

I.A.R. Systems Group

Richard Lind, CEO

Uppsala, September 21, 2022



Agenda

1. About I.A.R Systems Group

Business review

- Finance
- Summary



Who we are, what we do, the value we provide:

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

IAR Tag Lines:

- Security Made Simple
- Tomorrows Intelligence, Delivered Today



What we sell:

Developer Productivity

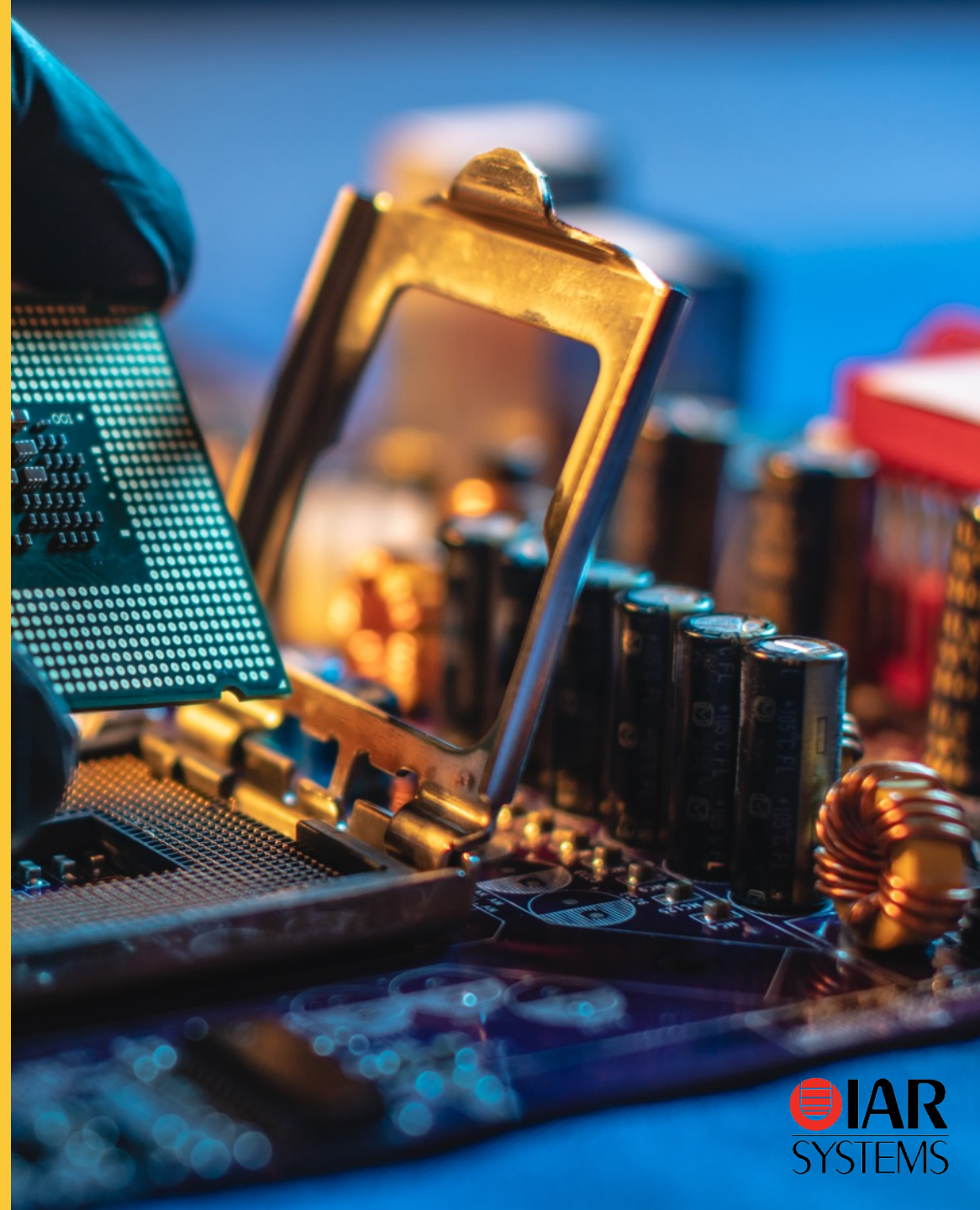


Company facts

- **IAR Systems AB** is owned by **I.A.R. Systems Group AB**, listed on Nasdaq Stockholm, Mid Cap list under the ticker symbol IAR B.
- **215+ employees** in 14 offices on three continents
- **5+ million lines of code in total** 3+ million in our solution IAR Embedded Workbench for ARM and RISC-V
- **30+ times** a day you interact with a product made by one of our customers.
- **15,000+** customers with active support and update agreement
- **140,000+ developers** Our customers are a mix of Fortune 2000 companies and startups/scaleups
- **200+ semiconductor partners** that we provide support for - and interact with - on a regular basis

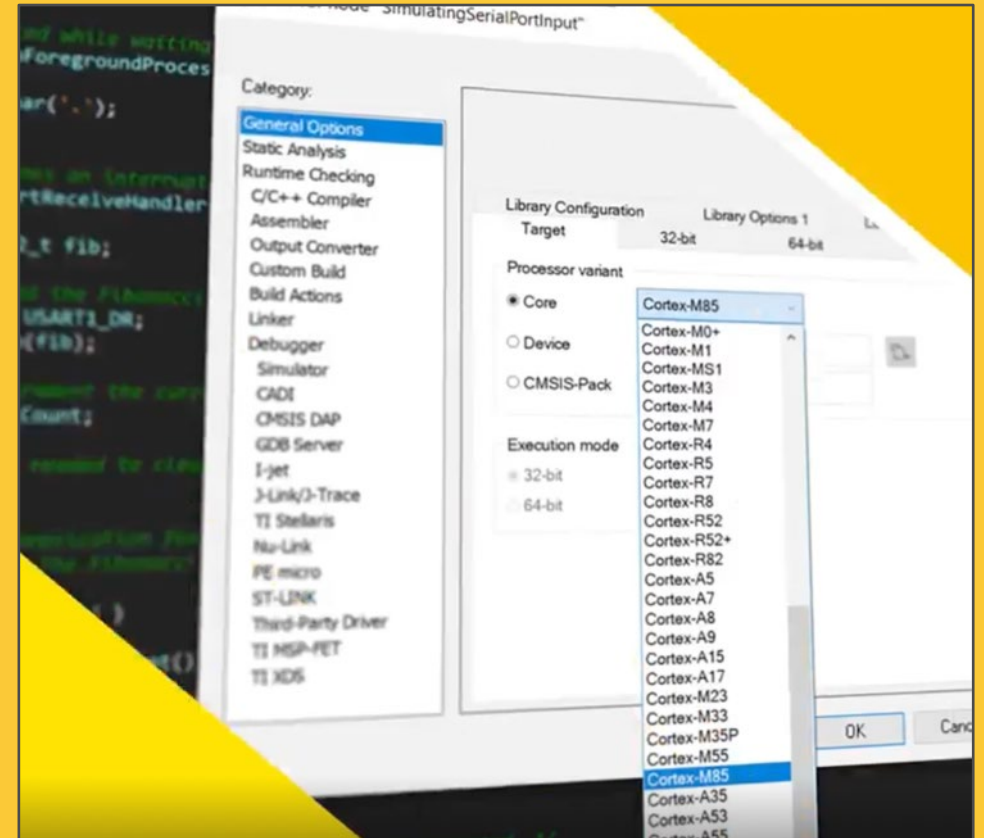
Q2

- Growth increase: 14% YoY in local currency
- Updated price model, on average 5% increase real-time + quarterly price reviews
- Deepen partnership with ARM in several areas
- Strengthen collaboration with Microsoft in dev and delivery
- Full integration of Secure Thingz, including systems, brand, marketing & sales into IAR Systems
- Security sales traction in the US, including deal with a US Federal Gov Dept + deals and pipeline in EMEA
- Closed probe HW/SW development in Camarillo, US. Moved to Sweden increasing speed of innovation, saving 4-5 MSEK/yr
- LTI 2022 great help in retention/recruit



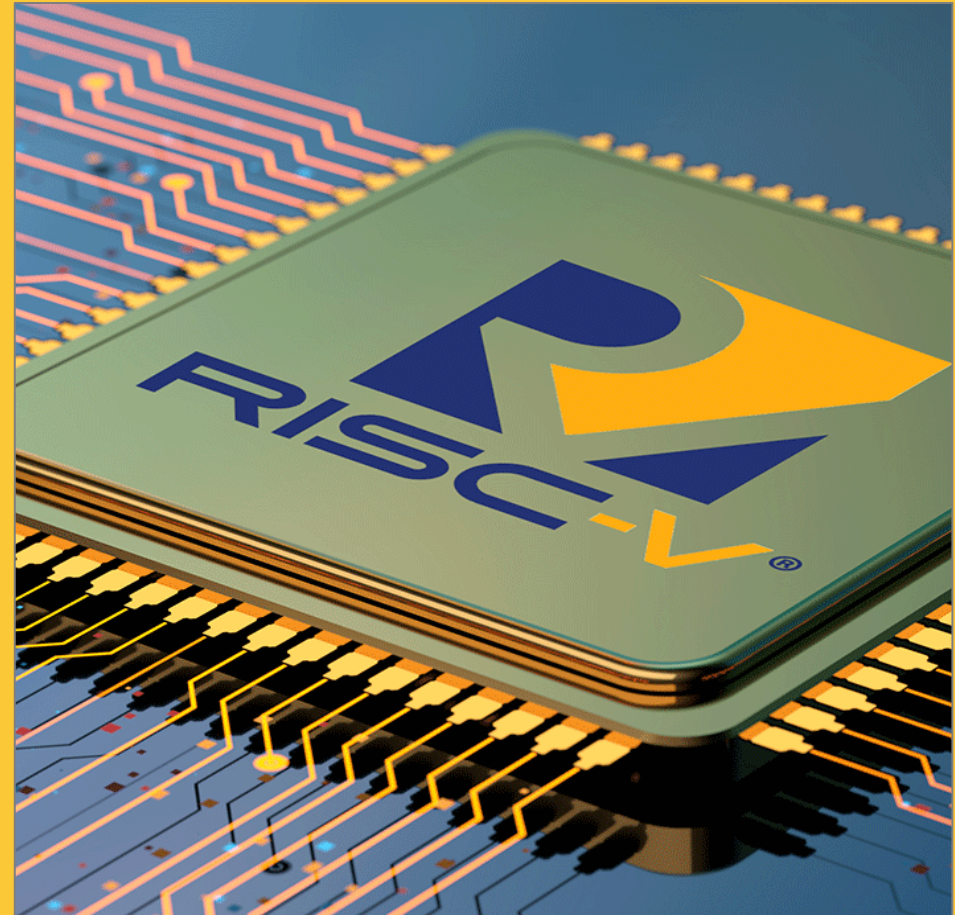
ARM:

- Great relationship with ARM in design, GTM and their IoT and developer orgs, more to do here
- ARM scheduled to IPO in 2023
- Identified the need to partner more closely in the area of their Virtual Hardware program
- Close collab with Microsoft and Github in above areas including Azure Digital Twins paired with Virtual Hardware
- Closer overall Road Map collab agreed from both sides, f i ARM Projects Centauri and Cassini
- New focus from ARM - enabling the eco-system, not DIY



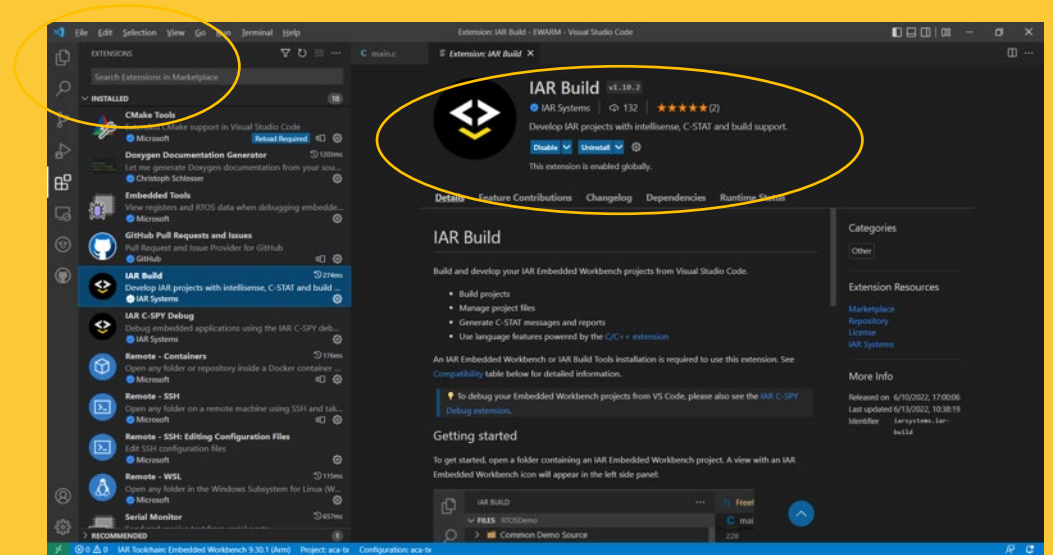
RISC-V:

- RISC-V = Open-source processor with flexibility as key enabler
- IAR Systems is part of RISC-V international organization since 2018
- First commercial tools in 2019
- Several partnership announced, including Andes, NSITEXE, Gigadevice, etc.
- Added support for 64-bits in 2022
- Closed important deals Q1 and Q2, in particular in Taiwan
- Still maturing, proactive efforts from the eco-system, including Intel, to mitigate proprietary fragmentation and extensions



Microsoft:

- Close relationship with Microsoft Developer Division and Microsoft Azure IoT division
- Strong help and support for adding Microsoft Visual Studio Code as an alternative IDE on top of Embedded Workbench
- Strong support from Microsoft GitHub to onboard IAR solutions and help monetize thru their billing mechanism
- Projects started around Global Cloud Native security solutions implementations via Microsoft Azure IoT platform (56 regions)
- Collaboration agreed together to work with our mutual partners in the semiconductor sphere



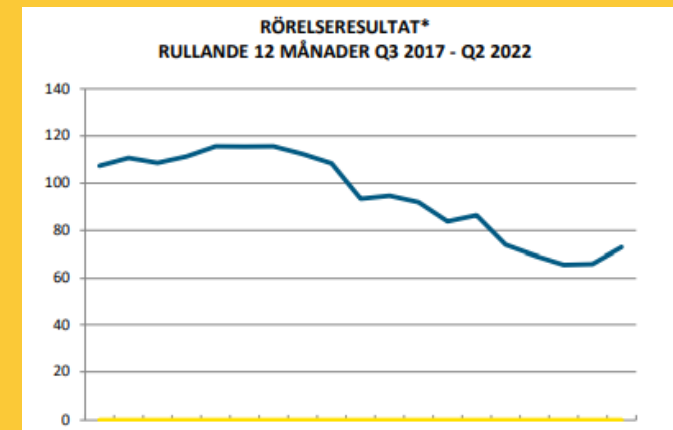
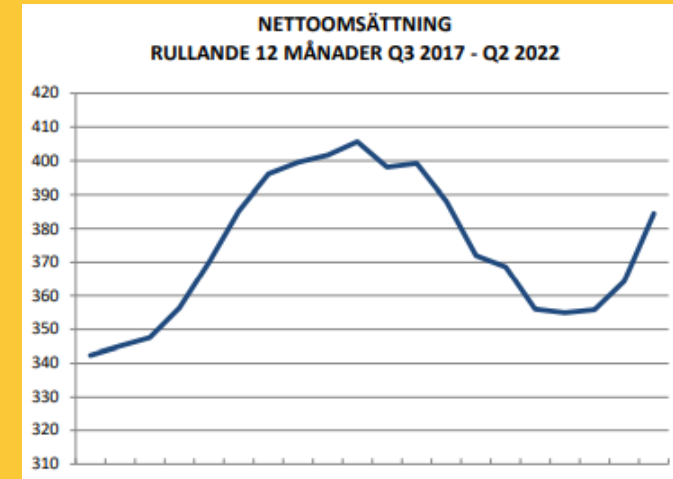


Financials



Sales - growth

- Best quarter and best first half year in IARs history
- Sales Q2 2022: 107.6 MSEK (87.4) Growth of 23.2%
 - currency effect Q2 +8.1 MSEK. If adjusted for currency the sales comparison would be 99.6 (87.4) representing a growth of +14,0%
- Sales H1 2022: 205.0 MSEK (176.3) Growth of 16,3%
 - currency effect H1 +13.9 MSEK. If adjusted for currency the sales comparison would be 191.1 MSEK (176.3) and a growth of 8.4%
- Sales R12: 384 MSEK
 - - with R12 operating margin of 73 MSEK, thus 19%.



Sales: Growth & Markets

The split between Regions approx. 1/3 each - growth from the last yr. in total +14% adj. for currency effect:

APAC

33.4 MSEK (27.0)

+ 18.9% adj. for currency effect 1.4 MSEK, H1 18.9%

China + 72%. Taiwan +121% Korea +19%. Japan +7%

EMEA

36.3 MSEK (29.3)

+ 19,5% if adj for currency effect 1.3 MSEK, H1 6.8%

Southern Europe -5%. Nordic + Central +5% Germany +5%

US

37.7 MSEK (30.4)

H1 +1.0%, 6,5% growth if adj for currency effect 5.6 MSEK

Key ratios

- **Summary** of the P&L - growth in sales and still a good margin.
- **Capitalization** in Q2 is lower 10.5 MSEK (20.3) and in H1 22.7 MSEK (36.7).
- **Operating margin** in Q2 is 19.6 MSEK (12.6) or a margin of 18.2% (14.4%). Considering difference in capitalization the margin is better in Q2 by 16.8 MSEK.
- **Operating margin** in H1 is 36.9 MSEK (29.6) or a margin of 18.0% (16.8). Considering difference in capitalization the margin is better in H1 by 21.3 MSEK.
- **Cash:** 117,9 MSEK (72.2).
- **Equity/Assets-ratio:** 74% (75).

RESULTATRÄKNINGAR I SAMMANDRAG, KONCERNEN

MSEK	Not	6 mån jan-jun		3 mån apr-jun		Helår
		2022	2021	2022	2021	
Nettoomsättning	1, 2	205,0	176,3	107,6	87,4	355,9
Aktiverat arbete för egen räkning		22,7	36,7	10,5	20,3	64,4
Övriga intäkter		0,9	-	0,0	0,0	2,1
Handelsvaror		-5,9	-6,2	-3,1	-2,7	-12,0
Övriga externa kostnader		-23,5	-23,8	-11,9	-10,4	-48,3
Personalkostnader		-137,1	-127,3	-71,2	-48,3	-258,2
Avskrivningar materiella anläggningstillgångar		-2,8	-1,6	-1,6	-1,0	-3,7
Avskrivningar nyttjanderättstillgångar		-8,6	-8,5	-4,1	-4,2	-16,7
Avskrivningar immateriella tillgångar		-13,9	-16,0	-6,6	-8,1	-118,2
Rörelseresultat		36,9	29,6	19,6	12,6	-68,5
Finansiella intäkter		0,0	0,0	0,0	0,0	1,5
Finansiella kostnader		-1,4	-1,7	-0,5	-1,2	-1,6
Resultat före skatt		35,5	27,9	19,1	11,4	-68,6
Skatt		9,2	5,8	4,8	2,2	1,2
Periodens resultat		26,3	22,1	14,3	9,2	-67,4

BALANSRÄKNINGAR I SAMMANDRAG, KONCERNEN

MSEK	Not	220630	210630
TILLGÅNGAR			
Anläggningstillgångar			
Goodwill	3	362,8	346,7
Övriga immateriella tillgångar	4	188,8	276,4
Matriciella anläggningstillgångar		14,0	8,9
Nyttjanderättstillgångar		30,7	38,5
Finansiella anläggningstillgångar	7	3,0	2,9
Uppskjuten skattefordran	5	4,3	4,1
Summa anläggningstillgångar		603,6	677,5
Omsättningstillgångar			
Varulager		12,1	7,5
Övriga omsättningstillgångar	7	35,3	59,7
Kundfordringar	7	82,3	62,3
Likvida medel	7	117,9	72,2
Summa omsättningstillgångar		247,6	201,7
SUMMA TILLGÅNGAR		851,2	879,2
EGET KAPITAL OCH SKULDER			
Summa eget kapital		627,9	660,0
Långfristiga skulder			
Leasingskulder	7	16,1	23,0
Andra långfristiga skulder		1,2	1,2
Uppskjuten skatteskuld		25,7	33,9
Summa långfristiga skulder		43,0	58,1
Kortfristiga skulder			
Leverantörsskulder	7	9,0	7,2
Skulder till kreditinstitut	7	0,0	17,9
Leasingskulder	7	15,9	17,5
Förutbetalda intäkter		0,0	88,9
Övriga kortfristiga skulder	7	155,5	29,6
Summa kortfristiga skulder		180,3	161,1
SUMMA EGET KAPITAL OCH SKULDER		851,2	879,2

KASSAFLÖDEN I SAMMANDRAG, KONCERNEN

MSEK	6 mån jan-jun		3 mån apr-jun	
	2022	2021	2022	2021
Inbetalningar från kunder	181,3	172,8	77,8	87,5
Utbetalningar till leverantörer och anställda	-114,5	-108,7	-44,6	-53,6
Erhållen ränta	0,0	0,0	0,0	0,0
Erlagd ränta	-0,6	-0,8	-0,2	-0,4
Erhållen skattelättnad	-	-	-	-
Betalad inkomstskatt	-11,6	-13,6	-7,6	-5,8
Kassaflöde från den löpande verksamheten	54,6	49,7	26,0	27,6
Investeringar i materiella anläggningstillgångar	-3,1	-0,8	-1,9	-0,4
Investeringar i immateriella tillgångar	-19,9	-36,5	-7,6	-16,3
Kassaflöde från investeringsverksamheten	-23,0	-37,3	-9,5	-16,7
Optioner, efter avdrag för transaktionskostnader	0,0	0,2	0,0	0,1
Amortering av finansiella skulder	-26,9	-9,5	-22,5	-5,0
Upptagna lån	0,4	0,8	0,0	0,4
Kassaflöde från finansieringsverksamheten	-26,5	-8,5	-22,5	-4,5
Periodens kassaflöde	5,2	3,9	-6,1	6,6
Likvida medel vid periodens ingång	113,4	67,8	0,0	66,8
Kursdifferens i likvida medel				
- hänförlig till likvida medel vid periodens ingång	0,8	0,6	0,0	-1,2
- hänförlig till periodens kassaflöde	0,0	-0,1	-1,0	0,0
Likvida medel vid periodens utgång	117,9	72,2	-7,1	72,2

A close-up photograph of a person's hands working at a laptop. The person is holding a smartphone in their left hand and typing on the laptop keyboard with their right hand. A black and white coffee cup is visible on the desk next to the laptop. In the foreground, a pair of glasses is out of focus. The background is a blurred office or window view. A semi-transparent grey box is overlaid on the image, containing the text 'Q2 FY22 Summary' in yellow.

Q2 FY22 Summary

In summary:

- Q2 bounce back in EMEA and displayed strength in APAC. NA on plan
- Product Roadmap on track and deliver the innovations needed and expected from end-customers semi-conductor partners
- Strengthening the relationship with Microsoft's Developer Division, Visual Studio Code and GitHub, as well as the Azure IoT Division
- We execute in our core market, whilst building up new capabilities for AI/ML and CI/CD globally
- Signs of traction with the security offering based on our re-designed business model in NA and in EMEA
- Sizable RISC-V deals in Taiwan
- Launch of LTI will be of great value for retention and recruit
- Inflation and subsequent pressure on pay increases likely mitigated with price increases
- Potential for geo-expansion (IN, MY, LATAM). Partnerships in IN underway + RFQs coming from Central America and Brazil
- Restructuring of our effort around probes moved from the US to Sweden
- Uncertain future, given macro-economic trends. May be a lower labor cost (positive), but may also be a "tightening-the-belt" approach with overall less spending on R&D, requiring new license offers
- Events like the "*Chip and Science Bill*" to infuse 80 bn USD in SW related aspects in the US only and the investments announced in EU, like Spain with 12,9 billion Euros in semiconductor R&D favors our market medium and even more long term

