



Q4

I.A.R. Systems Group AB

# Year-end report 2023

Summary

# Growth of 15% with adjusted EBITDA of 37%.

## Summary of the period

The fourth quarter was excellent, with good growth for all of our regions. EMEA and North America posted growth of 17.1% and 17.8%, respectively, while APAC posted growth of 11.4%. Adjusted for foreign exchange effects, growth was 11.6% in EMEA, 17.9% in the USA and 14.5% in APAC. Sales in the fourth quarter amounted to SEK 125.9m (108.8), corresponding to growth of 15.7%, or 14.9% in local currency. Foreign exchange effects had an impact of SEK 0.9m on net sales during the quarter. The operating and EBITDA margins improved. The Group posted an adjusted EBITDA margin of 36.9% (30.9) and an adjusted operating margin of 25.5% (16.3) for the fourth quarter. The transformation of IAR continued during the fourth quarter. The integration of the subsidiary in the UK was completed in the fourth quarter, and impairment losses of approximately SEK 290m were recognised for goodwill and intangible assets. As a result of these measures, the Group now has a more effective tax position and internal pricing structure. The cost-saving measures totaling approximately SEK 50m on an annual basis that have been implemented since the end of 2022 achieved full effect in the fourth quarter of 2023.

## Fourth quarter October–December 2023

- Net sales were SEK 125.9m (108.8), with growth of 15.7% and 14.9% in local currency.
- EBITDA of SEK 44.5m (32.4), corresponding to an EBITDA margin of 35.3% (29.8).
- Adjusted EBITDA of SEK 46.4m (33.6), corresponding to an adjusted EBITDA margin of 36.9% (30.9).
- Operating loss of SEK -255.8m (16.5), corresponding to an operating margin of -203.2% (15.2).
- Adjusted operating profit of SEK 32.1m (17.7), corresponding to an adjusted operating margin of 25.5% (16.3).
- Capitalized work on own account amounted to SEK 9.1m (16.2).
- In a year-on-year comparison, currency translation had a positive impact of SEK 0.9m on net sales and a negative impact of SEK 1.6m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 36.9m (25.8).

## Key events during the fourth quarter

- During the fourth quarter, the Board resolved to complete the restructuring of the subsidiary in Cambridge and recognised impairment losses of approximately SEK 290m for goodwill and intangible assets.

## January–December 2023

- Net sales were SEK 458.1m (419.0), with growth of 9.1% and 5.3% in local currency.
- EBITDA of SEK 143.6m (129.0), corresponding to an EBITDA margin of 31.3% (30.7).
- Adjusted EBITDA of SEK 153.1m (130.2), corresponding to an adjusted EBITDA margin of 33.4% (31.0).
- Operating loss of SEK -204.1m (75.7), corresponding to an operating margin of -44.6% (18.0).
- Adjusted operating profit of SEK 96.1m (76.9), corresponding to an adjusted operating margin of 21.0% (18.3).
- Capitalized work on own account amounted to SEK 36.1m (50.2).
- In a year-on-year comparison, currency translation had a positive impact of SEK 16.0m on net sales and a positive impact of SEK 8.4m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 144.1m (127.7).

## Key events after the fourth quarter

- No key events.



All regions posted healthy growth in Q4. EMEA with 11.6%, APAC with 14.5%, and the USA with 17.9%.

Richard Lind, CEO

## Q4 in brief:

- **Share buybacks continued.**
- **Restructuring of the subsidiary in Cambridge complete, with impairment of goodwill and intangible assets amounting to approximately SEK 290m.**

## Group summary

	3 months Oct–Dec		Full-year	
	2023	2022	2023	2022
Net sales, SEK m	125.9	108.8	458.1	419.9
EBITDA, SEK m	44.5	32.4	143.6	129.0
Adjusted EBITDA, SEK m	46.4	33.6	153.1	130.2
Operating profit/loss, SEK m	-255.8	16.5	-204.1	75.7
Adjusted operating profit, SEK m	32.1	17.7	96.1	76.9
Earnings per share, basic, SEK	-18.79	1.07	-16.84	4.23
Earnings per share, diluted, SEK	-18.79	1.06	-16.84	4.20
Cash flow from operating activities, SEK m	36.9	25.8	144.1	127.7
Net cash, SEK m	145.7	78.9	145.7	78.9
Gross margin, %	96.6	96.5	97.1	97.0

\*For definitions and calculations of alternative performance measures, refer to pages 16 and 19.

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 Comments from the CEO

# Q4 2023 – Comments from the CEO

We ended the year on a strong note and reached the company's long-term goal of 15% growth and an operating margin of 25%. We reported our strongest turnaround in Asia and the USA, but also performed well in Europe and India. One of our strengths as an organization is our ability to quickly capture data, analyze it and then act. We did this in Q2, which generated results in Q3 and again in Q4.

We have developed our offering to adapt to various customer requests, both regionally and vertically. Altogether, we achieved growth of 14.9% in local currency in Q4 and 15.7% in SEK as well as an adjusted operating margin of 25.5%. This improvement in profitability was delivered together with a cash conversion rate (based on adjusted EBITDA) of 0.80.

For FY23, growth was 5.3% in local currency and 9.2% in SEK. The adjusted operating margin increased to 21.0%. The cash conversion rate (based on adjusted EBITDA) was 0.94. We are, of course, not satisfied with this level of growth and as I mentioned in the Q3 report, based on the earnings we posted in Q3 and Q4 we have a more stable base for continuing to grow our business for FY24 and beyond. In terms of profitability, we are making progress. This indicates that the previous decisions we made regarding costs are now having an effect.

## The market

The APAC region posted growth of 14.5% in local currency, with Japan and China continuing to deliver. The transactions in China that could not be completed in Q3 all wrapped in Q4, as expected. We are actively working on enhancing our operations in Taiwan and Korea, where we see great potential for growth and improvement, primarily in the automotive industry. We experienced certain currency headwinds in the region when it came to the JPY against the SEK, meaning that growth in SEK amounted to 11.4%.

The EMEA + India region posted growth of 11.6%, with currency tailwinds leading to growth of 17.1% in SEK. India in particular performed well, with growth of 22.4%. We are continuing to improve our internal processes in the region, including successful recruitments for the DACH area (Ger-



We grew a total of 14.9% in Q4, adjusted for foreign exchange effects

many, Austria and Switzerland), which offers great potential for IAR. We are also considering establishing own sales instead of distribution in some markets in order to drive growth and improve our margins.

The North America region grew an impressive 17.9% in local currency, or 17.8% in SEK, since there were no tangible foreign exchange effects. I am impressed by what the team accomplished and see this an indication of what we can achieve in all regions going forward. North America was quickest on the ball to test and subsequently deliver our new offerings and associated business models.

We are working actively to redefine our license models, with a gradual transition from lifetime licenses to more subscription- and consumption-based solutions. This is something our customers appreciate and that we believe will help drive our future growth.

## Looking ahead

During the last year, IAR has introduced a new, cohesive growth strategy. This provides an overall direction for our operations and will help us achieve our long-term goals for profitable growth. A clear advantage with this development is that our decision making is now simplified. Based on our strategy, we can also improve the precision of our risk taking and pave the way for better business decisions. We have a clear objective with this strategy: becoming the premiere development platform within embedded systems and the preferred choice for most developers.

*Richard Lind, CEO*



Financial information

# Financial information

## Net sales

The fourth quarter was excellent, with good growth for all of our regions. EMEA and North America posted growth of 17.1% and 17.8%, respectively, while APAC posted growth of 11.4%. Adjusted for foreign exchange effects, growth was 11.6% in EMEA, 17.9% in the USA and 14.5% in APAC.

APAC accounted for 33.3% of net sales for the year, corresponding to SEK 152.7m (139.0) and growth of 9.8%. Foreign exchange effects had a negative effect of SEK 1.0m on sales, and excluding foreign exchange effects, growth in APAC was 10.5%. Net sales increased 16.3% in Japan, 6.0% in China and 8.6% in Taiwan, but decreased 12.0% in Korea. EMEA accounted for 32.4% of net sales, or SEK 148.6m (138.6), during the year and posted growth of 7.2%. Adjusted for foreign exchange effects of SEK 9.9m, net sales in EMEA increased 0.1% for the year. The markets in Germany, France/Benelux, southern Europe and especially India (which on its own posted growth of 22.4%) delivered higher net sales during the period compared with the year-earlier period, while the Nordics and Central Europe were weaker. North America accounted for 33.8% of net sales, or SEK 154.9m (140.7), during the year and posted growth of 10.1%. Adjusted for foreign exchange effects of SEK 7.1m, net sales in North America increased 5.0% for the year.

## 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. Our subscription offering has good potential to increase the share of recurring income. Today, 50% of our income is already recurring, the majority of which is support and update income connected to lifetime licenses sold, though only approximately 25% of new lifetime license customers purchase support and update services. Despite the risk of reduced income associated with the transition from lifetime licenses to subscription solutions, redesigning and adjusting the pricing of our offering also has the potential to counteract this risk. This could lead to increased recurring income and higher customer value. In addition to modernizing our business model, we need to gradually increase the customer value in our solutions in other ways, for example by starting to offer our IAR Embedded Workbench for Arm (EWARM) development solution as a cloud-based service.

IAR has a unique position in the embedded development solutions segment, where we can offer opportunities that no one else can. This includes the ability to use the same tools even when the customer works with several different architectures and solutions. 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, the last two years have seen a modernization of the company and a review of its cost structure. These steps are estimated to have generated cost savings of approximately SEK 50m since

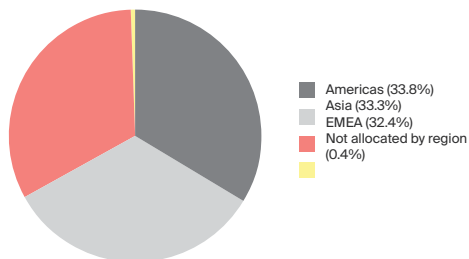
the end of 2022, with full effect starting with the fourth quarter of 2023. Naturally, this means higher margins, but modernization also requires investments in the future, which could have a temporary negative impact on the margin. The modernization of IAR has focused on streamlining organizational processes and IT support, thereby creating a strong foundation for data-driven decision making, with clear goals and easy access to information. Investments have also been made in development and sales, with the goal of strengthening our position as the preferred choice for our customers.

IAR is capitalizing a lower share of its development costs in the balance sheet than in the past, which is having a short-term negative effect on both the operating margin and the EBITDA margin. However, the margins are growing, especially when adjusted for this capitalization (refer to the diagram below).

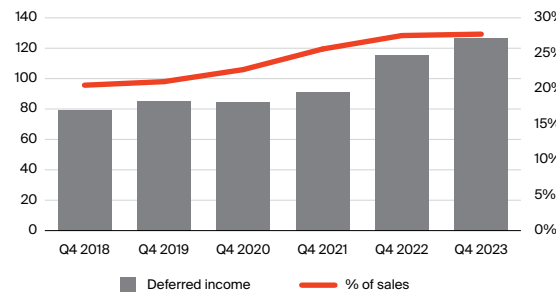
As part of the review of IAR, in the fourth quarter the Board resolved to recognize impairment losses of approximately SEK 290m for goodwill and intangible assets related to the subsidiary in Cambridge. These measures have given the Group and the subsidiary in Cambridge a long-term sustainable internal pricing and financing structure, while also leading to a more effective tax position for the Group. The measures did not have any effect on cash flow. Adjusted operating profit and the adjusted EBITDA margin have been corrected for this and other non-recurring costs. 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 126.8m (115.3) as of December 31 2023. This income primarily relates to sales of support and update services.

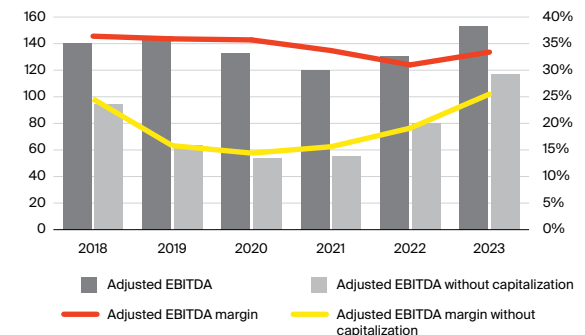
Breakdown of income 2023



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 fourth quarter of 2023

Net sales for the fourth quarter increased compared with the same quarter last year and amounted to SEK 125.9m (108.8). Currency translation had a positive impact of SEK 0.9m on net sales for the quarter.

#### Net sales for full-year 2023

Net sales for the full year amounted to SEK 458.1m (419.9). Currency translation had a positive impact of SEK 16.0m on net sales for the full year.

### Other income

In 2023, IAR received a payment of SEK 2.6m 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.

#### Deferred income December 31, 2023

Deferred income in the form of accrued support agreements increased SEK 4.3m during the quarter and amounted to SEK 126.8m (115.3) on December 31, 2023.

### Earnings

#### Earnings for the fourth quarter of 2023

The gross margin for the quarter was 96.6% (96.5). EBITDA for the fourth quarter amounted to SEK 44.5m (32.4), corresponding to an EBITDA margin of 35.3% (29.8). Adjusted EBITDA for the fourth quarter amounted to SEK 46.4m (33.6), corresponding to an adjusted EBITDA margin of 36.9% (30.9). An adjustment was made for non-recurring items and the recognized 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 expected earnings, but will have no impact on cash flow besides potential social security expenses.

Operating loss for the fourth quarter amounted to SEK -255.8m (16.5), corresponding to an operating margin of -203.2% (15.2). The decrease in operating profit is largely attributable to the impairment of intangible assets and goodwill recognized during the quarter. Additional information about the impairment of goodwill is presented in Note

3 on page 14. Adjusted operating profit for the fourth quarter amounted to SEK 32.1m (17.7), corresponding to an adjusted operating margin of 25.5% (16.3).

Operating expenses were reduced by SEK 9.1m (16.2) during the quarter as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 8.0m (12.0) pertained to personnel costs.

In a year-on-year comparison, currency translation had a negative impact of SEK 1.6m on operating profit.

The tax cost for the fourth quarter of 2023 amounted to SEK -1.5m (0.0).

#### Earnings for full-year 2023

EBITDA for the full year amounted to SEK 143.6m (129.0), corresponding to an EBITDA margin of 31.3% (30.7). Adjusted EBITDA for the period amounted to SEK 153.1m (130.2), corresponding to an adjusted EBITDA margin of 33.4% (31.0).

Operating loss for the full year amounted to SEK -204.1m (75.7), corresponding to an operating margin of -44.6% (18.0). Adjusted operating profit amounted to SEK 96.1m (76.9), corresponding to an adjusted operating margin of 21.0% (18.3).

The gross margin for the full year was 97.1% (97.0). Operating expenses were reduced by SEK 36.1m (50.2) during the full year as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 30.4m (41.7) pertained to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 8.4m on operating profit for the full year.

The tax cost for the full year amounted to SEK -25.6m (-15.7). The higher tax cost compared with the previous year was largely due to the increased income tax rate in the UK as of April 2023 (which primarily impacts the deferred tax on intangible assets during the second quarter) and the expectation that the UK subsidiary will receive lower tax relief related to research and development than in earlier periods. The effective tax rate for the full year was -12.3% (21.4%). The significant change from the previous year is due primarily to the impairment of goodwill recognized in 2023 (which did not have an impact on tax costs but will be charged to earnings for the year for the Group).

### Financial position

During the quarter, an impairment loss of SEK 262.8m was recognized for goodwill and SEK 24.7m for intangible assets related to the subsidiary in Cambridge. These measures have given the Group and the subsidiary in Cambridge a long-term sustainable internal pricing and financing structure, while also leading to a more effective tax position for the Group. Additional information about the impairment of goodwill is presented in Note 3 on page 14.

During the year, we focused on investments in our major product areas. Software investments for full-year 2023 totaled SEK 36.3m (50.2), of which SEK 9.1m (16.2) was attributable to the fourth quarter. A large portion of the investments was in foreign currencies, which entailed foreign exchange effects upon conversion to SEK.

Investments in property, plant and equipment for the year totaled SEK 5.8m (9.3), of which SEK 0.0m (6.3) was attributable to the fourth quarter.

In 2023, the Group signed an agreement for a new credit limit of SEK 50.0m. The unutilized credit margin at December 31, 2023 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 51.7m (69.3) at December 31, 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 December 31, 2023 was 60.5% (72.3).

### Cash flow and liquidity

Cash flow from operating activities amounted to SEK 36.9m (25.8) for the fourth quarter and SEK 144.1m (127.7) for full-year 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 -8.8m (-22.5) for the fourth quarter and SEK -41.8m (-59.5) for full-year 2023. Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities totaled SEK -13.7m (-11.3) for the fourth quarter and SEK -49.2m (-39.5) for full-year 2023. Cash flow from financing activities during the full year primarily comprised the amortization of lease liabilities, dividends and the repurchase of own shares.

## Financial information

### Cash and cash equivalents

Cash and cash equivalents at year-end totaled SEK 197.4m (148.2). The Group's total available cash and cash equivalents at year-end amounted to SEK 247.4m (148.2). As of December 31, 2023, the Group had net cash of SEK 145.7m (78.9). Under IFRS 16, the company's interest-bearing liabilities consist primarily of lease liabilities pertaining to office premises.

### Employees

The number of employees at IAR at year-end was 211 (209). The average number of employees during the year was 206 (203).

### Parent Company

The activities of the Parent Company consist of Group management, finance and IR/PR functions. The Parent Company's net sales for full-year 2023 amounted to SEK 13.1m (13.1). Earnings after financial items amounted to a loss of SEK -177.4m (91.4). The decrease in earnings is primarily due to impairment of shares in subsidiaries and receivables from subsidiaries.

Investments in property, plant and equipment amounted to SEK 0.0m (0.0). Cash and cash equivalents at December 31, 2023 totaled SEK 57.3m (2.5). 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.

### Proposed dividend

The Board intends to propose a dividend of SEK 1.50 per share, and intends to continue buybacks..

### Review

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

### Financial calendar

2023 Annual Report, April 4, 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 February 8, 2024, at 1:00 p.m. CET.**

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

# Income statement

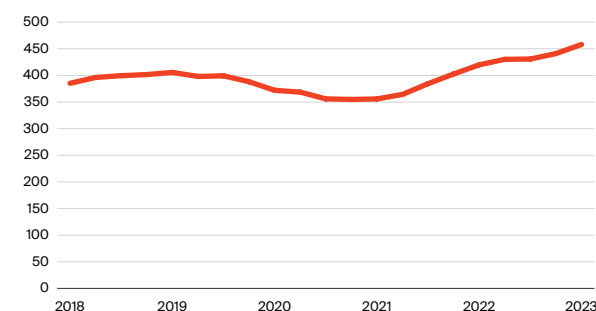
## Condensed consolidated income statement

SEK m	Note	3 months Oct-Dec		Full-year	
		2023	2022	2023	2022
Net sales	1, 2	125.9	108.8	458.1	419.9
Other income		0.1	1.9	2.7	2.9
Capitalized work on own account		9.1	16.2	36.1	50.2
Goods for resale		-4.3	-3.8	-13.4	-12.8
Other external expenses		-19.8	-16.1	-61.3	-58.2
Personnel costs		-66.5	-74.6	-278.6	-273.0
Depreciation of property, plant and equipment		-1.1	-1.3	-5.7	-4.8
Depreciation of right-of-use assets		-5.4	-7.4	-20.7	-20.7
Amortization of intangible assets		-7.8	-7.2	-30.6	-27.8
Impairment of intangible assets		-24.7	-	-29.4	-
Impairment of goodwill		-261.3	-	-261.3	-
<b>Operating profit/loss</b>		<b>-255.8</b>	<b>16.5</b>	<b>-204.1</b>	<b>75.7</b>
Financial income		2.6	0.3	1.6	0.3
Financial expenses		-0.8	-2.2	-0.9	-2.5
<b>Profit/loss before tax</b>		<b>-254.0</b>	<b>14.6</b>	<b>-203.4</b>	<b>73.5</b>
Tax		-1.5	0.0	-25.6	-15.7
<b>Profit/loss for the period</b>		<b>-255.5</b>	<b>14.6</b>	<b>-229.0</b>	<b>57.8</b>
Comprehensive income for the period attributable to owners of the Parent Company		-255.5	14.6	-229.0	57.8
Earnings per share for the period, basic, SEK		-18.79	1.07	-16.84	4.23
Earnings per share for the period, diluted, SEK		-18.79	1.06	-16.84	4.20

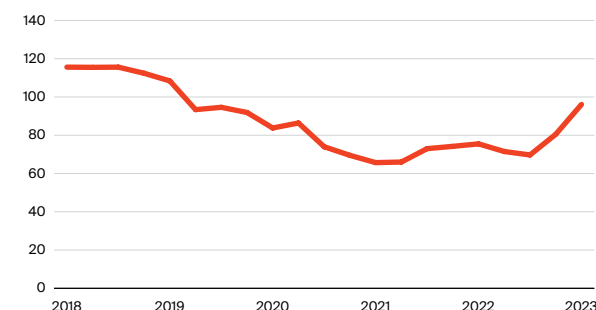
## Statement of comprehensive income

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Profit/loss for the period	-255.5	14.6	-229.0	57.8
<b>Other comprehensive income for the period</b>				
Items that may be reclassified subsequently to profit or loss:				
Translation differences	-8.0	0.6	10.5	23.9
Tax effect, items reported in comprehensive income	4.2	-0.5	-0.4	-1.2
Total other comprehensive income	-3.8	0.1	10.1	22.7
<b>Comprehensive income for the period</b>	<b>-259.3</b>	<b>14.7</b>	<b>-218.9</b>	<b>80.5</b>
Comprehensive income for the period attributable to owners of the Parent Company	-259.3	14.7	-218.9	80.5

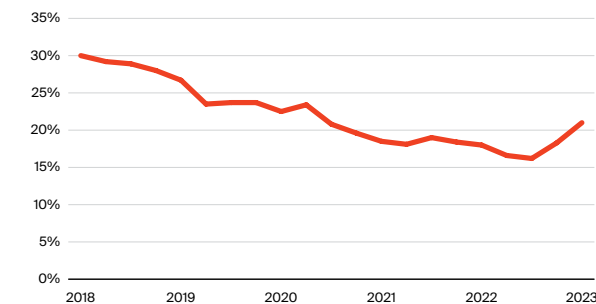
Net sales, rolling 12 months, Q4 2018–Q4 2023



Adjusted operating profit, rolling 12 months, Q4 2018–Q4 2023



Adjusted operating margin, rolling 12 months, Q4 2018–Q4 2023



# Balance sheet

## Condensed consolidated balance sheet

SEK m	Note	Dec 31, 2023	Dec 31, 2022
<b>Assets</b>			
Non-current assets			
Goodwill	3	117.5	366.6
Other intangible assets	4	181.7	204.1
Property, plant and equipment		15.9	16.7
Right-of-use assets		49.0	68.2
Financial assets	7	3.2	3.7
Deferred tax assets	5	7.4	3.2
<b>Total non-current assets</b>		<b>374.7</b>	<b>662.5</b>
Current assets			
Inventories		9.7	11.3
Other current assets	7	40.2	33.6
Trade receivables	7	78.0	66.6
Cash and cash equivalents	7	197.4	148.2
<b>Total current assets</b>		<b>325.3</b>	<b>259.7</b>
<b>Total assets</b>		<b>700.0</b>	<b>922.2</b>
<b>Equity and liabilities</b>			
Total equity			
		423.4	666.8
Non-current liabilities			
Lease liabilities	7	34.9	50.3
Other non-current liabilities		1.5	1.5
Deferred tax liabilities	5	42.6	30.3
<b>Total non-current liabilities</b>		<b>79.0</b>	<b>82.1</b>
Current liabilities			
Trade payables	7	6.7	8.4
Lease liabilities	7	16.8	19.0
Deferred income		126.8	115.3
Other current liabilities	7	47.3	30.6
<b>Total current liabilities</b>		<b>197.6</b>	<b>173.3</b>
<b>Total equity and liabilities</b>		<b>700.0</b>	<b>922.2</b>

## Changes in equity, Group

SEK m	Share capital	Other contributed capital	Translation reserves	Retained earnings	Total equity
<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>
Comprehensive income for the period			22.6	57.8	80.4
<b>Transactions with owners</b>					
Warrants, after deductions for transaction costs and tax		0.1			0.1
Share-based remuneration				1.0	1.0
<b>Total transactions with owners</b>		0.1		1.0	1.1
<b>Opening balance, January 1, 2023</b>	<b>139.7</b>	<b>228.1</b>	<b>60.4</b>	<b>238.6</b>	<b>666.8</b>
<b>Comprehensive income for the period</b>			10.1	-229.0	-218.9
<b>Transactions with owners</b>					
Share-based remuneration				5.6	5.6
Share buybacks				-9.6	-9.6
Dividend				-20.5	-20.5
<b>Total transactions with owners</b>				-24.5	-24.5
<b>Closing balance, December 31, 2023</b>	<b>139.7</b>	<b>228.1</b>	<b>70.5</b>	<b>-14.9</b>	<b>423.4</b>



# Cash flows

## Condensed consolidated cash flow statement

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Incoming payments from customers and other incoming payments	107.0	104.9	443.6	412.8
Outgoing payments to suppliers and employees	-65.7	-70.5	-287.3	-267.6
Interest received	1.6	0.2	1.6	0.2
Interest paid	-0.7	-0.9	-2.6	-1.7
Tax relief received	-	-	12.9	11.2
Income taxes paid	-5.3	-7.9	-24.1	-27.2
Cash flow from operating activities	36.9	25.8	144.1	127.7
Investments in property, plant and equipment	-	-6.3	-5.8	-9.3
Investments in intangible assets	-9.1	-16.2	-36.3	-50.2
Divestment of financial assets	0.3	-	0.3	-
Cash flow from investing activities	-8.8	-22.5	-41.8	-59.5
Warrants, after deductions for transaction costs	-	-	-	0.1
Amortization of financial liabilities	-4.9	-11.4	-19.1	-39.6
Share buybacks	-8.8	-	-9.6	-
Dividend	-	-	-20.5	-
Cash flow from financing activities	-13.7	-11.4	-49.2	-39.5
Cash flow for the period	14.4	-8.1	53.1	28.7
Cash and cash equivalents at beginning of period	186.0	158.8	148.2	113.4
Exchange difference in cash and cash equivalents				
- attributable to cash and cash equivalents at beginning of period	-5.8	-4.3	-5.7	5.4
- attributable to cash flow for the period	2.8	1.8	1.8	0.7
Cash and cash equivalents at end of period	197.4	148.2	197.4	148.2

## Cash and cash equivalents, Group

SEK m	Dec 31, 2023	Dec 31, 2022
Cash and cash equivalents at end of period	197.4	148.2
Unutilized overdraft facilities	50.0	-
Total available cash and cash equivalents	247.4	148.2

# Key performance measures

## Group

	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Gross margin, %	96.6	96.5	97.1	97.0
EBITDA, %	35.3	29.8	31.3	30.7
Adjusted EBITDA, %	36.9	30.9	33.4	31.0
Operating margin, %	-203.2	15.2	-44.6	18.0
Adjusted operating margin, %	25.5	16.3	21.0	18.3
Profit margin, %	-201.7	13.4	-44.4	17.5
Cash flow, %	29.3	23.7	31.5	30.4
Equity/assets ratio, %			60.5	72.3
Return on equity, %	-45.9	2.2	-42.0	9.2
Return on capital employed, %	-41.7	2.4	-33.4	11.0
Capital employed, SEK m			475.1	736.1
Net cash, SEK m			145.7	78.9
Net debt/equity ratio, multiple			-0.3	-0.1
No. of employees at end of period	211	209	211	209
Average no. of employees	201	208	206	203
Sales per employee, SEK m	0.6	0.5	2.2	2.1

## Share data

	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Equity per share, SEK			31.00	48.81
No. of shares at end of period, million			13.66	13.66
Average no. of shares, million	13.66	13.65	13.66	13.65
Average no. of shares, diluted, million*	13.80	13.75	13.80	13.75
Cash flow from operating activities per share, SEK	2.70	1.89	10.55	9.36
Earnings per share, basic, SEK**	-18.79	1.07	-16.84	4.23
Earnings per share, diluted, SEK**	-18.79	1.06	-16.84	4.20

\* No dilution was taken into account when calculating earnings per share due to the negative earnings for the fourth quarter and full-year 2023.

\*\*Definition in accordance with IFRS. Refer also to definitions on pages 16 and 17.

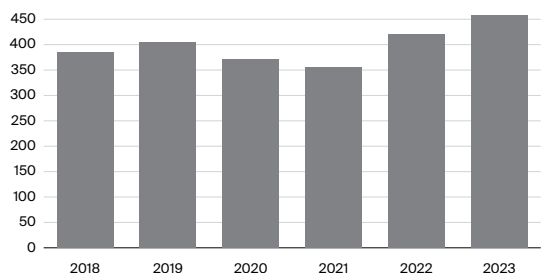
# Multi-year overview

	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
2023	458.1	143.6	31.3	96.1**	21.0**	-16.84	-42.0	10.55	31.00	123.80	1,691
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

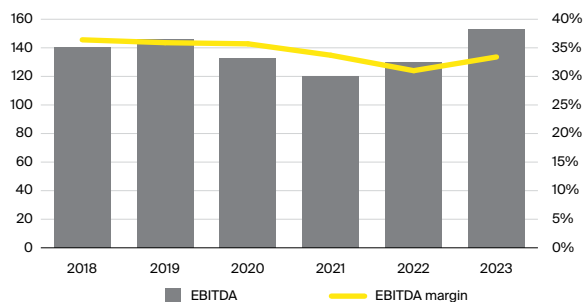
\* Adjusted for non-recurring items, refer to Reconciliations on page 87 of I.A.R. Systems Group AB's 2022 Annual Report.

\*\*Definition in accordance with IFRS.

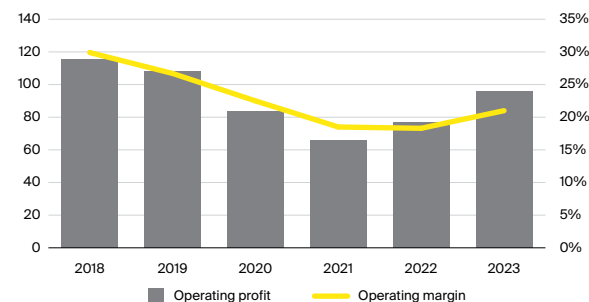
Net sales, SEK m



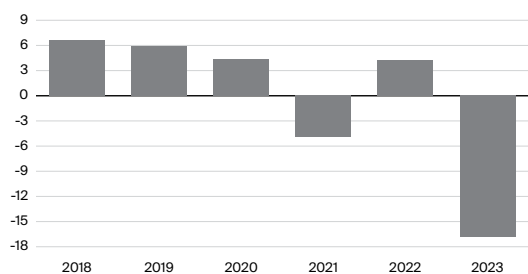
EBITDA and EBITDA margin\*



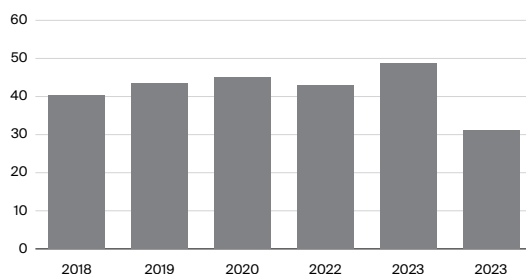
Operating profit and operating margin\*



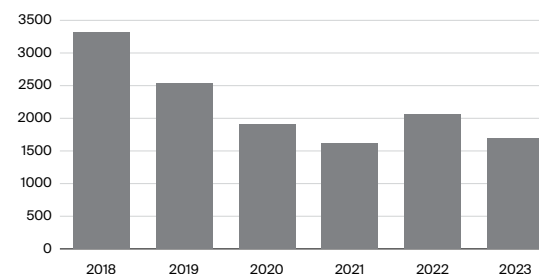
Earnings per share, SEK



Equity per share, SEK



Market capitalization, SEK m



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

\*\* Adjusted for non-recurring items, refer to Reconciliations Refer to pages 19-20 in this report.

\*\*\* Definition in accordance with IFRS.

# Quarterly overview

		Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK***	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2023	Q4	125.9	44.5	35.3	32.1**	25.5**	-18.79	-45.9	2.70	31.00	123.80	1,691
	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.

\*\* Adjusted for non-recurring items, refer to Reconciliations Refer to pages 19-20 in this report.

\*\*\* Definition in accordance with IFRS.

# Parent Company

## Condensed income statement

SEK m	Full-year	
	2023	2022
Net sales	13.1	13.1
Operating expenses	-14.1	-14.1
Operating loss	-1.0	-1.0
Profit/loss from financial items	-336,3	92.4
Profit/loss before tax	-337,3	91.4
Tax	-24.2	-20.7
Profit/loss for the period	-361,6	70.7

## Statement of comprehensive income

SEK m	Full-year	
	2023	2022
Profit/loss for the period	-361,6	70.7
<b>Other comprehensive income for the period</b>		
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	-361,6	70.7

## Condensed balance sheet

SEK m	Note	Dec 31, 2023	Dec 31, 2022
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		0.0	0.1
Shares in subsidiaries		218,7	455.1
Other financial assets		0.2	0.1
Receivables from subsidiaries	9	83,8	232.5
Total non-current assets		302,7	687.8
Current assets			
Receivables from subsidiaries		-	19.7
Other current assets		0.8	0.4
Cash and cash equivalents		57.3	2.5
Total current assets		58.1	22.6
<b>Total assets</b>		<b>360,8</b>	<b>710.4</b>
<b>Equity and liabilities</b>			
Restricted equity			
Restricted equity		139.7	139.7
Non-restricted equity		170,0	555.8
Total equity		309,7	695.5
Current liabilities			
Trade payables		0.9	0.9
Liabilities to subsidiaries		42.7	11.9
Other current liabilities		7.5	2.1
Total current liabilities		51.1	14.9
<b>Total equity and liabilities</b>		<b>360,8</b>	<b>710.4</b>



# Notes

## 1. Accounting policies

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

The accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report. New or revised standards and new interpretations from the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRIC) and amendments to RFR 2 effective as of January 1, 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 Oct-Dec		Full-year	
	2023	2022	2023	2022
Development solutions	125.4	108.6	456.0	418.4
Security solutions	0.5	0.2	2.1	1.5
<b>Net sales</b>	<b>125.9</b>	<b>108.8</b>	<b>458.1</b>	<b>419.9</b>

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
License-based revenue	67.3	57.0	229.4	233.0
Support and software updates	55.0	45.4	210.6	167.9
Other	3.6	6.3	18.1	18.9
<b>Net sales</b>	<b>125.9</b>	<b>108.8</b>	<b>458.1</b>	<b>419.9</b>

At a point in time Over time	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
At a point in time	70.9	63.4	247.5	252.0
Over time	55.0	45.4	210.6	167.9
<b>Net sales</b>	<b>125.9</b>	<b>108.8</b>	<b>458.1</b>	<b>419.9</b>

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Americas	41.4	35.1	154.9	140.7
Asia	40.3	36.2	152.7	139.0
Europe	43.5	37.1	148.6	138.6
Not allocated by region	0.7	0.4	1.9	1.6
<b>Net sales</b>	<b>125.9</b>	<b>108.8</b>	<b>458.1</b>	<b>419.9</b>

## 3. Goodwill

Adjusted goodwill at December 31, 2023 amounted to SEK 117.5m (366.6). During the fourth quarter, goodwill decreased SEK 262.8m, due in part to currency translation and in part to impairment of goodwill amounting to SEK 261.3m. The impairment was recognized as a result of the impairment test carried out at the end of 2023. During this impairment test, management reviewed and analyzed the cash-generating units (CGUs) that comprise the Group. This assessment included the strategic changes made in 2023 regarding the Group's operations in security solutions, which also resulted in a restructuring of the Group's security solutions development operations in Cambridge. Our overall assessment of these changes is that the security solutions operations in Cambridge are a separate CGU, and that as of December 31, 2023 there are two CGUs in the Group: Secure Thingz (security solutions) and IAR Systems (embedded systems). Goodwill was allocated to the Secure Thingz CGU based on the acquisition analysis prepared at the time of its acquisition, as we believe that this allocation is the most equitable. The Secure Thingz CGU includes the unit for security product development located in Cambridge. The impairment test conducted for this CGU at the end of 2023

showed that the recoverable amount is lower than the carrying amount. The discount rate used for the impairment test was 11.0%. The recoverable amount is lower than the carrying amount largely because this CGU was treated as an independent unit during impairment testing, unlike in previous tests. As a result, an impairment loss of SEK 261.3m was recognized for goodwill related to the Secure Thingz CGU.

## 4. Other intangible assets

During the year, intangible assets decreased by SEK 22.4m and amounted to SEK 181.7m (204.1) on December 31, 2023. During the fourth quarter, an impairment loss of SEK 24.7m was recognized for intangible assets, which pertains to development projects related to the Group's security products. Operating expenses were reduced by SEK 9.1m (16.1) during the quarter and SEK 36.1m (50.2) during the year as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized during the quarter, SEK 8.0m (13.7) pertained to personnel costs, or SEK 30.4m (41.7) for the year.

## 5. Deferred tax

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of December 31, 2023, the Group had accumulated loss carryforwards outside Sweden of SEK 220.5m (264.6). The Group received a tax relief payment of SEK 12.9m (11.2) during the third quarter of 2023 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. On December 31, 2023, SEK 6.3m was recognized as estimated tax relief related to 2023, with expected payout during the second half of 2024.

Deferred tax assets are recognized in the balance sheet in an amount of SEK 7.4m (3.2), and deferred tax liabilities are recognized in an amount of SEK 42.6m (30.3). The increase in deferred tax liabilities is partly due to the increased tax rate in England in 2023. 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	Dec 31, 2023	Dec 31, 2022
To secure pensions	20.4	22.8
To secure liabilities to credit institutions	1.7	2.9
<b>Total pledged assets</b>	<b>22.1</b>	<b>25.7</b>

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

## 7. Information about measurement at fair value

For cash and cash equivalents, trade receivables and trade payables, the carrying amount is a good approximation of fair value since the maturity is short. For borrowings, the carrying amount is a good approximation of fair value since the interest rate is variable and the credit margin is relatively unchanged. No financial instruments measured at fair value in the Group were acquired/reclassified in the year. 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 December 31, 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 December 31, 2023, the number of RSUs outstanding in this program amounted to 139,250.

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 allotted RSUs are vested at a rate of one third from the date of allotment (September 1, 2023) until August 31, 2024, August 31, 2025 and August 31, 2026. 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 as of December 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.

### 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 December 31, 2023, the number of RSUs outstanding in this program amounted to 129,267.

The shares will be transferred to individuals free of charge after three years, provided that the performance conditions

### Incentive programs

	Total	Subscribed/Allocated	Exercised Dec 31, 2023	Forfeited Dec 31, 2023	Qualified Dec 31, 2023	Qualified after Dec 31, 2023
LTI 2023						
RSUs	145,000	141,000	0	1,750	0	139,250
LTI 2022						
RSUs	140,000	140,000	0	10,733	44,317	84,950
Exchange Allotment 2018						
Stock options	73,413	73,413	45,077	21,774	6,562	0

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 December 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.

# 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.
Cash conversion rate	Cash flow from operating activities divided by adjusted EBITDA	Cash conversion rate shows the company's ability to convert earnings in operations into cash flows.

\* 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 Oct-Dec		Full-year	
	2023	2022	2023	2022
Net sales	125.9	108.8	458.1	419.9
Goods for resale	-4.3	-3.8	-13.4	-12.8
Gross profit	121.6	105.0	444.7	407.1
<b>Gross margin, %</b>	<b>96.6</b>	<b>96.5</b>	<b>97.1</b>	<b>97.0</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Operating profit/loss	-255.8	16.5	-204.1	75.7
Depreciation of property, plant and equipment	1.1	1.3	5.7	5.3
Depreciation of right-of-use assets	5.4	7.4	20.7	20.2
Amortization of intangible assets	7.8	7.2	30.6	27.8
Impairment of intangible assets	24.7	-	29.4	-
Impairment of goodwill	261.3	-	261.3	-
<b>EBITDA</b>	<b>44.5</b>	<b>32.4</b>	<b>143.6</b>	<b>129.0</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Net sales	125.9	108.8	458.1	419.9
EBITDA	44.5	32.4	143.6	129.0
<b>EBITDA margin, %</b>	<b>35.3</b>	<b>29.8</b>	<b>31.3</b>	<b>30.7</b>

**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 Oct-Dec		Full-year	
	2023	2022	2023	2022
Operating profit/loss	-255.8	16.5	-204.1	75.7
Depreciation of property, plant and equipment	1.1	1.3	5.7	5.3
Depreciation of right-of-use assets	5.4	7.4	20.7	20.2
Amortization of intangible assets	7.8	7.2	30.6	27.8
Impairment of intangible assets	24.7	-	29.4	-
Impairment of goodwill	261.3	-	261.3	-
Costs for the long-term incentive program	1.9	1.2	7.3	1.2
Restructuring expenses	-	-	2.2	-
<b>Adjusted EBITDA</b>	<b>46.4</b>	<b>33.6</b>	<b>153.1</b>	<b>130.2</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Net sales	125.9	108.8	458.1	419.9
Adjusted EBITDA	46.4	33.6	153.1	130.2
<b>Adjusted EBITDA margin, %</b>	<b>36.9</b>	<b>30.9</b>	<b>33.4</b>	<b>31.0</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Net sales	125.9	108.8	458.1	419.9
Operating profit/loss	-255.8	16.5	-204.1	75.7
<b>Operating margin, %</b>	<b>-203.2</b>	<b>15.2</b>	<b>-44.6</b>	<b>18.0</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Operating profit/loss	-255.8	16.5	-204.1	75.7
Impairment of intangible assets	24.7	-	29.4	-
Impairment of goodwill	261.3	-	261.3	-
Costs for the long-term incentive program	1.9	1.2	7.3	1.2
Restructuring expenses	-	-	2.2	-
<b>Adjusted operating profit</b>	<b>32.1</b>	<b>17.7</b>	<b>96.1</b>	<b>76.9</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Net sales	125.9	108.8	458.1	419.9
Adjusted operating profit	32.1	17.7	96.1	76.9
<b>Operating margin, %</b>	<b>25.5</b>	<b>16.3</b>	<b>21.0</b>	<b>18.3</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Net sales	125.9	108.8	458.1	419.9
Profit/loss before tax	-254.0	14.6	-203.4	73.5
<b>Profit margin, %</b>	<b>-201.7</b>	<b>13.4</b>	<b>-44.4</b>	<b>17.5</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Net sales	125.9	108.8	458.1	419.9
Cash flow from operating activities	36.9	25.8	144.1	127.7
<b>Cash flow, %</b>	<b>29.3</b>	<b>23.7</b>	<b>31.5</b>	<b>30.4</b>

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

SEK m	Dec 31, 2023	Dec 31, 2022
	Equity	423.4
Total assets	700.0	922.2
<b>Equity/assets ratio</b>	<b>60.5</b>	<b>72.3</b>



## 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	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Equity	423.4	690.2	683.1	677.9	666.8
	3 months Oct-Dec		Full-year		
SEK m	2023	2022	2023	2022	
<b>Average equity</b>	<b>556.8</b>	<b>659.0</b>	<b>545.1</b>	<b>626.1</b>	

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Profit after tax	-255.5	14.6	-229.0	57.8
Average equity	556.8	659.0	545.1	626.1
<b>Return on equity, %</b>	<b>-45.9</b>	<b>2.2</b>	<b>-42.0</b>	<b>9.2</b>

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

SEK m	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Interest-bearing liabilities	51.7	58.2	59.1	65.5	69.3
Cash and cash equivalents	-197.4	-186.0	-153.8	-158.1	-148.2
Net interest-bearing liabilities	-145.7	-127.8	-94.7	-92.6	-78.9
<b>Net debt/equity ratio, multiple</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Profit/loss before tax	-254.0	14.6	-203.4	73.5
Financial expenses	-1.1	2.2	0.9	2.5
Profit/loss before tax plus financial expenses	-255.1	16.8	-202.5	76.0
<b>Return on capital employed, %</b>	<b>-41.7</b>	<b>2.4</b>	<b>-33.4</b>	<b>11.0</b>

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

SEK m	Dec 31, 2023	Dec 31, 2022
Cash and cash equivalents	197.4	148.2
Interest-bearing liabilities	-51.7	-69.3
<b>Net cash</b>	<b>145.7</b>	<b>78.9</b>

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

SEK m	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Total assets	700.0	967.3	985.5	959.1	922.2
Non-interest-bearing liabilities	-224.9	-218.9	-243.3	-215.7	-186.1
<b>Capital employed</b>	<b>475.1</b>	<b>748.4</b>	<b>742.2</b>	<b>743.4</b>	<b>736.1</b>
	3 months Oct-Dec		Full-year		
SEK m	2023	2022	2023	2022	
Average capital employed	611.7	707.5	605.6	688.7	

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

SEK m	Dec 31, 2023	Dec 31, 2022
Equity	423.4	666.8
No. of shares at end of period, million	13.66	13.66
<b>Equity per share</b>	<b>31.00</b>	<b>48.81</b>

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

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Cash flow from operating activities	36.9	25.8	144.1	127.7
Average no. of shares, million	13.66	13.65	13.66	13.65
<b>Cash flow from operating activities per share</b>	<b>2.70</b>	<b>1.89</b>	<b>10.55</b>	<b>9.36</b>

**The cash conversion rate** is calculated as cash flow from operating activities divided by adjusted EBITDA.

SEK m	3 months Oct-Dec		Full-year	
	2023	2022	2023	2022
Cash flow from operating activities	36.9	25.8	144.1	127.7
Adjusted EBITDA	46.4	33.6	153.1	130.2
<b>Cash conversion rate, multiple</b>	<b>0.80</b>	<b>0.77</b>	<b>0.94</b>	<b>0.98</b>

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 year, the share price varied from a low of SEK 73.0 (120.2) to a high of SEK 166.4 (159.2). I.A.R. Systems Group's market capitalization on December 31, 2023 was SEK 1,691m (2,054). The number of shareholders in I.A.R. Systems Group on the same date was 6,583 (6,917). Of these shareholders, 355 (403) held more than 1,000 shares each. Foreign shareholders held approximately 24.6% (28.0) of the share capital.

I.A.R. Systems Group AB's share capital at December 31, 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 103,687 of the class B shares are held in treasury, of which 83,423 class B shares were acquired during the fourth 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 and these 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.

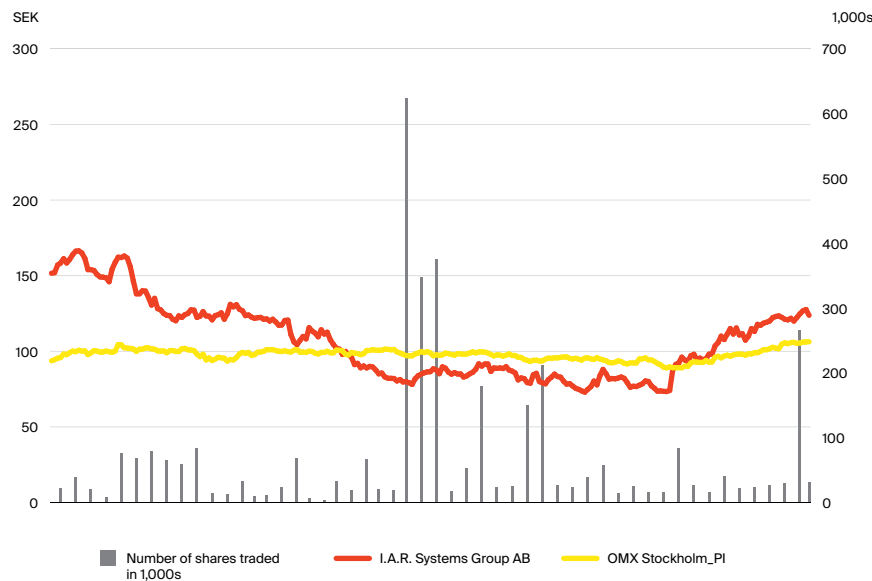
### Nominating committee

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](http://www.iar.com).

IAR Systems Group AB, January-December 2023



## The share

### Shareholder type

	No. of shares	No. of shareholders	Share of capital, %	Share of votes, %
Funds	4,285,083	22	30.9	30.9
Private individuals	4,254,551	6,298	29.4	29.4
Pension and insurance companies	3,333,203	10	23.9	23.9
Other	1,787,748	253	15.8	15.8
<b>Total *</b>	<b>13,660,291</b>	<b>6,583</b>	<b>100.0</b>	<b>100.0</b>

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

### Geographical distribution

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	6,390	97.1	75.5	75.5
Finland	33	0.5	9.5	9.5
UK	15	0.2	5.9	5.9
Denmark	29	0.4	4.3	4.3
Germany	14	0.2	1.8	1.8
Other countries	102	1.5	3.2	3.2
<b>Total *</b>	<b>6,583</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* 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	5,927	90.0	3.3	3.3
501-1,000	301	4.6	1.7	1.7
1,001-10,000	291	4.4	6.1	6.1
10,001-	64	1.0	88.9	88.9
<b>Total *</b>	<b>6,583</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

### Largest individual shareholders

	No. of shares	Share of capital, %	Share of votes, %
1. Alcur Fonder	1,477,617	10.8	10.8
2. Andra AP-fonden	1,295,415	9.5	9.5
3. Avanza Pension	1,294,962	9.5	9.5
4. Aktia Asset Management	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. Arbejdsmarkedets Tillægspension	580,320	4.2	4.2
8. Highclere International Investors LLP	549,806	4.0	4.0
9. Ribbskottet	500,000	3.7	3.7
10. JP Morgan Chase Bank NA	295,300	2.2	2.2
Other	5,388,183	39.4	39.4
<b>Total *</b>	<b>13,660,291</b>	<b>100.0</b>	<b>100.0</b>

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



**I.A.R. Systems Group AB (publ)**

Corporate identification number 556400-7200  
Strandbodgatan 1A, Box 23051, SE-753 23 Uppsala  
[www.iar.com](http://www.iar.com)

Richard Lind, CEO, [richard.lind@iar.com](mailto:richard.lind@iar.com)  
Ann Zetterberg, CFO, [ann.zetterberg@iar.com](mailto:ann.zetterberg@iar.com)