



Q3



I.A.R. Systems Group AB

Interim report January–September 2023

Summary

Sequential growth of 7.5% with adjusted EBITDA of 40.7%

Summary of the period

Sales in the third quarter amounted to SEK 116.3m (106.1), corresponding to growth of 9.7%, or 6.0% in local currency, compared with the preceding year. Foreign exchange effects had an impact of SEK +3.9m on net sales during the quarter. The operating and EBITDA margins improved. The Group posted an adjusted EBITDA margin of 40.7% (32.2) and an adjusted operating margin of 28.2% (20.8) for the third quarter. As of the second quarter of 2023, the company reports adjusted EBITDA and operating profit in order to present a more accurate picture of its margins adjusted for items affecting comparability and non-recurring items. The cost-saving measures totaling approximately SEK 50m on an annual basis that have been implemented since the end of 2022, including SEK 27m connected to the restructuring in Cambridge, are expected to reach full effect in the fourth quarter of 2023.

Third quarter, July–September 2023

- Net sales growth of 9.7% and 6.0% in local currency.
- EBITDA of SEK 43.4m (34.2), corresponding to an EBITDA margin of 37.3% (32.2).
- Adjusted EBITDA of SEK 47.3m (34.2), corresponding to an adjusted EBITDA margin of 40.7% (32.2).
- Operating profit of SEK 28.9m (22.1), corresponding to an operating margin of 24.8% (20.8).
- Adjusted operating profit of SEK 32.8m (22.1), corresponding to an adjusted operating margin of 28.2% (20.8).
- Capitalized work on own account amounted to SEK 7.2m (11.3).
- In a year-on-year comparison, currency translation had a positive impact of SEK 3.9m on net sales and a positive impact of SEK 1.7m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 51.8m (47.4).

Key events during the third quarter

- During the third quarter, the Board decided to initiate a share buyback program. During the quarter, 12,301 own class B shares were acquired.

January–September 2023

- Net sales growth of 6.8%, and 1.9% in local currency.
- EBITDA of SEK 99.1m (96.6), corresponding to an EBITDA margin of 29.8% (31.1).
- Adjusted EBITDA of SEK 106.4m (96.6), corresponding to an adjusted EBITDA margin of 32.0% (31.1).
- Operating profit of SEK 51.7m (59.1), corresponding to an operating margin of 15.6% (19.0).
- Adjusted operating profit of SEK 63.7m (59.1), corresponding to an adjusted operating margin of 19.2% (19.0).
- Capitalized work on own account amounted to SEK 27.0m (34.0).
- In a year-on-year comparison, currency translation had a positive impact of SEK 15.1m on net sales and a positive impact of SEK 10.0m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 107.2m (102.0).

Key events after the third quarter

- No key events.



The USA had a very strong third quarter with growth of 18%. This was affected by a major three-year agreement.

Richard Lind, CEO

Q3 in brief:

- Share buyback begins.
- Reorganization completed, cutting back 25 employees and consultants in Cambridge. This led to annual cost savings of approximately SEK 27m.

Group summary

	3 months Jul–Sep		9 months Jan–Sep		Full-year
	2023	2022	2023	2022	2022
Net sales, SEK m	116.3	106.1	332.2	311.1	419.9
EBITDA, SEK m	43.4	34.2	99.1	96.6	129.0
Adjusted EBITDA, SEK m	47.3	34.2	106.4	96.6	130.2
Operating profit, SEK m	28.9	22.1	51.7	59.1	75.7
Adjusted operating profit, SEK m	32.8	22.1	63.7	59.1	76.9
Earnings per share, basic, SEK	1.02	1.04	1.94	2.72	4.23
Earnings per share, diluted, SEK	1.01	1.04	1.92	2.71	4.20
Cash flow, SEK m	33.9	31.5	38.9	36.7	127.7
Net cash, SEK m	127.8	131.0	127.8	131.0	78.9
Gross margin, %	97.3	97.1	97.3	97.1	97.0

*Refer to pages 17 and 19 for definition and calculation of alternative performance measures

Comments from the CEO

Q3 2023 – Comments from the CEO

Altogether during the quarter, we achieved growth of 6.0% in local currency and 9.7% in SEK. This was better than the second quarter due to an impressive turnaround in the North American region, with growth of 17.9% in local currency and 21.3% in SEK, partly as a result of the numerous major transactions completed by our team. Going forward, we cannot expect the same kind of growth every quarter, but it is clear that the team in North America has found a better way forward after a challenging second quarter. It is also worth noting that this performance would have been even better if a few additional purchasing processes had occurred during the quarter, though they will instead be a positive start to the fourth quarter. Otherwise, the third quarter was the best quarter for North America in the history of IAR.

The performance in EMEA was due, in part, to a vacation period with lower activity. We are also in the process of developing and adjusting the sales organization in EMEA in order to optimize our go-to-market strategy and resource use. The third-quarter figures for EMEA showed growth in local currency of 1.7% and 11.3% in SEK.

In the APAC region, growth did not reach its typical levels, landing at -0.7% in local currency and -2.2% in SEK. It is important to note that these growth figures are slightly misleading, since there were a few major transactions in China that we were unable to complete during the quarter as several customers did not have time to process the agreements due to official holidays. Otherwise we would have achieved double-digit growth in APAC, like we have had in the past. These transactions are now being completed in the fourth quarter.

In terms of margins, we have not yet seen the full effects of the measures and initiatives we took to manage costs. These will be fully felt in the fourth quarter, but things are going in the right direction. With adjusted operating profit of SEK 32.8m (22.1) in the third quarter, we improved 48% year-on-year. Cash flow was a positive SEK 33.9m.

Market

Arm's successful listing and strategy indicate that we are in step with how they see the market developing. Our close collaboration, both tactically and strategically, gives us deep



Adjusted operating profit of SEK 32.8m marked an improvement of 48%

insight into where future opportunities lie. We sell solutions, not functions. We will continue our journey of growth, since we see opportunities to improve developer productivity and efficiency for current and future customers, which is our most important message. The next step is to go from solutions to becoming the preferred platform for embedded developers. What characterizes a platform is that unlike a functional solution, we invite other participants to integrate with our solution. Instead of building all of the code ourselves, we can provide our customers with the opportunity to seamlessly use third-party code in our solutions.

Key events

During the quarter, we made a major change to our Cambridge operations, transitioning from traditional product development operations to solutions development operations, known as solutions engineering. We took a general approach because we realized that security is not about a single product. Instead, it is a solution tailored to the customer. Every customer is unique, with operations that have unique needs. They want to talk to like-minded individuals, engineer to engineer, and not to a sales representative with limited insight and expertise. Interestingly enough, one month later Arm came to the same conclusion and announced exactly the same kind of change to their development organization. Thus we have another approach and it has already yielded results in the form of our customer pipeline for SSC (Safety, Security & Compliance).

Regarding our goal of becoming a platform, we announced

a partnership with Edge Impulse within AI/ML during the quarter. We have already started integrating with Imagimob/Infineon to provide developers with ML opportunities and will continue to build an ecosystem of partners around our platform.

We have spent six months developing and finalizing the company's future strategy and will integrate this into our go-to-market, sales, development and recruitment models. This may mean that we also look at possible acquisitions to increase the pace of our TTR (Time To Revenue) and TTM (Time To Market). But only if the calculations show that this would be better than doing it on our own. Otherwise, if you want something done right you have to do it yourself.

Richard Lind, CEO



Financial information

Financial information

Net sales

EMEA and North America posted growth of 11.3% and 21.3%, respectively, while APAC posted slightly weaker growth during the quarter compared with the year-earlier period. Exchange effects had a positive impact on growth, as did reporting a major multi-year agreement during the quarter in the case of North America.

APAC accounted for 33.8% of net sales for January-September, corresponding to SEK 112.3m (102.8). Foreign exchange effects had a positive effect of SEK 0.1m on sales, and excluding foreign exchange effects, growth in APAC was 9.1% for the period and -0.7% for the quarter. Net sales grew 14.0% in Japan and 15% in China, while Korea and Taiwan decreased 21% and 13%, respectively, compared to the year-earlier period. EMEA accounted for 31.6% of net sales, or SEK 105.1m (101.5), during January-September. Adjusted for foreign exchange effects of SEK 7.8m, net sales in EMEA decreased 4.1% for the period but increased 1.7% for the quarter. The France/Benelux, southern Europe and especially Indian markets (which on its own posted growth of 27.0%) delivered higher net sales during the period compared with the year-earlier period, while Germany, the Nordics and Central Europe were weaker. North America accounted for 34.2% of net sales, or SEK 113.5m (105.6), during January-September. Net sales increased 0.7% in the USA during January-September, adjusted for foreign exchange effects of SEK 7.2m. Growth in the USA during the quarter was 17.9%, which was affected by a major three-year agreement.

Our solutions

Focusing on new customers is important, as is reviewing the price structure and prices to follow inflation and create sales growth. Most important for future growth is offering solutions with significant customer value. Our solutions are being revised to create even greater value and flexibility for customers and to lay the foundation for new ways to generate income.

IAR has a unique position in the development solutions segment for embedded development – we can offer opportunities that no one else can, including the ability to work with the same tool regardless of architecture or solution. However, we need to modernize our business model and will do so, for example, by starting to offer our IAR Embedded Workbench for Arm (EWARM) development solution as a cloud-based service. Our solutions in IAR EWARM account for approximately 80% of sales. The 64-bit offering and RISC-V, as well as Security, Safety and Compliance, are areas for future growth.

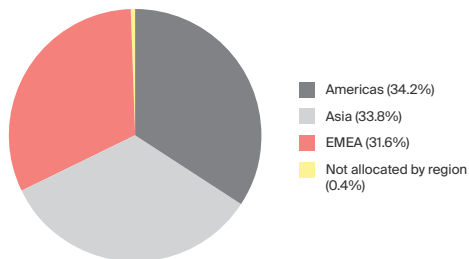
Modernizing IAR

As IAR marks its 40th year as a profitable software company, a modernization of the company and a review of its cost structure are both fully under way. This included shutting down the office in Camarillo, effective December 31, 2022, and moving probe development and production to Sweden. Rationalizations – like the reorganization and phase-out of personnel, primarily in Cambridge – have been carried out, and are continuing for our premises and systems, enabling us to create modern ways of working and to utilize our resources as efficiently as possible and ultimately to improve our margins.

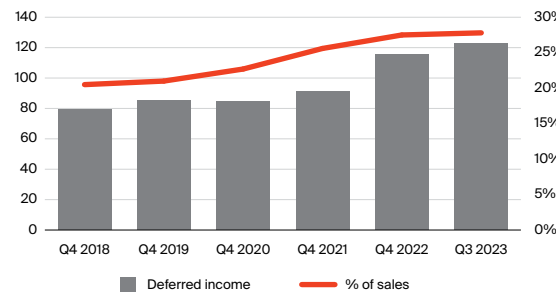
A review of our cost structure is expected to generate an estimated yearly savings of SEK 50m, with full effect in the fourth quarter of 2023. However, this process requires investments that may have a temporary negative effect on the margin. The company is also capitalizing a lower share of its development costs in the balance sheet than in the past, which is having a negative effect on both the operating margin and the EBITDA margin. In terms of employees, we reduced the number of individuals at Cambridge and focused on increasing the number of employees within the sales organization. The focus is on improving sales through training, incentives and an increase in the number of sales representatives.

The incentive programs introduced for employees in 2022 and 2023 had an impact of SEK 1.7m on personnel costs and the margin for the third quarter and SEK 5.0m for January-September 2023. This is an allocated cost calculated based on the likely outcome of the incentive program, and may be paid in the form of shares in three years, according to the scope determined by the Board. Two additional performance measures are reported as of the second quarter of 2023: adjusted operating profit and adjusted EBITDA. These items show the company's margins adjusted for non-recurring costs, such as those for incentive programs, as well as impairment of intangible assets and non-recurring costs for restructuring, such as the restructuring in Cambridge. This is to present a more accurate view of the company's margins over time. Deferred income, meaning income that will be recognized in coming periods, reached SEK 122.5m (110.5) as of September 30.

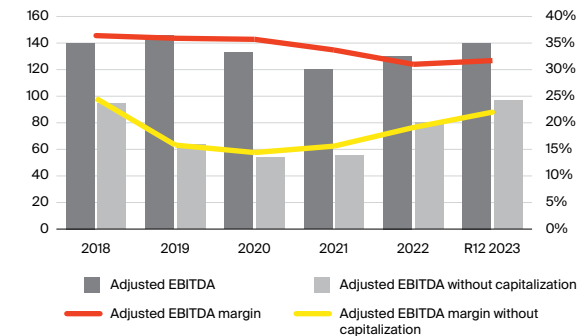
Breakdown of income January-September 2023



Deferred income, SEKm



EBITDA and Adjusted EBITDA margin*



* Adjusted for non-recurring items, refer to Reconciliations on page 87 of I.A.R. Systems Group AB's 2022 Annual Report.

Financial information

Net sales

Net sales for the third quarter of 2023

Net sales for the third quarter increased compared with the same quarter last year and amounted to SEK 116.3m (106.1). Currency translation had a positive impact of SEK 3.9m on net sales for the quarter.

Other income

In 2023, IAR received a payment of SEK 2.5m in accordance with an earlier judgment against the previous CEO of IAR's US subsidiary IAR Systems Software Inc., which is recognized in other income.

Net sales January–September 2023

Net sales for the period amounted to SEK 332.2m (311.1). Currency translation had a positive impact of SEK 15.1m on net sales for the period.

Deferred income September 30, 2023

Deferred income in the form of accrued support agreements decreased by SEK 7.1m during the period and amounted to SEK 122.5m (110.5) on September 30, 2023.

Earnings

Earnings for the third quarter of 2023

The gross margin for the quarter was 97.3% (97.1). EBITDA for the third quarter amounted to SEK 43.4m (34.2), corresponding to an EBITDA margin of 37.3% (32.2). Adjusted EBITDA for the third quarter amounted to SEK 47.3m (34.2), corresponding to an adjusted EBITDA margin of 40.7% (32.2). An adjustment was made for the probable costs for the LTI 2022 and LTI 2023 incentive programs. If the performance conditions for these programs are not met and thus no shares are allocated to the holders of these restricted stock units (RSUs), these costs will nevertheless be recognized in pace with probability-weighted earnings, but will have no impact on cash flow besides potential social security expenses.

Operating profit for the third quarter amounted to SEK 28.9m (22.1), corresponding to an operating margin of 24.8% (20.8). Adjusted operating profit for the third quarter amounted to SEK 32.8m (22.1), corresponding to an adjusted operating margin of 28.2% (20.8).

Operating expenses were reduced by SEK 7.2m (11.3) during the quarter as a result of the capitalization of devel-

opment costs for software. Of the internally generated costs that were capitalized, SEK 6.1m (9.2) pertained to personnel costs.

In a year-on-year comparison, currency translation had a positive impact of SEK 1.7m on operating profit.

The tax cost for the quarter amounted to SEK -10.9m (-6.4). The increase in tax during the quarter was largely due to the UK subsidiary, which is expected to receive lower tax relief related to research and development, contributing to lower deferred tax income than in the year-earlier period.

Earnings January–September 2023

The Parent Company's net sales for the period amounted to SEK 99.1m (96.6), corresponding to an EBITDA margin of 29.8% (31.1). Adjusted EBITDA for the period amounted to SEK 106.4m (96.6), corresponding to an adjusted EBITDA margin of 32.0% (31.1).

Operating profit for the period amounted to SEK 51.7m (59.1), corresponding to an operating margin of 15.6% (19.0). Adjusted operating profit amounted to SEK 63.7m (59.1), corresponding to an adjusted operating margin of 19.2% (19.0). The weaker margin was attributable to a lower share of capitalized costs, more employees and other investments in sales as well as costs for the incentive program compared with the year-earlier period.

The gross margin for the period amounted to 97.3% (97.1). Operating expenses were reduced by SEK 27.0m (34.0) during the period as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 22.4m (28.0) pertained to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 10.0m on operating profit for the period.

The tax cost for January–September 2023 amounted to SEK -24.1m (-15.6). The higher tax was largely due to the increased income tax rate in the UK as of April 2023 (which primarily impacts the deferred tax liabilities linked to the intangible assets in the Group in the form of a non-recurring effect during the second quarter of 2023) and the expectation that the UK subsidiary will receive lower tax relief related to research and development than in earlier periods.

Financial position

During the year, we focused on investments in our major product areas. Investments in software during January–September 2023 totaled SEK 27.0m (34.0), of which SEK 7.2m (11.3) was attributable to the third quarter. A large portion of the investments was in foreign currencies, which entailed foreign exchange effects upon conversion to SEK.

Investments in property, plant and equipment during January–September totaled SEK 5.8m (3.1), of which SEK 4.7m (0.0) was attributable to the third quarter.

In 2023, the Group signed an agreement for a new credit limit of SEK 50.0m. The unutilized credit margin at September 30, 2023 thereby amounted to SEK 50.0m (0.0). Utilized credit is reported as a liability to credit institutions in the balance sheet.

Other interest-bearing liabilities in the balance sheet pertain to current and non-current lease liabilities and amounted to SEK 58.2m (27.7) at September 30, 2023. Lease liabilities recognized in the balance sheet pertain to commitments for leases and the largest portion is connected to leases for our offices.

The equity/assets ratio at September 30, 2023 was 71.4% (74.0).

Cash flow and liquidity

Cash flow from operating activities amounted to SEK 51.8m (47.4) for the third quarter and SEK 107.2m (102.0) for January–September 2023. Our customers' ability to pay remained adequate during 2023, and we have not noted any increased negative effects on cash flow.

Cash flow from investing activities totaled SEK -12.2m (-14.2) for the third quarter and SEK -32.9m (-37.1) for January–June 2023. Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities totaled SEK -5.7m (-1.6) for the third quarter and SEK -35.4m (-28.3) for January–September 2023. Cash flow from financing activities during the period primarily comprised the amortization of lease liabilities and the repurchase of own shares.

Cash and cash equivalents

Cash and cash equivalents at the end of the period totaled SEK 186.0m (158.8). The Group's total available cash and

Financial information

cash equivalents at the end of the period amounted to SEK 236.0m (158.8). As of September 30, 2023, the Group had net cash of SEK 127.8m (131.0). Under IFRS 16, the company's interest-bearing liabilities consist exclusively of lease liabilities pertaining to office premises.

Employees

The number of employees at IAR at the end of the period was 206 (216). The average number of employees during the quarter was 207 (212).

Parent Company

The activities of the Parent Company consist of Group management, finance and IR/PR functions. The Parent Company's net sales for January-September 2023 amounted to SEK 9.8m (9.8). Profit after financial items amounted to SEK 12.3m (2.8). The increase was due primarily to currency translation of loans to foreign subsidiaries, which had a positive impact of SEK 13.1m on earnings during the first nine months.

Investments in property, plant and equipment amounted to SEK 0.0m (0.0). Cash and cash equivalents at September 30, 2023 totaled SEK 24.9m (11.0). The number of employees in the Parent Company at the end of the quarter was two (two).

Significant risks and uncertainties

The market for IAR's software is evolving rapidly and forecasts about future developments are thus uncertain. I.A.R. Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the 2022 Annual Report under "Administration report" on pages 25-31 and in Note 2 on pages 47-49.

Future outlook

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

Financial calendar

- Interim report October-December 2023, February 8, 2024
- Interim report January-March 2024, April 25, 2024
- Annual General Meeting, April 25, 2024
- Interim report April-June 2024, August 15, 2024
- Interim report July-September 2024, October 24, 2024

This information is inside information that I.A.R. Systems Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on October 25, 2023, at 1:00 p.m. CEST.

Contact person: Ann Zetterberg, CFO, I.A.R. Systems Group AB, Email: ann.zetterberg@iar.com

Submission of the report

The Board of Directors and CEO of I.A.R. Systems Group AB hereby submit the interim report for the period and certifies that the report provides a true and fair picture of the business and the Group's and the Parent Company's financial position and results.

Nicolas Hassbjer
Board Chairman

Cecilia Wachtmeister
Board member

Fred Wikström
Board member

Michael Ingelög
Board member

Sabina Lindén
Board member

Richard Lind
CEO



Financial information

Auditor's responsibility

Introduction

We have reviewed the interim report for IAR Systems Group AB (publ) for the period from January 1, 2023 to September 30, 2023. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope and focus of the review

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

Conclusion

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

Stockholm, October 25, 2023

*Deloitte AB
Andreas Frountzos
Authorized Public Accountant*

Income statement

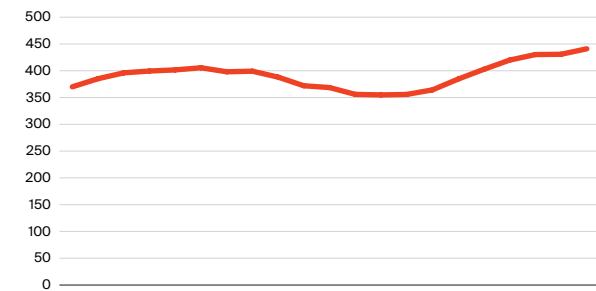
Condensed consolidated income statement

SEK m	Note	3 months Jul-Sep		9 months Jan-Sep		Full-year
		2023	2022	2023	2022	2022
Net sales	1, 2	116.3	106.1	332.2	311.1	419.9
Other income		1.1	0.0	2.6	1.0	2.9
Capitalized work on own account		7.2	11.3	27.0	34.0	50.2
Goods for resale		-3.1	-3.1	-9.1	-9.0	-12.8
Other external expenses		-11.9	-18.8	-34.6	-42.0	-58.2
Personnel costs		-66.2	-61.3	-219.0	-198.5	-273.0
Depreciation of property, plant and equipment		-1.6	-1.2	-4.6	-4.0	-4.8
Depreciation of right-of-use assets		-5.2	-4.2	-15.3	-12.9	-20.7
Amortization of intangible assets		-7.7	-6.7	-22.8	-20.6	-27.8
Impairment of intangible assets		-	-	-4.7	-	-
Operating profit		28.9	22.1	51.7	59.1	75.7
Financial income		0.1	1.1	0.9	0.5	0.3
Financial expenses		-4.1	0.0	-2.0	-0.8	-2.5
Profit before tax		24.9	23.2	50.6	58.8	73.5
Tax		-10.9	-6.4	-24.1	-15.6	-15.7
Profit for the period		14.0	16.8	26.5	43.2	57.8
Comprehensive income for the period attributable to owners of the Parent Company		14.0	16.8	26.5	43.2	57.8
Earnings per share for the period, basic, SEK		1.02	1.04	1.94	2.72	4.23
Earnings per share, diluted, SEK		1.01	1.04	1.92	2.71	4.20

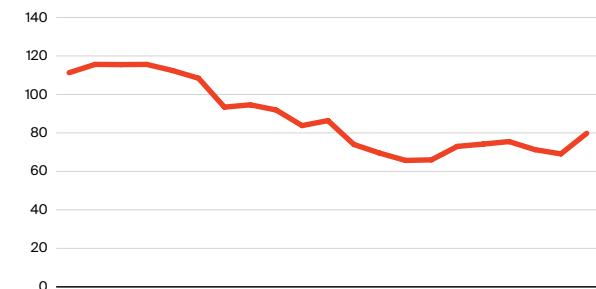
Statement of comprehensive income

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2023	2022	2023	2022	2022
Profit for the period	14.0	16.8	26.5	43.2	57.8
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
Translation differences	-9.6	6.4	18.5	23.3	23.9
Tax effect, items reported in comprehensive income	2.2	-	-4.6	-0.7	-1.2
Total other comprehensive income	-7.4	6.4	13.9	22.6	22.7
Comprehensive income for the period	6.6	23.2	40.4	65.8	80.5
Comprehensive income for the period attributable to owners of the Parent Company	6.6	23.2	40.4	65.8	80.5

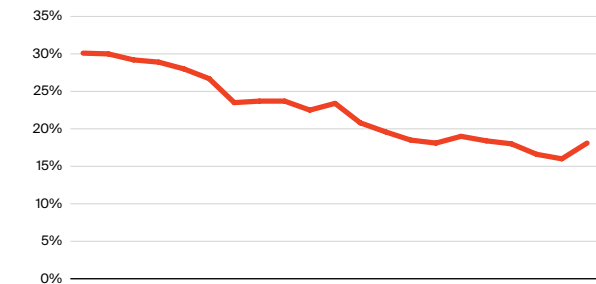
Net sales, rolling 12 months, Q3 2018–Q3 2023



Adjusted operating profit, rolling 12 months, Q3 2018–Q3 2023



Adjusted operating margin, rolling 12 months, Q3 2018–Q3 2023



Balance sheet

Condensed consolidated balance sheet

SEK m	Note	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Assets				
Non-current assets				
Goodwill	3	380.3	364.4	366.6
Other intangible assets	4	209.5	196.1	204.1
Property, plant and equipment		17.2	15.5	16.7
Right-of-use assets		55.6	26.7	68.2
Financial assets	7	3.7	3.2	3.7
Deferred tax assets	5	4.7	4.1	3.2
Total non-current assets		671.0	610.0	662.5
Current assets				
Inventories		10.5	12.1	11.3
Other current assets	7	39.2	36.0	33.6
Trade receivables	7	60.6	62.1	66.6
Cash and cash equivalents	7	186.0	158.8	148.2
Total current assets		296.3	268.9	259.7
Total assets		967.3	878.9	922.2
Equity and liabilities				
Total equity		690.2	651.1	666.8
Non-current liabilities				
Lease liabilities	7	39.4	14.1	50.3
Other non-current liabilities		1.5	1.3	1.5
Deferred tax liabilities	5	49.4	35.8	30.3
Total non-current liabilities		90.3	51.2	82.1
Current liabilities				
Trade payables	7	6.8	7.2	8.4
Lease liabilities	7	18.8	13.6	19.0
Deferred income		122.5	110.5	115.3
Other current liabilities	7	38.7	45.3	30.6
Total current liabilities		186.8	176.6	173.3
Total equity and liabilities		967.3	878.9	922.2

Changes in equity, Group

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year 2022
	2023	2022	2023	2022	
Equity at beginning of period	683.1	627.9	666.8	585.3	585.3
Warrants, after deductions for transaction costs and tax	-	-	-	-	0.1
Value of share-based remuneration	1.3	-	4.3	-	0.9
Share buybacks	-0.8	-	-0.8	-	-
Dividend	-	-	-20.5	-	-
Comprehensive income for the period	6.6	23.2	40.4	65.8	80.5
Equity at end of period	690.2	651.1	690.2	651.1	666.8
Of which, attributable to owners of the Parent Company	690.2	651.1	690.2	651.1	666.8

Cash flows

Condensed consolidated cash flow statement

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2023	2022	2023	2022	2022
Incoming payments from customers and other incoming payments	127.2	126.6	336.6	307.9	412.8
Outgoing payments to suppliers and employees	-84.4	-82.8	-221.6	-197.1	-267.6
Interest received	0.0	0.0	0.0	0.0	0.2
Interest paid	-0.7	0.0	-1.9	-0.8	-1.7
Tax relief received	12.9	11.2	12.9	11.2	11.2
Income taxes paid	-3.2	-7.6	-18.8	-19.2	-27.2
Cash flow from operating activities	51.8	47.4	107.2	102.0	127.7
Investments in property, plant and equipment	-4.7	0.0	-5.8	-3.1	-9.3
Investments in intangible assets	-7.3	-14.2	-27.2	-34.0	-50.2
Investments in financial assets	-0.2	-	-0.2	-	-
Divestment of financial assets	-	-	0.3	-	-
Cash flow from investing activities	-12.2	-14.2	-32.9	-37.1	-59.5
Warrants, after deductions for transaction costs	-	-	-	-	0.1
Amortization of financial liabilities	-4.9	-2.0	-14.1	-28.3	-39.6
Borrowings	-	0.4	-	-	-
Share buybacks	-0.8	-	-0.8	-	-
Dividend	-	-	-20.5	-	-
Cash flow from financing activities	-5.7	-1.6	-35.4	-28.3	-39.5
Cash flow for the period	33.9	31.5	38.9	36.7	28.7
Cash and cash equivalents at beginning of period	153.8	117.9	148.2	113.4	113.4
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of period	-1.2	9.4	0.1	8.7	5.4
- attributable to cash flow for the period	-0.5	0.0	-1.2	0.0	0.7
Cash and cash equivalents at end of period	186.0	158.8	186.0	158.8	148.2

Cash and cash equivalents, Group

SEK m	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Cash and cash equivalents at end of period	186.0	158.8	148.2
Unutilized overdraft facilities	50.0	-	-
Total available cash and cash equivalents	236.0	158.8	148.2

Key performance measures

Group

	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2023	2022	2023	2022	2022
Gross margin, %	97.3	97.1	97.3	97.1	97.0
EBITDA, %	37.3	32.2	29.8	31.1	30.7
Adjusted EBITDA, %	40.7	32.2	32.0	31.1	31.0
Operating margin, %	24.8	20.8	15.6	19.0	18.0
Adjusted operating margin, %	28.2	20.8	19.2	19.0	18.3
Profit margin, %	21.4	21.9	15.2	18.9	17.5
Cash flow, %	44.5	44.7	32.3	32.8	30.4
Equity/assets ratio, %			71.4	74.1	72.3
Return on equity, %	2.0	2.6	4.0	7.0	9.2
Return on capital employed, %	3.9	3.5	7.1	9.0	11.0
Capital employed, SEK m			748.4	678.8	736.1
Net cash, SEK m			127.8	131.0	78.9
Net debt/equity ratio, multiple			-0.2	-0.2	-0.1
No. of employees at end of period	206	216	206	216	209
Average no. of employees	207	214	203	212	203
Sales per employee, SEK m	0.6	0.5	1.6	1.5	2.1

Share data

	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2023	2022	2023	2022	2022
Equity per share, SEK			50.53	47.73	48.81
No. of shares at end of period, million			13.66	13.64	13.66
Average no. of shares, million	13.65	13.64	13.65	13.64	13.65
Average no. of shares, diluted, million	13.82	13.65	13.83	13.65	13.75
Cash flow from operating activities per share, SEK	3.79	3.48	7.85	7.48	9.36
Earnings per share, basic, SEK	1.02	1.04	1.94	2.72	4.23
Earnings per share, diluted, SEK*	1.01	1.04	1.92	2.71	4.20

*Definition in accordance with IFRS. Refer also to definitions on pages 17 and 18.

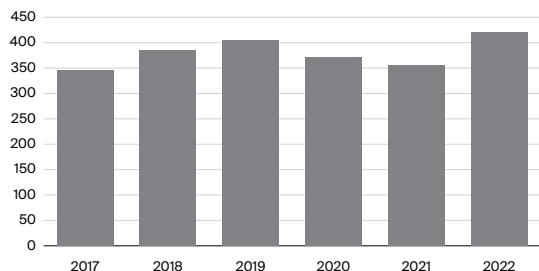
Multi-year overview

	Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK**	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2022	419.9	129.0	30.7	75.7	18.0	4.23	9.2	9.36	48.81	150.40	2,054
2021	355.9	119.9*	33.7*	65.7*	18.5*	-4.94	-11.2	9.65	42.88	117.80	1,608
2020	372.0	132.7	35.7	83.8	22.5	4.35	9.9	8.69	44.97	139.80	1,906
2019	405.6	145.8	35.9	108.4	26.7	5.96	14.2	7.78	43.43	186.00	2,535
2018	385.2	140.1	36.4	115.6	30.0	6.67	20.8	7.05	40.38	243.00	3,310
2017	345.0	127.2	36.9	107.4	31.1	6.33	28.1	9.81	22.99	189.00	2,387

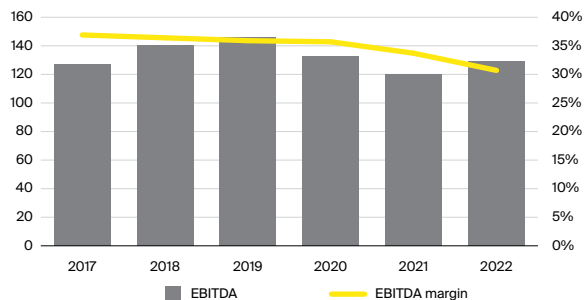
* Adjusted for non-recurring items, refer to Reconciliations on page 87 of I.A.R. Systems Group AB's 2022 Annual Report.

**Definition in accordance with IFRS.

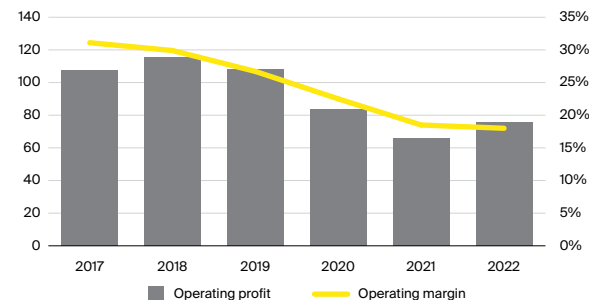
Net sales, SEK m



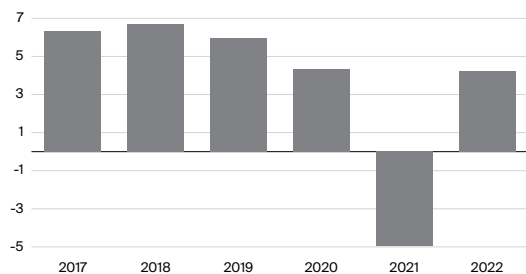
EBITDA and EBITDA margin*



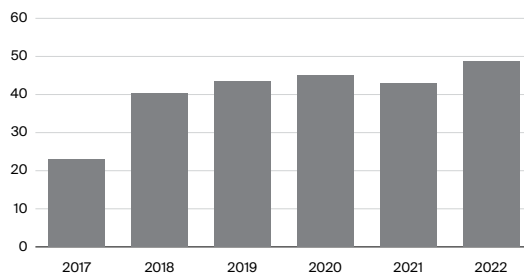
Operating profit and operating margin*



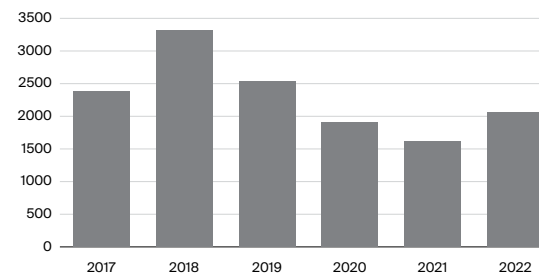
Earnings per share, SEK



Equity per share, SEK



Market capitalization, SEK m



Quarterly overview

		Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK**	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2023	Q3	116.3	43.4	37.3	28.9	24.8	1.02	2.0	3.79	50.53	82.30	1,124
	Q2	108.2	30.5	28.2	11.2	10.4	0.45	0.9	2.15	50.01	84.90	1,160
	Q1	107.7	25.3	23.5	11.4	10.6	0.47	1.0	1.91	49.63	126.80	1,732
2022	Q4	108.8	32.4	29.8	16.5	15.2	1.07	2.2	1.89	48.81	150.40	2,054
	Q3	106.1	34.2	32.2	22.1	20.8	1.04	2.6	3.48	47.73	140.00	1,909
	Q2	107.6	31.9	29.6	19.6	18.2	1.05	2.3	1.91	46.00	114.00	1,556
	Q1	97.4	30.3	31.1	17.3	17.8	0.88	2.0	2.11	43.85	132.00	1,802
2021	Q4	91.6	29.2*	31.9*	15.2*	16.6*	-7.72	-16.7	2.97	42.88	117.80	1,608
	Q3	87.9	35.0	39.8	20.9	23.8	1.17	2.4	3.04	49.89	100.00	1,364
	Q2	87.4	25.9	29.6	12.6	14.4	0.68	1.4	2.02	48.39	140.20	1,913
	Q1	88.9	29.8	33.5	17.0	19.1	0.94	2.0	1.61	48.38	132.40	1,806
2020	Q4	90.7	32.5	35.8	19.0	20.9	0.88	1.9	2.04	44.97	139.80	1,906
	Q3	88.9	36.8	41.4	25.4	28.6	1.37	3.1	2.40	45.43	161.00	2,195
	Q2	100.1	36.8	36.8	25.0	25.0	1.29	2.9	3.15	44.10	114.80	1,565
	Q1	92.3	26.6	28.8	14.4	15.6	0.81	1.8	1.10	45.14	116.40	1,587
2019	Q4	106.8	37.0	34.6	27.1	25.4	1.47	3.4	2.27	43.43	186.00	2,535
	Q3	100.0	37.5	37.5	28.1	28.1	1.58	3.9	2.00	42.11	234.50	3,196
	Q2	99.0	32.9	33.2	23.8	24.0	1.23	2.9	2.11	39.63	269.50	3,673
	Q1	99.8	38.4	38.5	29.4	29.5	1.68	4.0	1.40	43.58	260.00	3,542
2018	Q4	102.8	37.6	36.6	31.1	30.3	1.60	3.9	2.45	40.38	243.00	3,310
	Q3	97.9	37.8	38.6	31.3	32.0	1.97	5.0	1.09	40.88	258.50	3,518
	Q2	95.6	30.0	31.4	23.7	24.8	1.20	3.2	1.86	37.29	277.00	3,770
	Q1	88.9	34.7	39.0	29.5	33.2	1.81	5.7	1.51	32.76	230.00	2,905
2017	Q4	87.6	31.9	36.4	26.8	30.6	1.56	7.0	2.64	22.99	189.00	2,387
	Q3	84.2	33.8	40.1	28.6	34.0	1.61	7.7	2.52	21.56	180.50	2,280
	Q2	86.8	30.9	35.6	25.8	29.7	1.68	7.7	2.56	20.09	175.00	2,211
	Q1	86.4	30.6	35.4	26.2	30.3	1.49	6.5	2.10	23.58	200.00	2,526

* Adjusted for non-recurring items, refer to Reconciliations on page 87 of I.A.R. Systems Group AB's 2022 Annual Report.

** Definition in accordance with IFRS.

Parent Company

Condensed income statement

SEK m	9 months Jan-Sep		Full-year
	2023	2022	2022
Net sales	9.8	9.8	13.1
Operating expenses	-10.1	-10.6	-14.1
Operating loss	-0.3	-0.9	-1.0
Profit from financial items	12.6	3.8	92.4
Profit before tax	12.3	2.8	91.4
Tax	-2.5	-0.6	-20.7
Profit for the period	9.8	2.2	70.7

Statement of comprehensive income

SEK m	9 months Jan-Sep		Full-year
	2023	2022	2022
Profit for the period	9.8	2.2	70.7
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Change in value of non-current securities	-	-	-
Total other comprehensive income	-	-	-
Comprehensive income for the period	9.8	2.2	70.7

Condensed balance sheet

SEK m	Note	Sep 30,	Sep 30,	Dec 31,
		2023	2022	2022
ASSETS				
Non-current assets				
Property, plant and equipment		0.0	0.2	0.1
Shares in subsidiaries		459.0	481.5	455.1
Other financial assets		0.1	0.0	0.2
Receivables from subsidiaries	9	287.7	221.2	232.5
Total non-current assets		746.8	702.9	687.8
Current assets				
Receivables from subsidiaries	9	0.3	0.0	19.7
Other current assets		14.1	16.4	0.4
Cash and cash equivalents		24.9	11.0	2.5
Total current assets		39.3	27.3	22.6
Total assets		786.1	730.3	710.4
Equity and liabilities				
Restricted equity				
Restricted equity		139.7	139.7	139.7
Non-restricted equity				
Non-restricted equity		548.8	486.9	555.8
Total equity		688.5	626.6	695.5
Current liabilities				
Trade payables		0.9	0.9	1.0
Liabilities to credit institutions		-	-	-
Liabilities to subsidiaries		95.2	92.0	11.9
Other current liabilities		1.5	10.8	2.1
Total current liabilities		97.6	103.7	14.9
Total equity and liabilities		786.1	730.3	710.4

Notes

1. Accounting policies

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

The accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report. New or revised standards and new interpretations from the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRIC) and amendments to RFR 2 effective as of January 1, 2023 have not had any material impact on the financial statements of the Group or the Parent Company.

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

2. Net sales

Net sales are distributed as follows:

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Development solutions	116.2	105.6	330.6	309.8	418.4
Security solutions	0.1	0.5	1.6	1.3	1.5
Net sales	116.3	106.1	332.2	311.1	419.9

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
License-based revenue	55.8	56.2	162.1	176.0	233.0
Support and software updates	55.2	44.4	155.6	122.5	167.9
Other	5.3	5.5	14.5	12.6	18.9
Net sales	116.3	106.1	332.2	311.1	419.9

At a point in time	61.1	61.7	176.6	188.6	252.0
Over time	55.2	44.4	155.6	122.5	167.9
Net sales	116.3	106.1	332.2	311.1	419.9

SEK m	3 months Jul-Sep		9 months Jul-Sep		Full- year
	2023	2022	2023	2022	2022
Americas	43.8	36.1	113.5	105.6	140.7
Asia	35.4	36.2	112.5	102.8	139.0
Europe	36.9	33.1	105.1	101.5	138.6
Not allocated by region	0.2	0.5	1.3	1.2	1.6
Net sales	116.3	106.1	332.2	311.1	419.9

3. Goodwill

Goodwill decreased by SEK 8.8m during the quarter as a result of currency translation. Goodwill is tested annually or when a requirement for impairment is indicated. Goodwill is recognized at cost less accumulated impairment. The impairment test performed at year end did not indicate any requirement for impairment. Goodwill at September 30, 2023 amounted to SEK 380.3m (364.4).

4. Other intangible assets

During the quarter, other intangible assets decreased SEK 3.7m and amounted to SEK 209.5m (196.1) on September 30, 2023. During January-September, impairment of SEK 4.7m was applied to intangible assets pertaining to a project regarding the development of a probe model (hardware). The decision on impairment was made during the second quarter of 2023, when it was decided that the development of this probe model would not be completed. Operating expenses were reduced by SEK 7.2m (11.3) during the quarter as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 6.1m (9.2) pertained to personnel costs.

5. Deferred tax assets

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of September 30, 2023, the Group had accumulated loss carryforwards outside Sweden of SEK 213.9m (221.0), of which SEK 19.9m (48.0) is recognized in the consolidated balance sheet. The Group received a tax relief payment of SEK 12.9m (11.2) during the quarter related to research and development costs in the UK attributable to 2022. The payment reduced aggregate loss carryforwards by an equivalent amount. This tax relief was recognized on December 31, 2022 as deferred tax assets, but as of the first quarter of 2023 is recognized under other current receivables.

The deferred tax asset is recognized in the balance sheet in an amount of SEK 4.7m (4.1), and the deferred tax liability is recognized in an amount of SEK 49.4m (35.8), of which SEK 5.0m (8.3) pertains to loss carryforwards. The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount since they are connected to the same tax subject.

Notes, cont.

6. Pledged assets

SEK m	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
To secure pensions	20.7	20.6	22.8
To secure liabilities to credit institutions	1.9	2.5	2.9
Total pledged assets	22.6	23.1	25.7

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

7. Information about measurement at fair value

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

8. Related party transactions

No transactions with related parties that significantly affected the Parent Company's or Group's financial position were carried out during the period.

9. Parent Company's receivables from subsidiaries

The Parent Company's receivables from the subsidiary Secure Thingz Inc, and the sub-subsidiary Secure Thingz Ltd, are not expected to be repaid within 12 months and have thus been classified as non-current receivables.

10. Incentive programs

As of September 30, 2023, the Group had three incentive programs outstanding: LTI 2023, LTI 2022 and Exchange Allotment 2018.

LTI 2023

In accordance with the decision of the Extraordinary General Meeting (EGM) on April 26, 2023, a three-year long-term incentive program for key IAR Systems Group employees has been introduced, LTI 2023. The program includes RSUs and covers

a maximum of 145,000 shares in IAR Systems Group AB, 141,000 of which were allocated to a maximum of 140 employees at four different levels within the Group. On September 30, 2023, RSUs outstanding in this program amounted to 140,500.

The shares will be transferred to individuals free of charge after three years, provided that the performance conditions and limitations 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 5% and 20% for each year. The vesting period for the RSUs in the program runs until August 2026, allocated evenly between the periods. The program was implemented during the third quarter of 2023. One third of the allocated RSUs will be vested annually as of the allocation date. 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 2026. In the event that all RSUs outstanding were to be exercised for shares, this would entail total dilution of approximately 1.0% of the number of shares outstanding and votes. For more information about the EGM and the resolutions passed, refer to the company's website: iar.com.

LTI 2022

In accordance with the decision of the EGM on June 13, 2022, a three-year long-term incentive program for key IAR Systems Group employees has been introduced, LTI 2022. The program includes RSUs and covers a maximum of 140,000 shares in IAR Systems Group AB, which were allocated to a maximum of 140 employees at four different levels within the Group. On September 30, 2023, RSUs outstanding in this program amounted to 130,433.

The shares will be transferred to individuals free of charge after three years, provided that the performance conditions and limitations 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 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 March 31, 2023 were to be exercised for shares, this would entail total dilution of approximately 1.0% of the number of shares outstanding and votes. For more information about the EGM and the resolutions passed, refer to the company's website: iar.com.

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 continued 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.

Incentive programs

	Total	Subscribed/ Allocated	Exercised Sep 30, 2023	Forfeited Sep 30, 2023	Qualified Sep 30, 2023	Qualified after Sep 30, 2023
LTI 2023						
RSUs	145,000	141,000	0	500	0	140,500
LTI 2022						
RSUs	140,000	140,000	0	9,733	44,317	85,950
Exchange Allotment 2018						
Stock options	73,413	73,413	45,077	21,774	6,562	0

Definitions

Certain financial performance measures are presented in this interim report that are not defined in accordance with IFRS. The company believes that these performance measures provide valuable supplementary information to investors and the company's management since they facilitate evaluations of the company's earnings trend and financial position. These

financial performance measures are not always comparable with the measures used by other companies since not all companies calculate financial performance measures in the same way. Accordingly, these financial performance measures must not be regarded as a replacement for the measures defined in accordance with IFRS.

The tables below present performance measures that are not defined in accordance with IFRS, unless otherwise stated. The following section "Reconciliations" presents reconciliations and accounts for the components included in the alternative performance measures used in the company's financial reporting.

Key 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.
Adjusted EBITDA	EBITDA according to the above definition, excluding items affecting comparability.	The measure shows the profit-generating cash flow in the operations, excluding costs that complicate comparison with Group earnings in previous periods. This is to more clearly indicate growth in the underlying operations.
Adjusted EBITDA margin	Adjusted EBITDA according to the above definition in relation to sales, expressed as a percentage.	Aims to show the profitability ratio for current operations excluding costs for items affecting comparability such as long-term incentive programs.
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 in the corresponding period last year.	Measures the company's sales growth in local currency and allows the assessment of growth without the influence of foreign exchange effects.
Cash flow	Cash flow from operating activities as a percentage of net sales.	Measures the company's cash generation in relation to net sales.
Cash flow from operating activities per share	Cash flow from operating activities divided by the average number of shares during the period.	Measures the company's cash generation in relation to the number of shares in the company.
Net cash	Cash and cash equivalents less interest-bearing liabilities.	A measure of the ability to use available cash and cash equivalents to pay off all liabilities if they were due for payment on the date of the calculation and thereby a measure of the risk in relation to the company's capital structure.
Net interest-bearing liabilities	Interest-bearing liabilities less cash and cash equivalents.	A measure used to follow the liability trend and see the size of the need for refinancing. This measure is one component in calculating net cash and the net debt/equity ratio.

Definitions, cont.

Key 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.
Adjusted operating profit	Operating profit according to the above definition, excluding items affecting comparability.	Aims to show the profitability ratio for current operations excluding costs for items affecting comparability such as long-term incentive programs, impairment of assets and/or other non-recurring items affecting comparability.
Adjusted operating margin	Adjusted operating profit according to the above definition in relation to sales, expressed as a percentage.	Aims to show the profitability ratio for current operations excluding costs for items affecting comparability such as long-term incentive programs.
Equity/assets ratio	Equity as a percentage of total assets.	This key ratio shows the proportion of assets financed with equity and can be used as an indication of the company's long-term solvency.
Capital employed	Total assets less non-interest-bearing liabilities. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at the end of the year divided by two.	The capital made available to the company by shareholders and lenders. This shows the net capital invested in operating activities with the addition of financial assets.
Profit margin	Profit before tax as a percentage of net sales.	Profit margin shows the earnings capacity of the business from operating activities regardless of the tax situation in relation to the company's net sales and can be used to in a comparison with other companies in the same industry.

* Definition in accordance with IFRS.

Reconciliations

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Net sales	116.3	106.1	332.2	311.1	419.9
Goods for resale	-3.1	-3.1	-9.2	-9.0	-12.8
Gross profit	113.2	103.0	323.1	302.1	407.1
Gross margin, %	97.3	97.1	97.3	97.1	97.0

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Operating profit	28.9	22.1	51.7	59.1	75.7
Depreciation of property, plant and equipment	1.6	1.2	4.6	4.0	5.3
Depreciation of right-of-use assets	5.2	4.2	15.3	12.9	20.2
Amortization of intangible assets	7.7	6.7	22.8	20.6	27.8
Impairment of intangible assets	-	-	4.7	-	-
EBITDA	43.4	34.2	99.1	96.6	129.0

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Net sales	116.3	106.1	332.2	311.1	419.9
EBITDA	43.4	34.2	99.1	96.6	129.0
EBITDA margin, %	37.3	32.2	29.8	31.1	30.7

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Operating profit	28.9	22.1	51.7	59.1	75.7
Depreciation of property, plant and equipment	1.6	1.2	4.6	4.0	5.3
Depreciation of right-of-use assets	5.2	4.2	15.3	12.9	20.2
Amortization of intangible assets	7.7	6.7	22.8	20.6	27.8
Impairment of intangible assets	-	-	4.7	-	-
Costs for the long-term incentive program	1.7	-	5.1	-	1.2
Restructuring expenses	2.2	-	2.2	-	-
EBITDA	47.3	34.2	106.4	96.6	130.2

Adjusted EBITDA margin is calculated as adjusted EBITDA as a percentage of net sales.

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Net sales	116.3	106.1	332.2	311.1	419.9
Adjusted EBITDA	47.3	34.2	106.4	96.6	130.2
Adjusted EBITDA margin, %	40.7	32.2	32.0	31.1	31.0

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Net sales	116.3	106.1	332.2	311.1	419.9
Operating profit	28.9	22.1	51.7	59.1	75.7
Operating margin, %	24.8	20.8	15.6	19.0	18.0

Adjusted operating profit is calculated as operating profit adjusted for items affecting comparability and non-recurring items.

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Operating profit	28.9	22.1	51.7	59.1	75.7
Impairment of intangible assets	-	-	4.7	-	-
Costs for the long-term incentive program	1.7	-	5.1	-	1.2
Restructuring expenses	2.2	-	2.2	-	-
Adjusted operating profit	32.8	22.1	63.7	59.1	76.9

Adjusted operating margin is calculated as adjusted operating profit as a percentage of net sales.

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Net sales	116.3	106.1	332.2	311.1	419.9
Adjusted operating profit	32.8	22.1	63.7	59.1	76.9
Operating margin, %	28.2	20.8	19.2	19.0	18.3

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Net sales	116.3	106.1	332.2	311.1	419.9
Profit before tax	24.9	23.2	50.6	58.8	73.5
Profit margin, %	21.4	21.9	15.2	18.9	17.5

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Net sales	116.3	106.1	332.2	311.1	419.9
Cash flow from operating activities	51.8	47.4	107.2	102.0	127.7
Cash flow, %	44.5	44.7	32.3	32.8	30.4

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

SEK m	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
	Equity	690.2	651.1
Total assets	967.3	878.9	922.2
Equity/assets ratio	71.4	74.1	72.3

Reconciliations, cont.

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

SEK m	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
Equity	690.2	683.1	677.9	666.8	651.1
	3 months Jul-Sep		9 months Jan-Sep		Full- year
SEK m	2023	2022	2023	2022	2022
Average equity	684.1	639.5	659.1	618.2	626.1

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Profit after tax	14.0	16.8	26.5	43.2	57.8
Average equity	684.1	639.5	659.1	618.2	626.1
Return on equity, %	2.0	2.6	4.0	7.0	9.2

Net debt/equity ratio is calculated as net interest-bearing liabilities divided by equity.

SEK m	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
Interest-bearing liabilities	58.2	59.1	65.5	69.3	27.7
Cash and cash equivalents	-186.0	-153.8	-158.1	-148.2	-158.7
Net interest-bearing liabilities	-127.8	-94.7	-92.6	-78.9	-131.0
Net debt/equity ratio, %	-0.2	-0.1	-0.1	-0.1	-0.2

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Profit before tax	24.9	23.2	50.6	58.8	73.5
Financial expenses	4.1	0.0	2.0	0.8	2.5
Profit before tax plus financial expenses	29.0	23.2	52.6	59.6	76.0
Return on capital employed, %	3.9	3.5	7.1	9.0	11.0

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

SEK m	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Cash and cash equivalents	186.0	158.8	148.2
Interest-bearing liabilities	-58.2	-27.7	-69.3
Net cash	127.8	131.0	78.9

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

SEK m	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
Total assets	967.3	985.5	959.1	922.2	878.9
Non-interest-bearing liabilities	-218.9	-243.3	-215.7	-186.1	-200.1
Capital employed	748.4	742.2	743.4	736.1	678.8
	3 months Jul-Sep		9 months Jan-Sep		Full- year
SEK m	2023	2022	2023	2022	2022
Average capital employed	745.3	669.4	742.3	660.1	688.7

Equity per share is calculated as equity divided by the number of shares at the end of the period.

SEK m	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Equity	690.2	651.1	666.8
No. of shares at end of period, million	13.66	13.64	13.66
Equity per share	50.53	47.73	48.81

Cash flow from operating activities per share is calculated as cash flow from operating activities divided by the average number of shares.

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2023	2022	2023	2022	2022
Cash flow from operating activities	51.8	47.4	107.2	102.0	127.7
Average no. of shares, million	13.65	13.64	13.65	13.64	13.65
Cash flow from operating activities per share	3.79	3.48	7.85	7.48	9.36

The share

THE IAR SYSTEMS GROUP SHARE

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. During the period, the share price varied from a low of SEK 73.0 (103.6) to a high of SEK 91.7 (168.8). I.A.R. Systems Group's market capitalization on September 30, 2023 was SEK 1,124m (1,909). The number of shareholders in I.A.R. Systems Group on September 30, 2023 was 6,752 (7,112). Of these shareholders, 390 (420) held more than 1,000 shares each. Foreign shareholders held approximately 26.2% (28.0) of the share capital.

I.A.R. Systems Group AB's share capital at September 30, 2023 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 20,264 of the class B shares are held in treasury, of which 12,301 class B shares were acquired during the third quarter under the buyback program that the Board approved on August 29, 2023. Class C shares are not included in the

information submitted regarding the I.A.R. Systems Group AB share. Class C shares do not entitle the holder to dividends.

The aim of the company's treasury holding is to ensure the delivery of shares to employees through the exercise of stock options and RSUs according to the Group's incentive programs (and, in terms of cash flow, to ensure payment of future social security expenses attributable to these programs), and to provide the Board with greater freedom when it comes to the Group's capital structure. As for the incentive programs, prior to any delivery of shares according to the Group's employee ownership program, the company converts the class C shares into class B shares. A total of 51,646 class C shares have been converted into class B shares to be delivered under an incentive program since the original buyback of 359,688 class C shares.

Refer to Note 10 for information about the Group's current incentive programs on the reporting date.

Nominating committee

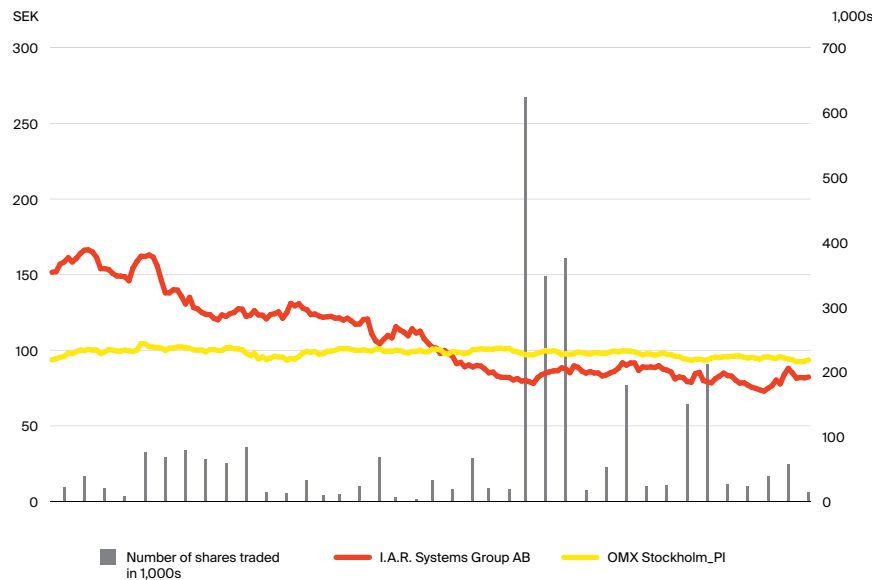
In accordance with the resolution of the AGM in April 2023, a nominating committee has been appointed ahead of the 2024 AGM and consists of Jonas Eixmann (appointed by Andra AP-fonden), Peter Lundkvist (appointed by Tredje AP-fonden), Markus Lindqvist (appointed by Aktia) and Petter Mattsson (appointed by Alcur Fonder).

Jonas Eixmann was appointed Chairman of the nominating committee.

2024 AGM

The AGM of I.A.R. Systems Group AB will be held on April 25, 2024. From the beginning of April 2024, I.A.R. Systems Group AB's 2023 Annual Report will be available on the company's website www.iar.com and at the company's premises on Strandbodgatan in Uppsala.

IAR Systems Group AB, January–September 2023



The share

Shareholder type

	No. of shares	No. of shareholders	Share of capital, %	Share of votes, %
Private individuals	4,314,024	6,441	30.9	30.9
Funds	4,105,722	20	29.4	29.4
Pension and insurance companies	3,343,082	10	23.9	23.9
Other	1,897,463	281	15.8	15.8
Total *	13,660,291	6,752	100.0	100.0

* excluding 308,042 class C shares held in treasury.

Geographical distribution

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	6,535	96.8	73.8	73.8
Finland	34	0.5	9.5	9.5
UK	12	0.2	6.5	6.5
Denmark	31	0.5	4.3	4.3
Germany	15	0.2	1.8	1.8
Other countries	125	1.9	4.1	4.1
Total *	6,752	100.0	100.0	100.0

* excluding 308,042 class C shares held in treasury.

Breakdown of shareholdings

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
1-500	6,026	89.6	3.4	3.4
501-1,000	336	5.0	1.9	1.9
1,001-10,000	313	4.7	6.5	6.5
10,001-	77	1.1	88.2	88.2
Total *	6,752	100.0	100.0	100.0

* excluding 308,042 class C shares held in treasury.

Largest individual shareholders

	No. of shares	Share of capital, %	Share of votes, %
1. Alcur Funds	1,334,482	9.8	9.8
2. Andra AP-fonden	1,295,415	9.5	9.5
3. Avanza Pension	1,291,689	9.5	9.5
4. Aktia Rahastoyhtiö Oy	859,758	6.3	6.3
5. Tredje AP-fonden	828,930	6.1	6.1
6. Fjärde AP-fonden	590,000	4.3	4.3
7. Arbetsmarknedets Tillægspension	580,320	4.2	4.2
8. Ribbskottet AB	500,000	3.7	3.7
9. Shroders Investment Management Ltd	392,186	2.9	2.9
10. Fondita AB	270,000	2.0	2.0
Other	5,717,511	41.9	41.9
Total *	13,660,291	100	100

* excluding 308,042 class C shares held in treasury.



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