updated in Q1 2023.	ESRS E5: DR E5-8 SDG 9
<b>Social sustainability</b>			
<b>Business partners</b>			
Business partners	Code of Conduct. Ecosystem.	60+ major semiconductor and technology partners.	ESRS S2, G2, GRI 2-6 SDG 17
<b>Customers</b>			
Customer engagement	Customer survey	CSI 75 (2022)	ESRS S4: DR S4-3
Customer value and loyalty	Added value and high-quality products. CRM and support systems integration.	10 online courses by 2022, more to come in 2023. Implemented in 2022.	SASB*
Customer health and safety	Product lifecycle following applied directives/regulation requirements	All hardware products in compliance.	GRI 416-2 SASB*

## ESG disclosures

Disclosure metrics	Approach/location	Performance/goal	Standard references
<b>Social sustainability, cont.</b>			
<b>Employees</b>			
Employee policy	Employee handbook. IAR work environment committee.	Quarterly meetings and monitoring.	ESRS St: DR S1-1 through 6 NM S4, SDG 3, 4, 6, 8, 13
Employee turnover/new employees, working conditions.	Employee handbook.	49/209 turnover. 45/209 new employees.	ESRS St: DR S1-7, 12 GRI 401, 402, NM S3, S4, SDG 8
Occupational health and safety.	Employee handbook.	Data collection from 2023.	ESRS St: DR S1-11, GRI 403-9, 10, SDG 3, SASB*
Talent management	IAR's long-term incentive program (LTI 2022). Hackathon (innovation) program.	63% of employees are covered by LTI. Available at IAR's headquarters and in the UK.	GRI 401-2 SDG 9
Training for employees	Standard training for employees. Individually tailored training.	Data collection from 2023.	ESRS St: DR S1-9 GRI 404 SDG 4
DEI, equal pay	Employee handbook. Established a structure of fair pay and benefits.	DEI points 8.7. Implemented in 2022.	ESRS St: DR S1-3, 16 GRI 405-1, 102-8 NM S4, SDG 4, 5, 10, SASB*
Human rights Non-discrimination Freedom of association and collective agreements	Code of Conduct.	No violations were reported in 2022.	ESRS St: DR S1-3, 16 GRI 412-1, 407, 102-1 NM S4, SDG 10
<b>Product</b>			
Products and opportunities for innovation	EDS solutions. ESS solutions.	All EDS products are based on responsible technology. All ESS products are made for application security and IP protection.	SDG 9, 17 SASB*
Product quality and security	TÜV certification for functional security. ISO 9001 certification.	6 EDS products with TÜV certification. By the end of 2024.	SASB*

\* Pertains to the equivalent SASB standards.

## Auditor's Report on the Statutory Sustainability Report

To the general meeting of the shareholders in IAR Systems Group AB (publ), corporate identity number 556400-7200.

### Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2022 on pages 18–24 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### Opinion

A statutory sustainability report has been prepared.

Stockholm April 3 2023.

Signatures on Swedish original

Deloitte AB

Andreas Frountzos  
Authorized Public Accountant



Administration report

# Administration report

The Board of Directors and the CEO hereby present the annual report and consolidated financial statements for I.A.R. Systems Group AB for the 2022 financial year. The company is domiciled in Stockholm, corporate identification number 556400-7200.

**Net sales**

Net sales for the year amounted to SEK 419.9m (355.9) and were distributed as follows: SEK 418.4m (355.2) from development solutions and SEK 1.5m (0.7) from security solutions. Growth in total revenue amounted to 18.0% compared with the preceding year, or 8.6% after adjusting for the positive foreign exchange effect of SEK 33.4m.

The Americas accounted for 34% (33) of sales, Europe for 33% (35), Asia for 33% (31) and other geographic areas for 0% (1).

**Profit/loss for the period**

EBITDA for the year totaled SEK 129.0m (13.2), corresponding to an EBITDA margin of 30.7% (3.7) for the year. EBITDA adjusted for non-recurring items amounted to SEK 129.0m (119.9\*), corresponding to an EBITDA margin for the year of 30.7% (33.7\*) Operating profit for the year amounted to SEK 75.7m (-119.0). Operating profit adjusted for non-recurring items totaled SEK 75.7m (65.7\*).

Operating expenses for full-year 2021 included impairment of intangible assets of SEK 118.2m and costs of SEK 16.0m related to the dismissal of the CEO, costs that were excluded after adjustment for non-recurring items.

Operating expenses were reduced by SEK 50.2m (64.4) during the year through the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 41.7m (54.4) pertained to personnel costs.

Personnel costs adjusted for non-recurring items are the Group's largest cost item and account for

about 71% (64) of total costs. Of the Group's total costs, 44% (58) are attributable to operations in Sweden.

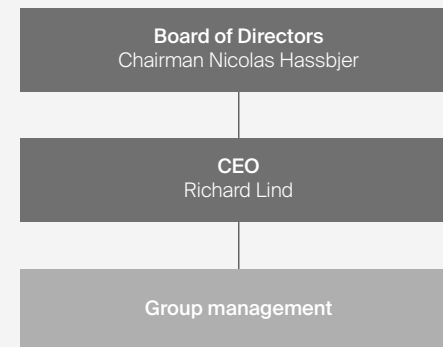
In a year-on-year comparison, currency translation had a positive impact of SEK 16.5m on operating profit for the year.

Financial expenses for the year mainly comprised exchange rate differences as well as interest expenses related to right-of-use assets.

**Cash flow**

Cash flow from operating activities for the year totaled SEK 127.7m (131.6). Through its subsidiary in the UK, the Group exercised its right to tax relief related to research and development expenses. This supplied the Group with SEK 11.2m during the third quarter of 2022, which affected the cash flow but not the income statement for the year. Our customers' ability to pay remained adequate during 2022.

Cash flow from investing activities for the year totaled SEK -59.5m (-74.1). Most of these investments



**Net sales for the year**

419.9

SEK m (355.9)

**Operating profit for the year**

75.7

SEK m (-119.0)

**Cash flow for the year from operating activities**

127.7

SEK m (131.6)

**Net cash**

78.9

SEK m (57.4)

**Proposed dividend**

SEK 1.50

(-) per share

\* Adjusted for non-recurring items, refer to Reconciliations on page 45.

Administration report

pertain to the capitalization of development costs for software.

Cash flow from financing activities for the year totaled SEK -39.5m (-15.1). Cash flow from financing activities during the year primarily comprised the amortization of lease liabilities.

**Balance sheet items and financial position**

Consolidated cash and cash equivalents at the end of the year amounted to SEK 148.2m, compared with SEK 113.4m at December 31, 2021. The Group also had unutilized bank overdraft facilities totaling SEK 0.0m (207.0). In 2023, an agreement was entered into for a new bank overdraft facility of SEK 50.0m.

The Group's interest-bearing liabilities amounted to SEK 69.3m, compared with SEK 56.0m at December 31, 2021. Interest-bearing liabilities include lease liabilities amounting to SEK 69.3m (38.0), which increased in accordance with the new IFRS 16 Leases. Interest-bearing liabilities also include borrowings totaling SEK 0m (18.0).

As of December 31, 2022, the Group had net cash of SEK 78.9m (57.4). Net cash was also impacted by IFRS 16 Leases; see above.

Consolidated goodwill at the end of the year amounted to SEK 366.6m (355.9). The impairment test performed at year end did not indicate any requirement for impairment. The increase of SEK 10.7m was attributable to currency remeasurement. Other intangible assets in the form of trademarks, software, internally generated software development costs and customer contracts totaled SEK 204.1m (175.5).

As of December 31, 2022, the Group had accumulated loss carryforwards outside Sweden of

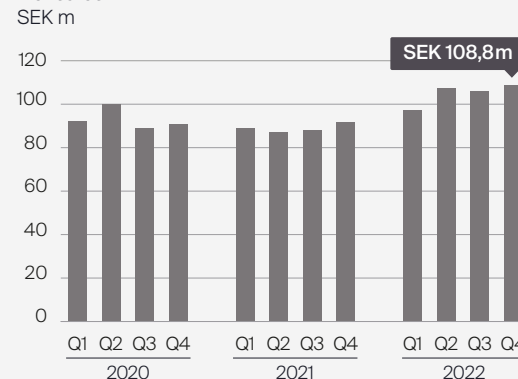
SEK 264.6m (217.0), of which SEK 86.7m (57.9) are expected to be utilized in the foreseeable future, with future tax relief related to the operations in the UK of SEK 12.6m (11.0) recognized in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 3.2m (2.5), and the deferred tax liability is recognized in an amount of SEK 30.3m (28.4). The item deferred tax asset also includes deferred tax liabilities that will be recognized in a net amount since they are connected to the same tax subject. The expected tax relief payment in the UK for 2023 connected to research and development costs is estimated at approximately SEK 12.6m (11.0). The payment reduces aggregate loss carryforwards by an equivalent amount. The payment affects cash flow but not the income statement for the period.

Equity at December 31, 2022 amounted to SEK 666.8m, compared with SEK 585.3m on December 31, 2021. This change in equity is presented in the specification on page 34. The equity/assets ratio at December 31, 2022 was 72% (72). Pledged assets increased during the year and totaled SEK 25.7m (20.5) at December 31, 2022.

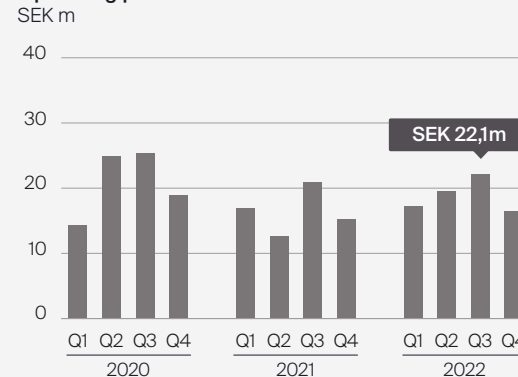
**Investments**

Investments in property, plant and equipment for the year amounted to SEK 9.3m (9.9). Investments in intangible assets totaled SEK 50.2m (64.4). Investments in intangible assets pertained primarily to costs for in-house staff for the development of software. Of the year's investments, SEK 0.0m (1.7) was acquired separately and SEK 50.2m (62.7) comprises internally generated costs. Of the

**Net sales**



**Operating profit**



Administration report

internally generated costs, SEK 41.7m (54.4) pertains to personnel costs.

Market and customers

I.A.R. Systems Group delivers high-quality products to companies that develop digital products. Its customers are located across the entire globe and in a number of different industries. 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.

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. The pandemic is becoming a thing of the past. The Asian markets that have been the most affected by the pandemic, particularly China, have now opened up, which is a contributing factor underlying the increase in sales we noted in APAC. However, these relatively new markets for IAR also delivered strong growth during the pandemic.

Employees

The company's competitiveness depends on its ability to recruit, retain, and develop qualified staff. The company's success is determined by how well its leadership resources are developed and the sense of dedication and empowerment among its employees. IAR's corporate culture is characterized by openness, social responsibility and profession-

alism. Its global organization and its employees' enduring passion for product development and technology attract skilled and talented people to the company in all of the countries where it operates.

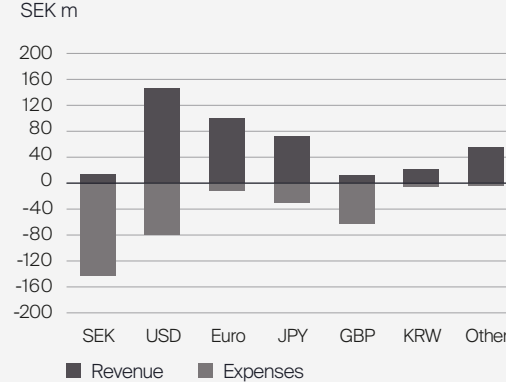
The company strives for a personnel policy and a work environment that inspire its employees to develop in their professional roles.

The Group's employees are typified by a high level of technical expertise and extensive industry experience. IAR also has a high proportion of employees with advanced academic degrees. Within the Group, 88% (89) of employees have a post-secondary or higher education, and 12% (11) have a secondary education. The average age of the Group's employees is 48 (47). At year-end 2022, the gender distribution was 26% (27) women and 74% (73) men. The average number of employees in 2022 was 203 (203).

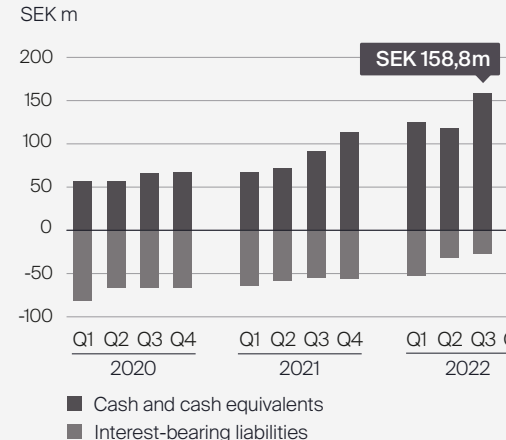
Risks and risk management

Like all business activities, IAR's operations are associated with risks. Certain risks are within the company's control, while others are not. IAR continuously identifies and manages the company's risks. The most significant risks and how we manage them are described below. In 2022, there was an overall increase in interest rates and inflation, in Sweden and elsewhere, due in part to the war in Ukraine. These rising interest rates have not had any significant effects on IAR since the Group's financing from loans is very limited and it is therefore not dependent on, or sensitive to, interest rate fluctuations. However, growing inflation has led to higher costs and increased salary requirements. A project was initiated in 2022

Currency spread



Net cash



Administration report

to review the price structure in order to manage rising inflation and this will continue during 2023.

**Three types of risks**

In working with risks and risk management, we have divided the risks into three categories.

**Market risks** refers to external factors and events in the markets where IAR is active that could impact our prospects of meeting our established targets. Market risks are events that we have limited opportunity to influence, but which we must be prepared for.

**Operational risks** refer primarily to internal factors and events that could impact our prospects for meeting our established goals and whose management is part of our day-to-day operating activities.

**Financial risks** refer to fluctuations in IAR's profit and cash flow as a result of changes in exchange rates, interest rates, and financing and credit risks.

**Foreign exchange risk**

When it comes to foreign exchange risk, the Group operates internationally and is exposed to foreign exchange risk arising from exposure to different currencies, predominantly the US dollar (USD), the euro (EUR), the British pound (GBP) and the Japanese yen (JPY). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of the entity. The Group does not use currency futures or other financial instruments to minimize foreign exchange risk. Insofar as possible,

cash and cash equivalents is exchanged from foreign currency to SEK to minimize the currency exposure.

**Credit risk**

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, deposits with banks and credit exposures to customers, including outstanding receivables and contractual transactions.

**Liquidity risk**

The Group manages liquidity risk by ensuring that it has adequate cash and cash equivalents and short-term investments with a liquid market while maintaining sufficient access to financing through committed credit facilities. Due to the dynamic nature of the Group's operations, management achieves flexibility in financing by maintaining agreements for withdrawable lines of credit. For a more in-depth description of financial risks, see Note 2.

To a certain extent, IAR can protect itself from risks through insurance. IAR has Group-wide insurance coverage that is supplemented with local solutions where this is deemed necessary. The insurance is reviewed yearly in consultation with an external party. The insurance covers property, business interruption, crime against property, legal expenses, liability and Board/CEO liability, among other things.

**Sensitivity analysis**

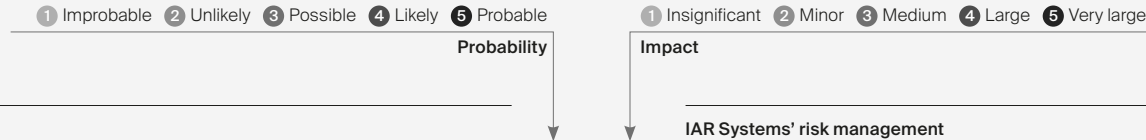
The table to the right shows the effects on consolidated profit or loss after tax resulting from changes in a number of items in the income statement. Since the Group does not recognize any value

changes in other comprehensive income pertaining to transaction and interest rate exposure, the corresponding effect occurs under equity.

Dec 31, 2022	Change	Effect on profit
Cost of goods sold	+/- 5%	+/- SEK 0.6m
Payroll expenses	+/- 5%	+/- SEK 13.7m
Currency - EUR	+/- 5%	+/- SEK 6.0m
Currency - USD	+/- 5%	+/- SEK 3.0m
Currency - GBP	+/- 5%	+/- SEK 2.1m
Currency - JPY	+/- 5%	+/- SEK 1.8m
Variable interest	+/- 1 percentage point	+/- SEK 0.0m

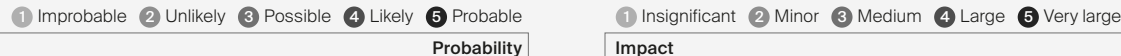


Administration report



Risk area	Description	Probability	Impact	IAR Systems' risk management
<b>Market risks</b>				
Macroeconomic development	Customers' demand and willingness to invest are tied to their beliefs about future economic growth and the state of macroeconomic development in their own market. External factors such as inflation, trade wars and legislation impact the Group's willingness to invest.	3	3	IAR's software is sold worldwide and, as a result, its risks are distributed geographically and across a number of different sectors. IAR acts in accordance with decisions and recommendations from the government and authorities in each market as the Group continuously monitors and evaluates the effect on the Group's financial position to minimize the impact going forward. New legislation in IoT security is expected to be a positive driving force for sales in the area of security going forward.
Products and technology	New fundamentally changed working methods, business models, rapid technology shifts and changes in customer behavior create a risk of changed customer requirements that could affect IAR's market position. External factors such as intellectual property theft, industrial espionage and export regulations could have an impact.	3	3	IAR has well-established and strategic partnerships with all the principal processor makers, which means that the company's software supports more processors and architectures than any other product on the market. IAR is the hub of an ecosystem of partners in processor manufacturing, real-time operating systems (RTOS) and add-on products. Following the acquisition of Secure Thingz, IAR is now also able to offer possibilities for new security solutions for embedded systems.
Competitors	New and stronger competitors may lead to a risk of decreased demand for IAR's software.	2	3	IAR manages the risk of competition as an independent provider of development solutions for embedded systems by offering user-friendly, effective and fast software that supports the majority of architectures and processors. The company also offers support service. In a growing new market like the market for IoT security, it may also be positive to have several competitors educating customers about the need for security and the solutions available.
<b>Operational risks</b>				
Customer structure	Far-reaching dependency on individual industries could have a major impact on sales if an entire industry is experiencing difficulties.	1	2	IAR strives to build long-term relationships with its customers. The Group is well diversified among customer categories, industries and geographical markets and no single customer accounts for a large share of the Group's total sales. The ten largest customers contribute 8.4% of income.
Income structure	A large share of one-time projects or maintenance agreements with short durations creates uncertainty if economic growth slows.	1	2	IAR is endeavoring to increase the share of repeat customers. The share of repeat customers is already high and amounts to about 95%. The geographic distribution is even, with one-third in each region: APAC, EMEA and USA. The diversification of customers is favorable. The ten largest customers account for 8.4% of sales, and no single customer accounts for more than 1.7% of sales.
Supply of qualified personnel	IAR's key competencies are found primarily in technological development and in its customer relationships.	3	3	IAR works actively to retain and develop skills and competency in the company. Competency and loyalty are strengthened in the Group through training and knowledge sharing. IAR has low employee turnover and distinct, shared core values. Finding the right expertise at the right cost is a challenge, particularly in product development.

Administration report



Risk area	Description	Probability	Impact	IAR Systems' risk management
<b>Financial risks</b>				
Foreign exchange risk	Foreign exchange risk refers to the risk of fluctuations in the company's transaction flows due to movements in foreign exchange rates.	4	4	IAR operates internationally and is exposed to foreign exchange risk arising from exposure to different currencies, primarily the US dollar (USD), euro (EUR), British pound (GBP) and Japanese yen (JPY). The Group's sales in foreign currency account for about 95% of total sales. Most of the company's expenses are denominated in SEK. Measures to manage transaction-related foreign exchange risk are established in the Group's finance policy and include opportunities for hedge accounting in specific cases. The objective is to minimize the short-term effect of the foreign exchange movement on profit while at the same time creating long-term freedom of action.
Liquidity risk	Liquidity risk refers to the risk that financing cannot be obtained, or can be obtained only at a significantly higher cost.	1	1	IAR's liquidity risk is deemed to be relatively limited. The Group had cash and cash equivalents of SEK 148.2m at December 31, 2022, and the Parent Company signed an agreement for a bank overdraft facility of SEK 50.0m in 2023. Interest-bearing liabilities on December 31, 2022 amounted to SEK 69.3m, of which lease liabilities accounted for SEK 69.3m.
Credit risk	Credit risk refers to the risk that a party in a transaction with a financial instrument will be unable to meet its obligations. The main credit risk is that IAR will not receive payment for trade receivables.	1	1	IAR's credit risk is assessed to be relatively low. Trade receivables are distributed across a large number of counterparties in different industries, markets and customer types. The Group has established guidelines for ensuring that sales are made to customers with a suitable credit background. Historically, the cost of bad debt losses has been low. To limit risks, the company's credit policy contains guidelines and provisions for credit assessment of new customers, terms of payment and routines and processes for management of past due receivables.

**The I.A.R. Systems Group's share**

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. I.A.R. Systems Group's share capital at December 31, 2022 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All of the class C shares and 7,963 of the class B shares are held in treasury. All shares have a quota value of SEK 10 per share. Of the class C shares acquired in 2018, 9,136 shares, representing 0.1% of the share capital, were transferred in 2022 for SEK 98,722.0. The reason for the transfer of treasury shares in 2022 was to

ensure the delivery of shares to employees upon the exercise of stock options under the Group's incentive program. A total of 51,646 class C shares have been converted into class B shares under an incentive program since the original buyback of 359,688 class C shares.

**Share price performance**

During the year, the share price varied from a low of SEK 100.2 (100.0) to a high of SEK 162.4 (166.0). The share price at December 31, 2022 was SEK 150.4 (117.80). I.A.R. Systems Group's market capitalization on the same date was SEK 2,054m (1,608).

**Ownership and control**

The number of shareholders in I.A.R. Systems Group at December 31, 2022 was 6,917 (7,271). Of these shareholders, 400 (472) held more than 1,000 shares each. Foreign shareholders held approximately 28% (27) of the share capital and 28% (27) of the votes. For additional information about the I.A.R. Systems Group's share, see pages 79–81.

**Sustainability report**

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, IAR prepares a sustainability report. The sustainability report is

incorporated into the Annual Account on pages 18–24.

**Corporate governance**

IAR has prepared a corporate governance report in accordance with rules and instructions for application stipulated in Swedish legislation and the Swedish Corporate Governance Code. The corporate governance report is incorporated into the Annual Account on pages 74–78.

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**Guidelines for remuneration and other terms of employment for senior executives**

The Board of Directors proposes to the 2023 AGM that the guidelines for remuneration to senior executives that were adopted by the 2022 AGM continue to apply.

The 2022 AGM approved the Board's proposed guidelines for remuneration to the company's senior executives as stated in Note 6 and in the corporate governance report. The guidelines state that the forms of remuneration to senior executives include fixed salary, variable remuneration that may amount to a maximum of 50% of fixed salary, RSUs in the form of long-term incentive programs, pensions and other benefits. Fixed salary is to be market-based and individually differentiated on the basis of the individual's role, performance, results and responsibilities. Variable remuneration is to be based on the attainment of profit and sales targets, such as growth (net sales growth), earnings before interest and taxes (EBIT), and qualitative individual targets linked to strategic and/or functional targets that are individually adapted based on responsibilities and function.

These targets are to be designed to contribute to promoting IAR's business strategy and long-term interests, including its sustainability. The pension plan is to correspond to the cost for the ITP plan for employees in Sweden. For senior executives outside Sweden, pension is to be considered competitive in the market in each country/region. In the event of dismissal by the company, the CEO is entitled to full salary during a notice period of six months. If employment is terminated by the CEO, the notice period is six months. In the event of dismissal by the company, other senior executives are entitled to full salary during a notice period of three to six months. If employment is terminated by the senior executive, the notice period is three to six months. All senior executives are entitled to salary and other contractual benefits during the notice period.

The Board's proposal corresponds to the previously applied guidelines for remuneration to the company's senior executives. The principles apply to employment contracts entered into after the decision of the AGM and in cases where changes are made to existing terms of employment after this

date. The group Other senior executives refers to Group management. See pages 89–90.

The Board of Directors has appointed a remuneration committee for the preparation of matters related to remuneration and other terms of employment for the company's management.

**Deviation from the guidelines**

The Board of Directors has the right to deviate from the above guidelines in individual cases where the Board finds special reason to do so. No deviations from the guidelines took place in 2022.

**Dividend policy**

The Board of Directors intends to propose an annual dividend, or other similar transfer of value, corresponding to 30–50% of profit after tax. In addition, the Board may recommend a further transfer of capital to the shareholders, provided that the Board considers this action to be justified in view of anticipated future cash flow and the company's investment plans.

**Proposed appropriation of profits**

The funds at the disposal of the Annual General Meeting are as follows (SEK):

Share premium reserve	254,792,854.14
Retained earnings	230,267,783.55
Comprehensive income for the year	70,872,029.46
<b>Total, SEK</b>	<b>555,932,667.15</b>

The Board proposes that the profits be disposed of as follows:

Dividend of SEK 1.50 per share to the shareholders	20,490,436.50
To be carried forward to new account	535,442,230.65
<b>Total, SEK</b>	<b>555,932,667.15</b>

**The Board's statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act**

The Board has proposed that the AGM on April 26, 2023 should resolve on a dividend of SEK 1.50 per share. This corresponds to a total dividend of a maximum of SEK 20,490,437. The Board of Directors believes that proposal is justifiable in view of the requirements that the nature, scope and risks of the operations place on the amount of equity, and IAR's consolidation requirements, liquidity and position in general. The Board of Directors has thus taken into account the requirements that the nature, scope and risks of the operations place on the amount of equity, and the Group's consolidation requirements, liquidity and position in general.

The Board of Directors is therefore of the overall opinion that the proposed dividend will not prevent the company, and other companies in the Group, from fulfilling their obligations in the long or short term, or from making necessary investments. The proposed dividend is therefore considered defensible taking into account the provisions of Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act (the precautionary principle).

Multi-year overview	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue, SEK m	230.2	255.7	311.7	328.4	345.0	385.2	405.6	372.0	355.9	419.9
Operating expenses, SEK m	-188.9	-202.5	-228.3	-231.9	-237.6	-269.6	-297.2	-288.2	-426.5	-347.1
Operating profit, SEK m	41.3	53.2	83.4	96.5	107.4	115.6	108.4	83.8	65.7*	75.7
EBITDA margin, % **	22.0	24.9	31.5	34.5	36.9	36.4	35.9	35.7	33.7*	30.7
Operating margin, % **	17.9	20.8	26.8	29.4	31.1	30.0	26.7	22.5	18.5*	18.0
Return on equity, % **	10.9	14.5	21.9	25.9	28.1	20.8	14.2	9.9	-11.2	9.2
Equity per share, SEK **	23.90	22.85	23.03	22.13	22.99	40.38	43.43	44.97	42.88	48.81
Cash flow from operating activities per share, SEK **	3.43	5.63	7.81	9.04	9.81	7.05	7.78	8.69	9.65	9.36

\* Adjusted for non-recurring items, refer to Reconciliations on page 87.

\*\* This performance measure pertains to an alternative performance measure not defined by IFRS. For further information, refer to pages 84–87.

## Group

# Income statement

SEK m	Note	2022	2021
Net sales	1, 2, 3, 4	419.9	355.9
Other income		2.9	2.1
Capitalized work on own account		50.2	64.4
Goods for resale		-12.8	-12.0
Other external expenses	5	-58.2	-48.3
Personnel costs	6	-273.0	-258.2
Depreciation of property, plant and equipment	11	-4.8	-3.7
Depreciation of right-of-use assets	11	-20.7	-16.7
Amortization of intangible assets	10	-27.8	-33.8
Impairment of intangible assets	10	-	-118.2
<b>Operating profit/loss</b>		<b>75.7</b>	<b>-68.5</b>
Financial income	7	0.3	1.5
Financial expenses	7	-2.5	-1.6
<b>Profit/loss before tax</b>		<b>73.5</b>	<b>-68.6</b>
Income taxes	8	-15.7	1.2
<b>Profit/loss for the year</b>		<b>57.8</b>	<b>-67.4</b>
<i>Profit for the year attributable to:</i>			
Owners of the Parent Company		57.8	-67.4
<i>Comprehensive income for the year attributable to:</i>			
Owners of the Parent Company		80.5	-28.5
<i>Earnings per share calculated on profit for the year attributable to owners of the Parent Company, SEK</i>			
- basic	9	4.23	-4.94
- diluted	9	4.20	-4.94

# Statement of comprehensive income

SEK m	2022	2021
<b>Profit/loss for the year</b>	57.8	-67.4
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Tax effect, items reported in comprehensive income	-1.2	-2.3
Translation differences	23.9	41.2
<b>Total comprehensive income for the year</b>	<b>80.5</b>	<b>-28.5</b>



Group

# Balance sheet

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>Assets</b>	1, 2		
<b>Non-current assets</b>			
<b>Intangible assets</b>	10		
Goodwill		366.6	355.9
Other intangible assets		204.1	175.6
<b>Total intangible assets</b>		<b>570.7</b>	<b>531.5</b>
<b>Property, plant and equipment</b>	11		
Leasehold improvements		2.9	2.0
Equipment		13.9	12.5
Right-of-use assets		68.2	35.6
<b>Total property, plant and equipment</b>		<b>85.0</b>	<b>50.1</b>
<b>Financial assets</b>			
Other non-current receivables	12, 17	3.7	3.0
<b>Total financial assets</b>		<b>3.7</b>	<b>3.0</b>
Deferred tax assets	8	3.2	2.5
<b>Total non-current assets</b>		<b>662.6</b>	<b>587.1</b>
<b>Current assets</b>			
Inventories		11.3	9.5
<b>Current receivables</b>			
Trade receivables	13, 17	66.6	58.9
Current tax assets	8, 14	0.3	0.8
Other current receivables	14, 17	5.1	2.9
Prepaid expenses and accrued income	15, 17	28.1	40.2
<b>Total current receivables</b>		<b>100.1</b>	<b>102.8</b>
Cash and cash equivalents	16, 17	148.2	113.4
<b>Total current assets</b>		<b>259.6</b>	<b>225.7</b>
<b>Total assets</b>		<b>922.2</b>	<b>812.8</b>

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>Equity and liabilities</b>			
<b>Equity</b>	18, 19		
Share capital		139.7	139.7
Other contributed capital		228.1	228.0
Translation reserves		60.4	37.8
Retained earnings including profit for the year		238.6	179.8
<b>Total equity</b>		<b>666.8</b>	<b>585.3</b>
<b>Non-current liabilities</b>			
Lease liabilities	17	50.3	19.5
Other non-current liabilities		1.5	1.1
Deferred tax liabilities	8	30.3	28.4
<b>Total non-current liabilities</b>		<b>82.1</b>	<b>49.0</b>
<b>Current liabilities</b>			
Trade payables	17	8.4	9.2
Liabilities to credit institutions	17	-	18.0
Lease liabilities	17	19.0	18.5
Current tax liabilities		3.1	1.8
Other liabilities	17	9.6	9.9
Deferred income		115.3	91.2
Accrued expenses	17	17.9	29.9
<b>Total current liabilities</b>		<b>173.3</b>	<b>178.5</b>
<b>Total equity and liabilities</b>		<b>922.2</b>	<b>812.8</b>

Group

# Statement of changes in equity

SEK m	Share capital	Other contrib- uted capital	Translation reserves	Retained earnings	Total equity
<b>Opening balance, January 1, 2021</b>	<b>139.7</b>	<b>227.8</b>	<b>-1.0</b>	<b>246.9</b>	<b>613.4</b>
Loss for the year				-67.4	-67.4
<b>Other comprehensive income</b>					
Translation differences			38.8		38.8
<b>Total comprehensive income</b>			<b>38.8</b>	<b>-67.4</b>	<b>-28.6</b>
<b>Transactions with owners</b>					
Warrant payment		0.2			0.2
Value of share-based remuneration				0.3	0.3
<b>Total transactions with owners</b>		<b>0.2</b>		<b>0.3</b>	<b>0.5</b>
<b>Opening balance, January 1, 2022</b>	<b>139.7</b>	<b>228.0</b>	<b>37.8</b>	<b>179.8</b>	<b>585.3</b>
Profit for the year				57.8	57.8
<b>Other comprehensive income</b>					
Translation differences			22.6		22.6
<b>Total comprehensive income</b>			<b>22.6</b>	<b>57.8</b>	<b>80.4</b>
<b>Transactions with owners</b>					
Warrant payment		0.1			0.1
Value of share-based remuneration				1.0	1.0
<b>Total transactions with owners</b>		<b>0.1</b>		<b>1.0</b>	<b>1.1</b>
<b>Closing balance, December 31, 2022</b>	<b>139.7</b>	<b>228.1</b>	<b>60.4</b>	<b>238.6</b>	<b>666.8</b>

Group

# Cash flow statement

SEK m	Note	2022	2021
<b>Operating activities</b>			
Incoming payments from customers		412.8	359.4
Outgoing payments to suppliers and employees		-267.6	-222.6
<b>Cash flow from operating activities before interest and income taxes paid</b>		<b>145.2</b>	<b>136.8</b>
Interest received		0.2	0.0
Interest paid		-1.7	-1.6
Tax relief received		11.2	11.8
Income taxes paid		-27.2	-15.4
<b>Cash flow from operating activities</b>		<b>127.7</b>	<b>131.6</b>
<b>Investing activities</b>			
Investments in intangible assets	10	-50.2	-64.2
Investments in property, plant and equipment	11	-9.3	-9.9
<b>Cash flow from investing activities</b>		<b>-59.5</b>	<b>-74.1</b>
<b>Financing activities</b>			
Share warrants		0.1	0.2
Borrowings		-	0.9
Amortization of financial liabilities		-39.6	-16.2
<b>Cash flow from financing activities</b>		<b>-39.5</b>	<b>-15.1</b>
<b>Cash flow for the year</b>			
Cash and cash equivalents at beginning of year		113.4	67.8
Exchange difference in cash and cash equivalents			
– attributable to cash and cash equivalents at beginning of year		5.4	2.7
– attributable to cash flow for the year		0.7	0.5
<b>Cash and cash equivalents at end of year</b>	16	<b>148.2</b>	<b>113.4</b>

## Parent Company

# Income statement

SEK m	Note	2022	2021
Net sales	1, 2	13.1	13.1
Other external expenses	5	-3.7	-4.6
Personnel costs	6	-10.4	-32.9
Depreciation of property, plant and equipment	11	0.0	-0.0
<b>Operating loss</b>		<b>-1.0</b>	<b>-24.4</b>
<b>Profit from financial items</b>			
Profit/loss from participations in Group companies	22	-8.5	-
Total financial income	7	12.1	15.1
Total financial expenses	7	-0.2	-0.7
<b>Profit/loss before tax</b>		<b>2.4</b>	<b>-10.0</b>
Appropriations, Group contributions		89.0	94.0
Tax on profit for the year	8	-20.7	-17.8
<b>Profit for the year</b>		<b>70.7</b>	<b>66.2</b>

# Statement of comprehensive income

SEK m	2022	2021
Profit for the year	70.7	66.2
Other comprehensive income	-	-
Items that may be reclassified subsequently to profit or loss	-	-
<b>Total comprehensive income for the year</b>	<b>70.7</b>	<b>66.2</b>



## Parent Company

# Balance sheet

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>Assets</b>	1,2		
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Equipment	11	0.2	0.2
<b>Total property, plant and equipment</b>		<b>0.2</b>	<b>0.2</b>
<b>Financial assets</b>			
Participations in Group companies	22	455.1	481.4
Receivables from Group companies		232.5	172.7
Other non-current receivables	12	0.1	0.1
Deferred tax assets		0.1	0.0
<b>Total financial assets</b>		<b>687.8</b>	<b>654.2</b>
<b>Total non-current assets</b>		<b>688.0</b>	<b>654.4</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		19.5	-
Current tax assets		0.1	-
Other current receivables	14	0.1	0.1
Prepaid expenses and accrued income	15	0.2	0.4
		<b>19.9</b>	<b>0.5</b>
Cash in hand and bank deposits	16	2.5	4.5
<b>Total current assets</b>		<b>22.3</b>	<b>5.0</b>
<b>Total assets</b>		<b>710.4</b>	<b>659.4</b>

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>Equity and liabilities</b>			
<b>Equity</b>	18, 19		
<i>Restricted equity</i>			
Share capital		139.7	139.7
		<b>139.7</b>	<b>139.7</b>
<i>Non-restricted equity</i>			
Share premium reserve		254.9	254.8
Retained earnings		230.2	162.7
Comprehensive income for the year		70.7	66.5
		<b>555.8</b>	<b>484.0</b>
<b>Total equity</b>		<b>695.5</b>	<b>623.7</b>
<b>Current liabilities</b>			
Trade payables		0.9	0.5
Liabilities to credit institutions		-	18.0
Liabilities to subsidiaries		11.9	1.4
Current tax liabilities		0.6	0.6
Other liabilities		0.8	1.1
Accrued expenses	20	0.7	14.1
<b>Total current liabilities</b>		<b>14.9</b>	<b>35.7</b>
<b>Total equity and liabilities</b>		<b>710.4</b>	<b>659.4</b>

## Parent Company

# Statement of changes in equity

SEK m	Share capital	Share premium reserve	Retained earnings	Total equity
<b>Opening balance, January 1, 2021</b>	<b>139.7</b>	<b>254.6</b>	<b>162.7</b>	<b>557.0</b>
Warrant payment		0.2		0.2
Value of share-based remuneration			0.3	0.3
<b>Total changes in equity not recognized in the income statement</b>		<b>0.2</b>	<b>0.3</b>	<b>0.5</b>
Profit for the year			66.2	66.2
<b>Other comprehensive income</b>				
<b>Total comprehensive income</b>			<b>66.2</b>	<b>66.2</b>
<b>Opening balance, January 1, 2022</b>	<b>139.7</b>	<b>254.8</b>	<b>229.2</b>	<b>623.7</b>
Warrant payment		0.1		0.1
Value of share-based remuneration			1.0	1.0
<b>Total changes in equity not recognized in the income statement</b>		<b>254.9</b>	<b>1.0</b>	<b>255.9</b>
Profit for the year			70.7	70.7
<b>Other comprehensive income</b>				
<b>Total comprehensive income</b>			<b>70.7</b>	<b>70.7</b>
<b>Closing balance, December 31, 2022</b>	<b>139.7</b>	<b>254.9</b>	<b>300.9</b>	<b>695.5</b>

Parent Company

# Cash flow statement

SEK m	Note	2022	2021
<b>Operating activities</b>			
Incoming payments from subsidiaries		13.1	13.1
Outgoing payments to suppliers and employees		-18.7	-24.0
<b>Cash flow from operating activities before interest and income taxes paid</b>		<b>-5.6</b>	<b>-10.9</b>
Interest received		5.7	2.4
Interest paid		-0.2	-0.7
Income taxes paid		-20.7	-12.6
<b>Cash flow from operating activities</b>		<b>-15.2</b>	<b>-10.9</b>
<b>Investing activities</b>			
Investments in property, plant and equipment	11	-	-0.0
<b>Cash flow from investing activities</b>		<b>-</b>	<b>-0.0</b>
<b>Financing activities</b>			
Share warrants incoming payments		0.1	0.2
Change in borrowings to/from subsidiaries		-52.3	-69.0
Borrowings		-	0.5
Amortization of borrowings		-18.0	-
Group contributions		89.0	94.0
<b>Cash flow from financing activities</b>		<b>18.8</b>	<b>25.7</b>
<b>Cash flow for the year</b>		<b>-2.0</b>	<b>3.9</b>
Cash and cash equivalents at beginning of year		4.5	0.6
<b>Cash and cash equivalents at end of year</b>	16	<b>2.5</b>	<b>4.5</b>

Notes

# Notes

## Note 1. Summary of significant accounting policies

### General

I.A.R. Systems Group AB (publ), corporate identification number 556400-7200, is a Swedish registered limited liability company domiciled in Stockholm, Sweden. The address of the company's head office until March 31, 2023 was Kungsgatan 33, SE-111 56 Stockholm, Sweden. As of April 1, 2023, the visitors' address is Strandbodgatan 1A, SE-753 23 Uppsala, Sweden. I.A.R. Systems Group AB is the Parent Company of a Group that was founded in 1985 and listed on the stock exchange in 1999.

The I.A.R. Systems Group AB share is quoted on the Mid Cap list of Nasdaq Stockholm under the ticker symbol IAR. The consolidated financial statements were approved for publication by the Board of Directors on April 3, 2023.

### Group

#### 1.1 Basis of presentation

I.A.R. Systems Group AB's consolidated financial statements are presented in accordance with the Swedish Annual Accounts Act, RFR 1, Supplementary Accounting Rules for Groups, International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) that have been endorsed for application in the EU.

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. The financial statements are therefore presented in SEK. All amounts, unless otherwise stated, are rounded off to the nearest million. The consolidated financial statements have been prepared according to the cost method, except as stated below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires that management exercise its judgment in the process of applying the company's accounting policies. The estimates and assumptions are based on past experience and a number of other factors that are considered reasonable under the given circumstances. The results of these

estimates and assumptions are then used to make judgments about the carrying amounts of assets and liabilities that cannot be readily determined from other sources. Actual outcomes may differ from these estimates and judgments. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for the consolidated financial statements, are disclosed in Note 1 below.

#### ***New and amended standards and interpretations applicable for 2022***

The Group applies the following new or amended IFRS from the IFRS Interpretations Committee as of January 1, 2022:

<b>Standards</b>	<b>To be applied for financial years beginning:</b>
Changes in IFRS 3, IAS 16, IAS 37, IFRS 1, IFRS 9, IFRS 16, IAS 41 and IAS 1	January 1, 2022 or later

These new standards and interpretations have not had a material effect on the Group's financial reporting for the year and are not expected to have a material effect on the coming periods or future transactions.

#### ***New and changed standards and interpretations that are not yet effective***

The new or amended standards and new interpretations that have been issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) but are effective for financial years starting on or after January 1, 2022 have not yet been applied by the Group.

The IASB has issued the following new and amended standards that are not yet effective:

<b>Standards</b>	<b>To be applied for financial years beginning:</b>
IFRS 17 Insurance Contracts	On or after January 1, 2023
Changes in IAS 1 Presentation of Financial Statements (disclosure of accounting policies)	On or after January 1, 2023

<b>Standards</b>	<b>To be applied for financial years beginning:</b>
Changes in IAS 8 Accounting Policies, changes in accounting estimates and judgments and errors	On or after January 1, 2023
Changes in IAS 12 Income Taxes	On or after January 1, 2023
Changes in IAS 1 Presentation of Financial Statements (classification of liabilities) *	On or after January 1, 2024
Changes in IFRS 16 Leases (recognition of lease liabilities in a sale and leaseback transaction)*	On or after January 1, 2024

\* Not yet approved within the EU.

The above new and amended standards and statements from IFRIC are not expected to have any material impact when they are applied for the first time.

#### ***Revenue recognition***

Revenue is measured based on the remuneration stated in the customer contract, excluding value-added tax (VAT). The Group recognizes revenue when control of a product or service is transferred to a customer. Remuneration normally falls due for payment when the right of ownership has been transferred. The Group's payment terms average from 30 to 60 days. The Group invoices customers for licenses upon delivery. The Group recognizes assets as trade receivables when the Group has an unconditional right to payment.

Payment for technical support and software updates is normally received in advance and the difference between payments received and reported revenue is recognized as a contract liability. The Group has no variable payments. The transaction price is determined in the contract with the customer. Payment terms may be extended in exceptional cases, but may never exceed 12 months, which is why no adjustment is made for effects of significant financing components.

Most of the Group's revenue pertains to licenses. In most cases, in conjunction with the sale of a license, a one-year agreement is signed



## Notes

Note 1, cont.

for technical support and upgrades. Licenses, technical support and upgrades are deemed to be three separate performance obligations in accordance with IFRS 15 and must thus be reported separately.

Revenue from software license fees is recognized upon delivery. Which is not considered to have occurred until the access code for the license or the DVD with the software has been made available to the customer. Revenue arising from upgrade agreements and support is accrued on a straight-line basis over the term of the contract. Revenue is recognized only to the extent of the expenses recognized that are likely to be recoverable from the customer.

### Licenses

Licenses for software are delivered to customers electronically. Licenses are assessed to comprise the “right to use licenses” in accordance with IFRS 15, since the customer can control the use of the license and receives essentially all remaining benefits associated with the license at the time the license is delivered. Revenue from sales of licenses is recognized when the customer can control the use of the license, which normally occurs when the license has been transferred to the customer electronically.

### Technical support

When necessary, the Group provides customers with technical support during the contract period. Utilized technical support does not fluctuate significantly between months and customers pay the same amount regardless of how many times the service is utilized. The performance obligation for technical support is transferred to the customer “over time” and the customer’s access to technical support is considered to be evenly distributed over the entire contract period, which entails that revenue is recognized on a straight-line basis over the contract period.

### Software updates

The offering of software updates entails an assurance that all updates developed by IAR during the contract period will be provided as and when they become available. The number of updates cannot be stated in advance. The performance obligation for software updates is considered

to be transferred to the customer “over time” and the customer’s utilization of the updates is considered to be evenly distributed over the entire contract period, which entails that revenue is recognized on a straight-line basis over the contract period.

### 1.2 Consolidated financial statements

The consolidated financial statements include the Parent Company I.A.R. Systems Group AB and those companies over which the Parent Company has control (subsidiaries). Control exists when the Parent Company has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee and has the ability to use that control over the investee to affects its returns. The composition of the Group is presented in Note 22.

The Parent Company reassesses whether control exists if facts and circumstances indicate that any of the above factors have changed.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and are deconsolidated from the date on which control ceases. This means that income and expenses for a subsidiary that is acquired or sold during the current financial year are included in the consolidated income statement and statement of comprehensive income from the date on which the Parent Company gains control and until the date when control passes from the Parent Company.

Consolidated profit and components of other comprehensive income are attributable to owners of the Parent Company and to non-controlling interests even if this leads to a negative value for non-controlling interests.

The accounting policies of subsidiaries have been adjusted, when necessary, to ensure consistency with those policies applied by Group. All inter-company transactions, balances and unrealized gains and losses attributable to inter-company transactions have been eliminated on consolidation.

### 1.3 Business combinations

Business combinations are reported according to the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary consists of the fair value of the assets transferred and the liabilities assumed by the Group from the previous owner of the acquired company

and the equity instruments issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from an agreement for contingent consideration. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values on the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interests in the acquired company either at fair value or at the holding’s proportionate share of the carrying amount of the acquired company’s identifiable net assets. Acquisition-related costs are expensed as incurred. If a business combination is achieved in stages, any previously held equity interest in the acquired company is remeasured at fair value on the acquisition date. Any resulting gains or losses are recognized in profit or loss. Any contingent consideration payable by the Group is measured at fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration that is classified as a contingent asset or liability are recognized in accordance with the prevailing standard either in profit or loss or in other comprehensive income. If a contingent consideration is classified as an equity instrument, it is not remeasured and settlement is accounted for within equity. Goodwill is initially measured as the difference between the aggregate of the acquisition date fair value of the consideration transferred and the amount of any non-controlling interests, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the amount of consideration transferred is lower than the fair value of the acquired company’s net assets, the resulting gain is recognized directly in profit or loss. All inter-company transactions, balance sheet items, income and expenses arising from transactions between Group companies are eliminated.

### 1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the performance of the operating segments. In the Group, this function has been identified as the CEO of the company.

The Group has one operating segment: IAR.

Notes

Note 1, cont.

**1.5 Foreign currency translation**

**a) Functional and presentation currency**

The items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment where the entity operates (the functional currency). The consolidated financial statements are presented in SEK, which is the functional and presentation currency of the Parent Company.

**b) Transactions and balances**

Foreign currency transactions are translated to the functional currency at the exchange rates prevailing on the transaction dates or the dates on which the items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies at the closing day rate are recognized in the income statement.

**c) Group companies**

The results and financial positions of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the presentation currency are translated into the Group's presentation currency as follows:

- › assets and liabilities for each balance sheet presented are translated at the closing day rate of exchange,
- › income and expenses for each income statement are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the dates of the transactions, in which case income and expenses are translated at the rates on the dates of the transactions), and all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences resulting from the translation of the net investment in foreign operations are taken to equity and recognized as an item in comprehensive income. This also includes exchange differences in inter-company loans where the loan is a part of the Group's net investment in foreign operations. When a foreign operation is disposed of or sold, such foreign exchange gains and losses are recognized in the income statement as part of the capital gain or loss on the sale.

The following exchange rates have been used:

Country	Currency	Closing day rate	Average rate
USA	USD 1	10.4371	10.1245
France, Germany	EUR 1	11.1283	10.6317
UK	GBP 1	12.5811	12.4669
Japan	JPY 1	0.0791	0.0771
China	CNY 1	1.5017	1.5020
Taiwan	NTD 1	0.3344	0.3329
South Korea	KRW 1	0.0083	0.0078
India	INR 1	0.1262	0.1287

**1.6 Property, plant and equipment**

All items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. The residual values and useful lives of assets are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. On disposal of the asset, any resulting gains are recognized in other income and losses are recognized in other operating expenses. Subsequent expenditure is included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred. Specific accounting policies regarding right-of-use assets are detailed below.

Property, plant and equipment are systematically depreciated over their estimated useful life. Straight-line depreciation periods are used and the following depreciation periods hereby apply:

Computers	3 years
Other equipment	5 years
Leasehold improvements:	
Remaining lease period	1–5 years

**Recognition of right-of-use assets**

On initial recognition, the right-of-use asset is recognized at the value of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The carrying amount of the right-of-use asset is subsequently reduced by the accumulated depreciation and any impairment. Depreciation begins on the commencement date of the lease. The Group applies IAS 36 Impairment of Assets to determine whether the carrying amount of a right-of-use asset exceeds its recoverable amount. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset. These lease payments are recognized as an expense in the period when the event or the terms that trigger these payments occur and are included in the item "Other external expenses" in consolidated profit or loss.

As a practical expedient, IFRS 16 permits a lessee to report each lease component and relevant non-lease component as a single component rather than separating non-lease components from lease components. The Group does not apply this exception. I.A.R. Systems Group AB uses the following practical expedients permitted under IFRS 16:

- › Lease payments on a lease that, at the commencement date, had a term of 12 months or less are recognized as a cost in the relevant period.
- › Short-term leases (12 months or less) and leases where the underlying asset has a low value (USD 5,000 or less) are not recognized in the balance sheet but in the same manner as operating leases were previously recognized.

**1.7 Intangible assets**

**a) Goodwill**

Goodwill is initially measured as the difference between the aggregate of the acquisition date fair value of the consideration transferred and the amount of any non-controlling interests, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is tested for impairment annually, or more often in the event that there are indications of a decrease in value, to identify any impairment requirements, and is recognized at cost less accumulated impairment losses. The gain or loss arising on the disposal of an

## Notes

Note 1, cont.

entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the lowest cash-generating units or groups of cash-generating units that can be expected to benefit from the business combination that has given rise to the goodwill item. Goodwill is tested for impairment at the lowest level in the Group at which goodwill is monitored for internal management purposes, which comprises the cash-generating unit IAR.

### b) Technology

Technology is recognized at cost in accordance with the relief-of-royalty method. This method is based on the assumption that the acquirer could have obtained similar rights through licensing rather than purchasing the asset in question. Technology has a finite useful life and is recognized at cost less accumulated amortization. Technology is amortized over its estimated useful life of 13 years.

### c) Trademarks

Trademarks are recognized at cost. Trademarks have a finite useful life and are recognized at cost less accumulated amortization. Trademarks are amortized over their estimated useful lives of 15 years.

### d) Software

Intangible assets with determinable useful lives that are acquired separately are recognized at cost less accumulated amortization and any accumulated impairment. Amortization takes place on a straight-line basis over the asset's estimated useful life, which is expected to be either five or six years. The estimated useful life and amortization method is tested at least once at the end of each financial year, and the impact of any changes to assessments is recognized prospectively.

### e) Internally generated intangible assets – capitalized expenditure for the development of software and debug probes

Internally generated intangible assets that originate from the Group's development of software (primarily IAR Embedded Workbench and

Embedded Trust) and debug probes are recognized only if the following conditions are met:

- › it is technically feasible to complete the intangible asset and utilize it or sell it,
- › the company aims to complete the intangible asset and utilize it or sell it,
- › there are prerequisites in place to utilize or sell the intangible asset,
- › the company can demonstrate that the intangible asset will generate probable, future economic benefits,
- › there are adequate technical, financial and other resources available to complete the development and to utilize or sell the intangible asset, and
- › the expenditure associated with the intangible asset during its development can be reliably calculated.

If it is not possible to recognize an internally generated intangible asset, the costs for development are recognized as expenses in the period in which they occur. Following initial recognition, internally generated intangible assets are recognized at cost less accumulated amortization and any accumulated impairment.

The estimated useful life for internally generated assets is between five and eight years depending on the type of product the capitalization concerns. IAR operates in a rapidly changing market, since developments in processor manufacture/design and particularly in the area of usage (processors are being used in a growing number of products and more processors are being used in the products) is changing rapidly. IAR's tools are created in order to program these processors – this market is not changing as rapidly and, although the company's products are being further developed, the basic platform remains intact. The estimated useful life and amortization method is tested at least once at the end of each financial year, and the impact of any changes to assessments is recognized prospectively.

### 1.8 Impairment losses

Assets that have an indefinite useful life are not subject to amortization/depreciation and are instead tested for impairment. Impairment testing is done annually and when indications of impairment requirements exist. Assets that are subject to amortization/depreciation are reviewed for

impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Previously recognized impairment losses on non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each balance sheet date.

### 1.9 Inventories

Inventories are recognized at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated variable costs necessary to make a sale.

### 1.10 Financial assets and liabilities

Financial assets are classified either as an asset measured at fair value through profit or loss, as an asset measured at fair value through comprehensive income or as an asset measured at amortized cost. The measurement category to which a financial asset belongs depends partly on the company's business model (purpose for the holding of the financial asset) and partly on the financial asset's contractual cash flows. Financial liabilities are divided between liabilities at fair value through profit or loss and other liabilities.

#### Recognition and measurement of financial assets

Financial assets are measured according to three categories:

- › Hold to collect – Assets that are held to collect contractual cash flows and that only comprise payments of the principal and interest on the outstanding principal. These are measured at amortized cost.
- › Hold to collect and sell – Assets that are held to both collect contractual cash flows and sell investments and that only comprise payments of the principal and interest on the outstanding principal. These are measured at fair value through other comprehensive income.

## Notes

Note 1, cont.

- › Other – Other financial assets and investments in equity instruments. These are measured at fair value through other comprehensive income.

Investments in equity instruments are measured at fair value. In cases where Group management has chosen to recognize changes in the fair value of equity instruments through other comprehensive income, the changes in fair value are not subsequently reclassified to profit or loss when the instrument has been derecognized from the balance sheet. Dividend from such investments are recognized in profit or loss as other income when the Group's right to receive payment has been established. All of the Group's financial assets are recognized at amortized cost.

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

### Recognition and measurement of financial liabilities

Financial liabilities are divided between liabilities at fair value through profit or loss and other liabilities. The basic principle for other liabilities is that they are measured at amortized cost or cost. All of the Group's financial liabilities are recognized at amortized cost.

#### 1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits and are measured at amortized cost.

#### 1.12 Lease liabilities

At the beginning of a contract, the Group assesses whether it constitutes or contains a lease. The Group recognizes a right-of-use and an equivalent lease liability for all leases in which the Group is the lessee. This does not apply, however, for short-term leases (defined as leases with a term of 12 months or less) or for leases where the underlying asset has a low value. For such leases, the Group recognizes lease payments as operat-

ing expenses on a straight-line basis over the term of the lease, if no other systematic method better reflects how the economic benefits associated with the underlying asset are consumed by the lessee.

Lease liabilities are initially measured at the present value of the lease payments that have yet to be made as of the commencement date, discounted by the interest rate implicit in the lease. If this interest rate cannot be easily established, the Group uses the incremental borrowing rate. The incremental borrowing rate is the interest rate that a lessee would need to pay for financing through loans over a similar term, and with a similar security, for a right-of-use.

Lease payments included in the measurement of the lease liability comprise the following:

- › Fixed payments, including in-substance fixed payments.
- › Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- › Amounts expected to be payable under a residual value guarantee.
- › The exercise price under a purchase option that the Group is reasonably certain to exercise.
- › Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) when:

- › The term of the lease has changed, or the Group has changed its assessment of whether it will exercise a purchase option. The lease liability is remeasured by discounting the adjusted lease payments using an adjusted discount rate.
- › Lease payments are changed based on changes in the index or rate, or changes to the amounts expected to be payable under a residual value guarantee. In such cases, the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate.
- › The lease changes and the change is not recognized as a separate lease. In such cases, lease payments are remeasured by discounting the adjusted lease payments using an adjusted discount rate.

No remeasurements have been carried out according to the above during the reporting period.

#### 1.13 Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortized cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date. A financial liability is derecognized from the balance sheet when the obligation is discharged, canceled or otherwise extinguished.

#### 1.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are initially measured at fair value and subsequently at amortized cost with the application of the effective interest rate method. Since the expected maturity of trade payables is short, these are recognized at their nominal amount.

#### 1.15 Current and deferred tax

The tax expense for the period consists of current tax and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In such cases, the resulting tax effect is also recognized in other comprehensive income or equity, respectively.

The current income tax expense is calculated on the basis of the tax laws that have been enacted or substantively enacted at the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable income. Management regularly evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and, when deemed

## Notes

Note 1, cont.

appropriate, makes provisions on the basis of amounts that are expected to be paid to the tax authorities.

The reported income tax expense includes tax payable or receivable with respect to the year's profit or loss, adjustments in current tax from earlier periods and changes in deferred tax. All tax liabilities/receivables are measured at the nominal amount according to the tax rules and tax rates that have been enacted or substantively enacted at the balance sheet date. For items that are recognized in the income statement, the related tax effects are also recognized in the income statement.

Deferred tax is calculated according to the balance sheet method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Temporary differences are not recognized for consolidated goodwill or shares in subsidiaries that are not expected to be taxed in the foreseeable future. Deferred tax assets relating to tax loss carryforwards or other future tax deductions are recognized only to the extent that it is probable that future taxable profit will be available against which the deduction can be utilized.

### 1.16 Provisions

Provisions for contingent consideration and legal claims are recognized when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

### 1.17 Employee benefits

#### a) Pension obligations

The Group has defined contribution pension plans under which each company pays fixed contributions to a separate legal entity and has no legal or constructive obligation to pay further contributions. The contributions are recognized as personnel costs when they are due. Prepaid contributions are recognized as an asset to the extent that the Group may receive a cash refund or a reduction in future payments.

#### b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to terminate the employment of an employee or group of employees according to a detailed formal plan and is without realistic possibility of withdrawal, or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

#### c) Bonus plans

The Group recognizes a liability and an expense for bonuses when there is a legal obligation, in accordance with the company's bonus models, based on sales and/or profit.

#### d) Share-based remuneration

Share-based remuneration is recognized in accordance with IFRS 2, which means that the cost of the share-based remuneration is recognized on a straight-line basis during the vesting period. Costs for share-based remuneration are recognized over the period during which the individual is employed. In certain cases, employment might begin before the allotment date, in which case the fair value of the equity instrument at the allotment date is estimated so that a cost can be recognized for the time between the date on which employment started and the allotment date. When the allotment date has been established, the previous estimate is remeasured so that the amount recognized is based on the fair value at the allotment date. For equity instruments that include performance conditions, costs are remeasured regularly during the vesting period in relation to the established level of fulfillment of the performance targets. Alternatively, the cost on the allotment date is based on the fair value of the equity instrument on the allotment date. The outcome of the performance targets can mean that the equity instrument is paid in part or in full. Social security expenses tied to share-based remuneration are remeasured regularly to estimate their fair value at the allotment date during the vesting period.

For the portion of equity instruments considered vested before the acquisition date, share-based remuneration connected to acquisitions is recognized as part of the purchase consideration. The portion of equity instruments pertaining to vesting after the acquisition date is recognized as remuneration of personnel in pace with the vesting of the equity instruments, either as a part of internally generated intangible assets in accordance with the Group's recognition of expenditures for development or as an expense in the period when they arise.

### 1.18 Foreign exchange gains and losses

Realized foreign exchange gains and losses attributable to purchases in the normal course of business are recognized in cost of goods sold. Foreign exchange gains and losses arising on remeasurement of loans and financial receivables in foreign currencies are recognized in financial income or expenses.

### 1.19 Borrowing costs

The Group has no borrowing costs that are directly attributable to the purchase, construction or production of assets that take a substantial period of time to prepare for their intended use or sale. In view of this, borrowing costs are expensed in the period in which they are incurred.

### 1.20 Cash flow statement

The cash flow statement is presented in accordance with the direct method. The reported cash flow includes only transactions that lead to cash receipts or payments. Cash and cash equivalents comprise cash on hand and bank deposits, together with short-term financial investments that are subject to an insignificant risk of changes in value, are traded on an open market in known amounts or have a remaining maturity of three months or less from the date of acquisition.

## Parent Company

### 1.21 Accounting policies of the Parent Company

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting



## Notes

Note 1, cont.

for Legal Entities. RFR 2 states that in the annual report for the legal entity, the Parent Company is to apply all EU-endorsed IFRS and statements as far as possible within the framework of the Annual Accounts Act and with consideration given to the connection between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared to IFRS. The differences between the accounting policies applied by the Group and the Parent Company are described below. The following accounting policies for the Parent Company have been applied consistently for all periods presented in the Parent Company's financial statements.

With consideration given to the connection between accounting and taxation, IFRS 16 does not need to be applied in legal entities. The Parent Company has chosen to apply this exemption.

### Amendments to accounting policies

The amendments to RFR 2 Accounting for Legal Entities that took effect and apply for the 2022 financial year are the same as those presented for the Group.

### Amendments to RFR 2 that are not yet effective

The Parent Company has not yet begun to apply the amendments to RFR 2 Accounting for Legal Entities that took effect January 1, 2022 or later. Management's assessment is that these amendments will not have any material impact on the Parent Company's financial statements when they are applied for the first time.

### 1.22 Group contributions

The Parent Company recognizes contributions in accordance with the principal rule, which entails that Group contributions received as financial income and Group contributions paid to subsidiaries are recognized as an increase in participations in Group companies.

### 1.23 Leases

As the lessee, the Parent Company recognizes lease payments as an expense on a straight-line basis over term of the lease, provided there is not another systematic approach that better reflects the economic benefits over the period.

### 1.24 Dividends

The Parent Company recognizes dividends from subsidiaries as revenue when the right to receive payment is deemed certain.

### 1.25 Participations in Group companies

In the Parent Company's financial statements, participations in subsidiaries are measured at cost less any impairment losses. Dividends received from subsidiaries are recognized only to the extent that these derive from profits arising after the acquisition date.

### 1.26 Receivables from Group companies

Receivables from Group companies are recognized at cost less any impairment. The credit loss reserve for receivables from Group companies is based on expected future losses. The Parent Company uses the simplified approach for receivables from Group companies, meaning that the reserve will correspond to the expected loss for the entire useful life. The expected credit losses for these receivables are calculated using the provision matrix used to calculate the credit loss reserve for financial assets in the IAR Group. In addition, consideration has also been given to the fact that the receivables from Group companies in the Parent Company are inter-company receivables and have a different risk scenario than receivables from external counterparties and also extend for a longer period.

### Critical accounting estimates and judgments

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that are associated with a significant risk for material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below.

### a) Impairment testing of goodwill and other intangible assets and identification of the number of cash-generating units

The Group tests goodwill for impairment annually, in accordance with the accounting policy stated in 1.7. The recoverable amounts of cash-generating units have been determined based on calculations of value in use. These calculations require the use of estimates (Note 10).

Value in use is calculated on the basis of projected future cash flows.

The growth rate used is based on past performance and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on a growth rate of 2%. This growth rate does not exceed the long-term growth rate for the market.

The estimated operating margin used is based on past performance and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on an estimated operating margin on a level with year five. The discount rates used, 9.9% (9.6), are stated after tax and are deemed to reflect specific risks relating to the operating segments.

For other intangible assets, corresponding impairment testing is performed for assets that have not yet been utilized or if other indicators exist that may impact the value of the assets. The impairment test is based on an assessment of the asset's future cash flow. The discount rates used, 9.9% (9.6), are stated after tax and are deemed to reflect specific risks relating to the asset. No reasonable potential change to the key assumption would lead to impairment. Management's assessment is that a reasonable potential change in key assumptions used in the analysis of possible impairment requirement would be a 2% change.

Identification of the number of cash-generating units is included in the material assessments. See the detailed description in Note 10 Intangible assets.

## Notes

Note 1, cont.

### b) Measurement at fair value in connection with business combinations

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Under the guidance of the CFO, management determines appropriate the measurement methods and inputs for measurement at fair value. Material assessments are reported to the Board of Directors on an ongoing basis. In connection with the acquisition of Secure Thingz in 2018, the acquired assets and liabilities were measured at fair value. Measurement of certain assumed assets involved significant assumptions and assessments on the part of management since no external market data was available. To assist management in determining such assumptions and assessments, external third-party experts in the area were engaged to ensure that a suitable measurement method had been used.

### c) Income tax

The Group is subject to income taxation in several countries. Extensive judgment is required to determine the recognition of income taxes in the consolidated financial statements. There are many transactions and calculations for which the ultimate tax determination is uncertain at the date of the transactions and calculations.

As of December 31, 2022, the Group had accumulated loss carryforwards outside Sweden of SEK 264.6m (217.0), of which SEK 86.7m (57.9) is recognized in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 3.2m (2.5), of which SEK 12.6m (11.0) pertains to loss carryforwards. Loss carryforwards can be attributed to the Group's operations in the UK. Through its subsidiary in England, the Group exercised its right to tax relief related to research and development expenses. After the application was approved, the tax relief was received in the form of payments of loss carryforwards connected to research and development costs, in this case related to the 2021 financial year. This supplied the Group with SEK 11.2m (11.8) during the third quarter of 2022. Upon payment, the aggregate loss carryforwards were reduced by an equivalent amount. The estimated equivalent payment in 2023 is SEK 12.6m.

The item deferred tax assets also includes deferred tax liabilities that will be recognized in a net amount since they are connected to the same tax subject and are expected to be settled.

### d) Revenue recognition

In certain cases, the Group's sales contracts include delivery of several different sub-components, so-called multiple elements. In these cases, the Group has allocated revenue based on the estimated fair values of the respective sub-components in order to achieve accounting that reflects the underlying economics of the transaction. Based on this, the Group assesses the probability that the economic benefits will flow to the Group on the basis of several factors, such as a customer's payment history and credit rating. The credit reserve for trade receivables, contract assets and lease receivables is based on expected losses. The simplified approach for trade receivables is also used, meaning that the reserve will correspond to the expected loss for the entire useful life.

### e) Exchange differences in inter-company loans

On consolidation, exchange differences resulting from the translation of the net investment in foreign operations are taken to equity and recognized as an item in comprehensive income. According to management's assessment, settlement of the loans is not planned or likely to happen in the foreseeable future, which is a prerequisite for recognizing the exchange differences according to the above. This assessment includes the Parent Company's lending to development operations in the UK.

### f) Assessment of useful lives for in-house developed software

Assessments and estimates are made by company management upon the launch of in-house developed software to determine the useful life for the intangible asset, which is the basis for its rate of amortization. The assessment includes reviewing the typical product life cycle and the technological and commercial obsolescence for asset and similar assets. Management also tests their assessment on an annual basis to ensure the length of the useful life.

## Note 2. Financial risk management

### Operational risks

In addition to the description of the Group's operational risks presented below, further descriptions of the Group's risks can be found in the administration report on pages 27–30.

### Customers

IAR strives to build long-term relationships with its customers. The Group is well diversified among customer categories, industries and geographical markets and no single customer accounts for a large share of the Group's total sales. Despite this, the loss of one or more major customers could have a negative impact on the Group's business and results.

### Employees

The employees' knowledge about the products and their relationships with the customers are valuable competitive advantages. Although there is a risk that key personnel will leave IAR, expertise and loyalty are strengthened through training and knowledge sharing. IAR has low employee turnover and a good working environment.

### Technology

In the IT sector, it is of the utmost importance to offer products and services using advanced technology. IAR's in-house developed software is assessed to be technologically advanced. However, it cannot be ruled out that the Group could be negatively affected by future technology shifts.

### Competitors

IAR competes with both international and domestic companies. The Group enhances its competitiveness by building knowledge, investing in technological development and strengthening its customer relationships.

### Business cycle

The business cycle is difficult to predict and has an impact on the company's

## Notes

Note 2, cont.

sales and earnings. Management closely monitors trends in the business cycle. The company's customers operate in a range of areas, which reduces sensitivity to the business cycle.

### Financial risk factors

The carrying amounts, less accumulated impairment, of trade receivables and trade payables are assumed to correspond to their fair values, since these items are of a short-term nature. Through its operations, the Group is exposed to various types of financial risk: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management policy is focused on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Group's financial performance. Risk management is handled according to policies that are adopted by the Board of Directors and joint risk management is applied for the Parent Company and all units in the Group.

Management identifies, evaluates and hedges financial risks.

#### a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to different currencies, primarily the US dollar (USD), euro (EUR), British pound (GBP) and Japanese yen (JPY). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of the entity.

The Group's sales in foreign currency, mainly USD, EUR and JPY, account for approximately 97% (95) of total sales. Of the cost of goods sold, which accounts for about 4% (3) of the Group's cost base, approximately 59% (63) of purchases are denominated in foreign currency, primarily in USD, EUR, GBP and JPY.

Measures to manage transaction-related foreign exchange risk are established in the Group's finance policy. The objective is to minimize the short-term effect of the foreign exchange movement on profit while at the same time creating long-term freedom of action. No hedging of foreign currency cash flows was carried out during the financial year. The company's measures to manage foreign exchange risk, in accordance with the Group's internal pricing strategy, are to invoice each sales company monthly and thereafter exchange the received foreign currency for SEK. In addition to the transaction-related foreign exchange risk, the Group has surplus values related to the acquisition of operations outside Sweden (refer to Note 10, Signum Systems Corp, USD and Secure Thingz Inc, GBP), which are continuously remeasured at the closing day rate, which thus impacts the total assets in the accounts.

SEK m	Total	SEK	USD	EUR	GBP	JPY	Other currencies
Sales	419.9	14.1	146.0	99.2	11.9	72.0	76.7
Cost of goods sold	12.8	0.8	6.2	2.5	0.6	2.4	0.3
Other expenses	334.3	142.1	73.1	9.4	61.1	27.6	20.9

#### b) Credit risk

Credit risk is managed at the Group level. Credit risk arises from cash and cash equivalents, deposits with banks and credit exposures to customers, including outstanding receivables and contractual transactions. For banks, only independently rated parties with a minimum credit rating of "A" are accepted. Individual risk limits for customers are set based on internal credit assessments with external support in accordance with the limits set by management. The utilization of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-payment by these counterparties in excess of the amount for which provisions have been made.

#### Credit risks in trade receivables and contract receivables

The Group conducts sales to a large number of customers. Most of the Group's sales are made to customers outside Sweden and the USA is a large and important market.

Sales are subject to normal delivery and payment conditions. The Group's credit granting policy contains rules to ensure that management of customer credits includes credit assessment, credit limits, decision-making levels and management of doubtful debts. No specific customer or group of customers accounted for a significant share of trade receivables at year-end. Historically, the Group's bad debt losses have not been significant in scope.

The Group applies the simplified approach for calculating expected credit losses. This approach entails that expected losses throughout the entire term of the receivable are used as the basis for trade receivables and contract assets. To calculate expected credit losses, trade receivables and contract assets have been grouped based on credit risk characteristics and the number of days of delay. Accordingly, the Group considers the loss levels for trade receivables to be a reasonable estimate of the loss levels for contract assets. Past losses are then adjusted taking into consideration any current and forward-looking information concerning macroeconomic factors.

Based on this, the loss allowance for trade receivables on December 31, 2022 was determined as follows:

At December 31, 2022	Not past due	1-30 days past due	31-60 days past due	61-180 days past due	More than 180 days past due	Total
Expected loss level, %	0.3%	1.0	2.5	53.3	65.0	4.7
Trade receivables, gross	51.1	11.2	2.2	5.1	0.5	70.0
Credit loss allowance	0.2	0.1	0.1	2.7	0.3	3.4

#### c) Liquidity risk

The Group manages liquidity risk by ensuring that it has adequate cash and cash equivalents and short-term investments with a liquid market and, in 2023, entered into an agreement regarding a credit facility of SEK 50.0m. Due to the dynamic nature of the Group's operations, management achieves flexibility in financing by maintaining agreements for withdrawable lines of credit. In addition, management closely monitors rolling forecasts of the Group's liquidity reserve, consisting of undrawn committed credit facilities and cash and cash equivalents, on the basis of anticipated cash flows.

## Notes

Note 2, cont.

The table below analyzes the maturity structure of the Group's financial liabilities grouped according to the period remaining in the contractual maturity. The amounts shown in the table are the contractual undiscounted cash flows.

At December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank loans	-	-	-	-
Leases	19.0	31.2	18.9	-
Bank overdraft facilities	-	-	-	-
Trade and other payables <sup>1</sup>	15.5	-	-	-
At December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank loans	-	-	-	-
Leases	18.5	10.8	8.7	-
Bank overdraft facilities	18.0	-	-	-
Trade and other payables <sup>1</sup>	13.3	-	-	-

<sup>1</sup> The maturity analysis refers only to financial instruments, for which reason items such as accrued social security expenses are not included.

### Sensitivity analysis

The risks described here and in the administration report can result in either lower revenue or higher expenses for the Group. The table below shows the effects on consolidated profit or loss after tax resulting from changes in a number of items in the income statement.

Sensitivity analysis At December 31, 2022	Change	Effect on profit
Cost of goods sold	+/- 5%	+/- SEK 0.6m
Payroll expenses	+/- 5%	+/- SEK 13.7m
Currency – EUR	+/- 5%	+/- SEK 6.0m
Currency – USD	+/- 5%	+/- SEK 3.0m
Currency – GBP	+/- 5%	+/- SEK 2.1m
Currency – JPY	+/- 5%	+/- SEK 1.8m
Variable interest	+/- 1 percentage point	+/- SEK 0.0m

### Sensitivity analysis

At December 31, 2021	Change	Effect on profit
Cost of goods sold	+/- 5%	+/- SEK 0.6m
Payroll expenses	+/- 5%	+/- SEK 9.4m
Currency – EUR	+/- 5%	+/- SEK 5.6m
Currency – USD	+/- 5%	+/- SEK 3.0m
Currency – GBP	+/- 5%	+/- SEK 0.8m
Currency – JPY	+/- 5%	+/- SEK 2.2m
Variable interest	+/- 1 percentage point	+/- SEK 0.1m

### Capital risk management

The Group's objectives when managing the capital structure are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure as a means of reducing the cost of capital.

In order to maintain or adjust the capital structure, the Group may change the amount of dividends paid to the shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

Like other companies, the Group monitors capital on the basis of the net debt/equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as "Equity" as shown in the consolidated balance sheet plus net debt.

The net debt/equity ratio at December 31, 2022 and 2021 was as follows:

	2022	2021
Total borrowings (Note 17)	69.3	56.0
Less cash and cash equivalents (Note 17)	-148.2	-113.4
Net debt	-78.9	-57.4
Total equity	666.8	585.3
Total capital	587.9	527.9
Net debt/equity ratio, %	-13.4	-10.9

## Notes

**Note 3. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the performance of the operating segments. In the Group, this function has been identified as the President of the Parent Company, who is also the CEO of the Group. The Group has one operating segment: IAR.

**Geographical areas**

SEK m	Net sales		Non-current assets		Investments	
	2022	2021	2022	2021	2022	2021
<b>Americas</b>						
USA	128.3	109.2	35.1	30.9	11.4	7.9
Other countries	10.1	7.1	-	-	-	-
	<b>138.3</b>	<b>116.3</b>	<b>35.1</b>	<b>30.9</b>	<b>11.4</b>	<b>7.9</b>
<b>Asia</b>						
Japan	73.6	67.2	3.7	3.8	2.2	3.0
South Korea	23.5	18.2	1.2	1.7	1.7	0.0
Other countries	60.4	37.8	4.6	1.0	4.8	0.0
	<b>157.5</b>	<b>123.2</b>	<b>9.5</b>	<b>6.5</b>	<b>8.0</b>	<b>3.0</b>
<b>EMEA</b>						
UK	13.1	12.9	351.4	322.4	29.3	35.9
Germany	45.1	35.1	2.2	2.7	0.0	0.0
France	12.7	10.8	0.2	0.0	0.3	0.0
Other countries	38.2	37.8	0.0	0.0	0.0	0.0
	<b>109.2</b>	<b>100.1</b>	<b>353.8</b>	<b>325.2</b>	<b>29.6</b>	<b>35.9</b>
<b>Nordic region</b>						
Sweden	6.9	6.4	257.2	219.0	67.6	32.3
Other countries	7.9	9.9	-	-	-	-
	<b>14.8</b>	<b>16.3</b>	<b>257.2</b>	<b>219.0</b>	<b>67.6</b>	<b>32.3</b>
<b>Total</b>	<b>419.9</b>	<b>355.9</b>	<b>655.6</b>	<b>581.5</b>	<b>116.6</b>	<b>79.1</b>

No single customer accounted for 10% or more of the Group's net sales in 2022 and 2021. The geographical areas in the table above pertaining to net sales reflect the geographical regions to which the customer belongs.

**Note 4. Revenue from contracts with customers and contract balance**

Net sales are distributed as follows:

SEK m	2022	2021
Development solutions	418.4	355.2
Security products	1.5	0.7
<b>Net sales</b>	<b>419.9</b>	<b>355.9</b>
SEK m	2022	2021
License-based revenue	233.1	196.1
Support and software updates	167.9	141.7
Other	18.9	18.1
<b>Net sales</b>	<b>419.9</b>	<b>355.9</b>
At a point in time	252.0	214.2
Over time	167.9	141.7
<b>Net sales</b>	<b>419.9</b>	<b>355.9</b>
Americas	140.7	119.1
Asia	139.0	110.4
Europe	138.6	124.7
Not allocated by region	1.6	1.7
<b>Net sales</b>	<b>419.9</b>	<b>355.9</b>

The geographical areas in the table above pertaining to net sales reflect the geographical regions to which IAR sales organization belongs.



## Notes

Note 4, cont.

Contract balances are recognized as follows:

SEK m	Group		
	Dec 31, 2022	Dec 31, 2021	1 Jan, 2021
<b>Contract assets</b>			
Licenses	15.5	26.0	38.6
<b>Contract liabilities</b>			
Technical support and software updates	115.3	91.2	84.3

The Group's contract assets comprise multi-customer contracts in which the customer makes payments over the term of the contract. This applies to a small number of contracts. Payment is normally received before or when the right to the goods or services is transferred to the customer. Contract assets are reclassified to trade receivables in conjunction with invoicing.

The Group's contract liabilities arise when customers pay for support and program update services in advance at the beginning of a contract period. Revenue arising from support and upgrade agreements is accrued on a straight-line basis over the term of the contract in pace with delivery of the services in accordance with the contract. Revenue recognized during the reporting period includes SEK 91.2m (84.3) of the contract liabilities since the beginning of the period. Most of the contract assets are expected to be earned in the next 12-month period. Refer to the table below.

Transaction price allocated to remaining performance obligations

SEK m	Group			Total
	2023	2024	2025-2027	
Technical support and software updates	111.6	2.9	0.8	115.3

SEK m	Group			Total
	2022	2023	2024-2026	
Technical support and software updates	86.6	2.9	1.7	91.2

## Note 5. Other external expenses

### Fees to auditors

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>Deloitte</b>				
Audit of the financial statements	1.3	0.9	-	-
Audit-related services other than the audit	0.0	0.3	-	-
Tax consultancy	0.4	0.4	-	-
Other services	0.2	-	-	-
<b>Total Deloitte</b>	<b>1.9</b>	<b>1.6</b>	<b>-</b>	<b>-</b>
<b>Other</b>				
Audit of the financial statements	0.4	0.1	-	-
Tax consultancy	0.0	0.3	-	-
Other services	-	-	-	-
<b>Total fees to auditors</b>	<b>2.3</b>	<b>2.0</b>	<b>-</b>	<b>-</b>

The audit of the financial statements refers to fees for the statutory audit, meaning work that has been necessary in order to issue the auditor's report, as well as the review the third quarter and statutory reviews. This also includes the audit advice provided in connection with the audit of the financial statements.

Notes

**Note 6. Personnel costs**

**Average number of employees**

The average number of employees in the Group during 2022 was 203 (203). The breakdown of the average number of employees by country and, in Sweden, by location, is shown in the table below.

Half, 49% (49), are employed in Sweden (calculated on the average number of employees during the year).

**Average number of employees**

	2022		2021	
	No. of employees	Of whom, men, %	No. of employees	Of whom, men, %
<b>Parent Company</b>				
Stockholm	4	50	4	25
<b>Subsidiaries in Sweden</b>				
Uppsala	94	78	95	78
<b>Subsidiaries outside Sweden</b>				
Germany	2	50	2	50
France	2	50	2	50
UK	39	85	37	86
USA	31	58	35	63
South Korea	4	75	4	75
India	2	50	2	50
China	7	71	5	80
Taiwan	2	100	2	100
Japan	15	60	15	53
<b>Total subsidiaries</b>	<b>199</b>	<b>73</b>	<b>199</b>	<b>74</b>
<b>Total Group</b>	<b>203</b>	<b>74</b>	<b>203</b>	<b>73</b>

**Gender distribution among senior executives in the Group**

	2022		2021	
	No. of employees	Of whom, men, %	No. of employees	Of whom, men, %
<b>Group (incl. subsidiaries)</b>				
Board members	5	60	6	83
CEO and other senior executives	12	67	5	60
Presidents of subsidiaries	1	100	1	100
<b>Parent Company</b>				
Board members	5	60	6	83
CEO and other senior executives	2	50	3	33

**Salaries, other remuneration and social security expenses**

The Group's total payroll costs amounted to SEK 259.3m (248.0), of which social security expenses accounted for SEK 38.0m (42.3) and pensions for SEK 17.4m (27.7). Of the Group's total payroll costs, SEK 41.7m (54.4) has been capitalized as internally generated development costs in the balance sheet.

SEK m	2022			2021		
	Salaries and other remuneration	Social security expenses (of which pension costs)		Salaries and other remuneration	Social security expenses (of which pension costs)	
Parent Company	6.9	3.5 (1.0)		12.7	20.2 (13.0)	
Subsidiaries	197.0	51.9 (16.4)		165.3	49.8 (14.7)	
<b>Total Group</b>	<b>203.9</b>	<b>55.4 (17.4)</b>		<b>178.0</b>	<b>70.0 (27.7)</b>	

Of the Group's total pension costs, SEK 0.8m (9.3) is attributable to Board members and the CEO. Of the Parent Company's total pension costs, SEK 0.8m (9.3) is attributable to Board members and the CEO.

## Notes

Note 6, cont.

### Breakdown of salaries and other remuneration by country between Board members, the CEO, other senior executives and other employees

SEK m	2022		2021	
	Board, CEO and other senior executives	Other employees	Board, CEO and other senior executives	Other employees
Parent Company	6.4	1.5	13.1	12.6
Subsidiaries in Sweden	5.6	69.5	2.4	71.3
Subsidiaries outside Sweden	13.2	104.7	2.5	103.8
<b>Total Group</b>	<b>25.2</b>	<b>175.7</b>	<b>18.0</b>	<b>187.7</b>

### Remuneration to senior executives

The Chairman and other members of the Board of Directors are paid fees in accordance with the decision of the AGM, which has also approved the principles for remuneration to senior executives. No additional remuneration is paid for work on the Board's committees.

No Board fees are paid to members who receive a salary from companies in the IAR Group. In 2022, this included Richard Lind. The group Other senior executives refers to all other members of Group management (11 individuals).

### Board of Directors

The AGM of I.A.R. Systems Group AB approved Board fees as follows:

Board Chairman: SEK 500,000

Other Board members who do not receive salary from companies in the IAR Group (4 people): SEK 200,000 per member

### Principles

The principles for remuneration to the CEO and other senior executives are prepared by the remuneration committee and presented to the Board, which puts forward proposals for such principles for approval by the AGM.

For 2022, the Group applied the principles for remuneration and other terms of employment for senior executives that were approved by the AGM.

Remuneration to the CEO and other senior executives consists of fixed salary, variable salary, pension and other customary benefits. The maximum variable salary for the CEO and other senior executives corresponds to 50% of fixed salary. Pension benefits and other benefits are paid as part of the total remuneration package.

The amount of variable salary for the CEO is periodically determined by the company's Board of Directors. The

CEO approves the remuneration and terms and conditions of employment for other senior executives on the basis of the principles for remuneration of senior executives adopted at the AGM. Variable salary is based on actual outcomes in relation to individually set targets.

### Variable remuneration

For the CEO, variable remuneration for 2022 was based on the Group's sales, operating profit and net cash. The bonus amount for 2022 was equal to 0% (0) of fixed salary. For the other senior executives, the bonus for 2022 was based on the Group's sales and operating profit. The bonus amount for other senior executives in 2022 was equal to 8.2% (0) of fixed salary.

### Pension agreements

The CEO is covered by covered by pension insurance corresponding to 30% of fixed salary and to 25% for annual salary over 25 price base amounts, with a retirement age of 65. Senior executives employed in Sweden are covered by pension insurance corresponding to the ITP plan. Other senior executives outside Sweden receive pension solutions that are considered competitive in the market in each country/region

### Termination benefits

In the event of dismissal by the company, the CEO is entitled to full salary during a notice period of six months. If employment is terminated by the CEO, the notice period is six months. In the event of dismissal by the company, other senior executives are entitled to full salary during a notice period of three to six months. If employment is terminated by the senior executive, the notice period is three to six months. All senior executives are entitled to salary and other contractual benefits during the notice period. No termination benefits are paid to the CEO on termination of employment.

### Incentive programs

#### Changes in the number of outstanding warrants

SEK m	LTIP 2019		LTI 2022		Exchange allotment 2018	
	2022	2021	2022	2021	2022	2021
At beginning of year	6,530	115,426	-	-	17,099	25,278
Allotted	-	-	140,000	-	-	-
Exercised	-	-	-	-	-10,536	- 8,179
Forfeited/past due	-6,530	-108,896	-1,750	-	-	-
<b>At end of year</b>	<b>-</b>	<b>6,530</b>	<b>138,250</b>	<b>-</b>	<b>6,563</b>	<b>17,099</b>

Notes

Note 6, cont.

**Remuneration and other benefits during the year**

Remuneration to the Board of Directors, CEO and other senior executives in 2022.

SEK m	Fixed salary/ Board fees		Variable salary		Other benefits		Pension expenses		Share-based remuneration		Other remuneration		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Board Chairman Nicolas Hassbjer	0.5	0.2											0.5	0.2
Board member Cecilia Wachtmeister	0.2	0.1											0.2	0.1
Board member Sabina Lindén	0.1	-											0.1	-
Board member Fred Wikström	0.2	0.2											0.2	0.2
Board member Michael Ingelög	0.2	0.2											0.2	0.2
CEO Richard Lind	2.7	0.8	-	-	0.0	0.0	0.8	0.0	-	-	-	-	3.5	0.8
Former Board Chairman Maria Wasing	-	0.2											-	0.2
Former Board member Kent Sander	-	0.2											-	0.2
Other senior executives, 11 (4)	17.1	6.5	1.4	-	0.2	0.2	2.0	4.0	-	-	-	-	20.7	10.7
<b>Total</b>	<b>21.0</b>	<b>8.4</b>	<b>1.4</b>	<b>-</b>	<b>0.2</b>	<b>0.5</b>	<b>2.8</b>	<b>12.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25.4</b>	<b>29.2</b>

**Information about incentive programs**

**LTIP 2019**

In accordance with the decision of the AGM on April 24, 2019, a long-term incentive program for I.A.R. Systems Group employees has been introduced ("LTIP 2019"). The program encompasses a total of 532,500 warrants, of which 418,000 were acquired or allocated under LTIP 2019. The warrants entitle the holder to subscribe for or acquire one class B share in the company according to the conditions below. In total, LTIP 2019 corresponds to about 3.6% of the share capital and approximately 3.4% of the votes in the company after dilution.

LTIP 2019 consists 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 2019, 2020 and 2021 financial years. The performance condition targets are presented in the table below and the relative weight of each performance condition is one third.

Performance conditions	Minimum level, %	Maximum level, %
Growth in net sales, 2019	5	10
Growth in net sales, 2020	5	10
Growth in net sales, 2021	5	10

For share warrants, participants are invited to acquire a certain number of warrants. The market price of the warrants, according to the pricing model from Black & Scholes, is calculated as SEK 16.67. The participants have paid SEK 11.17, which is the calculated market price adjusted for performance conditions. Other assumptions include expected volatility of 22.5%, interest of -0.5%, and a dividend corresponding to SEK 5. Based on performance condition fulfillment, each share warrant grants entitlement to subscribe for one new class B share during the period from May 1 to May 31, 2022 for a price corresponding to 120% of the volume-weighted average price paid for the company's share on Nasdaq Stockholm from May 3 to May 13, 2019, which is fixed at SEK 347.70. A total of 63,000 share warrants were acquired by the participants, of which 61,840 have been forfeited because the employees terminated their employment after the allotment and the performance condition was not fulfilled.

## Notes

### Note 6, cont.

For stock options, participants are allocated stock options at no cost, which may not be pledged or transferred. The stock options are vested at a rate of one third per year from the date of allotment. Based on performance condition fulfillment, each stock option grants entitlement to acquire one new class B share during the period from May 1 to May 31, 2022 for a price corresponding to 120% of the volume-weighted average price paid for the company's share on Nasdaq Stockholm from May 3 to May 13, 2019, which is fixed at SEK 347.70. A total of 355,000 stock options were allotted to the participants, of which 349,630 have been forfeited because the employees terminated their employment after the allotment and the performance condition was not fulfilled.

LTI 2019 is recognized in accordance with IFRS 2 Share-based Payment, which means that the cost of the warrant program is recognized on a straight-line basis during the vesting period. The total cost of the warrant program is estimated at SEK 3.2m, of which SEK 0.0m has been charged to profit for the period. The warrants outstanding at the end of the year have all expired since no participant in the program chose to exercise their warrants during the exercise period from May 1 to May 31, 2022.

### LTI 2022

In accordance with the decision of the Extraordinary General Meeting (EGM) on June 13, 2022, a three-year incentive program for key I.A.R. Systems Group employees has been introduced ("LTI 2022"). The program includes restricted stock units (RSUs) and covers a maximum of 140,000 shares in I.A.R. Systems Group AB, which were allocated to 140 employees at four different levels within the Group. In 2022, 1,750 RSUs were forfeited since employees announced that their employment in the Group would be ending. As of December 31, 2022, there were 138,250 RSUs outstanding.

Each RSU vested entitles the holder to one share, which will be transferred to participants in the program free of charge after three years, provided that the performance conditions established during the period have been achieved. The vesting period for the RSUs in the program runs until August 2025, allocated evenly between the periods. The allotted RSUs are vested at a rate of one third from the date of allotment (November 7, 2022) until August 31, 2023, August 31, 2024 and August 31, 2025. Vested

RSUs can be exercised after the end of the final vesting period and after the Board has determined that the period conditions for the program have been fulfilled, which is expected to take place in the fourth quarter of 2025. In the event that all RSUs outstanding as of December 31, 2022 were to be exercised for shares, this would correspond to total dilution of approximately 1.0% of the number of shares outstanding and votes in the company.

The performance conditions for the program are based on annual growth of the Group's net sales for the 2022, 2023 and 2024 financial years and the Group's operating margin for the 2022, 2023 and 2024 financial years. The targets for the performance conditions are presented in the table below, and the relative weighting between the performance conditions for each year is one-third (meaning that the performance conditions for both increased net sales and the operating margin are to be fulfilled for each financial year for the performance conditions for the financial year to be fulfilled).

Performance conditions	Minimum level, %	Maximum level, %
Growth in net sales, 2022	10	15
Growth in net sales, 2023	10	15
Growth in net sales, 2024	10	15

Performance conditions	Minimum level, %
Operating margin, 2022	20
Operating margin, 2023	20
Operating margin, 2024	20

The Board has a mandate to determine, after the end of the last vesting period, whether the above performance targets have been met for all periods covered by LTI 2022. The Board also has a mandate to make adjustments to the above performance conditions, when appropriate.

LTI 2022 is recognized in accordance with IFRS 2 Share-based Payment, which means that the cost of the incentive program is recognized on a straight-line basis during the vesting period. The fair value of the

RSUs in the program was set based on the share price for the company's class B share on the allotment date (November 7, 2022), taking into account the likelihood that the performance conditions for the program, which are considered non-vesting conditions since the period for fulfillment of the targets differs from the vesting period, will be achieved. This calculation also takes future expected dividends into account. The total cost of the warrant program is estimated at SEK 10.4m, of which SEK 1.2m has been charged to profit for the period.

Of the total 140,000 RSUs included in LTI 2022, 49,250 were allotted to individuals in Group management.

### 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 10,536 (8,179) stock options were exercised in 2022.



Notes

**Note 7. Financial income and expenses**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Interest income	0.3	0.0	5.6	2.4
Exchange differences	0.0	1.5	6.5	12.7
<b>Total financial income</b>	<b>0.3</b>	<b>1.5</b>	<b>12.1</b>	<b>15.1</b>
Interest expenses	-0.2	-0.7	-0.2	-0.7
Exchange differences	-0.8	-0.0	-	-
Interest expenses leases	-1.5	-0.9	-	-
<b>Total financial expenses</b>	<b>-2.5</b>	<b>-1.6</b>	<b>-0.2</b>	<b>-0.7</b>
<b>Net financial items</b>	<b>-2.2</b>	<b>-0.1</b>	<b>11.9</b>	<b>14.4</b>

**Note 8. Tax**

The following components are included in the tax expense.

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Current tax on profit for the year	-16.8	-20.1	-20.7	-17.8
Deferred tax	1.1	21.3	0.0	-
<b>Total tax on profit for the year</b>	<b>-15.7</b>	<b>1.2</b>	<b>-20.7</b>	<b>-17.8</b>

The tax expense for the financial year can be reconciled against profit before tax as follows:

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>The year's deferred tax expense/income</b>				
intangible assets	-2.4	16.6	-	-
change in loss carryforwards	1.3	1.3	-	-
support and upgrade agreements	1.8	2.5	-	-
untaxed reserves	-0.2	-0.0	-	-
other temporary differences	0.6	0.9	0.0	-
<b>Total deferred tax in the income statement</b>	<b>1.1</b>	<b>21.3</b>	<b>0.0</b>	<b>-</b>

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>Reconciliation between reported tax expense and tax expense based on the applicable tax rate</b>				
Reported profit/loss before tax	73.4	-67.4	91.5	84.0
Tax according to the applicable tax rate, 20.6%	-15.1	13.9	-18.8	-17.3
Difference in foreign tax rates	-0.1	-2.0	-	-
Tax effect of future tax rates	-	-0.1	-	-
Tax effect of uncapped loss carryforwards	11.2	-7.0	-	-
Tax effect of reversal of previously recognized tax relief in the UK	-11.2	-3.6	-	-
Tax effect of non-deductible expenses	-0.5	-0.6	-1.9	-0.5
Tax effect of non-taxable income	0.0	0.3	0.0	0.0
<b>Total</b>	<b>-15.7</b>	<b>1.2</b>	<b>-20.7</b>	<b>-17.8</b>
Prior year adjustments of current tax recognized in the current year	-	-	-	-
<b>Tax on profit for the year according to the income statement</b>	<b>-15.7</b>	<b>1.2</b>	<b>-20.7</b>	<b>-17.8</b>

The tax effect of items recognized in comprehensive income amounted to SEK -1.2m (-2.3).

## Notes

Note 8, cont.

### Tax rate

In computing deferred tax on temporary differences, local tax rates in the country in question were used. The majority of deferred tax derives from operations in the UK, where the tax rate is 19%, and operations in Sweden, where the tax rate is 20.6%.

### Temporary differences

Temporary differences arise when the carrying amount of an asset or liability differs from its tax base. Temporary differences pertaining to the following items have resulted in deferred tax liabilities and deferred tax assets.

Temporary differences pertaining to software, trademarks and customer contracts have resulted in deferred tax liabilities. Temporary differences pertaining to loss carryforwards have resulted in deferred tax assets. Loss carryforwards are fully attributable to the Group's operations in the UK.

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Deferred tax liabilities attributable to intangible assets	-40.0	-36.5	-	-
Deferred tax liabilities attributable to untaxed reserves	-0.6	-0.4	-	-
Deferred tax liabilities attributable to other temporary differences	-6.4	-6.7	0.0	-
Amounts offset against deferred tax assets under offset rules	16.7	15.1	-	-
<b>Total deferred tax liabilities</b>	<b>-30.3</b>	<b>-28.4</b>	<b>0.0</b>	<b>-</b>
Deferred tax assets attributable to tax relief in the UK	12.6	11.0	-	-
Deferred tax assets attributable to support and upgrade agreements	1.8	1.3	-	-
Deferred tax assets attributable to other temporary differences	5.5	5.3	-	-
Amounts offset against deferred tax liabilities under offset rules	-16.7	-15.1	-	-
<b>Total deferred tax assets</b>	<b>3.2</b>	<b>2.5</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax assets, net</b>	<b>-27.1</b>	<b>-25.9</b>	<b>0.0</b>	<b>-</b>

As of December 31, 2022, the Group had accumulated loss carryforwards outside Sweden of SEK 264.6m (217.0), of which SEK 86.7m (57.9) are expected to be utilized in the foreseeable future, with loss carryforwards of SEK 86.7m (57.9) recognized in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 3.2m (2.5), and the deferred tax liability is recognized in an amount of SEK 30.3m (28.4). The item deferred tax asset also includes deferred tax 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 2023 connected to research and development costs is estimated at approximately SEK 12.6m (11.0). The payment reduced aggregate loss carryforwards by an equivalent amount.

### Note 9. Earnings per share

	Group	
	2022	2021
Earnings, SEK m	57.8	-67.4
Basic earnings per share, SEK	4.23	-4.94
Earnings per share, diluted, SEK	4.20	-4.94
<b>No. of shares</b>		
Average number of shares before dilution, million	13.65	13.64
Average no. of shares, diluted, million	13.75	13.66

#### Basic

Basic earnings per share are calculated by dividing profit attributable to owners of the Parent Company by the weighted average number of shares outstanding during the period.

#### Diluted

Profit for the year after tax is divided by the average number of shares outstanding during the year after dilution. The dilutive effect of warrants and other share-based remuneration is determined based on the following assumptions: (1) all warrants with an exercise price that is lower than the market value per share at the end of the respective period are exercised and new shares issued, (2) the net proceeds generated by the exercise of warrants are equal to the number of warrants exercised multiplied by the value of the exercise price, (3) the net proceeds are used to repurchase shares at a price equal to the market price per share according to (1) above. The increase in the number of shares in the company is thus equal to the number of shares issued through the exercise of warrants less the number of shares repurchased with the net proceeds received.

Notes

Note 10. Intangible assets

Group, SEK m	Goodwill		Trademarks		Technology		Software		Internally generated software development costs		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening cost	355.9	332.7	11.7	11.7	38.0	34.7	25.5	30.4	394.5	310.0	825.7	719.5
Investments	-	-	-	-	-	-	-	1.7	50.3	62.6	50.3	64.3
Translation differences	10.7	23.2	-	-	1.2	3.3	0.3	0.2	17.8	21.9	29.9	48.7
Sales and disposals	-	-	-	-	-	-	-2.7	-6.8	-	-	-2.7	-6.8
<b>Closing accumulated cost</b>	<b>366.6</b>	<b>355.9</b>	<b>11.7</b>	<b>11.7</b>	<b>39.2</b>	<b>38.0</b>	<b>23.1</b>	<b>25.5</b>	<b>462.6</b>	<b>394.5</b>	<b>903.2</b>	<b>825.7</b>
Opening amortization	-	-	-11.7	-11.7	-10.7	-7.4	-21.4	-25.0	-132.1	-98.7	-175.9	-142.8
Sales and disposals	-	-	-	-	-	-	2.7	6.8	-	-	2.7	6.8
Translation differences	-	-	-	-	-0.9	-0.4	-0.3	0.1	-12.3	-5.8	-13.4	-6.1
Amortization for the year	-	-	-	-	-7.4	-2.9	-1.6	-3.3	-18.7	-27.6	-27.7	-33.8
<b>Closing accumulated amortization</b>	<b>-</b>	<b>-</b>	<b>-11.7</b>	<b>-11.7</b>	<b>-19.0</b>	<b>-10.7</b>	<b>-20.6</b>	<b>-21.4</b>	<b>-163.1</b>	<b>-132.1</b>	<b>-214.3</b>	<b>-175.9</b>
Opening impairment	-	-	-	-	-18.2	-	-	-	-100.0	-	-118.2	-
Impairment for the year	-	-	-	-	-	-18.2	-	-	-	-100.0	-	-118.2
Closing accumulated impairment	-	-	-	-	-18.2	-18.2	-	-	-100.0	-100.0	-118.2	-118.2
<b>Carrying amount</b>	<b>366.6</b>	<b>355.9</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>9.1</b>	<b>2.5</b>	<b>4.1</b>	<b>199.5</b>	<b>162.3</b>	<b>570.7</b>	<b>531.5</b>

Description

Goodwill	Attributable to the acquisition of I.A.R. Systems AB (2005), Signum Systems Corp (2011) and Secure Thingz Inc (2018).
Trademarks	Attributable to the acquisition of I.A.R. Systems AB (2005).
Technology	Attributable to the acquisition of Secure Thingz Inc (2018).
Software	Refers to externally acquired/company-specific systems, such as accounting systems, CRM systems and the company's website.
Internally generated software development costs	Refers to capitalized internal expenses for software development and debug probes.

Useful lives

Useful lives are determined based on various factors, such as asset class and the product's economic useful life. The assessment of the asset's useful life is tested annually. The following useful lives are applied:

Trademarks	15 years
Technology	13 years
Software	5-6 years
Internally generated software development costs	5-10 years

## Notes

Note 10. cont.

### Investments for the year

Of the year's investments of SEK 50.2m (64.3), SEK 0m (1.7) pertains to software and SEK 50.2m (62.6) pertains to internally generated software development costs. Of the internally generated costs, SEK 41.7m (54.4) pertains to personnel costs.

### Impairment testing of intangible assets

Goodwill is tested for impairment at the lowest level in the Group at which goodwill is monitored for internal management purposes, which comprises one cash-generating unit: IAR. For other intangible assets, corresponding impairment testing is performed for assets that have not yet been utilized or if other indicators exist that may impact the value of the assets. In this assessment, we have also taken into account the geopolitical situation and the growing focus on ESG-related issues. However, these issues were not deemed to have a material impact on the overall analysis of the impairment requirement for the Group's intangible assets.

For IAR, the growth rate used is based on past performance and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on a growth rate of 2% (2). This growth rate does not exceed the long-term growth rate for the market.

The estimated operating margin used is based on past performance and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on an estimated operating margin on a level with year five.

The discount rates used, 9.9% (9.6) for IAR, are stated after tax and are deemed to reflect specific risks relating to the assets.

To support impairment testing of goodwill in the Group, the Group has carried out an overall analysis of the sensitivity of the variables used in the model. The analysis showed that a reasonable potential

Assumption	Growth rate	Operating margin	Discount rate (before tax), %
Year 1 (budget)	Acc. to the Board's adopted budget	Acc. to the Board's adopted budget	9.9 (12.5)
Years 2-5 (forecast period)	Acc. to management's estimated forecast	Acc. to management's estimated forecast	9.9 (12.5)
Terminal value	2% (2%)	On par with year 4	9.9 (12.5)

change in a key assumption would not result in an impairment need for goodwill. Management's assessment is that a reasonable potential change in key assumptions used in this analysis would be a 2% increase in the discount rate or a 2% decrease in the growth rate of the terminal value.

The discount rate used in impairment testing increased slightly compared with the comparative year. This was mainly due the general increase in interest, and thus higher expected yield requirements, noted in 2022.

### Merger of cash-generating units

Goodwill is tested annually for impairment for the lowest cash-generating unit. Management has made the assessment that there is one shared cash-generating unit for the Group: IAR. This is mainly due to the following factors:

*Organization:* The organization presented in April 2020 remained largely unchanged in 2022. The Group continues to have a Group-integrated sales and marketing organization. In addition, the Group continues to work in two development departments, Embedded Security Solutions and Embedded Development Tools, that work together, in accordance with the decisions made by Group management and the CEO, to develop products for the Group's joint sales and marketing organization.

*Technical dependence:* The technical dependence of security products described in 2020 remains unchanged and the common denominator in these products is that they, to a certain extent, have a technical dependence on IAR Embedded Workbench. The products

were also developed together with IAR's Embedded Development Tools department to be a part of the IAR Embedded Workbench toolchain. In 2021, the security products launched up to that point were tested for impairment, and upon their impairment in December 2021, the company announced that impairment had been carried out on products deemed no longer relevant, mainly within the area of security. In addition to a lack of successful sales, this impairment was attributable to a change in the company's future focus, with closer partnerships with programming companies expected to create further opportunities for revenue within the security offering. Accordingly, the security offering is being updated, with a fourth product – volume-based revenue from partner programming companies – expected to create better prospects for successful sales. Although the technical dependence of the volume-based revenue is not exactly on a par with the previously launched security products, the security technology base is the same for the various products. The Embedded Workbench platform is still an option for developers in the process, even if IAR's sales focus going forward will be on another area of the chain.

*Sales dependence:* According to the company's assessment, there is still a sales dependence in the complex value change that includes both security products and the IAR Embedded Workbench toolchain. Moreover, the Group's joint sales organization will invest in new sales representatives in the area of security, who will be part of the same sales organization under the same management as the Group's current sales representatives.

## Notes

Note 10. cont.

*Summary:* According to IAS 36.6, a cash-generating unit is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. As described above regarding the organization, technological dependence and sales dependence of the Group's security offering, the assessment remains that this part of the Group cannot be considered largely independent of cash flows from other assets. Accordingly, management's overall assessment is that the Group continues to comprise one cash-generating unit: IAR.

### Note 11. Property, plant and equipment

Group, SEK m	Right-of-use assets		Leasehold improvements		Equipment		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening cost	78.0	73.6	3.6	2.8	33.0	26.0	114.6	102.4
Investments	57.9	4.9	1.4	1.3	6.0	8.6	65.3	14.8
Translation differences	5.1	1.9	0.3	0.0	0.8	0.7	6.2	2.6
Sales and disposals	-21.3	-2.4	-	-0.5	-5.3	-2.3	-26.6	-5.2
<b>Closing accumulated cost</b>	<b>119.7</b>	<b>78.0</b>	<b>5.3</b>	<b>3.6</b>	<b>34.6</b>	<b>33.0</b>	<b>159.5</b>	<b>114.6</b>
Opening depreciation	-42.3	-26.8	-1.6	-1.5	-20.5	-19.8	-64.5	-48.1
Sales and disposals	14.2	1.2	-	0.5	4.7	2.3	18.9	4.0
Translation differences	-2.7	-0.0	-0.1	-0.0	-0.9	0.1	-3.6	-0.3
Depreciation of leases for the year	-20.7	-16.8	-	-	-	-	-20.7	-16.8
Depreciation for the year	-	-	-0.8	-0.6	-3.9	-3.1	4.7	-3.7
<b>Closing accumulated depreciation</b>	<b>-51.5</b>	<b>-42.3</b>	<b>-2.5</b>	<b>-1.6</b>	<b>-20.6</b>	<b>-20.5</b>	<b>-74.6</b>	<b>-64.5</b>
<b>Carrying amount</b>	<b>68.2</b>	<b>35.6</b>	<b>2.9</b>	<b>2.0</b>	<b>13.9</b>	<b>12.5</b>	<b>85.0</b>	<b>50.1</b>
<b>Parent Company, SEK m</b>					<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Opening cost					0.7	0.7	0.7	0.7
Investments					-	-	-	-
Sales and disposals					-0.3	-	-0.3	-
<b>Closing accumulated cost</b>					<b>0.4</b>	<b>0.7</b>	<b>0.4</b>	<b>0.7</b>
Opening depreciation					-0.5	-0.5	-0.5	-0.5
Sales and disposals					0.3	-	0.3	-
Depreciation for the year					0.0	-0.0	0.0	-0.0
<b>Closing accumulated depreciation</b>					<b>-0.2</b>	<b>-0.5</b>	<b>-0.2</b>	<b>-0.5</b>
<b>Carrying amount</b>					<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>



## Notes

Note 11. cont.

The transition to IFRS 16 means that the previous classification of operating or finance leases is no longer applicable.

### Leases Parent Company

The Parent Company classifies all leases, whether operating or finance leases, as operating leases. The aggregate amount of future minimum lease payments at the balance sheet date under non-cancellable operating leases grouped by period to maturity was as follows:

SEK m	Parent Company	
	2022	2021
Due for payment within 1 year	0.3	0.3
Due for payment within 2 years	0.4	0.9
Due for payment within 3 years	0.5	0.3
Due for payment within 4 years	-	-
Due for payment in 5 years or later	-	-

### Leases Group

The Group primarily leases premises and passenger cars. These leases are normally signed for fixed periods of three to five years. The average lease term is three years. Short-term leases are mostly for office equipment. Low-value leases comprise IT equipment and office equipment. Leases for premises are negotiated locally and separately for each lease and contain a large number of different contractual terms and conditions. The Group has no purchase options and does not guarantee residual values.

The leases do not include any special terms and conditions, covenants or restrictions that would entail that the leases would be terminated, but the leased assets may not be sold or pledged or used as collateral for loans. The Group undertakes to insure leased cars. As regards leases for premises, the Group must keep these premises in good condition and restore them to an acceptable condition at the end of the lease.

The Group must also perform and pay for necessary maintenance in accordance with the rental agreement. Options to extend the lease are included in a number of the Group's leases for premises to increase flexibility for the operations.

When the length of the lease is determined, management considers all available information that creates an economic incentive to exercise an extension option, or to not exercise an option to terminate the lease. The option to extend a lease is only included in the length of a lease if it is reasonable to assume that the lease will be extended (or not terminated). On December 31, 2022, there were both extension periods included in the lease term and extension options that were not deemed reasonably certain to be exercised and were not included in the lease liability.

Lease payments are largely fixed payments. A number of leases have future lease payments that are based on a consumer price index or variable interest rate and that are not included in the lease liability as long as neither the consumer price index nor the variable interest rate have changed. Expenses for property tax and insurance are not deemed to be a component since they do not transfer either a service or a good to the Group and thus are not included in the lease liability.

The accumulated cost of leases at December 31, 2022 was SEK 119.7m (78.0).

Accumulated depreciation at year-end amounted to SEK 51.5m (42.3). These obligations are recognized under "Right-of-use assets" in the balance sheet. The present value of future payment obligations under finance leases is recognized in Lease liabilities, divided between current and non-current liabilities, as follows:

Group, SEK m	2022	2021
Current portion (due within 1 year)	19.0	18.5
Non-current portion (due within 5 years)	50.3	19.5
Non-current portion (due later than 5 years)	-	-
<b>Total</b>	<b>69.3</b>	<b>38.0</b>

Amounts recognized in profit or loss regarding earnings effects of leases:

Group, SEK m	2022	2021
Depreciation of right-of-use assets	-20.7	-16.8
Interest expenses for lease liabilities	-1.5	-0.9
Expenses attributable to short-term leases and low-value leases	-1.1	-0.9
<b>Total</b>	<b>-23.4</b>	<b>-18.6</b>

Notes

**Note 12.** Other non-current receivables

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Deposits	3.4	2.7	0.1	0.1
Other	0.3	0.3	-	-
	<b>3.7</b>	<b>3.0</b>	<b>0.1</b>	<b>0.1</b>

**Note 13.** Trade and other receivables

SEK m	Group	
	2022	2021
Trade receivables	70.0	60.6
Reserve for expected credit losses	-3.4	-1.7
Trade receivables, net	66.6	58.9
Prepaid expenses and accrued income	28.1	40.1
Other receivables	5.1	3.7
	<b>33.2</b>	<b>102.7</b>

The fair values of trade receivables are deemed to correspond with their carrying amounts. The estimated fair value has not been discounted, since the assessment is that this would not have any significant effect on fair value. An age analysis of these trade receivables is shown in the following table::

**Age analysis of past due trade receivables**

SEK m	Group	
	2022	2021
Less than 3 months	14.6	13.5
3-6 months	3.8	0.5
More than 6 months	0.5	1.8
	<b>18.9</b>	<b>15.8</b>

**The carrying amounts, by currency, for the Group's Trade and other receivables are as follows**

Currency	Group	
	2022	2021
SEK	15.7	14.4
EUR	28.2	31.9
USD	36.0	37.2
Other currencies	20.2	19.1
	<b>100.1</b>	<b>102.7</b>

**Changes in provisions for doubtful debts**

SEK m	Group	
	2022	2021
Provisions at January 1	1.5	1.3
The year's provisions for doubtful debts	3.5	0.6
Receivables written off during the year as uncollectable	-1.6	-0.2
Reversed unutilized amount	-	-0.0
<b>Provisions at December 31</b>	<b>3.4</b>	<b>1.7</b>

**Credit quality**

The credit quality of trade receivables is deemed good, based on historical credit losses, and the risks are limited in view of the large size of the customer base. No individual customer accounted for more than 5% of total trade receivables at December 31, 2022.

## Notes

**Note 14. Other current receivables**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Tax assets	0.3	0.8	-	-
Other	5.1	2.9	0.1	0.1
<b>Total other current receivables</b>	<b>5.4</b>	<b>3.7</b>	<b>0.1</b>	<b>0.1</b>

**Note 15. Prepaid expenses and accrued income**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Accrued income	15.5	26.0	-	-
Prepaid rents	5.0	4.2	0.1	0.0
Prepaid insurance premiums	1.6	1.9	0.1	0.1
Other prepaid expenses	6.0	8.0	0.1	0.3
<b>Total prepaid expenses and accrued income</b>	<b>28.1</b>	<b>40.1</b>	<b>0.3</b>	<b>0.4</b>

**Note 16. Cash and cash equivalents**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Cash in hand and bank deposits	148.2	113.4	2.5	4.5
<b>Cash and cash equivalents at end of year</b>	<b>148.2</b>	<b>113.4</b>	<b>2.5</b>	<b>4.5</b>
Unutilized committed credit facilities	-	207.0	-	207.0
<b>Total cash and cash equivalents and unutilized credit facilities</b>	<b>148.2</b>	<b>320.4</b>	<b>2.5</b>	<b>211.5</b>

## Notes

**Note 17. Financial instruments**

SEK m, December 31, 2021	2022	2021
<b>Financial assets measured at amortized cost</b>		
Other non-current receivables	3.7	3.0
Trade receivables	66.6	58.9
Accrued income	15.5	26.0
Other financial assets measured at amortized cost	5.9	5.4
Cash and cash equivalents	148.2	113.4
<b>Financial assets measured at fair value through profit or loss</b>		
Derivative instruments	-	-
<b>Financial assets measured at fair value through other comprehensive income</b>		
Other non-current securities	-	-
<b>Total</b>	<b>239.9</b>	<b>206.6</b>
<b>Financial liabilities measured at amortized cost</b>		
Lease liabilities	69.3	38.0
Liabilities to credit institutions	-	18.0
Trade payables	8.4	9.2
Other liabilities excluding non-financial liabilities	16.8	30.8
<b>Total</b>	<b>94.5</b>	<b>96.0</b>

**Cash and cash equivalents**

Cash and cash equivalents, as defined by the Group, consist of cash in hand and at bank. The table below shows key figures for cash and cash equivalents. The carrying amount of cash and cash equivalents corresponds approximately to fair value.

	Group	
SEK m	2022	2021
Cash in hand and bank deposits	148.2	113.4
<b>Cash and cash equivalents</b>	<b>148.2</b>	<b>113.4</b>

**Cash flow attributable to liabilities related to financing activities**

	Group	
SEK m	2022	2021
Borrowings, bank loans	-	0.9
Amortization of bank loans	-18.0	-
Amortization of lease liabilities	-21.6	-16.2
<b>Total</b>	<b>-39.5</b>	<b>-15.3</b>

**Reconciliation of cash flow attributable to liabilities related to financing activities**

	Liabilities to credit institutions	Lease liabilities	Total
<b>Opening balance, January 1, 2021</b>	<b>-17.5</b>	<b>-36.7</b>	<b>-54.2</b>
Cash flow from financing activities	-0.5	16.7	16.2
New leases		-4.6	-4.6
Exchange differences		-13.4	-13.4
<b>Closing balance, December 31, 2021</b>	<b>-18.0</b>	<b>-38.0</b>	<b>-56.0</b>
Cash flow from financing activities	18.0	21.5	39.5
New leases		-55.9	-55.9
Exchange differences		3.1	3.1
<b>Closing balance, December 31, 2022</b>	<b>0.0</b>	<b>-69.3</b>	<b>-69.3</b>

## Notes

Note 17. cont.

### Bank overdraft facility

SEK m	Group	
	2022	2021
<b>Bank overdraft facility</b>	-	207.0

The bank overdraft facility is not included in net debt. In 2023, an agreement was entered into for a new bank overdraft facility of SEK 50.0m.

### Interest-bearing liabilities

The Group's total interest-bearing liabilities at December 31, 2022 amounted to SEK 69.3m (56.0), of which SEK 50.3m (19.5) pertains to non-current borrowings excluding those maturing in the next 12 months. Non-current borrowings maturing within 12 months amount to SEK 19.0m (36.5). The table below shows the carrying amounts of the Group's interest-bearing liabilities.

Type of loan	Interest rate	Currency	Group	
			2022	2021
<b>Other non-current liabilities</b>				
Non-current bank loans in Sweden	Variable	SEK	-	-
Lease liabilities	Variable	SEK	50.3	19.5
<b>Current portion of non-current liabilities</b>				
Non-current bank loans in Sweden	Variable	SEK	-	-
Lease liabilities	Variable	SEK	19.0	18.5
Bank overdraft facilities	Variable	SEK	-	18.0
			<b>69.3</b>	<b>56.0</b>

### Information about measurement at fair value

For cash and cash equivalents, trade receivables, trade payables and borrowings, 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. Financial assets are measured at fair value and are shown in the table below. Fair value is primarily based on own assumptions according to Level 3.

No financial instruments measured at fair value in the Group were acquired/reclassified in 2022.

#### *Fair value in accordance with the three levels above:*

**Level 1:** Quoted prices in an active market place.

**Level 2:** Pricing model mainly based on observable market data for the asset.

**Level 3:** Pricing model mainly based on own assumptions.

## Notes

### Note 18. Share capital

A specification of changes in equity is found in the statement of changes in equity.

Number of shares: Parent Company	Class A shares	Class B shares	Class C shares	Total number
Number at January 1, 2021	100,000	13,536,159	332,174	13,968,333
Conversion of class A shares to class B shares December 2021	-100,000	100,000	-	0
Conversion of class C shares to class B shares December 2021		13,286	-13,286	0
<b>Total number of shares at December 31, 2021</b>	-	13,649,445	318,888	13,968,333
Number at January 1, 2022	-	13,649,445	318,888	13,968,333
Conversion of class C shares to Class B shares 2022		10,846	-10,846	-
<b>Total number of shares at December 31, 2022</b>	-	13,660,291	308,042	13,968,333

Share capital is divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All shares have a quota value of SEK 10. Class B shares grant equal rights to the company's assets and profits. Class C shares are all held in treasury and do not grant entitlement to dividends. 7,963 Class B shares are held in treasury. Class B and C shares grant entitlement to one vote. At general shareholder meetings, each holder of voting shares is entitled to exercise the full number of votes held or represented by proxy without restriction.

### Note 19. Proposed appropriation of profits

The funds at the disposal of the Annual General Meeting are as follows (SEK):

Share premium reserve	254,792,854.14
Retained earnings	230,267,783.55
Comprehensive income for the year	70,872,029.46
<b>Total, SEK</b>	<b>555,932,667.15</b>

The Board proposes that the profits be disposed of as follows:

Dividend of SEK 1.50 per share to the shareholders	20,490,436.50
To be carried forward to new account	535,442,230.65
<b>Total, SEK</b>	<b>555,932,667.15</b>

### Note 20. Accrued expenses

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Accrued salaries and social security expenses	12.2	20.1	0.5	7.1
Other items	5.7	9.8	0.2	7.0
<b>Total accrued expenses</b>	<b>17.9</b>	<b>29.9</b>	<b>0.7</b>	<b>14.1</b>



## Notes

**Note 21. Pledged assets**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>To secure own liabilities</b>				
To secure pensions and similar obligations:				
Direct pension obligations	22.8	17.7	22.3	17.1
To secure liabilities to credit institutions:				
Machinery held under - finance leases	2.9	2.7	-	1.5
<b>Total assets pledged to secure own liabilities</b>	<b>25.7</b>	<b>20.5</b>	<b>22.3</b>	<b>18.6</b>
<b>To secure other commitments</b>				
Guarantees	-	-	-	-
<b>Total pledged assets</b>	<b>25.7</b>	<b>20.5</b>	<b>22.3</b>	<b>18.6</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.

**Note 22. Participations in Group companies**

SEK m	Parent Company	
	2022	2021
Opening cost	481.4	481.2
Acquisitions	-	-
Sale of subsidiaries	-27.2	-
Shareholder contributions (vesting warrants)	0.9	0.3
<b>Closing accumulated cost</b>	<b>455.1</b>	<b>481.4</b>
Opening impairment	-	-
<b>Closing accumulated impairment</b>	<b>-</b>	<b>-</b>
<b>Closing carrying amount</b>	<b>455.1</b>	<b>481.4</b>

**Subsidiaries**

I.A.R. Systems Group AB conducts operations in a number of different geographical markets, which means that the Group has subsidiaries in many parts of the world. The Parent Company has control over a subsidiary when it is exposed to or has the right to variable returns from its involvement in the subsidiary and has the ability to use that control over the subsidiary to influence its returns. All subsidiaries are directly or indirectly wholly owned by the Parent Company I.A.R. Systems Group AB (publ). In 2022, the Parent Company sold all of its shares in the former directly owned subsidiary Signum Systems Corps to the indirectly owned subsidiary IAR Systems Software Inc. The sale generated a capital loss of SEK 7.6m that was charged to profit or loss in the Parent Company in 2022, but did not impact the Group since it was an intra-Group sale. In 2023, Signum Systems Software Inc was liquidated.

**Group composition**

Information about the Group's geographic operations at the end of the financial year is provided below:

Primary activity	Geographic operations	Dec 31, 2022	Dec 31, 2021
Product development offices	Europe	2	2
Product development offices	Americas	-	1
Sales office	Europe	3	3
Sales office	Americas	3	3
Sales office	Asia	6	6

## Notes

Note 22. cont.

## PARENT COMPANY HOLDINGS

SEK m	Corp. ID no.	Domicile	% of capital	% of votes	No. of shares	Carrying amount 2022	Carrying amount 2021
<b>Direct holdings:</b>							
I.A.R. Systems AB	556230-7107	Uppsala, Sweden	100.0	100.0	22,846,224	164.4	163.7
Signum Systems Corp	1473886	Camarillo, USA	100.0	100.0	100,000	-	27.2
Secure Thingz Inc	813002824	Foster City, USA	100.0	100.0	8,640,112	290.7	290.5
IAR Systems India Private Ltd.	U72900DL2020FTC365795	Bangalore, India	0.1	0.1	1	0.0	0.0
YinvestMIR AB	559154-7699	Uppsala, Sweden	100.0	100.0	50,000	0.0	0.0
<b>Indirect holdings through subsidiaries:</b>							
IAR Systems Software Inc	1830665	Foster City, USA	100.0	100.0	-	-	-
I.A.R. Systems Ltd	83464820	Taipei, Taiwan	100.0	100.0	-	-	-
IAR Systems GmbH	HRB 175145	Munich, Germany	100.0	100.0	-	-	-
IAR Systems KK	0111-01-034174	Tokyo, Japan	100.0	100.0	-	-	-
IAR Software Development (Shanghai) Co., Ltd.	01000002202003230005	Shanghai, China	100.0	100.0	-	-	-
IAR Systems Korea Co	110111-4699679	Seoul, South Korea	100.0	100.0	-	-	-
IAR Systems India Private Ltd.	U72900DL2020FTC365795	Bangalore, India	99.9	99.9	-	-	-
IAR Systems France Sarl	539 357 327 R.C.S. Nanterre	Boulogne-Billancourt, France	100.0	100.0	-	-	-
I.A.R. Systems Uppsala AB	556456-7690	Uppsala, Sweden	100.0	100.0	-	-	-
Signum Systems Corp	1473886	Camarillo, USA	100.0	100.0	-	-	-
Secure Thingz Ltd	09193626	Cambridge, England	100.0	100.0	-	-	-
<b>Closing carrying amount</b>						<b>455.1</b>	<b>481.4</b>

## Note 23. Related party transactions

Of the Parent Company's total expenses of SEK 3.7m (4.6), 0% (0) pertains to purchases from other companies in the Group. Of the Parent Company's total sales revenue, 100% (100) pertains to inter-company sales. Of the year's total purchasing costs and sales revenue in the subsidiaries, 0% (0) pertains to purchases from the Parent Company and 0% (0) to sales to the Parent Company.

At December 31, 2022, the Parent Company had receivables from subsidiaries of SEK 252.2m (172.7) and liabilities to subsidiaries of SEK 11.9m (1.4). The absolute majority of the receivables from Group companies carry market interest (based on the Sterling Overnight Index Average, SONIA, for receivables in GBP and on

the Secured Overnight Financing Rate, SOFR, for receivables in USD). No collateral has been pledged for these receivables. At December 31, 2022, there was a recognized credit loss reserve for receivables from Group companies of SEK 0.9m in the Parent Company. Management's assessment is that there is no need for a further reserve for receivables from Group companies.

## Transactions with other related parties

No transactions with related parties have taken place other than those stated in Note 6.

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## Assurance

The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and gives a true and fair view of the Parent Company's financial

position and results of operations. The administration report for the Group and the Parent Company provides a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

The annual report will be presented to the Annual General Meeting for adoption on April 26, 2023.

Stockholm, April 3, 2023

Richard Lind  
President and CEO

Nicolas Hassbjer  
Board Chairman

Fred Wikström  
Board member

Cecilia Wachtmeister  
Board member

Michael Ingelög  
Board member

Sabina Lindén  
Board member

Our auditor's report was submitted on April 3, 2023  
Deloitte AB

Andreas Frountzos  
Authorized Public Accountant  
Auditor in Charge

## Auditor's report

# Auditor's report

To the general meeting of the shareholders of I.A.R Systems Group AB (publ) (publ) corporate identity number 556400-7200

### Report on the annual accounts and consolidated accounts

#### Opinions

We have audited the annual accounts and consolidated accounts of I.A.R Systems Group AB (publ) (publ) for the financial year 2022-01-01 – 2022-12-31. The annual accounts and consolidated accounts of the company are included on pages 25–69 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and

balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit

of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Revenue recognition

Consolidated net sales amounts to SEK 419.9 (355.9) million and derives from sales of both products and services. We have classified this as a key audit matter since revenue is significant and consist of a large number of smaller transactions where product and services in some cases is bundled into one customer offering. Promises of goods or services to customers that's meets the criteria of being distinct is accounted for as a performance obligation separate from other promised goods or services. Revenue is recognized when control of the underlying goods or services for that particular performance obligation is transferred to the customer. Identifying distinct promises (performance obligations) requires management to make significant judgements and estimates that may have a significant impact on the Group's net sales and earnings.

For further information, please refer to the Group's accounting policies and description of significant estimates and assumptions in note 1 and distribution of accounted revenue in note 4.

Our audit procedures included but were not limited to:

- › evaluation of the appropriateness of Group's revenue recognition principles and compliance with the same for each significant revenue stream;
- › gaining an understanding of significant transactions flows and review of key internal controls miti-

- gating the risk of significant financial statements misstatements;
- › detailed testing for a sample of revenue transactions including identification of performance obligations and testing of cut off based on transfer of control of performance obligations;
- › conducting data analytics review to ensure completeness and accurate cut-off of revenues;
- › detailed testing for a sample of revenue transactions with respect of existence and completeness of revenue by comparing reported revenue with customer payments and review of revenue accruals at year end; and
- › evaluation of disclosures for applied principles and recognized revenues.

#### Recognition and valuation of capitalized software development cost

Consolidated capitalized software development cost amounts to SEK 199.5 (162.3) million and includes internally generated development costs. Development costs are capitalized when the criteria's, described in the Group's accounting policies in note 1 are met.

The capitalization and subsequent measurement of internally generated software are based on the management's assessment of the future economic benefits. There is a risk that the development costs do not qualify for capitalization which could have a significant impact on the Group's earnings and financial position.

For further information, please refer to the Group's accounting policies and description of significant estimates and assumptions in note 1 and distribu-

## Auditor's report

tion of accounted intangible assets, description of impairment and identification of the cash generated units in note 10.

Our audit procedures included but were not limited to:

- › evaluation of the appropriateness of Group's principles for capitalization of internally generated software development costs;
- › gaining an understanding of the company's process for capitalization, amortization and impairment of capitalized software development costs and review of key internal controls mitigating the risk of significant financial statement misstatements;
- › detailed testing for a sample of capitalized software development costs and evaluation of management's assessment that capitalized development costs meets the criteria for capitalization;
- › evaluation of the Group's judgements, estimates and calculations in correlation with the impairment; and
- › evaluation of disclosures for applied principles and recognized development cost

### Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for other information. The other information includes the Remuneration Report and the pages 1–24 and 74–93 in this document.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts

and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern

basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- › Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control.

- › Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- › Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- › Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- › Evaluate the overall presentation, structure and content of the annual accounts and consolidated

## Auditor's report

accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- › Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of I.A.R Systems Group AB (publ) for the financial year 2022-01-01 – 2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the

proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- › has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

› in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our



## Auditor's report

opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the Esef report

#### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for I.A.R Systems Group AB (publ) (publ) for the financial year 2022-01-01 – 2022-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of I.A.R Systems Group AB (publ) (publ) in accor-

dance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of The Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML

format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Deloitte AB, was appointed auditor of I.A.R Systems Group AB (publ) by the general meeting of the shareholders on the 26th of April 2022 and has been the company's auditor since 24th of April 2012.

Stockholm April 3, 2023  
Deloitte AB

Signatures on Swedish original

Andreas Frountzos  
Authorized Public Accountant

## Corporate governance report

# Corporate governance report

I.A.R. Systems Group is a Swedish public limited company domiciled in Stockholm, Sweden. In 2022, the Group conducted operations in Sweden, the UK, Germany, France, the USA, Japan, Korea, China, Taiwan and India. IAR's share is quoted on the Mid Cap list of Nasdaq Stockholm.



Corporate governance in the Parent Company and the Group is regulated by such documents as the Articles of Association, the Swedish Companies Act and Nasdaq Stockholm's Rules for Issuers, which for I.A.R. Systems Group include application of the Swedish Code of Corporate Governance ("the Code") since July 1, 2008.

I.A.R. Systems Group's Articles of Association can be found at [www.iar.com](http://www.iar.com) under the heading "Investors". I.A.R. Systems Group complies with the rules in the Swedish Companies Act regarding the appointment and dismissal of board members and regarding amendments to the Articles of Association. I.A.R. Systems Group has not acted in violation of any of Nasdaq Stockholm's Rules for Issuers or generally accepted practices in the stock market.

## Shareholders

I.A.R. Systems Group's shares have been quoted on Nasdaq Stockholm since 1999. The share capital in I.A.R. Systems Group consists of class B and C shares, which carry one vote each. In total, there are 13,968,333 shares, divided between 13,660,291 class B shares and 308,042 class C shares. Class B shares grant equal rights to the company's assets and profits. Class C shares do not grant entitlement to dividends. All class C shares and 7,963 class B shares are held in treasury.

The number of shareholders in I.A.R. Systems Group at December 31, 2022 was 6,917 (7,271). Of these shareholders, 400 (471) held more than 1,000 shares each. Foreign shareholders held approximately 28% (27) of the share capital and 28% (27) of

the votes. For additional information about the shareholders and ownership structure, see pages 79–80.

## General meeting of shareholders

The general meeting of shareholders is the highest decision-making body through which the shareholders exercise their influence over the company. Shareholders who wish to participate in the general meeting, personally or through a proxy, must be recorded in the share register five weekdays prior to the general meeting and must notify the company in the manner specified in the convening of the meeting.

Notice of a general meeting is given through an announcement in the official gazette Post- och Inrikes Tidningar and on the company's website ([www.iar.com](http://www.iar.com)). On the date of the notice, an announcement stating that notice has been given is to be published in Svenska Dagbladet.

The Annual General Meeting (AGM) is to be held within six months from the end of the financial year. At the AGM, the shareholders resolve on the election of Board members and, when appropriate, the election of auditors, the principles for appointment of the nominating committee and discharge from liability for the Board of Directors and the CEO for the past year. The AGM also resolves on the adoption of the financial statements, appropriation of profits, fees for the Board of Directors and auditors and principles for remuneration for the CEO and other senior executives.

## 2022 Annual General Meeting

The AGM elected new Board members Sabina Lindén and Nicolas Hassbjer, and re-elected sitting Board members Cecilia Wachtmeister, Michael Ingelög and Fred Wikström. The AGM appointed Nicolas Hassbjer

as Board Chairman. It was furthermore decided that Board fees would be paid in an annual amount of SEK 500,000 to the Board Chairman and SEK 200,000 to each of the other Board members. No fees are paid to the Board members who are employed in the company.

The AGM resolved to appoint a nominating committee according to the following. The Board Chairman is to convene the company's four largest shareholders in terms of voting power, each of which is then to appoint a member to the nominating committee. In addition, the Chairman of the Board may be appointed to the nominating committee.

The AGM resolved in accordance with the Board's proposal to carry forward the profits from the 2021 financial year.

The Board of Directors was authorized, on one or several occasions during the period until the next AGM, to decide on the issue of new class B shares and/or convertibles entailing the issue of, or conversion to, a maximum total of 1,552,037 class B shares, corresponding to a dilution effect of approximately 10.0% of the share capital and about 10.0% of the number of votes after dilution.

The Board of Directors was also authorized, on one or several occasions during the period until the next AGM, to decide on the repurchase of a maximum number of class B shares whereby the holding of treasury shares at no time exceeds 10% of all registered shares in the company. The shares are to be acquired on Nasdaq Stockholm at a price that is within the registered price interval at any given time. The motive for the authorization is to give the Board greater freedom of action in optimizing the company's capital structure. The Board of Directors was furthermore authorized to decide on the sale of the company's treasury

## Corporate governance report

shares in exchange for cash payment, disapplying the shareholder's preemptive rights, or as payment for the acquisition of a company or operation.

### Board of Directors

The Board of Directors consists of five members elected by the AGM and no deputies. The members selected by the AGM are appointed to serve for the period until the next AGM in accordance with the Code. There is no rule stipulating the maximum period of time for which a member can serve on the Board. The Board members and their dependency status in relation to the company's shareholders, etc., are shown in the table to the right.

The average age of the Board members is 56 years and two of the five members are women. The nominating committee considers all of the Board members to be independent in relation to the company, its management and the company's major shareholders. I.A.R. Systems Group meets the requirements in the Code regarding the Board of Directors' independence in relation to the company, its management and the company's major shareholders.

### Work and responsibilities of the Board

According to the Swedish Companies Act, the Board is also responsible for ensuring that the Group's organization is suitably structured so that the company's accounting, cash management and other financial circumstances can be controlled satisfactorily. The work of the Board is regulated by the Swedish Companies Act, the Articles of Association, the Code and the rules of procedure that are adopted yearly by the Board. The rules of procedure describe the division of responsibilities between the Board of

Directors, the Board Chairman and the CEO, and also contain provisions to secure the Board's need for continuous information and financial reporting, as well as instructions for the CEO.

Among other things, the rules of procedure state that the Board Chairman and CEO are to work closely to monitor the Group's development and to plan and lead Board meetings. The Chairman is responsible for ensuring that the Board carries out an annual self-assessment of its performance and evaluates its own work routines, and that the Board is continuously provided with the information needed to perform its duties effectively. The Chairman represents the company in matters related to the shareholders. The Board regularly evaluates the CEO's work. The Board is to address the matter at least once per year without the presence of the CEO or management.

The tasks of the Board are to formulate I.A.R. Systems Group's overall goals and strategies, to prepare budgets and business plans, to discuss and approve the annual accounts and interim reports, and to establish key policies and regulatory systems. The Board monitors the Group's financial performance, ensures the quality of the financial reporting and internal control, and regularly follows up and evaluates the business activities based on the Board's established targets and guidelines. The Board also decides on major investments and changes in I.A.R. Systems Group's organization and operations.

### Work of the Board in 2022

In 2022, the Board held eight meetings, of which seven were scheduled and one was an extraordinary meeting. Each of the regular meetings followed an approved agenda, and both the proposed agendas

Board 2022	Elected	Dependent	Remuneration committee	Audit committee
Nicolas Hassbjerg, Chairman	2021	No	Chairman	Chairman
Cecilia Wachtmeister	2021	No	Member	Member
Sabina Lindén	2022	No	Member	Member
Michael Ingelög	2019	No	Member	Member
Fred Wikström	2019	No	Member	Member

Remuneration to CEO, other senior executives and the Board for 2022 is recognised in Note 6 on pages 52-54.

and underlying documentation were sent to the Board members prior to each meeting. The CEO and certain other senior executives in the company took part in Board meetings in a reporting capacity and the company's CFO served as secretary of the Board. At the Board meetings, the Board dealt with the fixed items on the agenda for each meeting, such as the business and market situation, financial reporting and monitoring, the company's financial position and investments. The Board members' attendance at meetings is shown in the table on page 76.

### Remuneration to the Board

The Chairman and other members of the Board of Directors are paid fees in accordance with the decision of the AGM. No additional remuneration is paid for work on the Board's committees. No Board fees are paid to members who receive a salary from companies in I.A.R. Systems Group.

### Board committees and committee work

In order to address the Board members' independence, two committees have been established: the remuneration committee and the audit committee, whose members are appointed by the Board. The main task of these committees is to prepare proposals for decision by the Board. The committees do not constitute any delegation of the legal responsibilities of the Board and its members. The issues dealt with at the committee meetings are reported verbally to the Board at the following Board meetings. No additional remuneration is paid for work on the Board's committees. See also pages 77-78 for a description of the nominating committee and other Board committees.

### Auditors

The independent auditor is appointed by the AGM and its task is to examine the company's financial reporting and the administration of the company by

Corporate governance report

the Board of Directors and the CEO. The auditor was appointed by the 2022 AGM, at which time Deloitte was elected as auditor to serve for the period until the end of the 2023 AGM. Auditor in Charge is Andreas Frountzos (born in 1981). In addition to I.A.R. Systems Group AB, he has audit assignments for TV4 AB, Asperia AB and BAE Systems AB.

On two occasions during the year, the Auditor in Charge met with the Board to present the focus and scope of the audit, report his observations from the review of the interim report at September 30, his evaluation of internal control and the audit of the annual accounts for the 2022 financial year. On one occasion during the year, the Board met with the auditor without the presence of the CEO or other members of the company's management.

Deloitte issues an auditor's report regarding I.A.R. Systems Group AB, I.A.R. Systems AB and the Group. Deloitte also performs non-audit services for the companies in the IAR Group. These have mainly consisted of tax consultations in direct connection with the audit. For this work, Deloitte invoiced a total

amount of SEK 0.4m (0.4) in 2022. The auditor is paid fees in accordance with the decision of the AGM. For information about fees to auditors in 2022 and 2021, see Note 5 on page 51.

**CEO**

The Board appoints the President of I.A.R. Systems Group AB, who is also the CEO. The CEO is responsible for day-to-day management of operations in the Parent Company and the Group.

The CEO supervises operations according to the instructions adopted by the Board. He is responsible for ensuring that the Board members are supplied with the necessary information and decision data ahead of Board meetings, presents reports and submits well-founded proposals for decision. The CEO provides the members of the Board monthly with the information needed to monitor the financial position, activities and development of the Parent Company and the Group and keeps the Board Chairman continuously informed about operations.

The CEO takes the necessary measures to ensure

that the company's financial accounting and reporting are carried out in compliance with law and that financial management is handled in a satisfactory manner. A more detailed description of the division of responsibilities between the Board and the CEO is provided in written instructions to the CEO, which are updated annually.

**Remuneration to the CEO and other senior executives**

The principles for remuneration to the CEO and other senior executives are prepared by the remuneration committee and presented to the Board, which puts forward proposals for such principles for approval by the AGM. The group Other senior executives refers to Group management. For 2022, the Group applied the principles for remuneration and other terms of employment for senior executives that were approved by the AGM. Remuneration to the CEO and other senior executives consists of fixed salary, variable salary, RSUs in the form of a long-term incentive program, pension, and other customary benefits.

**Board's financial calendar**

Quarter	Month	Activity
Q1	February	Meeting regarding year-end report and the financial results for the full-year
	March	Approval of the annual report
Q2	April	Q1 report meeting Statutory meeting
Q3	August	Q2 report meeting
	September	Strategy meeting
Q4	October	Q3 report meeting
	December	Meeting regarding business plan and financial plan

**Attendance at Board meetings in 2022**

	Feb 10	Mar 17	Apr 26	Apr 26 Stat.	May 20	Aug 17	Oct 27	Nov 21	Total
Nicolas Hassbjer, Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Cecilia Wachtmeister	✓	✓	✓	✓	✓	✓	✓	✓	8
Michael Ingelög	✓	✓	✓	✓	✓	✓	-	✓	7
Kent Sander	✓	✓	✓	-	-	-	-	-	3
Fred Wikström	✓	✓	✓	✓	✓	✓	✓	✓	8
Sabina Lindén	-	-	-	✓	✓	✓	✓	✓	5

## Corporate governance report

Variable remuneration is only paid to sales personnel. Maximum remuneration corresponds to 50% of fixed salary. Pension benefits and other benefits are paid as part of the total remuneration package.

In 2022, as part of the agreement regarding pension levels with the CEO, who took office in 2021, the Board exercised its mandate to deviate from the guidelines for remuneration to senior executives. The guidelines state that pension is to be calculated with a retirement age of 62. Instead, IAR is transitioning to an occupational pension, whereby the retirement age does not impact the monthly contribution amount, but rather an estimate is made of the contributions until the person turns 65.

### Gender equality and diversity policy

Differences between people may include gender, ethnic origin, age, disability, religion and sexual orientation, but also experience, qualifications, living circumstances and values. In combination, this creates a dynamic diversity, which contributes new perspectives and ideas.

This collective diversity comprises IAR's expertise, which is a strategic asset in the Group's business and operational development. IAR views gender equality and diversity as both self-evident and a strength, and therefore strives for diversity in its staffing profile and in recruitment.

Our gender equality policy aims to discourage the selection of individuals as members of different groups based solely/primarily on gender, and to ensure that groups are not made up solely of one gender.

Positions are filled based on the stipulated applicant profile. When applicants have equivalent qualifications, IAR is to ensure that the company's working

groups have a good structure and that IAR uses the time and expertise of its employees in a manner that promotes the development of both the business and the individual.

When choosing suitable applicants for vacant positions, the company must also work to achieve the broadest possible mix of ages and ethnic backgrounds. The objective is to achieve as even a distribution as possible of all duties at the workplace, and for the company to discourage gender marking of various tasks and positions.

During the year, the values and goals encompassed by this policy played a distinct and active role in the company's daily activities.

### Internal control

The Swedish Companies Act and the Swedish Code of Corporate Governance state that the Board of Directors is responsible for ensuring that the company has satisfactory internal control, for staying informed about the company's internal control system and for evaluating the effectiveness of this system.

### Control environment

The basis for internal control in I.A.R. Systems Group is the control environment, which includes the organizational structure, decision-making paths, powers and responsibilities. The control environment is documented and communicated in the form of normative documents such as internal policies, guidelines and instructions. These include the division of responsibilities between the Board of Directors and the CEO and instructions for signatory powers, accounting and reporting.

### Risk assessment

The Board of Directors has ultimate responsibility for the company's risk management. Controlled risk-taking is achieved through a well-defined organization and decision-making procedures that include a high level of risk awareness among the employees and the application of uniform definitions and principles within an established framework. The primary risk areas are the account closing process in connection with financial reporting, operational risks and legal risk.

### Control activities over the financial reporting

The Group's business processes include financial controls that regulate approval and reporting of business transactions. The account closing and reporting process contains controls for aspects such as accounting, valuation and disclosure requirements and regarding the application of significant accounting policies and estimates both in the individual subsidiaries and at the Group level.

Certain subsidiaries in I.A.R. Systems Group have their own financial directors that take part in planning and evaluation of financial results in their units. Regular analysis of financial reporting in the respective units covers significant items such as assets, liabilities, revenue, expenses and cash flow. For the subsidiaries that do not have their own financial directors, a more in-depth analysis is carried out at the Group level. Together with the analysis performed at the Group level, this important aspect of internal control contributes to ensuring that the financial reports contain no material misstatements.

The quality of the external financial reports is safeguarded through a number of procedures and routines. All reports and press releases are posted on I.A.R. Systems Group's website in connection with publication.

Given the size of the Group along with the work of the audit committee and the effective control procedures developed and implemented, the Board has found no reason to introduce a special internal audit function.

## Remuneration committee

The remuneration and other terms of employment for senior executives are to be designed to secure the company's access to executives with the requisite qualifications, at a cost that is adapted to company's circumstances and so as to ensure that they have the intended effects on the company's operations.

### Remuneration Committee, one meeting

Nicolas Hassbjer, *Chairman*  
Michael Ingelög, Cecilia Wachtmeister, Sabina Lindén,  
Kent Sander and Fred Wikström

I.A.R. Systems Group's remuneration committee complies with the provisions in the Code, which state, among other things, that the members of the remuneration committee are to be independent in relation to the company and its management. All members of the remuneration committee are independent in relation to the company, its management and the company's major shareholders. The remuneration committee is appointed by the Board. The committee has addressed matters of principle regarding variable salary for senior executives and general matters related to guidelines and policies for senior executives. The committee has also dealt with the salary and other terms of employment for the CEO.

Ahead of the 2023 AGM, the committee has prepared

## Corporate governance report

proposed principles for remuneration and other terms of employment for senior executives which the Board will then present for approval by the AGM in accordance with the Swedish Companies Act and the Code. All sitting Board members at the time were in attendance at the meeting held on October 17, 2022.

### Audit committee

The audit committee comprises all Board members, and monitors and evaluates the external audit process, and is also responsible for supporting the work of the Board in ensuring the quality of the company's financial reporting, maintaining continuous contact with the company's auditor and studying and assessing reports from the independent auditor.

#### Audit committee

Nicolas Hassbjer, *Chairman*  
Michael Ingelög, Cecilia Wachtmeister, Sabina Lindén,  
Kent Sander and Fred Wikström

The committee is responsible, among other tasks, for assessing the auditors' independent status in relation to the company, including the scope of the auditors' non audit-related services for the company.

### Nominating committee

The Code states that the nominating committee is a body of the AGM whose only task is to prepare and put forward proposals for resolution by the AGM regarding

election and remuneration and, when appropriate, procedural matters for the upcoming nominating committee. Regardless of how they have been appointed, the members of the nominating committee are to serve the interests of all shareholders.

#### The nominating committee ahead of the 2023 comprised:

Jonas Eixmann, Andra AP-fonden, *Chairman*  
Jonas Rennmark, Arbetsmarkedets Tillægspension  
Markus Lindqvist, Aktia and Petter Mattsson, Alcur  
The AGM on April 27, 2022 resolved to appoint a nominating committee according to the following principles. By September 30, 2022, at the latest, the Board Chairman shall convene the four largest shareholders in the company in terms of voting power, each of which shall then appoint a member to the nominating committee. In addition, the Chairman of the Board may be co-opted to the nominating committee. The composition of the nominating committee is to be made public not later than six months prior to the 2023 AGM. In the event of material changes to the ownership structure, the composition of the nominating committee may be changed in accordance with the above policies.

The nominating committee has interviewed all the Board members and evaluated the Board's performance, qualifications and composition. In its evaluation of the Board, the nominating committee has placed particular emphasis on the requirement for diversity and breadth on the Board and the requirement to strive for an even gender distribution. Shareholders were welcome to submit proposals and viewpoints to the nominating committee. The nominating committee's proposals have been announced

in the notice to attend the AGM, on the company's website and at the 2023 AGM.

The members have not received any fees or remuneration from I.A.R. Systems Group for their work on the nominating committee.

#### Proposals to be submitted to the 2023 AGM for resolution:

- › Chairman of the AGM
- › The number of Board members and amount of Board fees, divided between the Chairman and other Board members
- › Election of Board members and the Board Chairman
- › Election of auditor and fees to the company's auditor
- › The nominating committee ahead of the 2024 AGM.

The corporate governance report for 2022 has been reviewed by I.A.R. Systems Group's auditors, in accordance with the provisions of the Swedish Annual Accounts Act.

### The auditor's examination of the corporate governance statement

To the general meeting of the shareholders of I.A.R Systems Group AB (publ) corporate identity number 556400-7200

#### Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement for the financial year 2022-01-01 - 2022-12-31 on pages 74-78 and that it has been prepared in accordance with the Annual Accounts Act.

#### The scope of the audit

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standards RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

#### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm April 3, 2023  
Deloitte AB

Signatures on Swedish original

Andreas Frountzos  
Authorized Public Accountant



## The share

# The share

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm, under the ticker symbol IAR. The share price at December 31, 2022 was SEK 150.4 (117.8) and the market capitalization was SEK 2,054m (1,608).

## Share data

I.A.R. Systems Group's class B share (IAR B) is quoted on the Mid Cap list of Nasdaq Stockholm, and a round lot consists of 1 (one) share. During the year, the share price (last price paid, reinvested value) varied from a low of SEK 100.2 (100.0) to a high of SEK 162.4 (166.0). The share price at December 31, 2022 was SEK 150.4 (117.8). I.A.R. Systems Group's market capitalization on the same date was SEK 2,054m (1,608).

The number of shareholders in I.A.R. Systems Group at December 31, 2022 was 6,916 (7,271). Of these shareholders, 400 (472) held more than 1,000 shares each. Foreign shareholders held approximately 28% (27) of the share capital and 28% (27) of the votes.

I.A.R. Systems Group's share capital at December 31, 2022 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All of the class C shares and 7,963 of the class B shares are held in treasury. These are not included in the information submitted regarding the IAR Systems Group share.

## Dividend proposal

Ahead of the AGM on April 26, 2023, the Board intends to propose a dividend of SEK 1.50 per share.

## Dividend policy

The Board of Directors intends to propose an annual dividend, or other similar transfer of value, corresponding to 30–50% of profit after tax. In addition, the Board may recommend a further transfer of capital to the shareholders, provided that the Board considers this action to be justified in view of anticipated future cash flow and the company's investment plans.

## Authorizations

The Board of Directors was authorized, on one or several occasions during the period until the next AGM, to decide on the issue of new class B shares and/or convertibles entailing the issue of, or conversion to, a maximum total of 1,552,037 class B shares, corresponding to a dilution effect of approximately 10.0% of the share capital and about 10.0% of the number of votes after dilution.

The Board of Directors was also authorized, on one or several occasions during the period until the next AGM, to decide on the repurchase of a maximum number of class B shares whereby the holding of treasury shares at no time exceeds 10% of all registered shares in the company. The shares are to be acquired on Nasdaq Stockholm at a price that is within the registered price interval at any given time. The motive for the authorization is to give the Board greater freedom

## Largest shareholders at December 31, 2022<sup>1</sup>

	No. of class B shares	Total no. of shares	% of capital	Total no. of votes	% of votes
Andra AP-fonden	1,295,415	1,295,415	9.48	1,295,415	9.48
Tredje AP-fonden	828,930	828,930	6.07	828,930	6.07
Alcur Select	826,846	826,846	6.05	826,846	6.05
Avanza Pension	701,842	701,842	5.14	701,842	5.14
Northern Trust Company London	700,428	700,428	5.13	700,428	5.13
Fjärde AP-fonden	690,000	690,000	5.05	690,000	5.05
Arbetsmarknedets Tillaegspension	580,320	580,320	4.25	580,320	4.25
Enter Småbolagsfond	561,429	561,429	4.11	561,429	4.11
Sijoitusrahasto Aktia Nordic Mid	525,000	525,000	3.84	525,000	3.84
Ribbskottet Aktiebolag	500,000	500,000	3.66	500,000	3.66
Sijoitusrahasto Aktia Nordic	432,279	432,279	3.16	432,279	3.16
Säästöpankki Itämeri – Sijoitusrahas, to	285,556	285,556	2.09	285,556	2.09
Fondita Nordic Small Cap Investment Fund	270,000	270,000	1.98	270,000	1.98
Tequity Invest AB	227,605	227,605	1.67	227,605	1.67
JP Morgan SE, Luxembourg Branch	226,935	226,935	1.66	226,935	1.66
<b>Total 15 largest shareholders</b>	<b>8,652,585</b>	<b>8,652,585</b>	<b>63.34%</b>	<b>8,652,585</b>	<b>63.34%</b>
Other	5,007,705	5,007,705	36.66%	5,007,705	36.66%
<b>Total</b>	<b>13,660,291</b>	<b>13,660,291</b>	<b>100.00%</b>	<b>13,660,291</b>	<b>100.00%</b>

<sup>1</sup> Shares held directly and through nominees, excluding 308,042 class C shares held in treasury.

## Distribution of shareholdings at December 31, 2022<sup>1</sup>

	No. of class B shares	Total no. of shares	% of capital	Total no. of votes	% of votes	No. of shareholders	% of shareholders
1–500	481,786	481,786	3.53	481,786	3.53	6,189	89.54
501–1,000	261,696	261,696	1.92	261,696	1.92	324	4.69
1,001–10,000	892,313	892,313	6.53	892,313	6.53	314	4.54
10,001–	12,024,496	12,024,496	88.03	12,024,496	88.03	86	1.23
<b>Total</b>	<b>13,660,291</b>	<b>13,660,291</b>	<b>100.00</b>	<b>13,660,291</b>	<b>100.00</b>	<b>6,913</b>	<b>100.00</b>

<sup>1</sup> Shares held directly and through nominees, excluding 308,042 class C shares held in treasury.

The share

of action in optimizing the company's capital structure. The Board of Directors was furthermore authorized to decide on the sale of the company's treasury shares in exchange for cash payment, disapplying the shareholder's preemptive rights, or as payment for the acquisition of a company or operation.

**Incentive programs**

As of December 31, 2022, the Group had two incentive programs outstanding, LTI 2022 and Exchange Allotment 2018.

**LTI 2022**

In accordance with the decision of the Extraordinary General Meeting (EGM) on June 13, 2022, a three-year long-term incentive program for key IAR Group employees has been introduced, LTI 2022. The program includes restricted stock units (RSUs) and covers a maximum of 140,000 shares in I.A.R. Systems Group AB, which were allocated to a maximum of 140 employees at four different levels within the Group.

As of December 31, 2022, there were 138,250 RSUs outstanding.

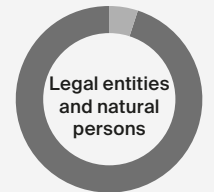
The shares will be transferred to individuals free of charge after three years, provided that the performance conditions established during the period have been achieved. The performance conditions for this program are that the Group's operating margin is to be at least 20% for each year and that the increase in the Group's net sales is to be between 10% and 15% for each year. The allotted RSUs are vested at a rate of one third from the date of allotment (November 7, 2022) until August 31, 2023, August 31, 2024 and August 31, 2025. Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the period conditions for the program have been fulfilled, which is expected to take place in the fourth quarter of 2025. In the event that all RSUs outstanding as of December 31, 2022 were to be exercised for shares, this would entail total dilution of approximately 1.0% of the number of shares outstanding and votes in the company.

**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 EGM 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 45,077 stock options were exercised and 21,774 stock options were forfeited.

**Shareholder data**

Shareholder data is based on information from Euroclear Sweden AB on December 31, 2022 and pertains to the share of votes, unless otherwise stated.



Incentive programs LTIP		Total	Subscribed/Allotted	Exercised Dec 31, 2022	Forfeited Dec 31, 2022	Qualified Dec 31, 2022	Qualified after Dec 31, 2022
LTI 2022	Restricted stock units	140,000	140,000	0	1,750	0	138,250

Exchange allotment		Total	Subscribed/Allotted	Exercised Dec 31, 2022	Forfeited Dec 31, 2022	Qualified Dec 31, 2022	Qualified after Dec 31, 2022
2018	Stock options	73,413	73,413	45,077	21,774	6,562	0

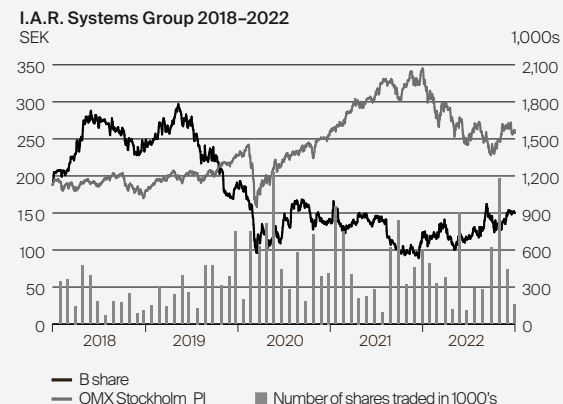
The share

Share data	2022	2021
Equity per share, SEK	48.81	42.88
No. of shares at end of year, million	13.66	13.64
Average no. of shares, million	13.65	13.64
Cash flow from operating activities per share, SEK	9.36	9.65
Earnings per share, SEK <sup>1</sup>	4.23	-4.94
Dividend or equivalent per share, SEK	1.5	-
No. of shareholders	6,917	7,271
Last price paid on December 31 or similar, SEK	150.4	117.8

<sup>1</sup> Definition in accordance with IFRS.

Share price

The graphs below are based on the share price, meaning the last price paid (reinvested value), which has risen from SEK 23.49 on January 1, 2012 to SEK 150.40 on December 31, 2022.



## Definitions

# Definitions

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 by the company.

Key performance measures	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 79.4% 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

Key performance measures	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

# Reconciliations

**Gross margin** is calculated as net sales less the cost of goods sold as a percentage of net sales.

SEK m	2022	2021	2020	2019	2018
Net sales	419.9	355.9	372.0	405.6	385.2
Goods for resale	-12.8	-12.0	-14.1	-10.8	-9.0
Gross profit	407.1	343.9	357.9	394.8	376.2
<b>Gross margin</b>	<b>97.0%</b>	<b>96.6%</b>	<b>96.2%</b>	<b>97.3%</b>	<b>97.7%</b>

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

SEK m	2022	2021	2020	2019	2018
Operating profit	75.7	65.7*	83.8	108.4	115.6
Depreciation of property, plant and equipment	5.3	3.7	3.1	3.1	2.6
Depreciation of right-of-use assets	20.2	16.7	17.2	9.8	-
Amortization of intangible assets	27.8	33.8	28.6	24.5	21.9
<b>EBITDA</b>	<b>129.0</b>	<b>119.9*</b>	<b>132.7</b>	<b>145.8</b>	<b>140.1</b>

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

SEK m	2022	2021	2020	2019	2018
Net sales	419.9	355.9	372.0	405.6	385.2
EBITDA	129.0	119.9*	132.7	145.8	140.1
<b>EBITDA margin</b>	<b>30.7%</b>	<b>33.7%*</b>	<b>35.7%</b>	<b>35.9%</b>	<b>36.4%</b>

**Operating margin** is calculated as operating profit as a percentage of net sales.

SEK m	2022	2021	2020	2019	2018
Net sales	419.9	355.9	372.0	405.6	385.2
Operating profit	75.7	65.7*	83.8	108.4	115.6
<b>Operating margin</b>	<b>18.0</b>	<b>18.5%*</b>	<b>22.5%</b>	<b>26.7%</b>	<b>30.0%</b>

\*Adjusted for non-recurring items, refer to Reconciliations on page 87.

**Profit margin** is calculated as profit before tax as a percentage of net sales.

SEK m	2022	2021	2020	2019	2018
Net sales	419.9	355.9	372.0	405.6	385.2
Profit before tax	73.5	65.6*	76.8	107.0	113.8
<b>Profit margin</b>	<b>17.5%</b>	<b>18.4%*</b>	<b>20.6%</b>	<b>26.4%</b>	<b>29.5%</b>

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

SEK m	2022	2021	2020	2019	2018
Net sales	419.9	355.9	372.0	405.6	385.2
Cash flow from operating activities	127.7	131.6	118.4	105.7	92.6
<b>Cash flow</b>	<b>30.4%</b>	<b>37.0%</b>	<b>31.8%</b>	<b>26.1%</b>	<b>24.0%</b>



## Reconciliations

**Equity/assets ratio** is calculated as equity as a percentage of total assets.

SEK m	2022	2021	2020	2019	2018
Equity	666.8	585.3	613.4	592.0	550.0
Total assets	922.2	812.8	833.5	824.9	722.2
<b>Equity/assets ratio</b>	<b>72.3</b>	<b>72.0%</b>	<b>73.6%</b>	<b>71.8%</b>	<b>76.2%</b>

**Average equity** is calculated as equity at the beginning of the year plus equity at the end of the year divided by two.

SEK m	2022	2021	2020	2019	2018
Equity	666.8	585.3	613.4	592.0	550.0
SEK m	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Average equity</b>	<b>626.1</b>	<b>599.4</b>	<b>602.7</b>	<b>571.0</b>	<b>420.2</b>

**Return on equity** is calculated as profit after tax as a percentage of average equity.

SEK m	2022	2021	2020	2019	2018
Profit/loss after tax	57.8	-67.4	59.4	81.2	87.6
Average equity	626.1	599.4	602.7	571.0	420.2
<b>Return on equity</b>	<b>9.2%</b>	<b>-11.2%</b>	<b>9.9%</b>	<b>14.2%</b>	<b>20.8%</b>

**Interest-bearing liabilities** are calculated as non-current interest-bearing liabilities plus current interest-bearing liabilities.

SEK m	2022	2021	2020	2019	2018
Non-current interest-bearing liabilities	50.3	19.5	31.7	41.1	1.2
Current interest-bearing liabilities	19.0	36.5	34.6	38.0	1.6
<b>Interest-bearing liabilities</b>	<b>69.3</b>	<b>56.0</b>	<b>66.3</b>	<b>79.1</b>	<b>2.8</b>

**Non-interest-bearing liabilities** are calculated as non-current liabilities plus current liabilities less interest-bearing liabilities.

SEK m	2022	2021	2020	2019	2018
Non-current liabilities	82.1	49.0	70.0	68.7	32.4
Current liabilities	173.3	178.5	150.1	164.2	139.8
Interest-bearing liabilities	-69.3	-56.0	-66.3	-79.1	-2.8
<b>Non-interest-bearing liabilities</b>	<b>186.1</b>	<b>171.5</b>	<b>153.8</b>	<b>153.8</b>	<b>169.4</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 year plus capital employed at the end of the year divided by two.

SEK m	2022	2021	2020	2019	2018
Total assets	922.2	812.8	833.5	824.9	722.2
Non-interest-bearing liabilities	-186.1	-171.5	-153.8	-153.8	-169.4
<b>Capital employed</b>	<b>736.1</b>	<b>641.3</b>	<b>679.7</b>	<b>671.1</b>	<b>552.8</b>

SEK m	2022	2021	2020	2019	2018
Average capital employed	688.7	660.5	675.4	612.0	422.8

## Reconciliations

**Return on capital employed** is calculated as profit before tax plus financial expenses as a percentage of average capital employed.

SEK m	2022	2021	2020	2019	2018
Profit before tax	73.5	-68.6	76.8	107.0	113.8
Financial expenses	2.5	1.6	7.5	2.6	1.9
Profit/loss before tax plus financial expenses	76.0	-67.0	84.3	109.6	115.7
<b>Return on capital employed</b>	<b>11.0%</b>	<b>-10.1%</b>	<b>12.5%</b>	<b>17.9%</b>	<b>27.4%</b>

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

SEK m	2022	2021	2020	2019	2018
Cash and cash equivalents	148.2	113.4	67.8	60.7	106.1
Interest-bearing liabilities	-69.3	-56.0	-66.3	-79.1	-2.8
<b>Net cash</b>	<b>78.9</b>	<b>57.4</b>	<b>1.5</b>	<b>-18.4</b>	<b>103.3</b>

**Net debt/equity ratio** is calculated as net interest-bearing liabilities divided by equity.

SEK m	2022	2021	2020	2019	2018
Interest-bearing liabilities	69.3	56.0	66.3	79.1	2.8
Cash and cash equivalents	-148.2	-113.4	-67.8	-60.7	-106.1
Net interest-bearing liabilities	-78.9	-57.4	-1.5	18.4	-103.3
<b>Net debt/equity ratio</b>	<b>-0.12</b>	<b>-0.09</b>	<b>-0.00</b>	<b>0.03</b>	<b>-0.19</b>

**Equity per share** is calculated as equity divided by the number of shares at the end of the year.

SEK m	2022	2021	2020	2019	2018
Equity	666.8	585.3	613.4	592.0	550.0
No. of shares at end of year, million	13.66	13.65	13.64	13.63	13.62
<b>Equity per share</b>	<b>48.81</b>	<b>42.88</b>	<b>44.97</b>	<b>43.43</b>	<b>40.38</b>

**Average number of shares** is calculated as the number of shares at the beginning of the year plus the number of shares at the end of the year divided by two.

	2022	2021	2020	2019	2018
No. of shares, million	13.66	13.65	13.64	13.63	13.62
<b>Average no. of shares, million</b>	<b>13.65</b>	<b>13.64</b>	<b>13.63</b>	<b>13.63</b>	<b>13.13</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	2022	2021	2020	2019	2018
Cash flow from operating activities	127.7	131.6	118.4	105.7	92.6
Average no. of shares, million	13.65	13.64	13.63	13.63	13.13
<b>Cash flow from operating activities per share</b>	<b>9.36</b>	<b>9.65</b>	<b>8.69</b>	<b>7.75</b>	<b>7.05</b>

## Reconciliations

**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 2022 and 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	2022	2021	Adjust- ment	2021 adjusted
Net sales	419.9	355.9		355.9
Other income	2.9	2.1		2.1
Capitalized work on own account	50.2	64.4		64.4
Goods for resale	-12.8	-12.0		-12.0
Other external expenses	-58.2	-48.3		-38.3
Personnel costs	-273.0	-258.2	16.0	-242.2
Depreciation of property, plant and equipment	-4.8	-3.7		-3.7
Depreciation of right-of-use assets	-20.7	-16.7		-16.7
Amortization of intangible assets	-27.8	-33.8		-33.8
Impairment of intangible assets	-	-118.2	118.2	-
<b>Operating profit</b>	<b>75.7</b>	<b>-68.5</b>		<b>65.7</b>

Board of Directors

# Board of Directors



**Nicolas Hassbjer**  
Board Chairman

**Born in:** 1967.  
**Board member:** Since 2021.  
**Education:** Honorary doctorate in information technology.  
**Employment/other board assignments:** Chairman of Yaskawa Robotics Nordic, Sigicom and Tequity, Deputy Chairman of the Chalmers University of Technology Foundation and Board member of Consafe Logistics and LumenRadio.  
**Work experience:** Founder of HMS Networks (CEO from 1988 to 2009 and Deputy Chairman until 2013) and extensive experience in international sales, the Internet of Things and embedded systems.  
**Shareholding:** 266,814 class B shares (March 7, 2023).  
 Independent in relation to the company and management.  
 Independent in relation to the company's major shareholders.



**Michael Ingelög**  
Board member

**Born in:** 1971.  
**Board member:** Since 2019.  
**Education:** BSc in business administration from Uppsala University.  
**Employment/other board assignments:** CEO and founder of MiMain, Chairman and co-founder of Stabelo, and Chairman and member of several boards.  
**Work experience:** Long career in the finance sector in various senior positions, including at Svenska Handelsbanken, Deutsche Bank and Credit Suisse.  
**Shareholding:** 2,000 class B shares (February 28, 2023).  
 Independent in relation to the company and management.  
 Independent in relation to the company's major shareholders.



**Sabina Lindén**  
Board member

**Born in:** 1979.  
**Board member:** Since 2022.  
**Education:** Bachelor of Human Resource Management from the University of Gothenburg.  
**Employment/other board assignments:** Group Chief Human Resource Officer at Unident Group, and board assignments in Sigicom AB, Lumen Radio AB, and WOW Foundation. HR Director at HMS Networks AB for more than ten years.  
**Shareholding:** 400 class B shares (February 10, 2023).  
 Independent in relation to the company and management.  
 Independent in relation to the company's major shareholders.



**Cecilia Wachtmeister**  
Board member

**Born in:** 1966.  
**Board member:** since 2021  
**Education:** MSc in industrial engineering from the Institute of Technology at Linköping University.  
**Employment/other board assignments:** Executive Vice President, Business & Group Functions at KAMBI Plc and Board member of HMS Networks AB and Smart Eye AB.  
**Work experience:** Several years in various senior positions at Ericsson AB, both in Sweden and abroad.  
**Shareholding:** 2,500 class B shares (February 28, 2023).  
 Independent in relation to the company and management.  
 Independent in relation to the company's major shareholders.



**Fred Wikström**  
Board member

**Born in:** 1970.  
**Board member:** Since 2019.  
**Education:** LL.M. from Stockholm University.  
**Employment/other board assignments:** Own investments and corporate finance and M&A consultant.  
**Work experience:** Over 15 years' experience of starting, developing and operating companies, including as the co-founder of POC.  
**Shareholding:** 35,400 class B shares (including related parties' holdings) (February 28, 2023).  
 Independent in relation to the company and management.  
 Independent in relation to the company's major shareholders.

## Management

## Management

**Richard Lind**

CEO

**Born in:** 1964.**Education:** IHM and several internal training programs at Microsoft. Microsoft/Wharton internal MBA program.**Work experience:** Extensive experience of the technology sector, including various senior positions at Microsoft, both internationally and in Sweden, for 18 years.**Shareholding:** 13,000 class B shares (February 28, 2023).**Warrant holding:** No holdings (February 28, 2023).**Anders Holmberg**

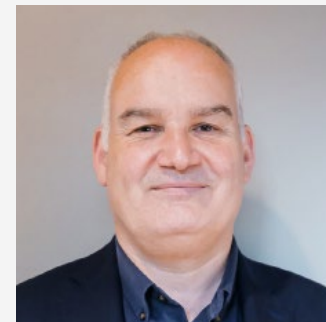
Chief Technology Officer (CTO)

**Born in:** 1967.**Education:** BSc in mathematics and computer science, Uppsala University.**Work experience:** Has worked at IAR Systems for 17 years, mainly in advanced solutions for developing embedded systems. Early career in parallel computers and supercomputers. Later a university lecturer, technical consultant, C/C++ developer and development manager.**Shareholding:** No holdings (February 28, 2023).**Warrant holding:** No holdings (February 28, 2023).**Ann Zetterberg**

Chief Financial Officer (CFO)

**Born in:** 1967.**Education:** BSc in business administration from Stockholm University.**Work experience:** More than 20 years of experience as a CFO, including at Accent Equity Partners and the technology firm Brighter. Board experience primarily in the mining industry, as a Board member of Endomines and Chairman of the Board of Copperstone Resources.**Shareholding:** 1,076 class B shares (February 28, 2023).**Warrant holding:** No holdings (February 28, 2023).**Jesper Rydåker**

Chief Marketing and Communications Officer (CMCO)

**Born in:** 1970.**Education:** Berghs School of Communication, IHM Business School, Kellogg School of Management, Stockholm School of Economics.**Work experience:** More than 20 years of experience in marketing and communications in multinational companies specializing in the development of soft ware or service deliveries.**Shareholding:** No holdings (February 28, 2023).**Warrant holding:** No holdings (February 28, 2023).**Haydn Povey**Chief Strategy Officer (CSO)  
left IAR in spring 2023**Born in:** 1970.**Education:** MSc in electrical engineering, University of Kent.**Work experience:** Board member of the IoT Security Foundation. Senior positions at global technical companies for more than 20 years, including over ten years at Arm, where he led the company's security strategy in the mobile and IoT domains. Participated in discussions concerning security standards at the government level in the USA as well as the UK.**Shareholding:** 125,000 class B shares (February 28, 2023).**Warrant holding:** No holdings (February 28, 2023).**Peter Johansson**

VP Engineering, IAR Embedded Development Solutions

**Born in:** 1973.**Education:** BSc in embedded real-time systems from Mälardalen University.**Work experience:** More than 25 years of experience in the embedded systems domain, including in telecommunications, robotics, network management systems, train control management systems, and industrial data communications.**Shareholding:** No holdings (February 28, 2023).**Warrant holding:** No holdings (February 28, 2023).

Management



**Tim Woodruff**

VP Engineering, IAR Embedded Security Solutions

**Born in:** 1965.

**Education:** BSc in Micro-electronics and Computing, MBA.

**Other professional qualifications:** UK Chartered Engineer.

**Work experience:** Over 35 years of experience in developing systems. Has worked at IAR for five years, most recently with responsibility for engineering in IAR Embedded Security Solutions.

**Shareholding:** 4,558 class B shares (February 28, 2023).

**Warrant holding:** 1,961 share warrants (February 28, 2023).



**Lotta Frimanson**

Director of Product Management

**Born in:** 1966.

**Education:** Education: M.Sc. in Engineering Physics from the Faculty of Science and Technology at Uppsala University.

**Work experience:** Lotta has more than 30 years of experience in embedded systems. She worked in embedded systems programming prior to joining IAR as a Product Manager 24 years ago.

**Shareholding:** No holdings (February 28, 2023).

**Warrant holding:** No holdings (February 28, 2023).



**Johanna Frödevik**

Global Customer Success Lead

**Born in:** 1986.

**Education:** High school education in hotel and tourism.

**Work experience:** Has worked at IAR for five years. She has over 15 years of experience in various customer service-focused roles at different companies.

**Shareholding:** No holdings (February 28, 2023).

**Warrant holding:** No holdings (February 28, 2023).



**Dannielle Iversen**

Area Vice President, Americas

**Born in:** 1986.

**Education:** BS.b.a. concentrating on business economics and information technology management from California State University.

**Work experience:** Has worked at IAR since 2010 in a global capacity leading business operations, sales enablement and customer service. Dannielle leads the Americas division.

**Shareholding:** No holdings (February 28, 2023).

**Warrant holding:** No holdings (February 28, 2023).



**Guillaume Boucher**

EMEA Regional Director

**Born in:** 1975.

**Education:** BTEC Higher National Diploma in computer science for industry.

**Work experience:** Has worked at IAR Systems for ten years. 23 years of experience in the embedded systems domain, including technical support, FAE and business development and as an Account Manager and Regional Sales Manager.

**Shareholding:** No holdings (February 28, 2023).

**Warrant holding:** No holdings (February 28, 2023).



**Kiyo Uemura**

Area Vice President APAC

**Born in:** 1969.

**Education:** School of Commerce, Waseda University.

**Work experience:** More than 25 years of experience in the embedded systems market. During last 20 years at IAR, Kiyo has launched IAR Japan, IAR Korea, and IAR Taiwan.

**Shareholding:** No holdings (February 28, 2023).

**Warrant holding:** No holdings (February 28, 2023).



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## Glossary

# Glossary

### 8-, 16-, 32-bit

Processor architectures vary in complexity and size. 8-, 16- and 32-bit define the amount of code and data the processor can address.

### Application

An application is another word for a program developed by the user of IAR's solutions, to be run on a processor in an embedded system.

### Architecture

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

### Arm

Arm is a multinational company that licenses a standard for processors and sells this to processor makers worldwide. IAR is the software provider that supports the most ARM-based processors in the market for embedded systems.

### C-RUN

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

### C-STAT

C-STAT is an add-on product for IAR Embedded Workbench that executes a static code analysis. Using C-STAT, developers can verify the quality of the code at an early stage and ensure compliance with rules and coding standards.

### C-Trust

C-Trust is an add-on product for IAR Embedded Workbench that makes it possible for developers to automatically use secure and encrypted code.

### Compiler

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

### Debug probe

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

### Debugger

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

### Embedded system

An embedded (computer) system consists of one or more microprocessors with related circuits and the software that is run in the system. Embedded systems control the functions in digital products such as industrial robots, reversing cameras, credit card readers, dishwashers, etc.

### Embedded Trust

Embedded Trust is software that makes adapting, and thus implementing, security in embedded systems easy and efficient, based on an organization's specific needs. Embedded Trust is tightly integrated with IAR Embedded Workbench.

### Functional safety

Functional safety focuses on protecting people and physical property from damage. It is crucial that embedded systems used, for example, in the automotive industry, medical technology and industrial automation, meet the industry requirements and standards for functional safety.

### IAR Embedded Workbench

IAR Embedded Workbench is a software package and a complete set of development solutions that is used to program processors in embedded systems. The most important of these include a compiler, a debugger, an editor in which source code can be written, and a linker that combines smaller program segments into an executable program.

### Industrial Internet of Things

The Industrial Internet of Things (IIoT) is a subcategory of IoT. It refers to IoT used in an industrial environment. Some examples are smarter factories, increased digitization and the use of artificial intelligence (AI).

### Integrated circuit (IC)

An integrated circuit is a small, typically rectangular silicon substrate onto which micrometer-sized transistors are mounted, sometimes in numbers of more than one million.

### Internet of Things

The Internet of Things (IoT) is a collective term for the trend of equipping objects, such as machinery, vehicles and household appliances, with sensors and processors so that they can perceive and communicate with the world around them.

### Microprocessor

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

### Processor

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

### RISC-V

RISC-V is a processor architecture similar to the Arm architecture in structure, but created with open source code.

### Security

There is an important distinction between safety, meaning protection against damage, and security, meaning protection against risks. Security involves ensuring that something does not occur, while safety is about minimizing the damage if something does occur. The term safety is used, in particular, when referring to protection against damage to people and property. Security is often used in connection with data security and mainly refers to protection against unauthorized access, data theft, unauthorized changes or sabotage, for example, by hackers.

### Source code

Also referred to as program text, program code or sometimes simply program or code, source code comprises instructions, data and comments in a specific programming language. Programmers use source code to write, correct and make changes.

Sources: IAR, Wikipedia, IDG's dictionary.

## Shareholder information

# 2023 Annual General Meeting

The Annual General Meeting (AGM) of I.A.R. Systems Group AB (publ), corporate identification number 556400-7200, will be held on Wednesday, April 26, 2023 at 3:00 p.m. at IAR's office at Strandbodgatan 1A in Uppsala.

From the end of March, I.A.R. Systems Group's annual report will be available on IAR Systems Group's website ([www.iar.com/investors](http://www.iar.com/investors)) and at the company's premises at Strandbodgatan 1 in Uppsala.

## Notification

Shareholders who wish to participate in the AGM must:

- be recorded in the share register maintained by Euroclear Sweden AB no later than Tuesday, April 18, 2023, and
- provide notification of their intention to participate in the AGM no later than Thursday, April 20, 2023, in writing to IAR Systems Group AB (publ), Strandbodgatan 1A, SE-750 23 Uppsala, Sweden, by telephone at +46 735 12 51 37 or by e-mail at [investorrelations@iar.com](mailto:investorrelations@iar.com). The notification should include the shareholder's name, address, telephone number, personal or corporate identity number, and registered shareholding.

More information will be included in the notice to attend the AGM.

In addition to notifying the company of their participation, shareholders whose shares are registered in the name of a nominee must request that these shares be temporarily re-registered in their own name in the share register maintained by Euroclear as of the record date on April 18, 2023. This is known as "voting rights registration" and is carried out through the nominee according to their procedures at a time predetermined by the nominee. Voting rights registration requested by the shareholder that has been completed by the nominee no later than April 20, 2023, will be recognized in the share register.

## Financial calendar

<b>Interim report Jan–Mar 2023</b>	April 26, 2023
<b>2023 Annual General Meeting</b>	April 26, 2023
<b>Interim report Apr–Jun 2023</b>	August 17, 2023
<b>Interim report Jul–Sep 2023</b>	October 25, 2023

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I.A.R. Systems Group AB

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