I.A.R. Systems Group AB

Annual Report 2024

Tomorrow's Intelligence
Delivered Today

Contents

*Included in the formal annual report and consolidated financial statements for the 2024 financial year.

IAR in brief

Empowering embedded teams with highest flexibility, security, and efficiency

IAR helps software developers at manufacturing companies around the world create secure, reliable and high-quality code for embedded systems. Our tools and services allow customers to protect their brands and end users in a digital world where risks and threats are growing.

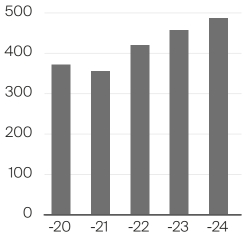
IAR is a niche market leader in commercial embedded systems development tools. Our software suite is widely used for programming microcontrollers (MCUs) and microprocessors (MPUs), enabling developers to create reliable, high-quality code for a variety of devices, reflecting a broad coverage of architectures and a strong independent position in the industry.

In an increasingly digitalized world, our solutions are essential for creating and protecting smart products in several industries – from automotive, medical technology and healthcare to industrial automation, manufacturing and green technology. Our software solutions help developers program microchips so that they fulfill their function in embedded systems.

Our primary markets are North America, Europe and Asia, and our customers include developers at major manufacturing companies and their sub-suppliers. The Parent Company of the IAR Group is I.A.R. Systems Group AB, which has been listed since 1999. The company is currently listed on the Mid Cap list of Nasdaq Stockholm.

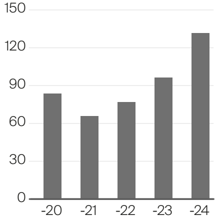
Net sales

2020–2024, MSEK



Adjusted operating profit

2020–2024, MSEK



4,500+
customers

More than 4,500 customers are supported by 230+ employees across 13 offices in North America, Europe and Asia.

30
interactions

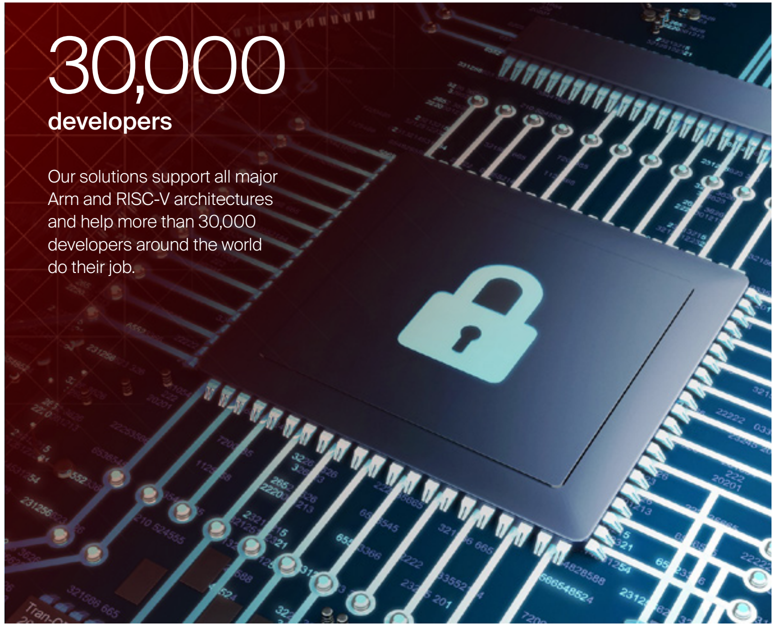
The average person interacts with a digital product or service programmed with one of our solutions at least 30 times a day.

57%
recurring revenue

We have recurring revenue from subscriptions and Support and Update Agreements (SUA) of 57%

Forbes Global
2000

The majority of all income is from Forbes Global 2000 companies

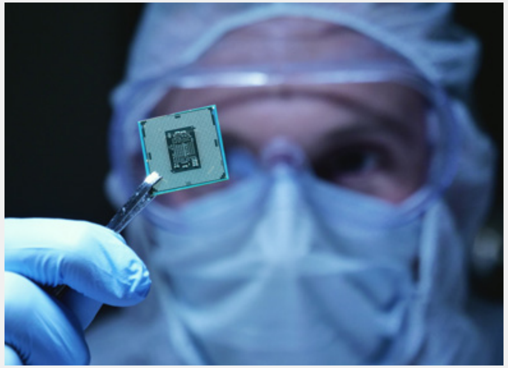


30,000
developers

Our solutions support all major Arm and RISC-V architectures and help more than 30,000 developers around the world do their job.

Highlights of 2024

2024 was an eventful year for the company as well as the world.
Here are some of the most important events for IAR.



Q1

We released an updated IAR Embedded Workbench for Arm, Functional Safety edition, strengthening our commitment to supporting developers in creating safe, secure, and compliant embedded applications across a range of industries, including automotive, medical devices, industrial automation, and consumer electronics.

The launch of enhanced support for the first general-purpose 32-bit RISC-V microcontrollers, meeting demand for robust and reliable development tools for an increasingly popular architecture. The release includes advanced debugging capabilities and sophisticated compiler optimizations.

Q2

The release of the certified static analysis tool (C-STAT) for the IAR Embedded Workbench for RISC-V, Functional Safety edition. The certification ensures that developers can meet stringent safety standards by providing crucial compliance and reliability information. Customers improve their time to market, and developers save time and cost when using pre-certified solutions, allowing them to focus on their code and application features.

Q3

IAR's new CEO, Cecilia Wachtmeister, takes office, bringing in extensive industrial experience from executive roles in technology companies, with a focus on international sales.

Cecilia was a board member of IAR during the successful turnaround that led the company to new growth and strong profitability.

Q4

The release of the new IAR Debug extension for Visual Studio Code. With the introduction of the IAR List-window technique, the IAR C-SPY Debugger offers developers a powerful way to visualize and modify data in real time.

IAR revises its long-term growth targets to reflect the company's new growth strategy (see page 11). In the next three to five years, we are targeting 20 percent revenue growth per year, with an operating margin of at least 20 percent.

Comments from the CEO

Driving growth and innovation: A year of transformation for IAR

Throughout 2024, I.A.R. Systems Group AB demonstrated consistent financial growth, with strategic leadership changes and product innovations, positioning us for future expansion. Our employees delivered above expectations, achieving record-breaking results in Q4. To summarize: It was a year defined by our team's dedication, perseverance, and relentless 'get-it-done' mindset.

Financial performance
We started the year strong, with first-quarter net sales increasing by 11.2 percent YoY, a trend that continued in the second quarter with 13.9 percent YoY growth. Despite macroeconomic challenges in the second half, particularly in the U.S. and EMEA, we saw encouraging growth in APAC, especially China. Overall, we closed 2024 with a record turnover of SEK 487.2m, reflecting annual growth of 8.7 percent. We also improved our margins; the adjusted operating margin increasing to 27.0 percent (21.0), and EBITDA margin rising to 38.3 percent (33.4).

Scaling for the future
The shift towards digital transformation is fueling the demand for cloud-based development environments, which streamline processes and enhance efficiency. We are meeting this demand with our new cloud-enabled offering, allowing developers to work within modern workflows in a cloud-based, continuous integration environment. Unlike our legacy perpetual licenses, this new offering empowers developers to utilize IAR tools across local PCs, virtual machines, or in the cloud. With this new approach, we are fundamentally transforming our customer engagement model by transitioning from selling perpetual software licenses for individual products, to providing an all-inclusive subscription-based solution. In this new business model, developers gain access to IAR's comprehensive product portfolio, which includes analysis tools, security solutions, functional safety, and any version of our flagship product, the Embedded Workbench.

Customer feedback has been very positive, recognizing the significant value enhancement due to the upgraded support for continuous integration and the all-inclusive subscription. Our subscription model not only simplifies and amplifies customer value but also strengthens the synergy between our customers' success and our own.

A new chapter
Since joining the company as CEO in August, I have been deeply impressed by the depth of expertise within our teams and the critical role IAR technology

"Customer feedback has been very positive, recognizing the significant value enhancement due to the upgraded support for continuous integration and the all-inclusive subscription."

Comments from the CEO

plays in modern software development. On average, people interact with products powered by IAR tools over 30 times daily – a testament to our deep integration into daily life and the global technology landscape. What has struck me during my meetings with customers and partners around the world these past months is that IAR is not merely a vendor; we are a trusted advisor, an innovator in our ecosystem, and a key partner for some of the world's largest brands. As the world evolves, so do we, ensuring our solutions align with our customers' needs and future directions.

During the autumn, we conducted a thorough review to redefine our strategic direction, to position IAR for long-term success in an industry that is evolving rapidly. The long-term strategy is built on four areas: improving our go-to-market approach, broadening our technical capabilities, introducing a new business model, and stronger focus on business and people excellence. (read more on p 11).

An active member of a vibrant ecosystem

To deliver continued value in the new strategic direction, IAR will accelerate its cooperation with partners, both commercially and technically. As part of our revised technology strategy, we are fostering relationships with organizations and vendors in the open source community. One key initiative is integrating support for Zephyr RTOS from the Linux Foundation, a leading operating system among major manufacturing companies. By strengthening our commitment to the open-source community, for example through Zephyr, we create opportunities to leverage innovations quickly and embrace technological leaps, such as new programming languages. We are also broadening IAR's portfolio to also reach the growing MPU market in addition to the MCU market.

The road ahead

An outlook for the year ahead is uniquely uncertain, but the remodeled IAR is built on solid foundations. We have consistently demonstrated our ability to drive growth while maintaining a robust balance sheet. Our long-term objectives are clear: in the next three to five years, we intend to achieve 20 percent annual growth, whille maintaining an operating margin of at least 20 percent, driven by our shift to the subscription-based business model, organic expansion and strategic acquisitions where applicable.

This is an exciting time for IAR – a period of transformation, growth, and innovation. We have always been at the forefront of technological development, and with our new strategy, we're reinforcing that position. I am confident that the changes we are implementing will lay the foundation for a stronger, more agile IAR, ready to seize the opportunities ahead.

Cecilia Wachtmeister
CEO and President, IAR

Cecilia Wachtmeister, flanked by Manon Heitzler, Sales, and Oliver Niedung, Sales Manager DACH, in connection to the visit at the Münich office in September 2024.

Market

IAR in a changing world

Devices with sensors are becoming ubiquitous in our connected society. Regulators and consumers want their devices to be safe and secure, while consuming as little energy as possible.

Energy efficiency

Energy efficiency is a critical focus for manufacturers, particularly for battery-powered and internet of things (IoT) applications. Companies continue to phase out technology that relies on fossil fuels in favor of electric solutions, driving demand for more efficient software. IAR enbles energy-efficient embedded systems by providing highly optimized code that reduces power consumption, extending battery life and improving overall performance. As industries accelerate their transition to electric solutions, IAR's tools become increasingly essential for developing sustainable, high-performance embedded applications.

Safety and security

Governments globally are introducing new security and safety legislation to protect companies, consumers, and national infrastructure. The details of these regulations vary by jurisdiction, creating complexity for manufacturers striving to ensure compliance. At the same time, companies have differing definitions of best practices for security. IAR helps navigate this landscape with robust security solutions and industry-leading coding standards, enabling manufacturers to meet regulatory requirements efficiently while ensuring high-performance and secure products.

The connected society

Our everyday and working lives increasingly rely on digital products and smart services, often without noticing the technology behind them. From industrial automation to automotive systems, sensors play a critical role in detecting environmental changes and triggering intelligent responses, driving demand for more advanced software. As sensor technology expands, circuit boards and processors must deliver greater functionality and efficiency. IAR provides developers with powerful tools to create efficient, reliable, and high-performance code, meeting the growing complexity of embedded software and enabling smarter, more connected solutions across industries.

As our world becomes more connected, the number of digital products and smart services are snowballing, at work as well as in everyday life.

Market

Localized trends driving change in our market

Technological progress is altering our customers' approach to developing software for embedded systems.

Edge computing and AI integration

Microcontrollers (MCUs) are increasingly integrating AI and machine learning capabilities directly into the edge, which means processing data on the end devices themselves, rather than sending data to the cloud for processing. This trend is supported by new MCU architectures optimized for AI workloads.

RISC-V adoption

The open-source RISC-V architecture is gaining traction as an alternative to more common MCU architectures, such as ARM. RISC-V is flexible and cost-effective and is increasingly favored by developers in some large markets, particularly China.

Multi-core MCUs

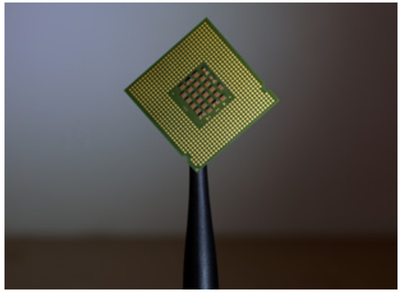
Manufacturers are seeking to use multi-core MCUs for applications that require high performance, such as motor control, multimedia processing and other complex, real-time operations. Multi-core MCUs can split workloads across multiple cores, enhancing performance without significantly increasing power consumption.

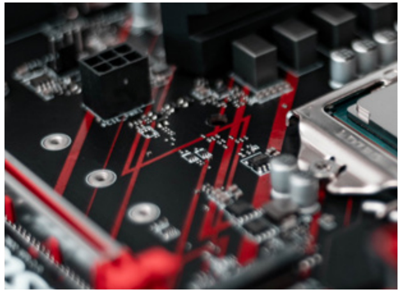
Functional safety and compliance

Manufacturers continue to scale up the number of MCUs for safety-critical applications. Regulators have introduced new standards to ensure that systems work safely and reliably, most notably in the automotive and industrial sectors. More broadly, security and safety compliance is becoming increasingly complex for manufacturers as global regulators take differing approaches.

Development of ecosystems and software tools

MCU vendors are enhancing their development ecosystems to shorten time to the market. This includes introducing advanced software development kits (SDKs), which are cloud-based development tools and pre-built libraries of key functions, making it easier for developers to create, test and deploy complex applications.





Value creation

IAR’s key sectors: building a better everyday

IAR targets customers who create secure, reliable and high-quality products in five key sectors, all of which are undergoing rapid technological change.

Automotive technology

Vehicles are increasingly driven by software. Ensuring systems work safely and securely is critical. Leading automotive companies trust IAR Embedded Workbench for certified functional safety and high performance, supported by our technical expertise and global presence.

Industrial automation

Industrial processors are the heart of any manufacturing environment. IAR’s solutions enable efficient development and validation of complex systems, ensuring real-time performance, functional safety compliance, and faster innovation in a rapidly changing sector.

Medical technology

Embedded technology powers medical devices, wearables, and remote monitoring systems. IAR delivers security-focused tools and advanced testing capabilities, ensuring compliance with regulations, data integrity, and patient safety in the healthcare industry’s most critical applications.

Energy & utilities

Embedded systems power innovation in smart grids, renewable energy, and critical infrastructure. IAR’s development tools help create the code that enables real-time control, optimizes energy efficieny and ensures robust performance in this demanding sector.

Maritime & railway

Embedded technology ensures safety, efficiency, and connectivity in modern transportation systems. IAR offers certified, high-performance tools to enable system reliability, ensure safety compliance, and enable secure operations.

Value creation

Safety, efficiency, and reliability in modern healthcare

A modern hospital room is equipped with numerous embedded devices, including infusion pumps, patient monitoring systems, and diagnostic tools. These devices run on millions of lines of code and must adhere to stringent safety standards while ensuring interoperability and cybersecurity. IAR's solutions are critical for enhancing patient safety, operational efficiency, and device reliability in medical technology applications.

IAR Embedded Workbench is IEC 62304-certified, ensuring compliance and reliability in defibrillators and patient monitors. Its advanced debugging and code analysis prevent failures in shock delivery, ECG monitoring, and automated defibrillation, accelerating approval for safety-critical devices.

IAR Build Tools enable automated software builds for ICU monitors, ECG patches, and hospital systems, ensuring seamless updates, compliance, and reliability. This reduces downtime, accelerates secure firmware deployment, and supports continuous validation of interconnected medical devices.

IAR C-RUN ensures real-time error detection in imaging systems and robotic surgery tools, preventing errors, memory corruption, and undefined behavior. It guarantees stable MRI scans, precise robotic movements, and secure control unit operation.

IAR C-STAT detects software defects in infusion pumps, MRI scanners, and surgical robots, preventing over-infusion, memory leaks, and arithmetic errors. It ensures early issue detection, IEC 62304 compliance, and FDA validation, reducing safety risks in critical medical software.

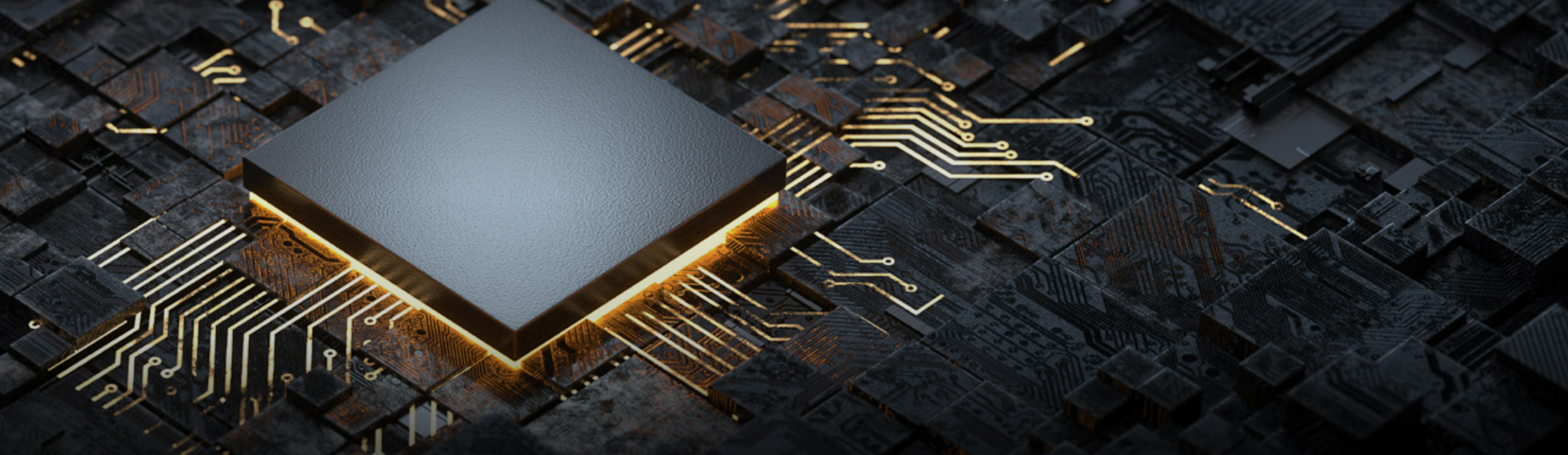
IAR Visual State enables structured modeling and automated code generation for dialysis machines and ventilators, ensuring real-time safety controls, IEC 62304 compliance, and efficient troubleshooting. It prevents coding errors, enhances oxygen flow management, and automates alarm triggering for critical conditions.

IAR Embedded Trust and Secure Deploy prevent unauthorized firmware modifications in insulin pumps, pacemakers, and hospital systems, ensuring tamper-proof security. They encrypt updates, protect against cyber threats, and guarantee secure software distribution from manufacturing to patient use.

Strategy

Expanding the horizon

IAR has long been a deep-tech leader in building and selling programs that help developers build better code for MCUs. Our refined strategy, developed in late 2024, aims to enhance long-term value and drive sustainable growth for customers and shareholders.



The strategy consists of four key pillars

Improve our go-to-market approach
We aim to expand our total addressable market (TAM) through further investments in our in-house sales organization and through geographical expansion via resellers and distributors. We will increase our focus on regulated verticals and accelerate commercial reselling programs with silicon manufacturers and independent software vendors.

Broaden our technical capabilities
Inhouse development investments coupled with interoperability with open-source technology will allow us to target the large and growing MPU market. This will significantly increase our addressable market while enabling us to quickly integrate and respond to ecosystem developments, such as new operating systems or programming languages.

Introducing a new business model
We will transition from perpetual licenses to an all-inclusive subscription model, providing additional value for our customers and an increased customer lifetime value for IAR.

Focus on business and people excellence
By transforming business processes and IT we can modernize internal ways of working and foster a winning culture to reward, attract and retain top talent.

Customer value

Customer intimacy: Focus on value & outcomes

IAR helps modern software organizations build, test, and translate code into reliable, secure, compatible, high-functioning applications. Our competitive advantage is comprised of three key pillars. We build long-term value by continuously developing and nurturing these strengths.

Scale development operations with freedom & flexibility
IAR enables developers to work without limits – no vendor lock-in, seamless scalability, and adaptable deployment. Our architecture- and device-agnostic solutions let manufacturers choose the best way to get the job done using any of our products in the way they want to operate them: In the cloud, virtual environments, on-premises, or hybrid.

With our flexible subscription model, any customer can scale software development efficiently while ensuring cost control regarding the organization's needs of build capacity in modern workflows.

Accelerate innovation with code confidence
IAR empowers developers with best-in-class tools, significantly impacting the software organization's ability to improve performance. This accelerates time-to-market, increases competitiveness, lowers cost, and accelerates innovation.

Our solutions optimize code quality and performance on the developers' terms. With intuitive tooling that enhances productivity and seamless collaboration across teams, manufacturers achieve measurable productivity- and efficiency gains while lowering total cost-of-operations.

Simplify compliance & strengthen security
IAR provides built-in security and encryption to protect intellectual property while enabling secure code development for mission-critical applications. We help developers create a relationship between their software and the device for authenticity throughout the lifecycle.

Our tools ensure compliance with industry standards such as MISRA, IEC, and ISO, supporting manufacturers in delivering safe, reliable, and regulatory-compliant software throughout the product lifecycle. By doing so, we help our customers reduce the risk of product recalls, penalties, export freeze, and end-user hazards while protecting their competitive edge, the digital IP.

Business model

IAR's business model – and transformation

For more than 40 years, IAR has been selling single licenses tied to a single product and developer. In Q1 2025, we initiated the transition to a subscription-based model that enables customers to speed up development and scale businesses in a flexible way.

In March 2025 we enhanced our proposition with a cloud-based subscription offer that better supports continuous integration development, a process that involves regularly merging, testing, and automatically validating code from multiple developers. This reduces the risk of errors, ensures that new functionality works properly, and speeds up the development process.

While our perpetual licenses are tied to a particular product and device, our cloud based all-inclusive subscription model is tied to users, enabling them to access every version of any product we still support, including security, on any device, wherever they like.

Our subscription model is tied to the number of users combined with the simultaneous build capacity that the customer has chosen. Customers have provided positive feedback, both about the upgraded support for continuous integration and the all-inclusive subscription. For developers, our combined solution is what makes our offer unique; the ability to create robust and high-quality code for multiple devices in an automated environment, alongside our certified toolchain that supports most security standards.

We anticipate that subscriptions will drive a more significant share of IAR revenue as developers continue to adopt modern workstyles.

	Perpetual license	Cloud-based subscription
Contractual terms and conditions	• One-time payment for the purchase of a license customized for a specific chip. • Price per license • IAR sells a license that the customer own	• Agreement for a certain period of time, often several years, that includes the entire toolbox of licenses regardless of chip type • Price per user and simultaneous workflows • IAR sells a service connected to the cloud
Effects for customers	• One-time cost, no hidden fees • Investment cost (CapEx)	• Flexibility for changing needs. • Access to Functional Safety & Security • Access to new products and services • Operating cost (OpEx)
Effects for IAR	• Weaker long-term customer loyalty • Risk of unauthorized license use • Poor insight into how customers are using the licenses and which licenses are still being used • One-time transaction with possibility of Income from additional services (support and upgrades) • 85% of income recognized at the time of the sale and the rest spread evenly over the remaining 11 months	• Stronger long-term customer loyalty through subscriptions • Higher share of recurring income More complex sales process • More complex sales process • Better customer data and insight into customers usage • Income distributed evenly throughout the term of the contract
Segment	• All segments	• Focus on medium and large enterprises

Corporate culture

Working at IAR: team members have their say

Strengthening relationships

For **Leif Enzmann**, a Technical Specialist in IAR's Customer Success unit, committing to continuous learning is the key to successful customer relationships.

"You're never done learning, so we have to keep developing in partnership with our customers", he says. "Knowledge is the building block that enables me to offer creative solutions. When it comes to troubleshooting, for example, what might feel like a lucky guess is actually an educated guess."

The Customer Success team, alongside account managers, is the main point of contact for IAR customers seeking to learn how to use new tools, report issues or submit feature requests. That makes Leif and his team integral to the company's success.

"Only if our customers are happy with our solutions will they continue to be loyal customers", he concludes. "Strengthening our relationship with them is the only way forward."

Adapting for success

Blanca Rivas Tébar is a Technical Programme Manager with a background in academia at the University of Castilla–La Mancha in Spain. She enjoys adapting various management methodologies to suit the technical teams in IAR's Cambridge office.

"It has required a lot of tech knowledge and creativity", Blanca says. "I now feel more comfortable with new customer requests and I am able to change priorities or get organised faster."

That ability to adapt has been vital in strengthening her team's relationships with customers, she says.

"We've found we're able to adapt quickly to customer requirements, whether they are challenging from either a technical or timing perspective. That's still the case, even when we're testing and learning new technologies."

An open culture

IAR's culture of openness is vital to its success, according to **Sagnik Majumdar**, a Sales Account Manager at IAR in Bengaluru, India.

"The collaborative spirit here, where all teams are encouraged to ask questions and provide insightful feedback, makes every day feel like an opportunity to improve and innovate", he says. "It's a company culture that thrives on openness, creativity, and forward-thinking."

Sagnik says his team is at its best when it extends that open culture to IAR customers, who value transparent, quick communication to simplify decisions.

"By maintaining clear communication and being proactive in addressing their concerns, I've been able to reduce complexities and make their experience with us smoother and more efficient", he concludes. "This, in turn, has allowed them to make decisions more quickly and confidently, knowing they have the support and guidance they need."

Offering

A complete solution for developers

Creating the best and most secure code possible, as quickly as possible, is essential for a developer. Our solutions enable developers to realize the full potential of micro-controllers, creating smart, efficient, safe, and secure products.

IAR Embedded Development Solutions and Security Solutions

Developer Productivity

Tomorrow's embedded systems can be created efficiently, securely and quickly with IAR. Our solutions create optimized, compact code, streamline workflows, and reduce costs across thousands of processors —enabling faster time-to-market and reliable product delivery.

Safety, Security & Compliance

Rising complexity and stricter regulations demand robust safety and security. IAR ensures compliance with industrial standards, protects against cyber threats, and safeguards intellectual property — enabling safe, secure, and reliable embedded systems.

IAR Embedded Development Solutions

Improving developer productivity

IAR's development solution is essential when developing software in embedded systems. The tools improve productivity at every step. They also ensure simplicity and stability and can be easily integrated into the workflow.

Embedded Workbench is a software development tool used by engineers to write, test, and optimize code for embedded systems — small computers inside devices like cars, medical equipment, industrial machines, and IoT gadgets. It provides:

- **A code editor (IDE)** – where developers write their programs.
- **A compiler** – converts the code into a format the embedded hardware can understand.
- **A debugger** – helps find and fix issues in the code.
- **Performance optimization tools** – ensures the code runs efficiently on the device.

Essentially, Embedded Workbench helps developers create reliable, fast, and secure embedded software for products that need to work flawlessly in real-world environments.

Continuous integration

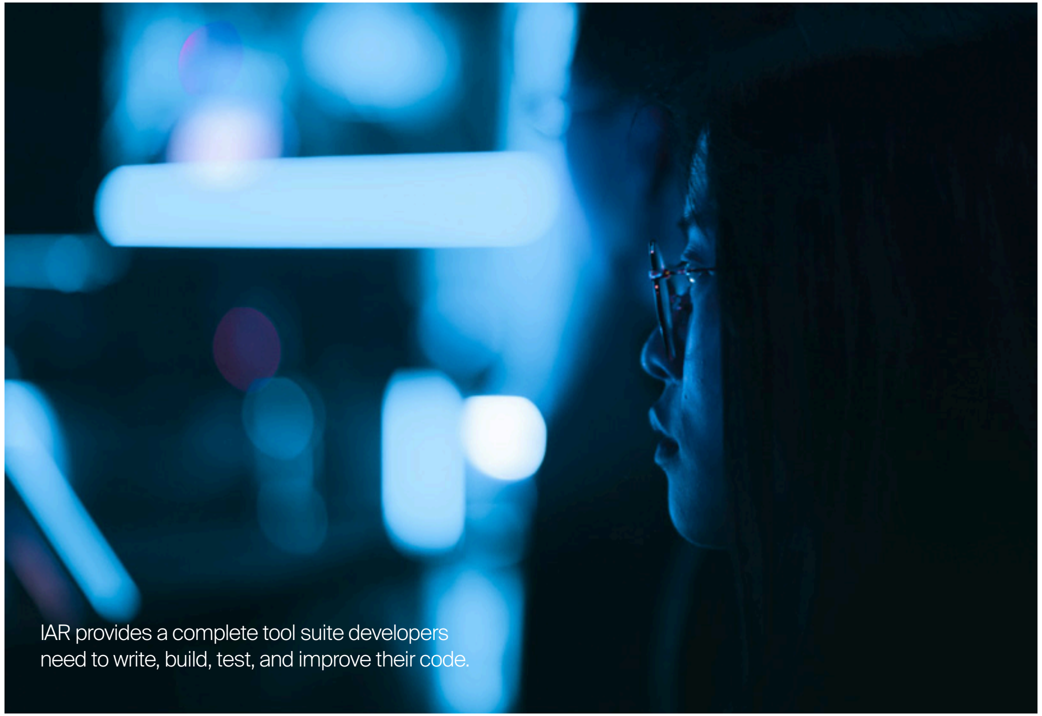
Several market trends are driving demand for IAR's Embedded Workbench, but two are particularly important. Firstly, developers increasingly want to use it while utilizing the continuous integration method, whereby developers regularly submit code alterations to a shared, often cloud-based, repository. The entire process, including testing, is automated, increasing reliability and creating a well-structured workflow that is easy to reproduce.

IAR's enhanced subscription offer (see p.13) better supports continuous integration, allowing developers to use every tool in the Embedded Workbench, whenever they need them. Customers can also more easily scale their use of tools when they wish to speed up new product development, hence better aligns with the way they wish to organize their workflows.

Increasing complexity

The second important driver of demand for IAR Developer Productivity Solutions is the increasing complexity of embedded systems, which is being driven by digitalization and electrification. Embedded systems need to manage more tasks, adapt to different user requirements and environmental conditions, and communicate with other devices and services.

As part of this trend, customers are increasingly using more complex microcontroller devices, often containing more than one computational core. These so-called multicore devices can use different architectures for different cores, for example Arm and RISC-V. IAR's independence and support for almost all architectures will enable us to provide effective support to customers as their projects grow more complex.



IAR provides a complete tool suite developers need to write, build, test, and improve their code.

Case: Nidec Mobility Corporation

A decade of robust and reliable service

Nidec began using the IAR Embedded Workbench about a decade ago after receiving a recommendation from a device vendor. The company says it now relies heavily on IAR to ensure its products perform vital tasks when it matters the most.

Nidec Mobility Corporation specializes in the development, production, and sales of automotive electrical components. The company's products perform vital tasks, like the Power Window Switch (PWS), which ensures that windows automatically lower when a hand or other object is detected. The switch can even open the window automatically if the car is submerged in water.

The PWS is just one component of many that the company develops using the Embedded Workbench.

"We rely heavily on IAR Embedded Workbench for projects using ARM® and RL78 devices", says a Nidec Mobility Corporation spokesperson. "The automotive industry demands high-quality software, and the choice of development tools is crucial."

Four aspects set the Embedded Workbench apart, according to Nidec developers. Firstly, the tool is robust and reliable compared to open-source options, delivering a stable, high-performance environment with minimal trouble shooting. Secondly, frequent tasks like step execution, timer interrupt handling and memory dumps are intuitive, even for beginners, improving productivity. Third, the workbench supports compliance with automotive safety standards, which is critical for Nidec Mobility's high-quality development needs. Finally, features such as functional safety-certified licenses, early support for RISC-V cores, and the Embedded Trust security development help future-proof Nidec for tomorrow's technological challenges.

Nidec began using the Workbench about a decade ago. While launching a new platform, the company received a recommendation from a device vendor and has trusted Embedded Workbench to meet its requirements ever since, the spokesman adds.

Key benefits of the Embedded Workbench, according to Nidec, include the detailed release notes for tools like the compiler, linker, and debugger, which ensure transparency and reliability. In addition, support for architectures like ARM®, RISC-V, Renesas RL78, and niche 8–16-bit microcontrollers ensure that the toolchain provides flexibility for diverse projects.

When the developers have questions, IAR's dedicated support system guarantees responses within one business day, preventing delays in time-sensitive projects with tight deadlines.

"The high quality, excellent usability, and prompt support of IAR Embedded Workbench have significantly improved our development efficiency", the spokesperson concludes.

IAR Embedded Security Solutions

High security made simple

IAR is constantly developing its security solutions and tools to address the threats faced by customers and partners. The goal is to simplify security and adapt it to each device.

IAR provides comprehensive security solutions, all while complying with increasingly complex security legislation. We focus on four key areas to provide simple, but effective solutions for each device:

- **Authenticity** – a unique digital identity is crucial for following a system through its lifecycle and ensuring secure integration of systems and data. IAR's authentication solutions can create and validate digital identities and ensure data integrity.
- **Active IP protection** – embedded devices are vulnerable to attacks that lead to unauthorized access to the software. IAR's solutions reduce the risk of IP theft and protect the software from being manipulated or used incorrectly.
- **Anti-rollback and software updates** – incorrect software can be installed during updates, allowing unauthorized access or reintroducing bugs. IAR's update mechanism ensures only the correct, latest software is installed.
- **Anti-cloning** – cloning occurs when a third party copies a product, threatening the developer's revenue and market share. IAR's security solutions prevent software from being copied by unauthorized individuals, which provides strong protection against copying the entire product.

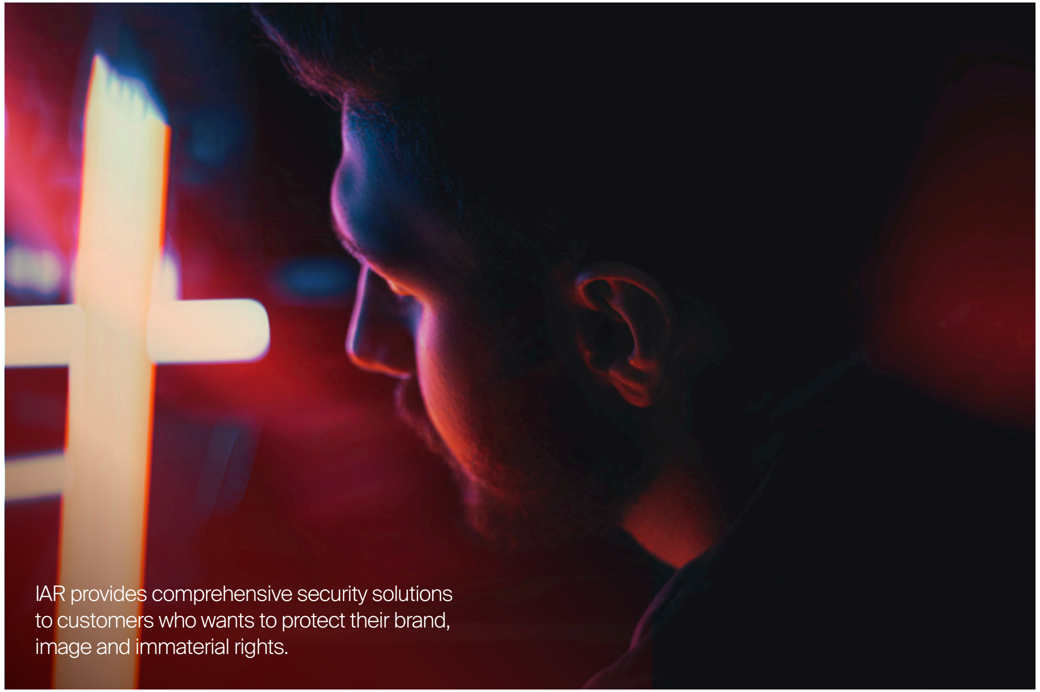
Increasing demands

Demand for our security solutions is increasing as governments globally introduce new legislation to protect companies, consumers and the national infrastructure that we all rely on. The details of the various rules and regulations varies by jurisdiction, which can be heavy for our customers. Companies, too, have differing definitions of what best practice looks like.

IAR Security Solutions offers customers the easiest, most effective way to implement a high level of security into their products, in a manner that complies with the increasingly complex legislative and regulatory landscape.

To simplify the integration of our solutions, IAR works closely with customers to identify security threats and to provide training. Subsequently the products are modified so they can be integrated with existing products, tools and organizations. We use this feedback to continuously improve our offer.

IAR Security Solutions is included in our enhanced subscription offer, reducing the initial cost to customers that want to use our service. We anticipate that easier access to the service, in combination with the growing security demands on customers, will provide a platform for sustainable growth.



IAR provides comprehensive security solutions to customers who wants to protect their brand, image and immaterial rights.

Case: Silicon Partner

A customer security solution for an industry leader

IAR teamed up with a world-class silicon manufacturer and EPS Global to find a custom security solution for an industry leader in IT infrastructure. The final solution represented more than a technical upgrade: it was a complete transformation of the company's approach to security.

One industry leader in IT infrastructure found itself at a critical crossroads during 2024 following a period of rapid growth.

Their global network of servers was rapidly expanding, supporting an increasing number of cloud-based solutions, but this brought new security challenges. The company needed a solution that protected its intellectual property and secured its infrastructure in a way that ensured efficiency. IAR teamed up with a world-class silicon manufacturer and EPS Global, a distributor of electronic components and programming service supplier, to find a solution.

It quickly became clear that the project was more challenging than anybody had anticipated. Each memory device required a unique configuration with its own security keys, which needed to be done at scale.

After collaborating closely, the team came up with a custom-built security solution. IAR customized the company's embedded security solutions to ensure that each memory device was not only secure but also scalable. EPS Global made it possible to configure each chip with precision, handling the intricate process of crucial provisioning.

The IT infrastructure company's servers, now equipped with securely configured memory devices, became virtually impenetrable, protecting them from physical tampering and unauthorized access. As their cloud technology requirements expanded, the company could confidently scale their operations, knowing a robust, future-proof solution safeguarded their infrastructure.

This represented more than a technical upgrade: it was a complete transformation of the company's approach to security.

"Ensuring the security and integrity of a vast array of software and services is paramount", said Tim Woodruff, General Manager of Embedded Security at IAR. "The core functionality and ability to customize IAR's embedded security solutions can provide robust solutions that enhance the ability to protect intellectual property across diverse platforms and devices. The simplicity and effectiveness of IAR's approach enable companies to focus on innovation while maintaining the highest security standards irrespective of the underlying device technology."

Customer success

Optimizing customer use

At IAR, the Customer Success team works to ensure developers achieve their aims with efficiency and confidence. By delivering exceptional service, seamless product experiences, and responsive technical support, the team builds foundations for long-term, mutually beneficial partnerships.

Our goal is for every customer to unlock the full potential of IAR's solutions. From onboarding to product utilization and renewal, the Customer Success team ensures that developers have a consistent and supportive experience. By centralizing expertise and fostering a unified approach across regions, we help customers optimize their use of IAR's products, driving cost savings, operational efficiency, and better outcomes. Customer insights are also essential to improving our offer, as feedback directly informs our product development initiatives.

Deepening relationships

In 2024, we made several operational changes to foster closer connections with our customers. We reorganized the Customer Success team, enabling members to focus on their core areas of expertise. This included establishing a dedicated role for customer onboarding to address developers' needs during their critical early interactions with IAR.

Our My Pages portal has become an integral tool for customer engagement, enabling developers to access resources, submit support requests, and explore technical resources effortlessly. Recent improvements to the portal have consolidated our technical resources, creating a more intuitive experience. Complementing this self-service capability, our support teams continue to offer direct assistance for more complex needs.

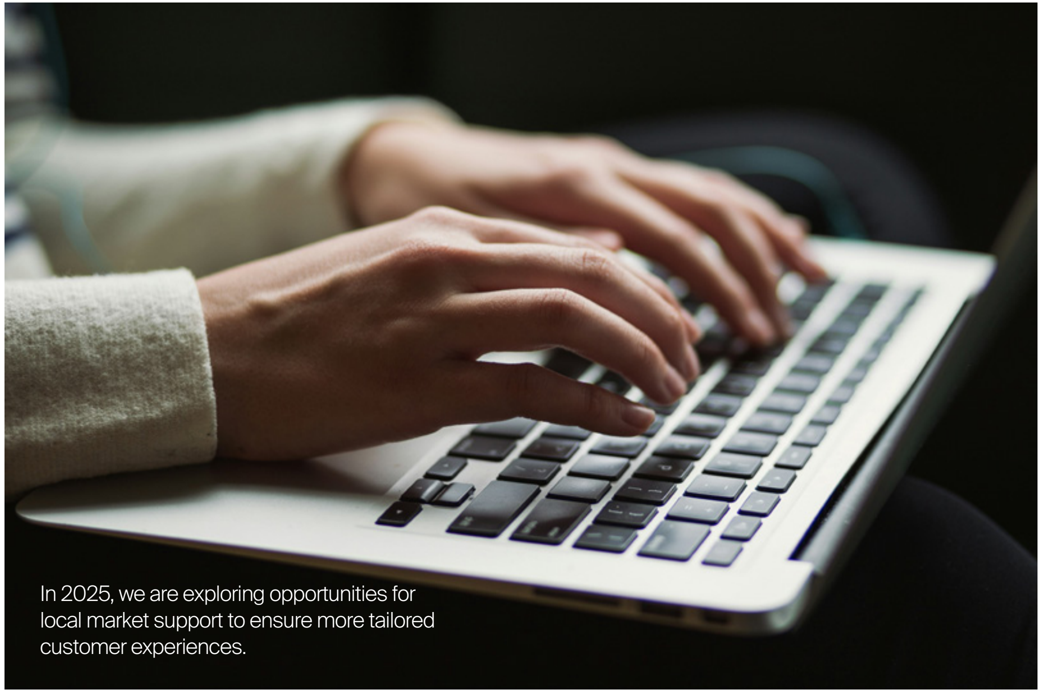
IAR Academy continues to receive positive feedback as a convenient, self-paced hub for customer training, designed to help our customers access learning resources whenever and wherever needed.

Improvements to our bug reporting system were completed during 2024, enabling faster response times, more accurate solutions and a more proactive approach to product enhancements.

New initiatives

Looking ahead to 2025, we are exploring localized market support to ensure more tailored customer experiences. Initiatives include providing technical resources in local languages and piloting translation tools within our case management system to offer responses in customers' preferred languages.

We are also advancing efficiency through automation, enabling the team to spend more time engaging with customers. These efforts will further enhance our ability to serve customers while driving value for their businesses and ours.



In 2025, we are exploring opportunities for local market support to ensure more tailored customer experiences.

General information

Sustainability Report

IAR is the world's leading software provider for programming processors in embedded systems and advanced embedded security solutions. We provide the solutions required to create the necessary security and ensure quality in the development of today's digital products and the innovations of tomorrow.

General information

Basis for preparation
The sustainability report is part of I.A.R. Systems Group AB's Annual Report. Pages 21–29 of the Annual Report constitute IAR's statuary Sustainability Report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act. IAR reports sustainability performance annually from January 1 to December 31, 2024, corresponding to IAR's fiscal year. The report will be published on April 7, 2025. The sustainability report has been prepared on a consolidated basis. The scope of the consolidation is the same as for the financial statements.

Disclosures in this statement focus on the environmental, social, and governance topics that are material for IAR due to related impacts, risks, and opportunities. The materiality of a topic is determined through the process of double materiality assessment. The materiality assessment covers IAR's operations and activities in its upstream and downstream value chain that are plausibly impacted by IAR's activities through direct or indirect business relationships.

IAR's sustainability report has been reviewed by an external party. See page 30 for the external auditor's opinion on the statutory sustainability statement.

Preparing for CSRD
We are in the process of ensuring full compliance with the Swedish application of the EU Corporate Sustainability Reporting Directive (CSRD). Following Swedish law, IAR is planning to publish its first sustainability statement in compliance with CSRD in 2027, covering the fiscal year 2026. To prepare for the new regulations, the European Sustainability Reporting Standards (ESRS) have inspired this year's report. The sustainability report for 2024 follows the structure of the ESRS and has been prepared regarding the ESRS, but it is not in full compliance with all the requirements.

General information

Business model and strategy

IAR specializes in providing advanced software tools and services for programming embedded systems – electronic components found within products such as automobiles, medical equipment, consumer electronics, and IoT. The product offerings primarily include a comprehensive suite of development tools, that facilitates the entire lifecycle of software creation for embedded systems.

Our technology enables maximum code reuse, optimizes development resources, provides flexible low-resource and low-energy consumption options, as well as reduces time spent on production maintenance and upgrades. It also contributes to safeguarding applications and devices from inception to large-scale production.

We sell software applications, mainly tools for embedded development, and hardware solutions, mostly probes for testing and debugging, whereas software applications represent 97 percent of the total turnover.

Software applications specialize in providing development tools that facilitate the entire lifecycle of embedded system development. This includes writing, compiling, debugging, and testing the software that will run on a wide variety of microchip architectures, which eventually are incorporated into a wide array of devices, from consumer electronics to industrial manufacturing.

Our hardware solutions are primarily related to testing the software created with our software development tool. The hardware complements the software, and products mainly include probes for debugging and testing.

Our impact thorugh the value chain
IAR's value chain assessment forms the basis for the double materiality assessment. A deep understanding of key activities along the entire value chain is essential for further analyzing impacts, risks, and opportunities. The value chain assessment covers upstream activities, own operations, and downstream activities.

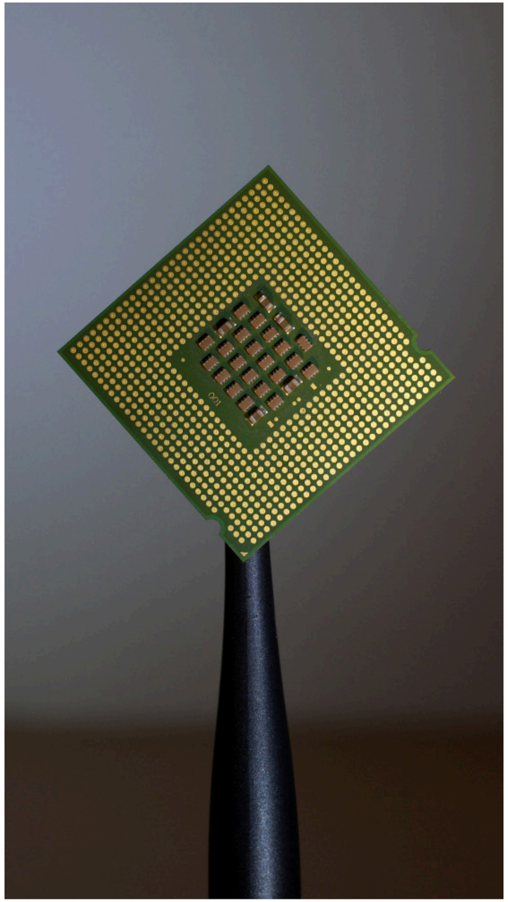
Our main activities upstream are purchases and production of hardware components, as well as cloud and other IT-related development services. Suppliers are mainly either local service partners in Sweden or well-known global companies. Some hardware components, such as batteries, are purchased from suppliers in China.

The core of our operations is software development. We have a total of 225 employees spread across ten countries. The head office is in Uppsala, Sweden, where approximately half of the workforce is located. The UK, Japan, and the US, are other countries with a large portion of IAR employees. Software development is based in Sweden and the UK.

Our solutions are used globally within several major industry verticals, including automotive, medical, consumer electronics, and industrial manufacturing. Our products positively contribute to our customers and end-users by making the end-product safer and energy efficient.

Interests and views of stakeholders
IAR engages with internal and external stakeholders to ensure our sustainability strategy, processes, and activities, consider their interests and expectations. Our key stakeholders were identified during the double materiality assessment. We have conducted stakeholder dialogues in 2024 through the channels below.

Stakeholder	Engagement and/or source of information to consider their perspective
Employees – Own workforce	Employee surveys Employee reviews IAR work committee
Suppliers	Supplier due diligence
Customers – Industries included: automotive, industrial manufacturing, medical, consumer electronics, IoT	Customer service, monthly newsletters, annual customer survey, digital communication
Public authorities	Ensuring compliance
Existing and potential investors	Correspondence with investors



General information

Double materiality assessment

We conducted a double materiality assessment in 2024 as a key element for our work to prepare for CSRD and the implementation of the ESRS. The assessment was based on topics in ESRS.

To initiate the assessment, all functions involved in the project were provided training and communication regarding CSRD and the process. The first phase aimed to conduct an understanding of our business model, key activities throughout our value chain and stakeholders. The process engaged different functions throughout IAR, providing specific guidance, expertise and feedback. The assessment was done through interviews with internal stakeholders, which, together with an analysis of relevant internal documentation and the use of third-party sources, constitute the assessment basis to identify impacts, risks, and opportunities. The assessment of the individual effects, risks, and opportunities were then aggregated on the ESRS subtopic level, including whether subtopics were considered material or not. Impacts were identified both from a positive and negative perspective.

The assessment of material impacts was based on different parameters and thresholds. Impact materiality includes the parameters of scale, scope, irremediability, severity and likelihood. The threshold for a material positive impact is over 5.3 on a scale of 1–10, while for a negative effect is over 8 on a scale of 1–15. Financial materiality includes the parameter's potential magnitude and likelihood, and the threshold for an financial impact is over 2 on a scale of 1–5. The results of the assessment are validated by the Board of Directors, who also received training on CSRD. IAR addresses and reports on all sustainability topics identified as material for the company. The titles and structure of the sustainability topics are aligned with ESRS formulations.

Material impacts, risks and opportunities

		Impact materiality		Financial materiality	
ESRS Standard	**Material sustainability topic**	**Positive**	**Negative**	**Opportunity**	**Risk**
ESRS E1 Climate change	Climate change mitigation		x		
	Energy	x		x	
ESRS E5 Resource use and circular economy	Waste		x		
ESRS S1 Own workforce	Working conditions	x	x		
ESRS S2 Workers in the value chain	Working conditions		x		
ESRS S4 Consumers and end-users	Personal safety of consumers and/or end-users	x			
ESRS G1 Business conduct	Corporate culture			x	

Environment

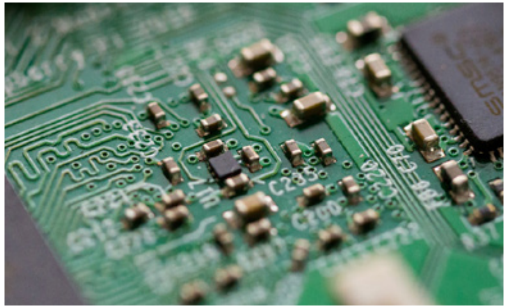
Climate change mitigation

IAR's operations have an impact on climate change related to greenhouse gas emissions, albeit on a smaller scale due to limited production and distribution. The main effects of climate change occur in our upstream and downstream value chains. Our emissions are mainly linked to using office space and data centers (upstream and downstream), transport throughout the value chain and non-renewable energy.

Energy

IAR has an opportunity to positively impact energy as our software significantly enhances energy efficiency in customers' end-products, which translates into a substantial reduction in energy use due to the vast number of items involved. It contributes to a reduction of energy use for end-users in our downstream value chain.

High energy-efficiency products are becoming more important to customers. Hence, we see that our ability to increase energy efficiency in customers' end-products, can have a positive impact. IAR's ability to meet market expectations for sustainable and



energy-efficient products could affect turnover. High energy efficiency saves costs for customers when they can choose a less costly microchip for the end product and also offer a better battery time in the end-user product. IAR markets its energy efficiency to clients, making this a significant opportunity for increased sales.

Resource use and circular economy – waste

IAR's extensive use of electronic equipment in our offices and data center and the hardware used by customers contribute to electronic waste. Electronic waste can be challenging to recycle, which poses a potential risk, as globally, less than 25 percent is being adequately recycled. Our equipment and products could contribute to this issue at the end of its lifecycle due to the absence of standardized practices to prevent additional landfill waste.

General information

Social

Own workforce – Working conditions

IAR can have both a negative and positive impact on our employee's work-life balance. The pressure to meet deadlines and the need for overtime, which might be regulated differently in various areas, could potentially affect many IAR employees. This can lead to damage to employees' overall well-being, including psychological harm that may take time to reverse. In contrast, IAR has an equal ability to provide a positive working environment that benefits its employees and supports their overall well-being.

Workers in the value chain – Working conditions

Our value chain is global, and there are risks of negative impacts on workers. Not paying minimum wage could severely affect the daily lives of a moderate number of individuals and communities. It is challenging for us to understand how and where to influence external parties in addressing fair compensation and treatment, which is crucial for ethical business practices. This topic is essential as business ethics is a fundamental basis for IAR.

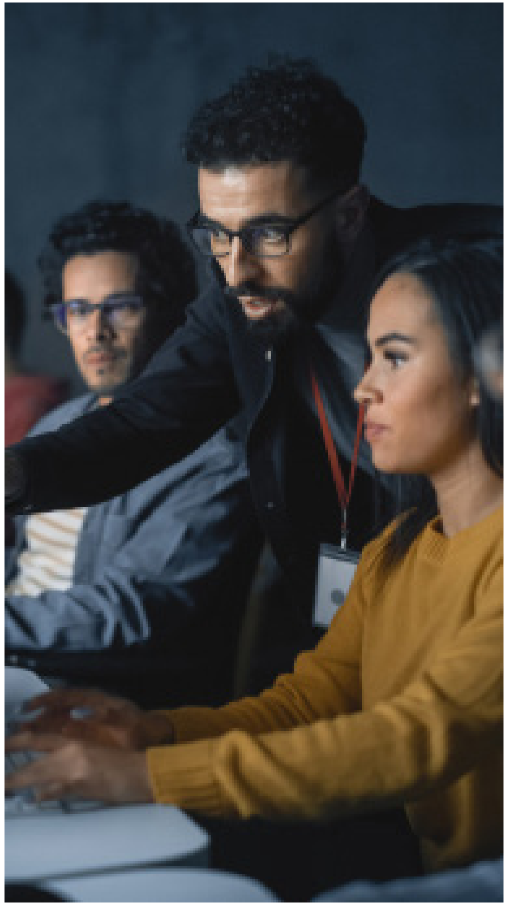
Consumers and end-users – Personal safety

IAR's products and services are vital in industries like automotive, where software integrity is directly linked to vehicle safety systems. Ensuring the safety and security of end-user products through software tools is crucial, especially in product development, and IAR offers functional safety-certified tools to ensure this. Given IAR's global presence, the positive impact of these tools is widespread, affecting many individuals by contributing to the safety of everyday life.

Governance

Business conduct – Corporate culture

Corporate culture effects and development is likely to positively impact IAR's productivity and success. People are IAR's main asset, and a strategic goal is to evolve the corporate culture, which significantly affects performance. With a high likelihood, a strong corporate culture is crucial for employee retention, and negative changes could lead to increased turnover costs and reduced productivity, thereby affecting operational expenses and sales. Corporate culture will likely influence both employee retention and IAR's financial performance.



Sustainability governance

Board and management's role and responsibilities

The ultimate responsibility for sustainability lies with the Board and the leadership team. The double materiality analysis and general approach of the sustainability work undergo the Board of Directors validation. Activities are implemented by the leadership team across the business units as part of the responsibility for routine operations. The Board and management have approved the outcome of the double materiality assessment. Progress is monitored and integrated into our business activities. The compliance manager is responsible for driving the issues in the organization. Activities in the operations are mainly driven within each division.

Read more about the Board of Directors and Management team on pages 48–49.

Leadership representation 2025
(At the time of publication of the annual report)

Women on the Board
40%

Women in leadership team
67%

Independent members
80%

Environmental information

Climate change

IAR recognizes that sustainability plays a pivotal role in our business success. We take responsibility for our environmental impact both directly in terms of our operations and indirectly through our value chain.

Impact, risks and opportunities
The material impacts, risks and opportunities related to climate change have been identified in our double materiality assessment, based on the company's risk management process principles. The results of the double materiality assessment showed that climate change is essential for IAR, and our material topics are climate change mitigation and energy. The materiality assessment is described on pages 23–24.

Policies
Our environmental and sustainability work is managed mainly by our Code of Conduct and our Sustainability policy. The policies state that we follow environmental laws, regulations, and other codes of practice and make continuous efforts to improve our environmental performance.

Actions
As a software service company, our direct emissions are relatively limited compared to the broader impact of our value chain. Our emissions are mainly related to the energy consumption in our offices, business trips, and purchased goods and services. We have not measured all our emissions but will evaluate to which extent doing so in the future supports the strategy and sustainability in general in a meaningful way.

As our solutions support the development of efficient compressed embedded software, we positively contribute to reducing energy consumption by our customers and end users. The customer can use smaller microchips, giving a more energy efficient end product.

Targets
IAR has not yet set any time-bound and outcome-oriented targets related to climate change. We will evaluate to which extent setting targets and which targets support the strategy and sustainability in general in a meaningful way. Our targets will be set based on identified impacts, risks, and opportunities in our double materiality assessment.

Resource use and circular economy

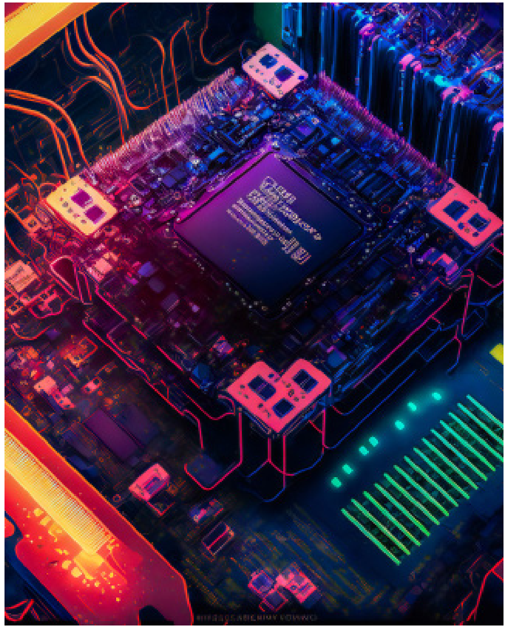
It is essential for IAR always to strive to handle our solutions responsibly in the whole sustainability value chain. Our hardware products are categorized as electronic waste, which may have a negative impact.

Impacts, risks and opportunities
The material impacts, risks and opportunities related to resource use and circular economy have been identified in a double materiality assessment based on the company's risk management process principles. The results of the double materiality assessment showed that resource use and circular economy are important for IAR and waste in our material topics. The double materiality assessment is described on pages 23–24.

Policies
Our Code of Conduct and Sustainability policy states that we safeguard people's health and safety by providing products in full compliance with applicable environmental and safety directives or regulations. We observe and follow the guidance of the legal product safety regulations from product design, manufacture, and use to final disposal.

Activities
IAR adheres to the EU Waste from Electrical and Electronic Equipment (WEEE) scheme for all electrical and electronic equipment we put on the EU market and comply with local recycling regulations for our operational waste.

Targets
We have not set any time-bound and outcome-oriented targets related to resource use and circular economy. Our targets will be evaluated and set based on identified impacts, risks, and opportunities in our double materiality assessment.



Social information

Own workforce

Own workforce
IAR cares about creating a positive workplace through a healthy work environment. Crucial components for a healthy work environment include dialogs with each other and a shared corporate culture. IAR's corporate culture is characterized by openness, social responsibility and professionalism. Our global organization and employees' enduring passion for product development and technology attract skilled and talented people to the company in all the countries where we operate. At IAR, social responsibility is fundamental in creating enduring value for internal and external stakeholders. Human capital is a pivotal asset in high-tech sectors, such as where we operate. A skilled and diverse workforce is essential to drive innovation. The company's competitiveness depends on our ability to recruit, retain, and develop qualified staff.

Impact, risks and opportunities
Social impacts, risks, and opportunities linked to one's own workforce are further described in the double materiality chapter of General Information on pages 23–24.

Policies
Our efforts to promote good working conditions for our employees are based on our Code of Conduct, Sustainability Policy and HR Policy. IAR complies with the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and OECD Guidelines for Multinational Enterprises. IAR has no tolerance for discrimination or harassment in the workplace, including no tolerance for the use of child, forced, or bonded labor. The HR policy outlines workforce management principles, guidelines, and procedures.

Engagement with our employees
The Chief HR Officer (CHRO) is responsible for setting structures policies and guidelines and following up KPI for ensuring compliance. When it comes to work environment, HR sets the structure and managers throughout the organisation is responsible to ensure we live by it. All employees have responsibility to follow policies and act in a professional way according to values and guidelines and ways of working. In cooperation with local support functions, managers, and employees, IAR strives to create optimal conditions while taking into account local conditions and applicable regulations. We encourage continuous dialogs with our employees by conducting anonymous employee surveys on a regular basis. A structured performance review is performed at least once a year, during which employees can raise concerns with their manager.

The work environmental committee is responsible for following up on all conditions at the workplace, including social, organizational, and physical conditions. They have quarterly meetings and are composed of representatives of the employer and employees – known as the Safety Officer. The employees elect the Safety Officer to represent all

Social information

employees at the workplace. This is mainly done at the office in Uppsala; we aim to implement it at all offices in 2025. To maintain a healthy workforce, IAR works proactively to prevent occupational injuries and psychological stress, and to optimize working conditions in the workplace.

Metrics and targets

IAR has evaluated further targets and, at present, mainly focuses on targets measured in the employee survey relating to company culture, stress, and eNPS (which describes if employees would recommend IAR as an employer). Our targets will be set based on identified impacts, risks, and opportunities in our double materiality assessment.

Employee data was compiled through the employee portal HiBob, on the 31st of December 2024. The system automatically creates statistics as we follow each individual's employee journey from the time of employment through yearly evaluations, employee surveys, and eventually termination. Headcount is the number of heads, regardless of whether they work part-time.

We work actively to ensure the quality of our recruitments and we also see that our employees have a high level of trust in their immediate manager and colleagues. This positively affects our employee turnover, which decreased to 8.7 percent (19.2) in 2024.

Collective bargaining coverage and social dialogue

We respect the rights of our employees to have the freedom to join or not to join an association of free choice. IAR does not have collective bargaining agreements in place, mainly because IAR prefers to give employees the choice of how to place their pensions. However, we have equitable working conditions and aim to follow the same standards as the collective bargaining agreements.

Adequate wages

All employees and managers have an annual employee review which partly focuses on transparent and open communication about the employee's total remuneration, assessed based on the individual's role and responsibilities, performance and market salaries. A high technical expertise and extensive industry experience typifies the Group's employees. IAR also has a high proportion of employees with advanced academic degrees. Within the Group, 91 percent (86) of employees have a post-secondary or higher education.

Social protection

All our employees are covered by social protection and insurance at least at a level that is considered good practice in their country of employment.

Characteristics of employees

Gender	Number of employees
Male	162
Female	62
Non-binary	1
Total employees	224

Country	Number of employees
Sweden	125
France	3
Germany	5
India	2
US	29
UK	25
China	11
Japan	15
Korea	5
Taiwan	4

	Female	Male	Non-binary	Total
Number of employees	61	162	1	224
Number of permanent employees	59	162	1	222
Number of temporary employees	2	0	0	2
Number of non-guaranteed hours employees	0	0	0	0
Number of full-time employees	56	157	1	214
Number of part-time employees	5	5	0	10

	Sweden	UK	France	Germany	India	China	Japan	Korea	Taiwan	US	Total
Number of employees	124	25	3	5	2	11	15	5	4	29	224
Number of permanent employees	124	25	3	5	2	11	13	5	4	29	224
Number of temporary employees	0	0	0	0	0	0	2	0	0	0	2
Number of non-guaranteed hours employees	0	0	0	0	0	0	0	0	0	0	0
Number of full-time employees	122	22	3	4	2	11	13	5	4	27	214
Number of part-time employees	2	3	0	1	0	0	2	0	0	2	10

eNPS
16(7)

How eNPS (employee Net Promoter Score) is calculated:

Responses are sorted into three groups:

- **Promoters (9–10):**
  Satisfied employees likely to promote the organization's image and growth.
- **Passive (7–8):**
  Relatively satisfied employees but more likely to be open to offers from other companies.
- **Detractors (0–6):**
  Employees who are generally unhappy with the organization and their role within it.

Score calculations: % Promoters – % Detractors = eNPS

Social information

Workers in the value chain

Our value chain is global, and we take responsibility upstream and downstream. We have integrated our environmental, social, and governance efforts with our value chain by aligning the priority topics from our materiality assessment with key business activities.

Impacts, risks and opportunities
Social impacts, risks, and opportunities linked to workers in the value chain are further described in the double materiality chapter of General Information on pages 23–24.

Policies
Our Code of Conduct and Sustainability policy applies to all business partners that provide products or services to IAR or are engaged or instructed to act for or on behalf of IAR, such as suppliers, contractors, consultants, distributors, agencies, and other representatives. The policies are based on the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and OECD Guidelines for Multinational Enterprises. We do not tolerate the use of any form of child, forced, or bonded labor, including employment of prisoners or illegal workers, against applied national and international laws and connected conventions, and expect our business partners to do the same.

Actions
IAR conducts regular Supplier Due Diligence to assess our business partners' compliance with the Code of Conduct and Sustainability Policy and secure a resilient supplier base. Customer Operations actively screens suppliers to ensure they meet our requirements. We use the AEB risk management system to identify potential risks with new suppliers. We expect our suppliers to support and cooperate in the process. Any violations will be handled immediately and may jeopardize the business partner's business relationship with IAR, up to and including termination. External business partners or stakeholders are encouraged to speak up and report misconduct.

Targets
IAR has not set any time-bound and outcome-oriented targets related to workers in the value chain. We will evaluate to which extent setting targets and which targets support the strategy and sustainability in general in a meaningful way. Our targets will be set based on identified impacts, risks, and opportunities in our double materiality assessment.

Consumers and end-users

Our solutions are used for various products – electronic components found within devices such as automobiles, medical equipment, consumer electronics, and IoT. The product offerings primarily include a comprehensive suite of development tools that facilitate the entire lifecycle of software creation for embedded systems.

Impacts, risks and opportunities
Impacts, risks and opportunities linked to consumers and end-users are further described in the double materiality chapter of General information on pages 23–24.

Policies
All our customers are expected to align with the principles in our Code of Conduct and Sustainability policy. The policies are based on the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and OECD Guidelines for Multinational Enterprises.

Actions
Contact with our customers is conducted through sales support, customer operations precesses, tradeshows, customer surveys, webinars, and annual general meetings. Our support team is in contact with customers daily. External business partners or stakeholders are encouraged to speak up and report misconduct.

Targets
IAR has not set any time-bound and outcome-oriented targets related to consumers and end-users. We will evaluate to which extent setting targets, and which targets, supports the strategy and sustainability in general in a meaningful way. Our targets will be set based on identified impacts, risks, and opportunities in our double materiality assessment.

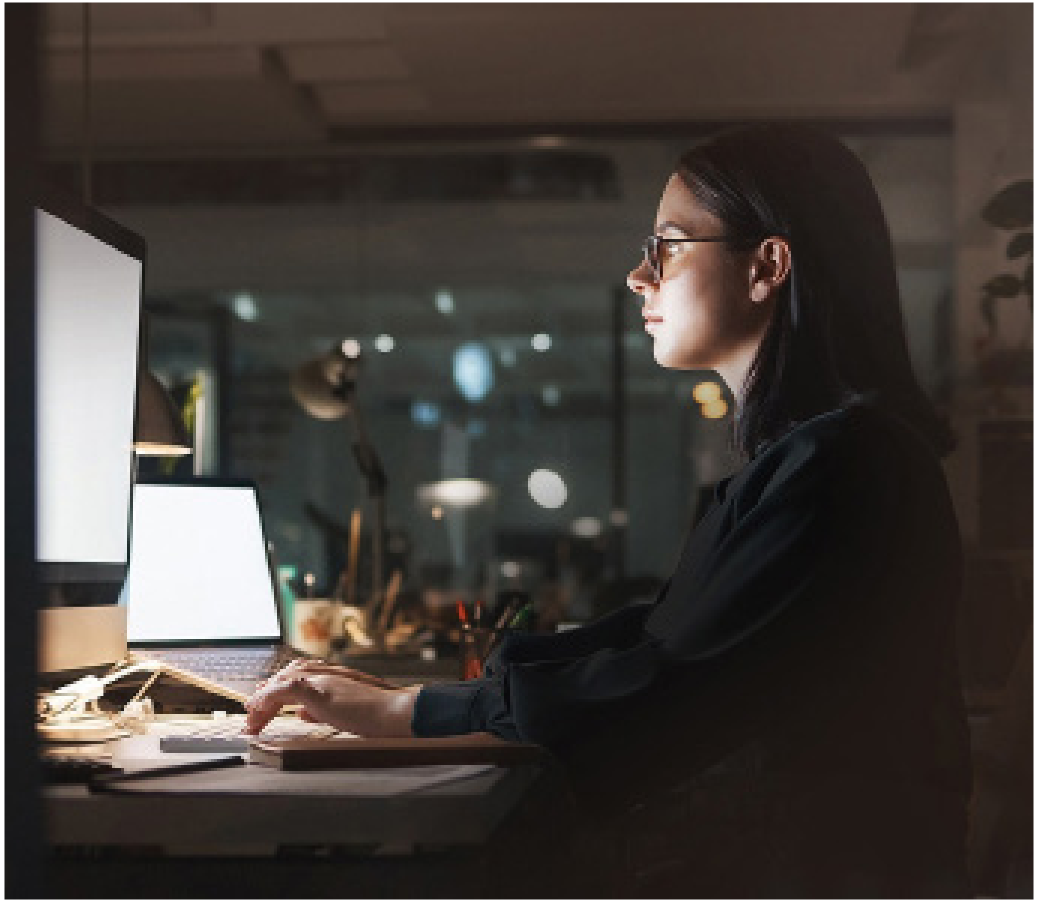
Governance information

The ultimate responsibility for sustainability lies with the Board and the leadership team. The double materiality analysis and general approach of the sustainability work undergo the Board of Directors validation. Activities are implemented by the leadership team across the business units as part of the responsibility for routine operations. The progress is monitored and integrated into our business activities.

Impacts, risks and opportunities
The material impacts, risks, and opportunities related to business conduct have been identified in a double materiality assessment, based on the company's risk management process principles. The materiality assessment is described on pages 23–24.

Policies and corporate culture
The Board issues the Code of Conduct and the Sustainability policy, which offer essential guidance on our company's policies and instructions across various sustainability topics, including business ethics, whistleblowing, people, and the environment. It serves as our ethical guide and applies universally to all employees associated with IAR. The Board oversees the policies, ensuring their approval. These policies are available on our website and regularly revised by the Board.

All employees and external business partners or stakeholders are encouraged to speak up freely and without fear of repressive measures. Repressive measures against reporters who speak up in good faith are prohibited. IAR has a whistleblower function on the website to facilitate anonymous reports. The anonymous communication platform allows employees or third parties to safely voice concerns and consult our representatives.



Auditor’s Report

Auditor’s Report on the Statutory Sustainability Report

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

Engagement and responsibility
It is the Board of Directors who is responsible for the statutory sustainability report for the year 2024 on pages 21–29 and that it has been prepared in accordance with the Annual Accounts Act.

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

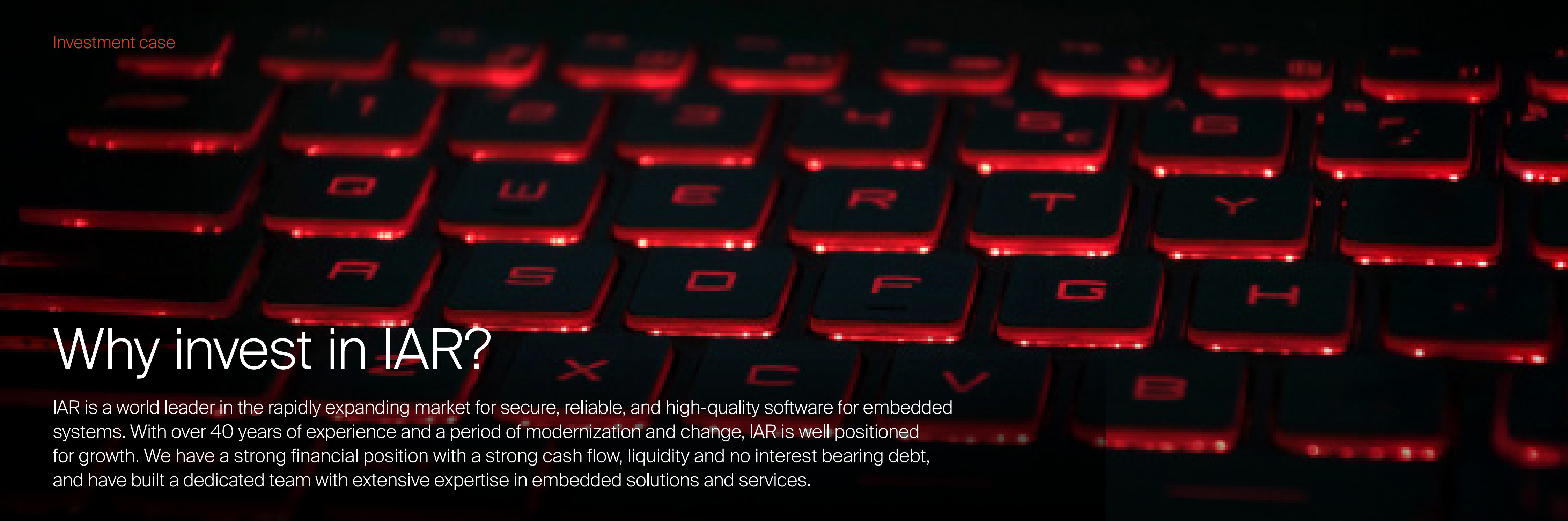
Opinion
A statutory sustainability report has been prepared.

Stockholm April 4, 2025
Deloitte AB

Signatures on Swedish original

Andreas Frountzos
Authorized Public Accountant

Investment case



Why invest in IAR?

IAR is a world leader in the rapidly expanding market for secure, reliable, and high-quality software for embedded systems. With over 40 years of experience and a period of modernization and change, IAR is well positioned for growth. We have a strong financial position with a strong cash flow, liquidity and no interest bearing debt, and have built a dedicated team with extensive expertise in embedded solutions and services.

Strong position in a rapidly evolving market
The company's flexible business model, including the new subscription offer and traditional perpetual licenses, nurtures robust customer relationships and ensures high retention rates. The unique nature of our broad product portfolio for embedded solutions and services makes IAR a vital partner for our customers.

Proven ability to commercialize leading-edge technology
The rapid growth of digital products and services is driving the market for embedded systems. In addition to digitization and electrification, safety and security are becoming increasingly important. IAR stands at the forefront of the embedded systems industry. Our software helps customers develop and optimize embedded systems and provides security solutions to protect clients' end users and assets.

Our most important competitive advantages
- A unique combination of developer tools, professional services, and security products, bundled in an all-inclusive platform.
- The independence that allows us to support different processor architectures and a broad range of microchip devices.
- Superior quality, ensuring no compromise on code performance, reliability, and ease of use.
- Functional safety-certified toolchains and security solutions that are integrated into development and production.

Profitable growth and strong financial position
IAR's strong financial position enables flexibility and provides the conditions for planned investments in tech development and sustainable growth. In 2024, we achieved growth of 8.7 percent with an adjusted operating margin of 27.0 percent. The long-term financial target is 20 percent annual organic growth and an operating margin exceeding 20 percent. Revenue growth will come from geographical and technological expansion, increasing market reach, and the move from a perpetual business model into a subscription, increasing our Annual Recurring Revenue over time. Our dividend policy is to return 30–50 percent of the profit after tax to shareholders annually. Over the past year, IAR has returned capital to shareholders through share repurchases and dividends.

The share

The share

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm, under the ticker symbol IAR. The share price at December 31, 2024 was SEK 126.5 (123.8) and the market capitalization was SEK 1,728m (1,691).

Share data

I.A.R. Systems Group's class B share (IAR B) is quoted on the Mid Cap list of Nasdaq Stockholm, and a round lot consists of 1 (one) share. During the year, the share price (last price paid, reinvested value) varied from a low of SEK 120.5 (73.0) to a high of SEK 183.0 (166.4). The share price at December 31, 2024 was SEK 126.5 (123.8). I.A.R. Systems Group's market capitalization on the same date was SEK 1,728m (1,691).

The number of shareholders in I.A.R. Systems Group at December 31, 2024 was 6,371 (6,583). Of these shareholders, 352 (355) held more than 1,000 shares each. Foreign shareholders held approximately 26.4% (24.6) of the share capital and 26.4% (24.6) of the votes.

I.A.R. Systems Group's share capital at December 31, 2024 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 694,969 of the class B shares are held in treasury, of which 591,282 class B shares were acquired in 2024 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 share.

Dividend proposal

Ahead of the AGM on April 28, 2025, the Board intends to propose a dividend of SEK 1.50 per share.

Dividend policy

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

Authorizations

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

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

Largest shareholders at December 31, 2024[1]

	No. of class B shares	Total no. of shares	% of capital	Total no. of votes	% of votes
Andra AP-fonden	1,295,415	1,295,415	9.48	1,295,415	9.48
Alcur Fonder	1,191,898	1,191,898	8.73	1,191,898	8.73
Avanza Pension	942,925	942,925	6.90	942,925	6.90
Aktia Asset Management	827,758	827,758	6.06	827,758	6.06
I.A.R. Systems Group AB	694,969	694,969	5.09	694,969	5.09
Tredje AP-fonden	620,000	620,000	4.54	620,000	4.54
Fjärde AP-fonden	590,000	590,000	4.32	590,000	4.32
Arbejdsmarkedets Tillaegspension	580,320	580,320	4.25	580,320	4.25
Ribbskottet AB	387,865	387,865	2.84	387,865	2.84
Nicolas Hassbjer with companies	354,314	354,314	2.59	354,314	2.59
Total 10 largest shareholders	**7,485,464**	**7,485,464**	**54.80**	**7,485,464**	**54.80**
Other	6,174,827	6,174,827	45.20	6,174,827	45.20
Total	**13,660,291**	**13,660,291**	**100.00**	**100.00**	**100.00**

[1] *Shares held directly and through nominees, excluding 308,042 class C shares held in treasury.*

Distribution of shareholdings at December 31, 2024[1]

	No. of class B shares	Total no. of shares	% of capital	Total no. of votes	% of votes	No. of share-holders	% of share-holders
1–500	447,496	447,496	3.40	447,496	3.40	5,710	89.62
501–1,000	242,032	242,032	1.78	242,032	1.78	309	4.85
1,001–10,000	825,918	825,918	5.96	825,918	5.96	285	4.47
10,001–	12,144,845	12,144,845	88.86	12,144,845	88.86	67	1.05
Total	**13,660,291**	**13,660,291**	**100.00**	**13,660,291**	**100.00**	**6,371**	**100.00**

[1] *Shares held directly and through nominees, excluding 308,042 class C shares held in treasury.*

The share

the registered price interval at any given time. The motive for the authorization is to give the Board greater freedom of action in optimizing the company's capital structure. The Board of Directors was furthermore authorized to decide on the sale of the company's treasury shares in exchange for cash payment, disapplying the shareholder's preemptive rights, or as payment for the acquisition of a company or operation.

Incentive programs

As of December 31, 2024, the Group has two categories of incentive programs outstanding. There are three long-term incentive programs for key I.A.R. Systems Group employees (LTI 2022, LTI 2023 and LTI 2024) and one program that pertains to the portion of the remuneration for the acquisition of Secure Thingz that entails the exchange of an existing stock option program for employees in Secure Thingz (Exchange Allotment 2018).

Long-term incentive programs LTI 2022, LTI 2023 and LTI 2024

These three programs include restricted stock units (RSUs) that were allotted to employees at four different levels within the Group. At the end of the programs, if the performance conditions for each period in each program have been met, the allotted RSUs can be exchanged for shares in I.A.R. Systems Group AB, free of charge. The performance conditions for each program are presented in the table below.

RSUs are vested equally over the duration of each program. One third of the allotted RSUs are vested annually according to the vesting periods for each program listed in the following table. The total costs for all of the LTI programs, including social security expenses, amounted to SEK 11.4m (7.3) for 2024.

Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the performance conditions for the respective program have been fulfilled, which is expected to take place in the quarter after the end of each program. For more information about each program and the resolutions passed regarding them, 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 23,822 stock options were forfeited.

Incentive programs (LTI)		Total	Subscribed/Allotted	Exercised Dec 31, 2024	Forfeited Dec 31, 2024	Qualified Dec 31, 2024	Qualified after Dec 31, 2024
LTI 2024	Restricted stock units	144,500	144,500	0	2,750	0	141,750
LTI 2023	Restricted stock units	145,000	141,000	0	20,667	44,667	79,667
LTI 2022	Restricted stock units	140,000	140,000	0	21,650	83,175	35,175

Exchange allotment		Total	Subscribed/Allotted	Exercised Dec 31, 2024	Forfeited Dec 31, 2024	Qualified Dec 31, 2024	Qualified after Dec 31, 2024
2018	Stock options	73,413	73,413	45,077	23,822	4,515	0

	LTI 2022	LTI 2023	LTI 2024
Number of RSUs in the program	140,000	145,000	144,500
Allotted RSUs	140,000	141,000	144,500
Number of employees allotted RSUs	140	140	155
Fair value per RSU at allotment date	63.89	39.86	116.08
Allotment date	Nov 7, 2022	Sep 1, 2023	Jul 1, 2024
Program's duration	Nov 7, 2022 – Aug 31, 2025	Sep 1, 2023 – Aug 31, 2026	Jul 1, 2024 – Jun 30, 2027
Vesting periods	Nov 7, 2022 – Aug 31, 2023, Sep 1, 2023 – Aug 31, 2024, Sep 1, 2024 – Aug 31, 2025	Sep 1, 2023 – Aug 31, 2024, Sep 1, 2024 – Aug 31, 2025, Sep 1, 2025 – Aug 31, 2026	Jul 1, 2024 – Jun 30, 2025, Jul 1, 2025 – Jun 30, 2026, Jul 1, 2026 – Jun 30, 2027
Performance condition, operating margin, %	20	20	20
Performance condition, net sales increase, %	10–15	5–20	5–20

Shareholder data

Shareholder data is based on information from Euroclear Sweden AB and Modular Finance AB on December 31, 2024 and pertains to the share of votes, unless otherwise stated.

73.6% Sweden
13.9% Other Nordic countries
7.5% Europe excl. Nordic region
5.0% Rest of the world

70.7% Legal entities
29.3% Private persons

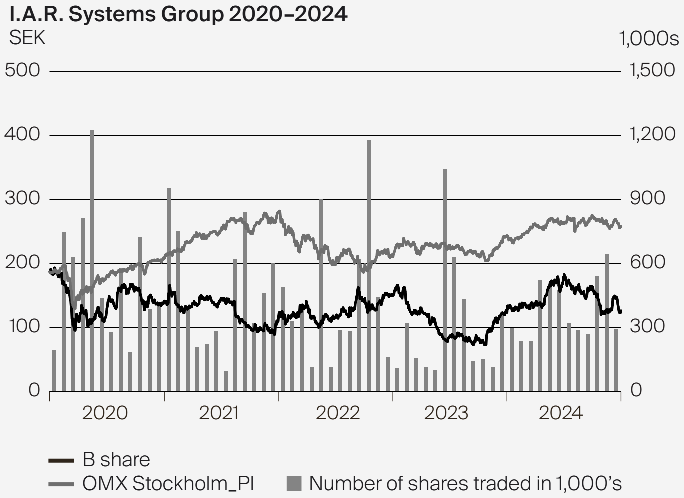
The share

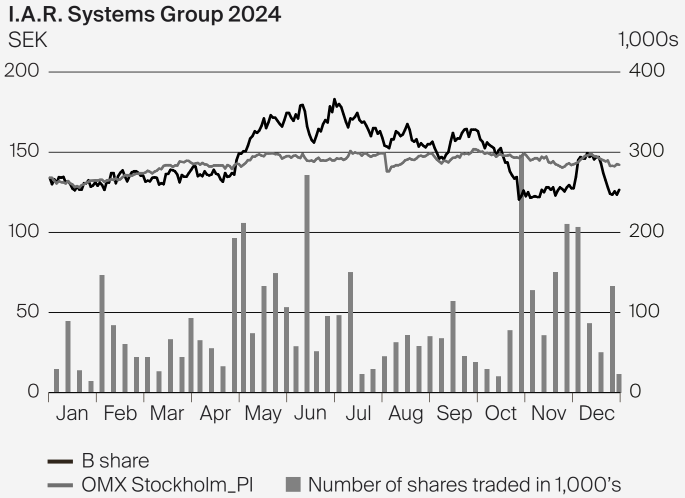
Share data	2024	2023
Equity per share, SEK	33.86	31.00
No. of shares at end of year, million	13.66	13.66
Average no. of shares outstanding, million	13.26	13.66
Cash flow from operating activities per share, SEK	10.21	10.55
Earnings per share, SEK[1]	10.20	-16.84
Dividend or equivalent per share, SEK	1.5	1.5
No. of shareholders	6,371	6,583
Last price paid on December 31 or similar, SEK	126.5	123.8

[1] *Definition in accordance with IFRS.*

Share price

The graphs below are based on the share price, meaning the last price paid (reinvested value), which has risen from SEK 23.49 on January 1, 2012 to SEK 126.5 on December 31, 2024.





Administration report

Administration report

The Board of Directors and the CEO hereby present the annual report and consolidated financial statements for I.A.R. Systems Group AB for the 2024 financial year. The company is domiciled in Uppsala, corporate identification number 556400-7200.

Net sales

Net sales for the year amounted to SEK 487.2m (458.1) and were distributed as follows: SEK 196.0m (208.2) from licenses, SEK 50.7m (21.2) from subscriptions, SEK 224.7m (210.6) from support and software updates, and SEK 15.8m (18.1) in other sales. Growth in total revenue amounted to 6.3% compared with the preceding year, or 8.7% after adjusting for the negative foreign exchange effect of SEK 10.6m.

The Americas accounted for 33% (34) of sales, Europe for 34% (32), Asia for 33% (33) and other geographic areas for 0% (0).

Profit/loss for the period

EBITDA for the year totaled SEK 174.3m (143.6), corresponding to an EBITDA margin of 35.8% (31.3) for the year. EBITDA adjusted for non-recurring items amounted to SEK 186.7m (153.1), corresponding to an adjusted EBITDA margin for the year of 38.3% (33.4). Operating profit for the year amounted to SEK 119.1m (-204.1), corresponding to an operating margin of 24.4% (-44.6). Operating profit adjusted for non-recurring items amounted to SEK 131.5m (96.1), corresponding to an adjusted operating margin for the year of 27.0% (21.0).

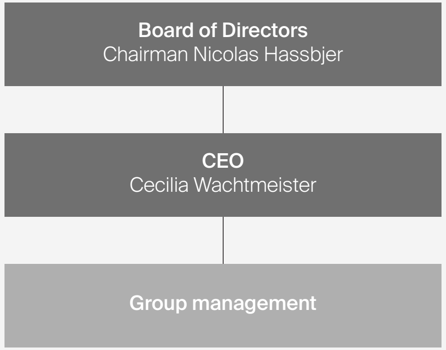
Operating expenses for full-year 2024 included costs of SEK 11.4m (7.3) related to incentive programs as well as restructuring costs of SEK 1.0m (2.2). These expenses are considered to be non-recurring items or expenses that make it difficult to compare results between periods, and are therefore adjusted when calculating the performance measures adjusted operating profit and adjusted EBITDA. Operating expenses were reduced by SEK 49.2m (36.1) during the year through the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 41.4m (30.4) pertained to personnel costs.

Personnel costs are the Group's largest cost item and account for about 70% (68) of total costs. Of the Group's total costs, 55% (49) are attributable to operations in Sweden (adjusted for impairment of intangible assets and goodwill in 2023).

In a year-on-year comparison, currency translation had a negative impact of SEK 6.6m on operating profit for the year.

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

The effective tax rate for the full year was 8.7% (-12.3). The sharp decrease in tax expense/increase in tax income during the year compared with 2023 was mainly attributable to management's change in assessment concerning the Group's UK subsidiary. Going forward, the company is expected to be able to utilize the historic tax loss carryforwards in the subsidiary against future taxable profits. As a result,



Net sales for the year
487.2
SEK m (458.1)

Adjusted operating profit
131.5
SEK m (96.1)

Cash flow from operating activities
135.4
SEK m (144.1)

Net cash
110.5
SEK m (145.7)

Proposed dividend
SEK 1.50
(1.50) per share

Administration report

the Group capitalized portions of the historic tax loss carryforwards linked to the subsidiary in the first quarter of 2024 and recognized deferred tax income of SEK 41m, which comprised a reduction in deferred tax liabilities of SEK 21m and an increase in deferred tax assets of SEK 20m.

Cash flow

Cash flow from operating activities for the year totaled SEK 135.4m (144.1). Through its subsidiary in the UK, the Group exercised its right to tax relief related to research and development expenses. This supplied the Group with SEK 6.9m (12.9) during the fourth quarter of 2024, which affected the cash flow but not the income statement for the year. Our customers' ability to pay remained adequate during 2024.

Cash flow from investing activities for the year totaled SEK -54.5m (-41.8). Most of these investments pertain to the capitalization of development costs for software.

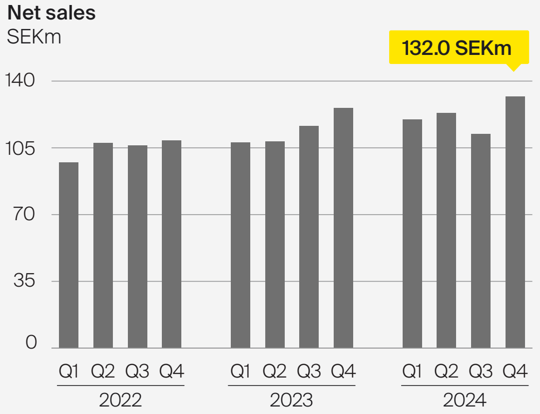
Cash flow from financing activities for the year totaled SEK -125.4m (-49.2). Cash flow from financing activities during the year primarily comprised the amortization of lease liabilities, dividends and repurchases of own shares during the year amounting to SEK 86.6m (9.6).

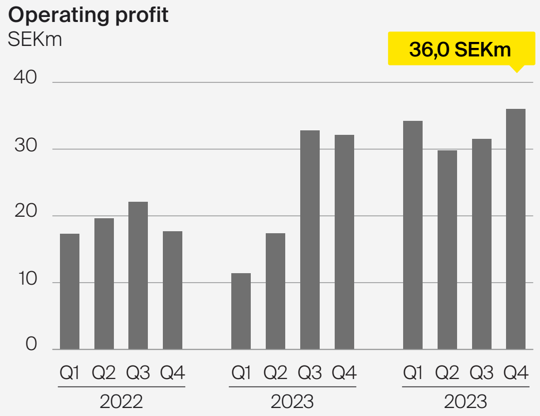
Balance sheet items and financial position

The Group's cash and cash equivalents at December 31, 2024 totaled SEK 155.4m (197.4). In 2023, the Parent Company signed an agreement for a bank overdraft facility of SEK 50.0m. As of December 31, 2024, the unutilized portion of the bank overdraft facility amounted to SEK 50.0m (50.0).

The Group's interest-bearing liabilities at December 31, 2024 totaled SEK 44.9m (51.7). Interest-bearing liabilities include lease liabilities amounting to SEK 44.9m (51.7), which increased in accordance with IFRS 16 Leases.

As of December 31, 2024, the Group had net cash of SEK 110.5m (145.7). Net cash was negatively impacted, mainly by the repurchases carried out during the year.





Administration report

Consolidated goodwill at the end of the year amounted to SEK 117.5m (117.5). Other intangible assets in the form of trademarks, software, internally generated software development costs and customer contracts totaled SEK 205.3m (181.7) at year-end.

As of December 31, 2024, the Group had accumulated loss carryforwards outside Sweden of SEK 203.9m (220.5). The Group received a tax relief payment of SEK 6.9m (12.9) during the fourth quarter of 2024 related to research and development costs in the UK attributable to 2023. The payment reduced aggregate loss carryforwards by an equivalent amount. On December 31, 2024, SEK 3.7m (6.3) was recognized as estimated tax relief related to 2024.

The deferred tax asset is recognized in the balance sheet in an amount of SEK 30.7m (7.4), and the deferred tax liability is recognized in an amount of SEK 28.4m (42.6). 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.

As of December 31, 2024, equity amounted to SEK 462.5m (423.4). This change in equity is presented in the specification on page 52. The equity/assets ratio at December 31, 2024 was 63.9% (60.5). Pledged assets were unchanged during the year and totaled SEK 22.1m (22.1) at December 31, 2024.

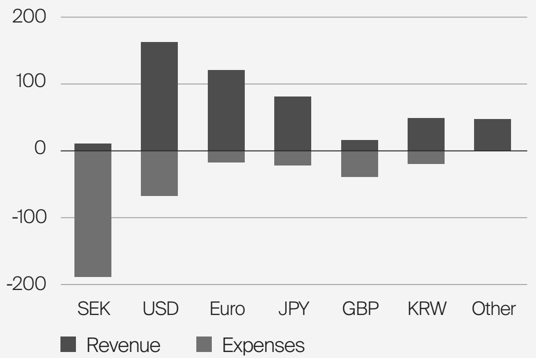
Investments

Investments in property, plant and equipment for the year amounted to SEK 3.0m (5.8). Investments in intangible assets totaled SEK 51.5m (36.3). Investments in intangible assets pertained primarily to costs for in-house staff for the development of software. Of the year's investments, SEK 2.3m (0.2) was acquired separately and SEK 49.2m (36.1) comprises internally generated costs. Of the internally generated costs, SEK 41.4m (30.4) pertains to personnel costs.

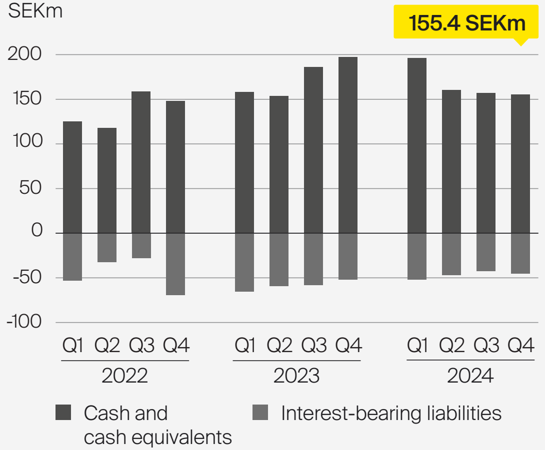
Market and customers

I.A.R. Systems Group delivers high-quality solutions to companies that develop digital products. Its customers are located across the entire globe and in a number of different industries. Increasing digitalization and product connectivity are driving the embedded systems market.

Currency spread
SEKm



Net cash
SEKm



Administration report

Employees

The company's competitiveness depends on its ability to recruit, retain, and develop qualified staff. The company's success is determined by how well its leadership resources are developed and the sense of dedication and empowerment among its employees. IAR's corporate culture is characterized by openness, social responsibility and professionalism. Its global organization and its employees' enduring passion for product development and technology attract skilled and talented people to the company in all of the countries where it operates.

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

The Group's employees are typified by a high level of technical expertise and extensive industry experience. IAR also has a high proportion of employees with advanced academic degrees. Within the Group, 88% (86) of employees have a post-secondary or higher education, and 12% (14) have a secondary education. The average age of the Group's employees is 46 (46). At year-end 2024, the gender distribution was 27% (28) women and 73% (72) men. The average number of employees in 2024 was 206 (202).

Risks and risk management

Like all business activities, IAR's operations are associated with risks. Certain risks are within the company's control, while others are not. IAR continuously identifies and manages the company's risks. The most significant risks and how they are managed by the Group are described on the following pages.

Three types of risks

In working with risks and risk management, we have divided the risks into three categories. Interest rate risk is not included since the Group's financing from loans is very limited and it is therefore not dependent on, or sensitive to, interest rate fluctuations.

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

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

Financial risks refer to fluctuations in IAR's profit and cash flow as a result of foreign exchange risk, liquidity risk and credit risk.

Foreign exchange risk

When it comes to foreign exchange risk, the Group operates internationally and is exposed to foreign exchange risk arising from exposure to different currencies, predominantly the US dollar (USD), the euro (EUR), the British pound (GBP), the Japanese yen (JPY) and the Chinese yuan (CNY). In 2024, the currency exposure to JPY had the greatest impact on IAR's net sales and operating profit. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

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

Credit risk

Credit risk is managed at the Group level. It pertains mainly to counterparty risk arising from bank deposits as well as trade receivables, including receivables outstanding and agreed transactions.

Liquidity risk

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

Administration report

The table includes the most significant, but not all, risks from the risk review carried out. The headings for the categories “Market risks”, “Financial risks” and “Operational risks” show the average of all risks included in the risk review.

Probability: 1 Improbable 2 Unlikely 3 Possible 4 Likely 5 Probable

Impact: 1 Insignificant 2 Small 3 Medium 4 Large 5 Very large

Risk area	Description	Probability	Impact	IAR’s risk management
Market risks	Average risk for all risks in the “Market risks” area	3	4	
Macroeconomic development	Customers’ demand and willingness to invest are tied to their beliefs about future economic growth and the state of macroeconomic development in their own market. External factors such as inflation, trade wars and legislation impact the Group’s willingness to invest.	3	3	IAR’s software is sold worldwide and, as a result, its risks are distributed geographically and across a number of different sectors. IAR acts in accordance with decisions and recommendations from the government and authorities in each market as the Group continuously monitors and evaluates the effect on the Group’s financial position to minimize the impact going forward. New legislation in IoT security is expected to be a positive driving force for sales in the area of security going forward.
Products and technology	New fundamentally changed working methods, business models, rapid technology shifts and changes in customer behavior create a risk of changed customer requirements that could affect IAR’s market position. External factors such as intellectual property theft, industrial espionage and export regulations could have an impact.	4	4	IAR has well-established and strategic partnerships with all the principal processor makers, which means that the company’s software supports more processors and architectures than any other product on the market. IAR is the hub of an ecosystem of partners in processor manufacturing, real-time operating systems (RTOS) and add-on products. Following the acquisition of Secure Thingz, IAR is also able to offer possibilities for new security solutions for embedded systems.
Competitors	New and stronger competitors may lead to a risk of decreased demand for IAR’s software.	3	4	IAR manages the risk of competition as an independent provider of development solutions for embedded systems by offering user-friendly, effective and fast software that supports the majority of architectures and processors. The company also offers support service. In a growing new market like the market for IoT security, it may also be positive to have several competitors educating customers about the need for security and the solutions available.
Operational risks	Average risk for all risks in the “Operational risks” area	3	3	
Customer structure	Far-reaching dependency on individual industries could have a major impact on sales if an entire industry is experiencing difficulties.	1	2	IAR strives to build long-term relationships with its customers. The Group is well diversified among customer categories, industries and geographical markets and no single customer accounts for a large share of the Group’s total sales. The ten largest customers contribute 9.5% of income.
Income structure	A large share of one-time projects or maintenance agreements with short durations creates uncertainty if economic growth slows.	1	2	IAR is endeavoring to increase the share of repeat customers. The share of repeat customers is already high and amounts to about 95%. The geographic distribution is even, with one-third in each region: APAC, EMEA and USA. The diversification of customers is favorable. The ten largest customers account for 9.5% of sales, and no single customer accounts for more than 1.7% of sales.
Supply of qualified personnel	IAR’s key competencies are found primarily in technological development and in its ability to create good customer relationships.	3	3	IAR works actively to retain and develop skills and competency in the company. Competency and loyalty are strengthened in the Group through training and knowledge sharing. IAR has low employee turnover and distinct, shared core values. Finding the right expertise at the right cost is a challenge, particularly in product development.

Administration report

Probability: 1 Improbable 2 Unlikely 3 Possible 4 Likely 5 Probable

Impact: 1 Insignificant 2 Small 3 Medium 4 Large 5 Very large

Risk area	Description	Probability	Impact	IAR's risk management
Financial risks	Average risk for all risks in the "Financial risks" area	2	2	
Foreign exchange risk	Foreign exchange risk refers to the risk of fluctuations in the company's transaction flows due to movements in foreign exchange rates.	4	4	IAR operates internationally and is exposed to foreign exchange risk arising from exposure to different currencies, predominantly the US dollar (USD), the euro (EUR), the British pound (GBP), the Japanese yen (JPY) and the Chinese yuan (CNY). The Group's sales in foreign currency account for about 98% of total sales. Most of the company's expenses are denominated in SEK. Measures to manage transaction-related foreign exchange risk are established in the Group's finance policy and include, where possible, converting cash and cash equivalents in foreign currencies to SEK and opportunities for hedge accounting in specific cases. The objective is to minimize the short-term effect of the foreign exchange movement on profit while at the same time creating long-term freedom of action.
Liquidity risk	Liquidity risk refers to the risk that financing cannot be obtained, or can be obtained only at a significantly higher cost.	2	1	IAR's liquidity risk is deemed to be relatively limited. The Group had cash and cash equivalents of SEK 155.4m at December 31, 2024, and the Parent Company has a bank overdraft facility of SEK 50.0m. Interest-bearing liabilities amounted to SEK 44.9m, comprising exclusively lease liabilities.
Credit risk	Credit risk refers to the risk that a party in a transaction with a financial instrument will be unable to meet its obligations. The main credit risk is that IAR will not receive payment for trade receivables.	1	1	IAR's credit risk is assessed to be relatively low. Trade receivables are distributed across a large number of counterparties in different industries, markets and customer types. The Group has established guidelines for ensuring that sales are made to customers with a suitable credit background. Historically, the cost of bad debt losses has been low. To limit risks, the company's credit policy contains guidelines and provisions for credit assessment of new customers, terms of payment and routines and processes for management of past due receivables.

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

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. I.A.R. Systems Group's share capital at December 31, 2024 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 694,969 of the class B shares are held in treasury. All shares have a quota value of SEK 10 per share. Of the class C shares acquired in 2018, no shares were transferred in 2024. Transfers of treasury shares are carried out to ensure the delivery of shares to employees upon the exercise of stock options under the Group's incentive program. A total of 51,646 class C shares have been converted into class B shares under an incentive program since the original buyback of 359,688 class C shares.

Share price performance

During the year, the share price varied from a low of SEK 120.5 (73.0) to a high of SEK 183.0 (166.4). The share price at December 31, 2024 was SEK 126.5 (123.8). I.A.R. Systems Group's market capitalization on the same date was SEK 1,728m (1,691).

Ownership and control

The number of shareholders in I.A.R. Systems Group at December 31, 2024 was 6,371 (6,583). Of these shareholders, 352 (355) held more than 1,000 shares each. Foreign shareholders held approximately 26.4% (24.6) of the share capital and 26.4% (24.6) of the votes. For additional information about the I.A.R. Systems Group's share, see pages 32–34.

Sustainability report

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, IAR prepares a sustainability report. The sustainability report is incorporated into the Annual Account on pages 21–30.

Corporate governance

IAR has prepared a corporate governance report in accordance with rules and instructions for application stipulated in Swedish legislation and the Swedish Corporate Governance Code. The corporate governance report is incorporated into the Annual Account on pages 43–47.

Administration report

Guidelines for remuneration and other terms of employment for senior executives

The Board of Directors proposes to the 2025 AGM that the guidelines for remuneration to senior executives that were adopted by the 2024 AGM continue to apply.

The 2024 AGM approved the Board's proposed guidelines for remuneration to the company's senior executives as stated in Note 6 and in the corporate governance report. The guidelines state that the forms of remuneration to senior executives include fixed salary, variable remuneration that may amount to a maximum of 50% of fixed salary, RSUs in the form of long-term incentive programs, pensions and other benefits. Fixed salary is to be market-based and individually differentiated on the basis of the individual's role, performance, results and responsibilities. Variable remuneration is to be based on the attainment of profit and sales targets, such as growth (net sales growth), earnings before interest and taxes (EBIT), and qualitative individual targets linked to strategic and/or functional targets that are individually adapted based on responsibilities and function. These targets are to be designed to contribute to promoting IAR's business strategy and long-term interests, including its sustainability. The pension plan is to correspond to the cost for the ITP plan for employees in Sweden. For senior executives outside Sweden, pension is to be considered competitive in the market in each country/region.

In the event of dismissal by the company, the CEO is entitled to full salary during a notice period of six months. If employment is terminated by the CEO, the notice period is six months. In the event of dismissal by the company, other senior executives are entitled to full salary during a notice period of three to six months. If employment is terminated by the senior executive, the notice period is three to six months. All senior executives are entitled to salary and other contractual benefits during the notice period.

The Board's proposal corresponds to the previously applied guidelines for remuneration to the company's senior executives. The principles apply to employment contracts entered into after the decision of the AGM and in cases where changes are made to existing terms of employment after this date. The group Other senior executives refers to Group management, see page 49.

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

Deviation from the guidelines

The Board of Directors has the right to deviate from the above guidelines in individual cases where the Board finds special reason to do so. No deviations from the guidelines took place in 2024.

Dividend policy

The Board of Directors intends to propose an annual dividend, or other similar transfer of value, corresponding to 30–50% of profit after tax, taking any non-recurring items into consideration. In addition, the Board may recommend a further transfer of capital to the shareholders, provided that the Board considers this action to be justified in view of anticipated future cash flow and the company's investment plans. The dividend to shareholders proposed to the 2025 AGM is aligned with the dividend policy described above.

Significant events after the reporting period

No significant events took place after the end of the financial year.

Proposed appropriation of profits

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

Share premium reserve	254,789,284.14
Retained earnings	-182,363,257.16
Comprehensive income for the year	64,527,245.87
Total, SEK	**136,953,269.85**

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

Dividend of SEK 1.50 per share to the shareholders	20,490,436.50
To be carried forward to new account	116,462,833.35
Total, SEK	**136,953,269.85**

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

The Board has proposed that the AGM on April 28, 2025 should resolve on a dividend of SEK 1.50 per share. This corresponds to a total dividend of a maximum of SEK 20,490,436.50. The Board of Directors believes that proposal is justifiable in view of the requirements that the nature, scope and risks of the operations place on the amount of equity, and IAR's consolidation requirements, liquidity and position in general. The Board of Directors is therefore of the overall opinion that the proposed dividend will not prevent the company, and other companies in the Group, from fulfilling their obligations in the short or long term, or from making necessary investments. The proposed dividend is therefore considered defensible taking into account the provisions of Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act (the precautionary principle).

Five-year overview

SEK m	2024	2023	2022	2021	2020
PERFORMANCE MEASURES*					
Net sales, SEK m	487.2	458.1	419.9	355.9	372.0
Operating expenses, SEK m	-361.1	-662.2	-347.1	-426.5	-288.2
Operating profit/loss, SEK m	119.1	-204.1	75.7	-68.5	83.8
Operating margin, %	24.4	-44.6	18.0	-19.2	22.5
Adjusted operating margin, %	27.0	21.0	18.3	18.5	22.5
EBITDA margin, %	35.8	31.3	30.7	29.2	35.7
Adjusted EBITDA margin, %	38.3	33.4	31.0	33.7	35.7
Cash conversion rate, multiple	0.73	0.94	0.99	1.04	0.89
Return on equity, %	30.5	-42.0	9.2	-11.2	9.9
Return on capital employed, %	25.9	-33.4	11.0	-10.1	12.5
CAPITAL STRUCTURE*					
Equity, SEK m	462.5	423.4	666.8	585.3	613.4
Capital employed, SEK m	507.3	475.1	736.1	641.5	671.1
Net cash, SEK m	110.5	145.7	78.9	57.4	1.5
Net debt/equity ratio, multiple	-0.2	-0.3	-0.1	-0.1	-0.0
Equity/assets ratio, %	63.9	60.5	72.3	72.0	73.6

SEK m	2024	2023	2022	2021	2020
DATA PER SHARE*					
Average number of shares outstanding, million	13.26	13.66	13.65	13.64	13.63
Number of shares at end of period, million	13.66	13.66	13.66	13.65	13.63
Earnings per share (basic), SEK	10.20	-16.84	4.23	-4.94	4.35
Earnings per share (diluted), SEK	9.98	-16.84	4.20	-4.94	4.35
Equity per share, SEK	33.86	31.00	48.81	42.88	44.97
Cash flow from operating activities per share, SEK	10.21	10.55	9.36	9.65	8.69
Dividend	1.5	1.5	–	–	–
EMPLOYEES					
Average number of employees	206	202	203	203	208

* For definitions and calculations of alternative performance measures, see pages 91–96.

Corporate governance report

I.A.R. Systems Group AB is a Swedish public limited company domiciled in Uppsala, Sweden. In 2024, the Group conducted operations in Sweden, the UK, Germany, France, the USA, Japan, Korea, China, Taiwan and India. IAR's share is quoted on the Mid Cap list of Nasdaq Stockholm.

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

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

Shareholders

I.A.R. Systems Group's shares have been quoted on Nasdaq Stockholm since 1999. The share capital in I.A.R. Systems Group consists of class B and C shares, which carry one vote each. In total, there are 13,968,333 shares, divided between 13,660,291 class B shares and 308,042 class C shares. Class B shares grant equal rights to the company's assets and profits. Class C shares do not grant entitlement to dividends. All class C shares and 694,969 class B shares are held in treasury.

The number of shareholders in I.A.R. Systems Group at December 31, 2024 was 6,371 (6,583). Of these shareholders, 352 (355) held more than 1,000 shares each. Foreign shareholders held approximately 26.4% (24.6) of the share capital and 26.4% (24.6) of the votes. For additional information about the shareholders and ownership structure, see pages 32–33.

General meeting of shareholders

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

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

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

2024 Annual General Meeting

The AGM re-elected all Board members: Nicolas Hassbjer, Cecilia Wachtmeister, Michael Ingelög, Fred Wikström and Sabina Lindén. The AGM appointed Nicolas Hassbjer as Board Chairman. All Board members attended and participated in the Annual General Meeting.

It was furthermore decided that Board fees would be paid in an annual amount of SEK 525,000 to the Board Chairman and SEK 210,000 to each of the other Board members. No fees are paid to the Board members who are employed in the company.

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

The AGM resolved in accordance with the Board's proposal to carry forward the profits from the 2023 financial year.

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

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

Corporate governance report

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

Board of Directors

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

The average age of the Board members is 54 years and two of the five members are women. Four of five members are considered to be independent in relation to the company and its management and all members to be independent in relation to the company's major shareholders. I.A.R. Systems Group meets the requirements in the Code regarding the Board of Directors' independence in relation to the company, its management and the company's major shareholders.

Work and responsibilities of the Board

According to the Swedish Companies Act, the Board is also responsible for ensuring that the Group's organization is suitably structured so that the company's accounting, cash management and other financial circumstances can be controlled satisfactorily.

The work of the Board is regulated by the Swedish Companies Act, the Articles of Association, the Code and the rules of procedure that are adopted yearly by the Board. The rules of procedure describe the division of responsibilities between the Board of Directors, the Board Chairman and the CEO, and also contain provisions to secure the Board's need for continuous information and financial reporting, as well as instructions for the CEO.

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

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

Board 2024	Elected	Dependent	Remuneration committee	Audit committee
Nicolas Hassbjer, Chairman	2021	No	Chairman	Chairman
Cecilia Wachtmeister	2021	Yes	Member	Member
Sabina Lindén	2022	No	Member	Member
Michael Ingelög	2019	No	Member	Member
Fred Wikström	2019	No	Member	Member

Remuneration to the CEO, other senior executives and the Board for 2024 is recognized in Note 6 on pages 70–71.

Corporate governance report

Work of the Board in 2024

In 2024, the Board held 11 meetings, of which nine were scheduled and two were extraordinary meetings. Each of the regular meetings followed an approved agenda, and both the proposed agendas and underlying documentation were sent to the Board members prior to each meeting. The CEO and certain other senior executives in the company took part in Board meetings in a reporting capacity and the company's CFO served as secretary of the Board. At the Board meetings, the Board dealt with the fixed items on the agenda for each meeting, such as the business and market situation, financial reporting and monitoring, the company's financial position and investments. The Board members' attendance at meetings is shown in the table below.

Remuneration to the Board

The Chairman and other members of the Board of Directors are paid fees in accordance with the decision of the AGM. No additional remuneration is paid for work on the Board's committees.

Board committees and committee work

In order to address the Board members' independence, two committees have been established: the remuneration committee and the audit committee, whose members are appointed by the Board. I.A.R. Systems Group's remuneration committee and audit committee consist of the entire Board of Directors. See also page 47 for a description of the nominating committee and other Board committees.

Auditors

The independent auditor is appointed by the AGM and its task is to examine the company's financial reporting and the administration of the company by the Board of Directors and the CEO. The auditor was appointed by the 2024 AGM, at which time Deloitte was elected as auditor to serve for the period until the end of the 2025 AGM. Auditor in Charge is Andreas Frountzos (born in 1981). In addition to I.A.R. Systems Group AB, he has audit assignments for companies including Bergman & Beving AB, Maha Energy AB and BAE Systems AB.

On two occasions during the year, the Auditor in Charge met with the Board to present the focus and scope of the audit, report his observations from the review of the interim report at September 30, his evaluation of internal control and the audit of the annual accounts for the 2024 financial year. On one occasion during the year, the Board met with the auditor without the presence of the CEO or other members of the company's management.

Deloitte issues an auditor's report regarding I.A.R. Systems Group AB, I.A.R. Systems AB and the Group. Deloitte also performs non-audit services for the companies in the IAR Group. These have mainly consisted of tax consultations in direct connection with the audit. For this work, Deloitte invoiced a total amount of SEK 0.4m (0.6) in 2024. The auditor is paid fees in accordance with the decision of the AGM. For information about fees to auditors in 2024 and 2023, see Note 5 on page 68.

CEO

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

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

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

Attendance at Board meetings in 2024

	Feb 8	Mar 22	Mar 26	Mar 27	Apr 25	Apr 25 Stat.	Jul 3	Aug 15	Sep 9	Oct 24	Nov 27	Total
Nicolas Hassbjer, Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Cecilia Wachtmeister (assumed the role of CEO on August 16, 2024)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Michael Ingelög	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Fred Wikström	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Sabina Lindén	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11

Board's financial calendar

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

Corporate governance report

Remuneration to the CEO and other senior executives

The principles for remuneration to the CEO and other senior executives are prepared by the remuneration committee and presented to the Board, which puts forward proposals for such principles for approval by the AGM. The group Other senior executives refers to Group management. For 2024, the Group applied the principles for remuneration and other terms of employment for senior executives that were approved by the AGM. Remuneration to the CEO and other senior executives consists of fixed salary, variable salary, RSUs in the form of a long-term incentive program, pension, and other customary benefits. Maximum variable remuneration corresponds to 50% of fixed salary. Pension benefits and other benefits are paid as part of the total remuneration package. In the event of dismissal by the company, the CEO is entitled to full salary during a notice period of six months. No termination benefits are paid to the CEO or other members of Group management on termination of employment.

Gender equality and diversity

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

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

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

Positions are filled based on the stipulated applicant profile. When applicants have equivalent qualifications, IAR is to ensure that the company's working groups have a good structure and that IAR uses the time and expertise of its employees in a manner that promotes the development of both the business and the individual.

When choosing suitable applicants for vacant positions, the company must also work to achieve the broadest possible mix of ages and ethnic backgrounds.

The objective is to achieve as even a distribution as possible of all duties at the workplace, and for the company to discourage gender marking of various tasks and positions.

Internal control

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

Control environment

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

Risk assessment

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

Control activities over the financial reporting

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

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

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

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

Remuneration committee

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

Remuneration committee
Nicolas Hassbjer, *Chairman*
Michael Ingelög, Cecilia Wachtmeister, Sabina Lindén and Fred Wikström.

I.A.R. Systems Group's remuneration committee complies with the provisions in the Code, which state, among other things, that the members of the remuneration committee are to be independent in relation to the company and its management. The remuneration committee consists of the entire Board of Directors. Board members who are also members of management did not participate in the work of the

Corporate governance report

committee. The committee has addressed matters of principle regarding variable salary for senior executives and general matters related to guidelines and policies for senior executives. The committee has also dealt with the salary and other terms of employment for the CEO.

Ahead of the 2025 AGM, the committee has prepared proposed principles for remuneration and other terms of employment for senior executives which the Board will then present for approval by the AGM in accordance with the Swedish Companies Act and the Code. In 2024, the remuneration committee held one formal meeting.

Audit committee

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

Audit committee
Nicolas Hassbjer, *Chairman*
Michael Ingelög, Cecilia Wachtmeister, Sabina Lindén and Fred Wikström.

The committee is responsible, among other tasks, for assessing the auditors' independent status in relation to the company, including the scope of the auditors' non audit-related services for the company. No separate committee meetings were held in 2024. All issues were handled within in the context of Board meetings.

Nominating committee

The Code states that the nominating committee is a body of the AGM whose only task is to prepare and put forward proposals for resolution by the AGM regarding election and remuneration and, when appropriate, procedural matters for the upcoming nominating committee. Regardless of how they have been appointed, the members of the nominating committee are to serve the interests of all shareholders.

The nominating committee ahead of the 2025 AGM, comprised:
Petter Mattsson Hamilton, Alcur Fonder, *Chairman;* Jonas Eixmann, Andra AP-fonden; Markus Lindqvist, Aktia; and Lovisa Runge, Fjärde AP-fonden.

The AGM on April 25, 2024 resolved to appoint a nominating committee according to the following principles. By September 30, 2024, at the latest, the Board Chairman shall convene the four largest shareholders in the company in terms of voting power, each of which shall then appoint a member to the nominating committee. In addition, the Chairman of the Board may be co-opted to the nominating committee. The composition of the nominating committee is to be made public not later than six months prior to the 2025 AGM. In the event of material changes to the ownership structure, the composition of the nominating committee may be changed in accordance with the above policies.

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

Shareholders were welcome to submit proposals and viewpoints to the nominating committee. The nominating committee's proposals have been announced in the notice to attend the AGM, on the company's website and at the 2025 AGM.

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

Proposals to be submitted to the 2025 AGM for resolution:
› Chairman of the AGM
› The number of Board members and amount of Board fees, divided between the Chairman and other Board members
› Election of Board members and the Board Chairman
› Election of auditor and fees to the company's auditor
› The nominating committee ahead of the 2026 AGM.

The corporate governance report for 2024 has been reviewed by I.A.R. Systems Group's auditors, in accordance with the provisions of the Swedish Annual Accounts Act.

The auditor's examination of the corporate governance statement

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

Engagement and responsibility
The Board of Directors is responsible for that the corporate governance statement for the financial year 2024-01-01 – 2024-12-31 on pages 43–47 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm April 4 2025
Deloitte AB

Signatures on Swedish original
Andreas Frountzos
Authorized Public Accountant

Board of Directors

Board of Directors

Nicolas Hassbjer
Board Chairman

Born in: 1967.

Board member: Since 2021.

Education: Honorary doctorate in information technology.

Employment/other board assignments: Chairman of Yaskawa Robotics Nordic, Sigicom, Ferroamp and Tequity, Deputy Chairman of the Chalmers University of Technology Foundation and Board member of Consafe Logistics and LumenRadio.

Work experience: Founder of HMS Networks (CEO from 1988 to 2009 and Deputy Chairman until 2013), with extensive experience in international sales, IoT and embedded systems.

Shareholding: 354,314 Class B shares (February 28, 2025).

Independent in relation to the company and management.

Independent in relation to the company's major shareholders.

Michael Ingelög
Board member

Born in: 1971.

Board member: Since 2019.

Education: BSc in business administration from Uppsala University.

Employment/other board assignments: CEO and founder of MiMain, Chairman and co-founder of Stabelo, Chairman and co-founder of Optio Investment Partners AB, and Board member of a number of smaller companies.

Work experience: Senior positions in the finance sector, including at Svenska Handelsbanken, UBS, Deutsche Bank and Credit Suisse.

Shareholding: 10,000 Class B shares (February 28, 2025).

Independent in relation to the company and management.

Independent in relation to the company's major shareholders.

Sabina Lindén
Board member

Born in: 1979.

Board member: Since 2022.

Education: Bachelor of Human Resource Management from the University of Gothenburg.

Employment/other board assignments: Group Chief Human Resource Officer at Unident Group, and board assignments in Sigicom AB, Lumen Radio AB, and WOW Foundation. HR Director at HMS Networks AB for more than ten years.

Shareholding: 1,896 Class B shares (February 28, 2025).

Independent in relation to the company and management.

Independent in relation to the company's major shareholders.

Cecilia Wachtmeister
Board member, CEO

Born in: 1966.

Board member: since 2021

Education: MSc in industrial engineering from the Institute of Technology at Linköping University. Ericsson Executive Program at Stanford University.

Employment/other board assignments: CEO of I.A.R. Systems Group AB. Board member of HMS Networks AB and Smart Eye AB.

Work experience: Executive Vice President at KAMBI Plc and several years' experience from various senior positions at Ericsson AB, both in Sweden and abroad.

Shareholding: 11,500 Class B shares and 10,000 RSUs (February 28, 2025).

Independent in relation to the company's major shareholders, but not in relation to the company and management.

Fred Wikström
Board member

Born in: 1970.

Board member: Since 2019.

Education: LL.M. from Stockholm University.

Employment/other board assignments: Own investments and corporate finance and M&A consultant.

Work experience: Over 15 years' experience of starting, developing and operating companies, including as the co-founder of POC.

Shareholding: 35,400 Class B shares (including related parties' holdings) February 28, 2025.

Independent in relation to the company and management.

Independent in relation to the company's major shareholders.

Management

Management*

Cecilia Wachtmeister
Chief Executive Officer (CEO)

Born in: 1966.

Education: MSc in industrial engineering from the Institute of Technology at Linköping University. Ericsson Executive Program at Stanford University.

Employment/other board assignments: CEO of I.A.R. Systems Group AB. Board member of HMS Networks AB and Smart Eye AB.

Work experience: Executive Vice President at KAMBI Plc and several years' experience from various senior positions at Ericsson AB, both in Sweden and abroad.

Shareholding: 11,500 Class B shares and 10,000 RSUs (February 28, 2025).

Anders Holmberg
Chief Technology Officer (CTO)

Born in: 1967.

Education: BSc in mathematics and computer science, Uppsala University.

Work experience: Has worked at I.A.R. Systems since 2000, mainly in advanced solutions for developing embedded systems. Early career in parallel computers and supercomputers. Later a university lecturer, technical consultant, C/C++ developer and development manager.

Shareholding: 10,800 RSUs (February 28, 2025).

Ann Zetterberg
Chief Financial Officer (CFO)

Born in: 1967.

Education: BSc in business administration from Stockholm University.

Work experience: More than 20 years of experience as a CFO, including at Accent Equity Partners and the technology firm Brighter. Board experience primarily in the mining industry, as a Board member of Endomines and Chairman of the Board of Copperstone Resources.

Shareholding:1,076 Class B shares and 12,300 RSUs (February 28, 2025).

Dannielle Iversen
Chief Commercial Officer (CCO)

Born in: 1986.

Education: BS.b.a. concentrating on business economics and information technology management from California State University.

Work experience: Has worked at IAR since 2008 and held several global roles with responsibility for sales, business operations, sales enablement, customer service and US operations.

Shareholding: 12,300 RSUs (February 28, 2025).

Thomas Andersson
Chief Product Officer (CPO)

Born in: 1976.

Education: MSc in engineering physics from Uppsala University.

Work experience: Has over 20 years of experience from global companies in the telecom, embedded software and defense industry before joining IAR's production management organization. His main focus has been on strategic product management and system development.

Shareholding: No holdings (February 28, 2025).

Emilia Waldenvik
Chief HR Officer (CHRO)

Born in: 1993.

Education: BSc in HR and working life from Uppsala University.

Work experience: Emilia has many years of experience in personnel matters in HR roles from various types of companies.

Shareholding: 7,250 RSUs (February 28, 2025).

*Until December 31, 2024, management consisted of 12 members. From January 1, 2025, management consists of the six members above.

Group

Income statement

SEK m	Note	2024	2023
Net sales	1, 2, 3, 4	487.2	458.1
Other income		0.1	2.7
Capitalized work on own account		49.2	36.1
Goods for resale		-13.2	-13.4
Other external expenses	5	-58.1	-61.3
Personnel costs	6	-290.8	-278.6
Depreciation of property, plant and equipment	11	-5.8	-5.7
Depreciation of right-of-use assets	11	-20.5	-20.7
Amortization of intangible assets	10	-29.0	-30.6
Impairment of intangible assets	10	–	-29.4
Impairment of goodwill	10	–	-261.3
Operating profit/loss		**119.1**	**-204.1**
Financial income	7	8.0	1.6
Financial expenses	7	-2.7	-0.9
Profit/loss before tax		**124.4**	**-203.4**
Income taxes	8	10.8	-25.6
Profit/loss for the year		**135.2**	**-229.0**
Profit/loss for the year attributable to:			
Owners of the Parent Company		135.2	-229.0
Comprehensive income for the year attributable to:			
Owners of the Parent Company		136.7	-218.9
Earnings per share calculated on profit for the year attributable to owners of the Parent Company, SEK			
– basic	9	10.20	-16.84
– diluted	9	9.98	-16.84

Statement of comprehensive income

SEK m	2024	2023
Profit/loss for the year	**135.2**	**-229.0**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of net investment in foreign operations	–	1.9
Exchange differences on translation of foreign subsidiaries	1.5	8.6
Tax effect, items reported in comprehensive income	–	-0.4
Total comprehensive income for the year	**136.7**	**-218.9**

Group

Balance sheet

SEK m	Note	Dec 31, 2024	Dec 31, 2023
ASSETS	1, 2		
Non-current assets			
Intangible assets	10		
Goodwill		117.5	117.5
Other intangible assets		205.3	181.7
Total intangible assets		**322.8**	**299.2**
Property, plant and equipment	11		
Leasehold improvements		2.8	3.8
Equipment		10.4	12.1
Right-of-use assets		41.8	49.0
Total property, plant and equipment		**55.0**	**64.9**
Financial assets			
Other non-current receivables	12, 17	3.3	3.2
Total financial assets		**3.3**	**3.2**
Deferred tax assets	8	30.7	7.4
Total non-current assets		**411.8**	**374.7**
Current assets			
Inventories		8.5	9.7
Current receivables			
Trade receivables	13, 17	101.9	78.0
Current tax assets		5.1	7.7
Other current receivables	13, 14, 17	16.9	10.9
Prepaid expenses and accrued income	13, 15, 17	24.6	21.6
Total current receivables		**148.5**	**118.2**
Cash and cash equivalents	16, 17	155.4	197.4
Total current assets		**312.4**	**325.3**
TOTAL ASSETS		**724.2**	**700.0**

SEK m	Note	Dec 31, 2024	Dec 31, 2023
EQUITY AND LIABILITIES			
Equity	18, 19		
Share capital		139.7	139.7
Other contributed capital		228.1	228.1
Translation reserves		72.0	70.5
Retained earnings including profit for the year		22.7	-14.9
Total equity		**462.5**	**423.4**
Non-current liabilities			
Lease liabilities	17	24.8	34.9
Other non-current liabilities		2.0	1.5
Deferred tax liabilities	8	28.4	42.6
Total non-current liabilities		**55.2**	**79.0**
Current liabilities			
Trade payables	17	8.2	6.9
Lease liabilities	17	20.1	16.8
Current tax liabilities		7.2	18.0
Other liabilities	17	13.1	5.8
Deferred income	4	131.4	126.8
Accrued expenses	17	26.5	23.3
Total current liabilities		**206.5**	**197.6**
TOTAL EQUITY AND LIABILITIES		**724.2**	**700.0**

Group

Changes in equity

SEK m	Share capital	Other contributed capital	Translation reserves	Retained earnings	Total equity
Opening balance, January 1, 2023	**139.7**	**228.1**	**60.4**	**238.6**	**666.8**
Loss for the year				-229.0	-229.0
Other comprehensive income					
Translation differences			10.1		10.1
Total comprehensive income		s	**10.1**	**-229.0**	**-218.9**
Transactions with owners					
Share buybacks				-9.6	-9.6
Dividend				-20.5	-20.5
Share-based remuneration				5.6	5.6
Total transactions with owners				**-24.5**	**-24.5**
Opening balance, January 1, 2024	**139.7**	**228.1**	**70.5**	**-14.9**	**423.4**
Profit for the year				135.2	135.2
Other comprehensive income					
Translation differences			1.5		1.5
Total comprehensive income			**1.5**	**135.2**	**136.7**
Transactions with owners					
Share buybacks				-86.6	-86.6
Dividend				-20.0	-20.0
Share-based remuneration				9.1	9.1
Total transactions with owners				**-97.6**	**-97.6**
Closing balance, December 31, 2024	**139.7**	**228.1**	**72.0**	**22.7**	**462.5**

Group

Cash flow statement

SEK m	Note	2024	2023
Operating activities			
Incoming payments from customers		469.2	443.6
Outgoing payments to suppliers and employees		-300.5	-287.3
Cash flow from operating activities before interest and income taxes paid		**168.7**	**156.3**
Interest received		4.0	1.6
Interest paid		-2.7	-2.6
Tax relief received		6.9	12.9
Income taxes paid		-41.5	-24.1
Cash flow from operating activities		**135.4**	**144.1**
Investing activities			
Investments in intangible assets	10	-51.5	-36.3
Investments in property, plant and equipment	11	-3.0	-5.8
Divestments of financial assets		0.0	0.3
Cash flow from investing activities		**-54.5**	**-41.8**
Financing activities			
Share buybacks		-86.6	-9.6
Dividend		-20.0	-20.5
Amortization of financial liabilities		-18.8	-19.1
Cash flow from financing activities		**-125.4**	**-49.2**
Cash flow for the year		**-44.5**	**53.1**
Cash and cash equivalents at beginning of year		197.4	148.2
Exchange difference in cash and cash equivalents			
– attributable to cash and cash equivalents at beginning of year		2.3	-5.7
– attributable to cash flow for the year		0.2	1.8
Cash and cash equivalents at end of year	16	**155.4**	**197.4**

Parent Company

Income statement

SEK m	Note	2024	2023
Net sales	1, 2	13.1	13.1
Other external expenses	5	-4.2	-4.5
Personnel costs	6	-11.4	-9.5
Depreciation of property, plant and equipment	11	0.0	-0.1
Operating loss		**-2.5**	**-1.0**
Profit/loss from financial items			
Profit/loss from participations in Group companies	22	0.0	-454.4
Financial income	7	14.1	18.1
Financial expenses	7	-0.3	-0.1
Profit/loss before tax		**11.3**	**-437.4**
Appropriations, Group contributions		70.0	100.0
Tax on profit for the year	8	-16.8	-24.2
Profit/loss for the year		**64.5**	**-361.6**

Statement of comprehensive income

SEK m	2024	2023
Profit/loss for the year	64.5	-361.6
Other comprehensive income	–	–
Items that may be reclassified subsequently to profit or loss	–	–
Total comprehensive income for the year	**64.5**	**-361.6**

Parent Company

Balance sheet

SEK m	Note	Dec 31, 2024	Dec 31, 2023
ASSETS	1, 2		
Non-current assets			
Property, plant and equipment			
Equipment	11	0.0	0.0
Total property, plant and equipment		**0.0**	**0.0**
Financial assets			
Participations in Group companies	22	237.8	218.7
Receivables from Group companies		–	83.8
Other non-current receivables	12	–	–
Deferred tax assets		0.4	0.2
Total financial assets		**238.2**	**302.7**
Total non-current assets		**238.2**	**302.7**
Current assets			
Current receivables			
Current tax assets		3.2	–
Other current receivables	14	0.1	0.2
Prepaid expenses and accrued income	15	0.7	0.6
		4.0	**0.8**
Cash in hand and bank deposits	16	53.7	57.3
Total current assets		**57.7**	**58.1**
TOTAL ASSETS		**295.9**	**360.8**

SEK m	Note	Dec 31, 2024	Dec 31, 2023
EQUITY AND LIABILITIES			
Equity	18, 19		
Restricted equity			
Share capital		139.7	139.7
		139.7	**139.7**
Non-restricted equity			
Share premium reserve		254.9	254.9
Retained earnings		-182.4	276.7
Comprehensive income for the year		64.5	-361.6
		137.0	**170.0**
Total equity		**276.7**	**309.7**
Current liabilities			
Trade payables		1.1	0.9
Liabilities to subsidiaries		16.1	42.7
Current tax liabilities		–	4.3
Other liabilities		0.7	1.6
Accrued expenses	20	1.3	1.6
Total current liabilities		**19.2**	**51.1**
TOTAL EQUITY AND LIABILITIES		**295.9**	**360.8**

Parent Company

Changes in equity

SEK m	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance, January 1, 2023	**139.7**	**254.9**	**300.9**	**695.5**
Share-based remuneration			5.9	5.9
Dividend to shareholders			-20.5	-20.5
Share buybacks			-9.6	-9.6
Total transactions with owners			**-24.2**	**-24.2**
Loss for the year			-361.6	-361.6
Other comprehensive income				
Total comprehensive income			**-361.6**	**-361.6**
Opening balance, January 1, 2024	**139.7**	**254.9**	**-84.9**	**309.7**
Share-based remuneration				
Dividend to shareholders			-20.0	-20.0
Share buybacks			-86.6	-86.6
Total transactions with owners			**-106.6**	**-106.6**
Profit for the year			64.5	64.5
Other comprehensive income				
Total comprehensive income			**64.5**	**64.5**
Closing balance, December 31, 2024	**139.7**	**254.9**	**-127.0**	**267.7**

Parent Company

Cash flow statement

SEK m	Note	2024	2023
Operating activities			
Incoming payments from subsidiaries		13.1	13.1
Outgoing payments to suppliers and employees		-14.3	-9.1
Cash flow from operating activities before interest and income taxes paid		**-1.2**	**4.0**
Interest received		2.0	16.2
Interest paid		-0.2	-0.1
Income taxes paid		-24.4	-20.7
Cash flow from operating activities		**-23.8**	**-0.6**
Investing activities			
Investments in property, plant and equipment	11	–	–
Cash flow from investing activities		**–**	**–**
Financing activities			
Dividend to shareholders		-20.0	-20.5
Change in borrowings to/from subsidiaries		26.8	-3.5
Share buybacks		-86.6	-9.6
Group contributions		100.0	89.0
Cash flow from financing activities		**20.2**	**55.4**
Cash flow for the year		**-3.6**	**54.8**
Cash and cash equivalents at beginning of year		57.3	2.5
Cash and cash equivalents at end of year	16	**53.7**	**57.3**

Notes

Note 1. Summary of significant accounting policies

General

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

The I.A.R. Systems Group AB share is quoted on the Mid Cap list of Nasdaq Stockholm under the ticker symbol IAR. The consolidated financial statements were approved for publication by the Board of Directors on April 4, 2025.

Group

1.1 Basis of presentation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires that management exercise its judgment in the process of applying the company's accounting policies. The estimates and assumptions are based on past experience and a number of other factors that are considered reasonable under the given circumstances. The results of these estimates and assumptions are then used to make judgments about the carrying amounts of assets and liabilities that cannot be readily determined from other sources. Actual outcomes may differ from these estimates and judgments. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for the consolidated financial statements, are disclosed in note 1 below.

New and amended standards and interpretations applicable for 2024

The Group applies the following new or amended IFRS from the IFRS Interpretations Committee as of January 1, 2024:

Standards	To be applied for financial years beginning:
Amendments to IAS 1 Presentation of Financial Statements (classification of liabilities)	On or after January 1, 2024
Amendments to IFRS 16 Leases (recognition of lease liabilities in a sale and leaseback transaction)	On or after January 1, 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (supplier finance arrangements)	On or after January 1, 2024

The amendments to IAS 1 impacted the presentation of the consolidated financial statements as the accounting policies presented are now those that management considers to be the most important for the reader to be able to understand the financial statements. Other new standards and interpretations have not had a material effect on the Group's financial reporting for the year and are not expected to have a material effect on the coming periods or future transactions.

New and changed standards and interpretations that are not yet effective

The new or amended standards and new interpretations that have been issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) but are effective for financial years beginning on or after January 1, 2024 have not yet been applied by the Group.

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

Standards	To be applied for financial years beginning:
Amendments to IFRS 21 The Effects of Changes in Foreign Exchange Rates	On or after January 1, 2025
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures*	On or after January 1, 2025
IFRS 18 Presentation and Disclosure in Financial Statements and related amendments to IAS 7, IAS 8 and IAS 34*	
IFRS 19 Subsidiaries without Public Accountability: Disclosures*	On or after January 1, 2025

** Not yet approved within the EU.*

According to management's assessment, IFRS 18, which is to be applied for financial year beginning on January 1, 2027, could have a material impact on the financial statements, since IFRS 18 introduces new requirements for, among other things, the presentation of income and expenses in profit or loss, new general requirements for the presentation of information in both the primary financial statements and in the notes, and requirements for disclosures on selected performance measures.

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

Revenue recognition

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

Notes

Note 1, cont.

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

Most of the Group’s revenue pertains to licenses. In most cases, in conjunction with the sale of a license, a one-year agreement is signed for technical support and upgrades. Licenses, technical support and upgrades are deemed to be three separate performance obligations in accordance with IFRS 15 and must thus be reported separately.

Revenue from software license fees is recognized upon delivery, which is not considered to have occurred until the access code for the license has been made available to the customer. Revenue arising from upgrade agreements and support is accrued on a straight-line basis over the term of the contract.

Licenses

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

Technical support

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

Software updates

The offering of software updates entails an assurance that all updates developed by IAR during the contract period will be provided as and when they become available. The number of updates cannot be stated in advance. The performance obligation for software updates is considered to be transferred to the customer “over time” and the customer’s utilization of the updates is considered to be evenly distributed over the entire contract period, which entails that revenue is recognized on a straight-line basis over the contract period.

1.2 Consolidated financial statements

The consolidated financial statements include the Parent Company I.A.R. Systems Group AB and those companies over which the Parent Company has control (subsidiaries). The composition of the Group is presented in note 22.

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

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

1.3 Segment reporting

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

The Group has one operating segment: IAR.

1.4 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing day rate of exchange and all exchange differences that arise are recognized as a separate component of equity,
- for each income statement, income and expenses are translated at the average exchange rate

On consolidation, exchange differences resulting from the translation of net investments in foreign operations are transferred to equity and recognized as an item in comprehensive income. This also includes exchange differences in inter-company loans where the loan is a part of the Group’s net investment in foreign operations.

Notes

Note 1, cont.

The following exchange rates have been used:

Country	Currency	Closing day rate	Average rate
USA	USD 1	10.9982	10.5614
France, Germany	EUR 1	11.4865	11.4322
UK	GBP 1	13.8475	13.5045
Japan	JPY 1	0.0698	0.0698
China	CNY 1	1.5067	1.4680
Taiwan	NTD 1	0.3300	0.3232
South Korea	KRW 1	0.00746	0.00775
India	INR 1	0.1287	0.1262

1.5 Property, plant and equipment

All items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. The residual values and useful lives of assets are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. On disposal of the asset, any resulting gains are recognized in other income and losses are recognized in other operating expenses. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred. Specific accounting policies regarding right-of-use assets are detailed below.

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

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

Recognition of right-of-use assets

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

I.A.R. Systems Group AB uses the following practical expedients permitted under IFRS 16:

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

1.6 Intangible assets

a) Goodwill

Goodwill is initially measured as the difference between the aggregate of the acquisition date fair value of the consideration transferred and the amount of any non-controlling interests, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is tested for impairment annually, or more often in the event that there are indications of a decrease in value, to identify any impairment requirements, and is recognized at cost less accumulated impairment losses. Goodwill is allocated to the lowest cash-generating units or groups of cash-generating units that can be expected to benefit from the business combination that has given rise to the goodwill item. Goodwill is tested for impairment at the lowest level in the Group at which goodwill is monitored for internal management purposes, which comprises the two cash-generating units IAR and Secure Thingz.

b) Technology

Technology refers to intangible assets identified in business combinations and is recognized at cost (which corresponds to the fair value at the time of the business combination). Technology has a finite useful life and is recognized at cost less accumulated amortization. Technology is amortized over its estimated useful life of 13 years.

c) Software

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

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

Internally generated intangible assets that originate from the Group's development of software are recognized only if the additional criteria for internally generated intangible assets in IAS 38 are met. For IAR, this mainly refers to the assessment of whether:

- IAR can demonstrate that the intangible asset will generate probable economic benefits,
- there are adequate technical, financial and other resources available to complete the development and to utilize or sell the intangible asset, and
- the expenditure associated with the intangible asset during its development can be reliably calculated.

Notes

Note 1, cont.

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

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

1.7 Impairment losses

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

1.8 Inventories

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

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

1.9 Financial assets and liabilities

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

Recognition and measurement of financial assets

The Group applies the following business model to all financial assets:

› Hold to collect – Assets that are held to collect contractual cash flows and that only comprise payments of the principal and interest on the outstanding principal. These are measured at amortized cost.

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

Recognition and measurement of financial liabilities

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

1.10 Cash and cash equivalents

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

1.11 Lease liabilities

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

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

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

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

› The term of the lease has changed, or the Group has changed its assessment of whether it will exercise a purchase option. The lease liability is remeasured by discounting the adjusted lease payments using an adjusted discount rate.
› Lease payments are changed based on changes in the index or rate, or changes to the amounts expected to be payable under a residual value guarantee. In such cases, the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate.

Notes

Note 1, cont.

› The lease changes and the change is not recognized as a separate lease. In such cases, lease payments are remeasured by discounting the adjusted lease payments using an adjusted discount rate.

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

1.12 Current and deferred tax

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

The current income tax expense is calculated on the basis of the tax laws that have been enacted or substantively enacted at the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable income.

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

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

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

1.13 Employee benefits

a) Pension obligations

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

b) Termination benefits

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

c) Bonus plans

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

d) Share-based remuneration

Share-based remuneration is recognized in accordance with IFRS 2, which means that the cost of the share-based remuneration is recognized on a straight-line basis during the vesting period. Costs for share-based remuneration are recognized over the period during which the individual is employed. For equity instruments that include performance conditions that do not comprise market terms, costs are remeasured regularly during the vesting period in relation to the established level of fulfillment of the performance targets. Alternatively, the cost on the allotment date is based on the fair value of the equity instrument on the allotment date. The outcome of the performance conditions that do not comprise market terms may mean that the equity instrument falls due in part or in full. Social security expenses related to share-based remuneration are revalued on an ongoing basis based on the fair value of the equity instrument on the balance sheet date.

1.14 Foreign exchange gains and losses

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

1.15 Cash flow statement

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

Parent Company

1.16 Accounting policies of the Parent Company

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Corporate Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 states that in the annual report for the legal entity, the Parent Company is to apply all EU-endorsed IFRS and statements as far as possible within the framework of the Annual Accounts Act and with consideration given to the connection between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared to IFRS. The differences between the accounting policies applied by the Group and the Parent Company are described below. The following accounting policies for the Parent Company have been applied consistently for all periods presented in the Parent Company's financial statements.

Amendments to accounting policies

The amendments to RFR 2 Accounting for Legal Entities that took effect and apply for the 2024 financial year are the same as those presented for the Group.

Notes

Note 1, cont.

Amendments to RFR 2 that are not yet effective
The Parent Company has not yet begun to apply the amendments to RFR 2 Accounting for Legal Entities that took effect January 1, 2024 or later. Management's assessment is that these amendments will not have any material impact on the Parent Company's financial statements when they are applied for the first time.

1.17 Group contributions
The Parent Company recognizes Group contributions according to the alternative rule. The alternative rule entails that Group contributions received and paid are both recognized as appropriations in profit or loss.

1.18 Leases
As the lessee, the Parent Company recognizes lease payments as an expense on a straight-line basis over term of the lease, provided there is not another systematic approach that better reflects the economic benefits over the period. With consideration given to the connection between accounting and taxation, IFRS 16 does not need to be applied in legal entities. The Parent Company has chosen to apply this exemption.

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

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

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

Critical accounting estimates and judgments

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates, judgments and assumptions concerning the future. The resulting accounting estimates and judgments will, by definition, seldom equal the actual results. IAR's most significant estimates and judgments can be divided into two categories: estimates and judgments that entail a significant risk of material adjustments to the carrying amounts of assets and liabilities over the next financial year, and other estimates and judgments that have a significant impact on the amounts recognized in the financial statements.

Estimates and judgments entailing a significant risk of material adjustments over the next financial year

i) Impairment testing of goodwill and other intangible assets
The Group tests goodwill for impairment annually, in accordance with the accounting policy stated in 1.7. The recoverable amounts of cash-generating units have been determined based on calculations of value in use. These calculations require the use of estimates (see note 10).

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

The estimated operating margin or cost base used in the forecasts is based on past performance and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on an estimated operating margin on a level with year five. The discount rate used, 10.6% (11.0), is stated after tax and is deemed to reflect specific risks relating to the operating segments.

For other intangible assets, corresponding impairment testing is performed for assets that have not yet been utilized or if other indicators exist that may impact the value of the assets. The impairment test is based on an assessment of the asset's future cash flow. No reasonable potential change to the key assumption would lead to further impairment. Management's assessment is that a reasonable potential change in key assumptions used in the analysis of a possible impairment requirement would be a 2% change in the assumptions regarding the discount rate and the growth rate of the terminal value and a 5% change in the assumption regarding the operating margin.

Notes

Note 1, cont.

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

iii) Income tax
The Group is subject to income taxation in several countries. Extensive judgment is required to determine the recognition of income taxes in the consolidated financial statements. There are many transactions and calculations for which the ultimate tax determination is uncertain at the date of the transactions and calculations. Furthermore, a number of subsidiaries in the Group have tax loss carryforwards from previous years, where judgments are made as to how large a portion of these loss carryforwards can be used in the future against taxable income. Deferred tax assets relating to tax loss carryforwards or other future tax deductions are recognized only to the extent that it is probable that future taxable profit will be available against which the deduction can be utilized.

Other significant accounting estimates and judgments

i) Identifying cash-generating units when testing goodwill for impairment
The identification of the number of cash-generating units involves significant judgments and estimates in order to identify the smallest group of assets that give rise to cash inflows that are largely independent of other assets or groups of assets. At year-end 2024, management determined that the Group has two cash-generating units: IAR and Secure Thingz (see detailed description in note 10 Intangible assets).

ii) Exchange differences in inter-company loans
On consolidation, exchange differences resulting from the translation of net investments in foreign operations are transferred to equity and recognized as an item in comprehensive income. According to management's assessment, settlement of the loans is not planned or likely to happen in the foreseeable future, which is a prerequisite for recognizing the exchange differences according to the above. This assessment includes the Parent Company's lending to development operations in the UK. As of 2024, none of the exchange differences arising from the translation of net investments in foreign operations are recognized in comprehensive income as a result of the decision to convert the funds loaned by the Parent Company to the UK subsidiary into shareholder contributions.

iii) Assessment of capitalization for proprietary software
When developing new software, management makes judgments and estimates related to the capitalization of costs incurred in the development of the current project. These judgments follow the rules set out in IAS 38 and concern, among other things, when costs change from being research-related to development-related and how much revenue, or how large a reduction in costs, the newly developed software is expected to contribute to the Group.

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

Note 2. Financial risk management

Operational risks
In addition to the description of the Group's operational risks presented below, further descriptions of the Group's risks can be found in the administration report on pages 38–40.

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

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

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

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

Notes

Note 2, cont.

Business cycle

The business cycle is difficult to predict and has an impact on the company's sales and earnings. Management closely monitors trends in the business cycle. The company's customers operate in a range of areas, which reduces sensitivity to the business cycle.

Financial risk factors

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

Management identifies, evaluates and hedges financial risks.

a) Foreign exchange risk

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

The Group's sales in foreign currency, mainly USD, EUR and JPY, account for approximately 98% (97) of total sales. Cost of goods sold accounts for about 4% (2) of the Group's cost base, of which approximately 70% (67) of purchases are denominated in foreign currency, primarily in USD, EUR, GBP and JPY.

Measures to manage transaction-related foreign exchange risk are established in the Group's finance policy. The objective is to minimize the short-term effect of the foreign exchange movement on profit while at the same time creating long-term freedom of action. No hedging of foreign currency cash flows was carried out during the financial year. The company's measures to manage foreign exchange risk, in accordance with the Group's internal pricing strategy, are to invoice each sales company monthly and thereafter exchange the received foreign currency for SEK.

SEK m	Total	SEK	USD	EUR	GBP	JPY	Other currencies
Sales	487.2	10.8	162.9	120.5	15.9	80.8	96.3
Cost of goods sold	13.2	4.0	3.4	3.5	0.5	1.3	0.5
Other expenses	355.1	184.6	64.2	13.6	38.7	20.7	33.3

b) Credit risk

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

Credit risks in trade receivables and contract receivables

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

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

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

Based on this, the loss allowance for trade receivables on December 31, 2024 was determined as follows:

At December 31, 2024	Not past due	1–30 days past due	31–60 days past due	61–180 days past due	More than 180 days past due	Total
Expected loss level, %	0.0	0.0	0.9	6.1	100.0	0.7
Trade receivables, gross	84.5	9.0	3.9	4.8	0.3	102.6
Contract assets, gross	10.4	0.0	0.0	0.0	0.0	10.4
Credit loss allowance	0.0	0.0	0.1	0.3	0.3	0.7

c) Liquidity risk

The Group manages liquidity risk by ensuring that it has adequate cash and cash equivalents and short-term investments with a liquid market and by the fact that the Group has entered into an agreement regarding an overdraft facility of SEK 50.0m. Due to the dynamic nature of the Group's operations, management achieves

Notes

Note 2, cont.

flexibility in financing by maintaining agreements for withdrawable lines of credit. In addition, management closely monitors rolling forecasts of the Group's liquidity reserve, consisting of undrawn committed credit facilities and cash and cash equivalents, on the basis of anticipated cash flows.

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

At December 31, 2024	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years
Bank loans	–	–	–	–
Leases	20.1	23.9	0.8	–
Bank overdraft facilities	–	–	–	–
Trade and other payables [1]	15.4	–	–	–

At December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years
Bank loans	–	–	–	–
Leases	16.8	34.3	0.6	–
Bank overdraft facilities	–	–	–	–
Trade and other payables [1]	9.3	–	–	–

[1] *The maturity analysis refers only to financial instruments, for which reason items such as accrued social security expenses are not included.*

Sensitivity analysis

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

Sensitivity analysis At Dec 31, 2024	Change	Effect on profit
Cost of goods sold	+/- 5%	+/- SEK 0.7m
Payroll expenses	+/- 5%	+/- SEK 14.5m
Currency – EUR	+/- 5%	+/- SEK 6.9m
Currency – USD	+/- 5%	+/- SEK 4.6m
Currency – GBP	+/- 5%	+/- SEK 0.8m
Currency – JPY	+/- 5%	+/- SEK 2.9m
Currency – CNY	+/- 5%	+/- SEK 1.5m
Variable interest	+/- 1 percentage point	+/- SEK 0.0m

Sensitivity analysis At Dec 31, 2023	Change	Effect on profit
Cost of goods sold	+/- 5%	+/- SEK 0.7m
Payroll expenses	+/- 5%	+/- SEK 13.9m
Currency – EUR	+/- 5%	+/- SEK 6.1m
Currency – USD	+/- 5%	+/- SEK 5.3m
Currency – GBP	+/- 5%	+/- SEK 5.0m
Currency – JPY	+/- 5%	+/- SEK 2.8m
Currency – CNY	+/- 5%	+/- SEK 1.1m
Variable interest	+/- 1 percentage point	+/- SEK 0.0m

Capital risk management

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

In order to maintain or adjust the capital structure, the Group may change the amount of dividends paid to the shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. Like other companies, the Group monitors capital on the basis of the net debt/equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as "Equity" as shown in the consolidated balance sheet plus net debt.

The net debt/equity ratio at December 31, 2024 and 2023 was as follows:

	2024	2023
Total borrowings (note 17)	44.8	51.7
Less cash and cash equivalents (note 17)	-155.4	-197.4
Net debt	-110.5	-145.7
Total equity	462.5	423.4
Total capital	352.0	277.7
Net debt/equity ratio, %	-23.9	-34.4

Notes

Note 3. Segment reporting

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

Geographical areas	Net sales		Non-current assets		Investments	
SEK m	2024	2023	2024	2023	2024	2023
Americas						
USA	160.5	148.2	10.6	11.2	0.1	0.6
Other countries	0.0	9.2	–	–	–	–
	160.5	**157.4**	**10.6**	**11.2**	**0.1**	**0.6**
Asia						
Japan	80.8	84.1	2.4	1.6	–	–
China	49.0	34.9	3.2	6.5	–	2.2
South Korea	21.5	20.9	2.0	0.5	–	–
Other countries	11.3	28.7	0.4	1.2	–	4.8
	162.6	**168.6**	**8.0**	**9.8**	**–**	**7.0**
EMEA						
UK	16.4	14.9	98.4	86.0	21.7	22.2
Germany	59.6	50.3	1.2	1.5	0.5	–
France	11.3	11.4	0.0	0.4	–	0.7
Other countries	60.2	38.7	0.0	0.0	–	0.0
	147.6	**115.3**	**99.7**	**87.9**	**22.2**	**22.9**
Nordic region						
Sweden	7.1	7.4	259.6	255.2	32.1	16.8
Other countries	9.5	9.3	–	–	–	–
	16.5	**16.7**	**259.6**	**255.2**	**32.1**	**16.8**
Total	**487.2**	**458.1**	**377.8**	**364.1**	**54.3**	**47.3**

No single customer accounted for more than 10% of the Group's net sales in 2024 and 2023. The geographical areas in the table above pertaining to net sales reflect the geographical regions to which the customer belongs.

Note 4. Revenue from contracts with customers and contract balance

Net sales are distributed as follows:

SEK m	2024	2023
License-based revenue	196.0	208.2
Subscriptions*	50.7	21.2
Support and software updates	224.7	210.6
Other	15.8	18.1
Net sales	**487.2**	**458.1**
At a point in time	262.5	247.5
Over time	224.7	210.6
Net sales	**487.2**	**458.1**
Americas	156.5	154.9
Asia	162.3	152.7
Europe	165.8	148.6
Not allocated by region	2.6	1.9
Net sales	**487.2**	**458.1**

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

** Includes recurring revenue in the form of support and update services and fixed-term licenses. However, does not include revenue related to the new subscription offering described on page 13 since this offering was launched in March 2025.*

Notes

Note 4, cont.

Contract balances are recognized as follows:

	Group		
SEK m	Dec 31, 2024	Dec 31, 2023	Dec 31, 2022
Contract assets			
Licenses	10.4	8.2	15.5
Contract liabilities			
Technical support and software updates	131.4	126.8	115.3

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

The Group's contract liabilities arise when customers pay for support and program update services in advance at the beginning of a contract period. Revenue arising from support and upgrade agreements is accrued on a straight-line basis over the term of the contract in pace with delivery of the services in accordance with the contract. Revenue recognized during the reporting period includes SEK 123.4m (111.6) of the contract liabilities since the beginning of the period. Most of the contract assets are expected to be earned in the next 12-month period. Refer to the table below.

Transaction price allocated to remaining performance obligations

Dec 31, 2024	Group			
SEK m	2025	2026	2027–2029	Total
Technical support and software updates	128.2	1.7	1.5	131.4

Dec 31, 2023	Group			
SEK m	2024	2025	2026–2028	Total
Technical support and software updates	123.4	3.0	0.4	126.8

Note 5. Other external expenses

Fees to auditors

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Deloitte				
Audit of the financial statements	1.2	1.3	–	–
Audit-related services other than the audit	0.1	0.0	–	–
Tax consultancy	0.4	0.6	–	–
Other services	–	–	–	–
Total Deloitte	**1.7**	**1.9**	**–**	**–**
Other				
Audit of the financial statements	0.5	0.5	–	–
Tax consultancy	–	–	–	–
Other services	–	–	–	–
Total fees to auditors	**2.2**	**2.4**	–	**–**

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

Notes

Note 6. Personnel costs

Average number of employees

The average number of employees in the Group during 2024 was 206 (202). The breakdown of the average number of employees by country and, in Sweden, by location, is shown in the table below.

Just over half, 56% (53), are employed in Sweden (calculated on the average number of employees during the year).

Average number of employees

	2024		2023	
	Number of employees	Of whom, men, %	Number of employees	Of whom, men, %
Parent Company				
Uppsala	2	0	2	50
Subsidiaries in Sweden				
Uppsala	123	80	106	78
Subsidiaries outside Sweden				
Germany	5	60	2	50
France	3	67	4	46
UK	25	84	25	84
USA	29	55	28	46
South Korea	5	60	5	60
India	2	50	2	50
China	11	73	10	70
Taiwan	4	50	4	50
Japan	15	64	14	71
Total subsidiaries	**222**	**73**	**200**	**73**
Total Group	**224**	**73**	**202**	**72**

Gender distribution among senior executives in the Group

	2024		2023	
	Number of employees	Of whom, men, %	Number of employees	Of whom, men, %
Group (incl. subsidiaries)				
Board members	5	60	5	60
CEO and other senior executives	12	50	12	58
Presidents of subsidiaries	1	0	1	100
Parent Company				
Board members	5	60	5	60
CEO and other senior executives	2	0	2	50

Salaries, other remuneration and social security expenses

The Group's total payroll costs in 2024 amounted to SEK 259.4m (249.5), of which social security expenses accounted for SEK 43.9m (42.6) and pensions for SEK 18.6m (17.3). Of the Group's total payroll costs, SEK 41.4m (30.4) has been capitalized as internally generated development costs in the balance sheet.

	2024			2023		
SEK m	Salaries and other remuneration	Social security expenses	(of which pension costs)	Salaries and other remuneration	Social security expenses	(of which pension costs)
Parent Company	6.7	3.8	(1.3)	6.1	3.3	(1.0)
Subsidiaries	190.2	58.7	(17.3)	183.4	56.6	(16.3)
Total Group	**196.9**	**62.5**	**18.6**	**189.5**	**59.9**	**(17.3)**

Of the Group's total pension costs, SEK 0.9m (0.7) is attributable to Board members and the CEO.
Of the Parent Company's total pension costs, SEK 0.9m (0.7) is attributable to Board members and the CEO.

Notes

Note 6, cont.

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

	2024		2023	
SEK m	Board, CEO and other senior executives	Other employees	Board, CEO and other senior executives	Other employees
Parent Company	8.0	–	7.3	–
Subsidiaries in Sweden	8.3	87.1	7.1	75.7
Subsidiaries outside Sweden	10.1	98.6	9.6	104.3
Total Group	**26.4**	**185.8**	**24.0**	**180.0**

Remuneration to senior executives

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

No Board fees are paid to members who receive a salary from companies in the IAR Group. In 2024, Cecilia Wachtmeister received Board fees until she became an employee of the company. However, this was not the case for any Board members in 2023. The group Other senior executives refers to all other members of Group management (12 individuals at December 31, 2024).

Board of Directors

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

Board Chairman:	SEK 525,000
Other Board members who do not receive salary from companies in the IAR Group (4 people):	SEK 210,000 per member

Principles

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

For 2024, the Group applied the principles for remuneration and other terms of employment for senior executives that were approved by the AGM.

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

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

Variable remuneration

For the other senior executives, the bonus for 2024 was based on the Group's sales and operating profit. The bonus amount for other senior executives in 2024 was equal to 4.2% (6.3) of fixed salary.

Pension agreements

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

Termination benefits

In the event of dismissal by the company, the CEO is entitled to full salary during a notice period of six months. If employment is terminated by the CEO, the notice period is six months. In the event of dismissal by the company, other senior executives are entitled to full salary during a notice period of three to six months. If employment is terminated by the senior executive, the notice period is three to six months. All senior executives are entitled to salary and other contractual benefits during the notice period. In the event of termination by the company, the CEO is entitled to severance pay corresponding to six times the fixed monthly salary at the end of the employment period.

Notes

Note 6, cont.

Incentive programs
Changes in the number of outstanding warrants

	LTI 2022		LTI 2023		LTI 2024		Exchange Allotment 2018	
SEK m	2024	2023	2024	2023	2024	2023	2024	2023
At beginning of year	129,267	138,250	139,250	–	–	–	6,563	6,563
Allotted	–	–	–	141,000	144,500	–	–	–
Exercised	–	–	–	–	–	–	–	–
Forfeited/past due	-10,917	-8,983	-14,916	-1,750	-2,750	–	-2,048	–
At end of year	**118,350**	**129,267**	**124,334**	**139,250**	**141,750**	–	**4,515**	**6,563**

Remuneration and other benefits during the year

Remuneration to the Board of Directors, CEO and other senior executives in 2024 and 2023.

	Fixed salary/ Board fees		Variable salary		Other benefits		Pension expenses		Share-based remuneration		Other remuneration		Total	
SEK m	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Board Chairman Nicolas Hassbjer	0.5	0.5	–	–	–	–	–	–	–	–	–	–	0.5	0.5
CEO and Board member Cecilia Wachtmeister	1.7	0.2	–	–	0.0	–	0.2	–	0.3	–	–	–	2.2	0.2
Board member Sabina Lindén	0.2	0.2	–	–	–	–	–	–	–	–	–	–	0.2	0.2
Board member Fred Wikström	0.2	0.2	–	–	–	–	–	–	–	–	–	–	0.2	0.2
Board member Michael Ingelög	0.2	0.2	–	–	–	–	–	–	–	–	–	–	0.2	0.2
Former CEO Richard Lind	2.0	2.8	–	–	0.2	0.1	0.7	0.7	0.3	0.4	–	–	3.2	4.0
Other senior executives, 11 (11)	16.7	15.7	0.7	1.0	0.7	0.4	2.4	2.3	1.3	1.6	–	–	21.8	21.0
Total	**21.5**	**19.8**	**0.7**	**1.0**	**0.9**	**0.5**	**3.3**	**3.0**	**1.9**	**2.0**	**–**	**–**	**28.3**	**26.3**

Notes

Note 6, cont.

Information about incentive programs outstanding

As of December 31, 2024, the Group has two types of incentive programs outstanding.The first type consists of three programs that are long-term incentive programs for key employees of the IAR Group (referred to as LTI 2022, LTI 2023 and LTI 2024). The second type is a program that pertains to the part of remuneration for the acquisition of Secure Thingz that entails the exchange of an existing stock option program for employees in Secure Thingz (referred to as Exchange Allotment 2018).

LTI 2022, 2023 and 2024

These three programs include restricted stock units (RSUs) that were allotted to employees at four different levels within the Group. At the end of the programs, if the performance conditions for each period in each program have been met, the allotted RSUs can be exchanged for shares in I.A.R. Systems Group AB, free of charge. The performance conditions for each program are presented in the table below.

RSUs are vested equally over the duration of each program. One third of the allotted RSUs are vested annually according to the vesting periods for each program listed in the following table. The total costs for all of the LTI programs, including social security expenses, amounted to SEK 11.4m (7.3) for 2024.

Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the performance conditions for the respective program have been fulfilled, which is expected to take place in the quarter after the end of each program. For more information about each program and the resolutions passed regarding them, refer to the company's website: iar.com.

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

Exchange Allotment 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in accordance with the approval from the Extraordinary General Meeting held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program 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 0 (0) stock options were exercised in 2024.

	LTI 2022	LTI 2023	LTI 2024
Number of RSUs in the program	140,000	145,000	144,500
Allotted RSUs	140,000	141,000	144,500
Number of employees allotted RSUs	140	140	155
Fair value per RSU at allotment date	63.89	39.86	116.08
Allotment date	Nov 7, 2022	Sep 1, 2023	Jul 1, 2024
Program's duration	Nov 7, 2022 – Aug 31, 2025	Sep 1, 2023 – Aug 31, 2026	Jul 1, 2024 – Jun 30, 2027
Vesting periods	Nov 7, 2022 – Aug 31, 2023, Sep 1, 2023 – Aug 31, 2024, Sep 1, 2024 – Aug 31, 2025	Sep 1, 2023 – Aug 31, 2024, Sep 1, 2024 – Aug 31, 2025, Sep 1, 2025 – Aug 31, 2026	Jul 1, 2024 – Jun 30, 2025, Jul 1, 2025 – Jun 30, 2026, Jul 1, 2026 – Jun 30, 2027
Performance condition, operating margin	20%	20%	20%
Performance condition, net sales increase	10–15%	5–20%	5–20%

Notes

Note 7. Financial income and expenses

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Interest income	4.0	1.6	10.7	16.2
Exchange differences	4.0	0.0	3.4	1.9
Total financial income	**8.0**	**1.6**	**14.1**	**18.1**
Interest expenses	-0.0	-0.0	-0.0	-0.1
Exchange differences	-0.0	-0.1	–	–
Interest expenses leases	-2.5	-0.8	–	–
Other	-0.2	–	-0.3	–
Total financial expenses	**-2.7**	**-0.9**	**-0.3**	**-0.1**
Net financial items	**5.3**	**0.7**	**13.8**	**18.0**

Note 8. Tax

The following components are included in the tax expense.

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Current tax on profit for the year	-26.5	-18.0	-17.0	-24.4
Deferred tax	37.3	-7.6	0.2	0.2
Total tax on profit for the year	**10.8**	**-25.6**	**-16.8**	**-24.2**

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

	Group		Parent Company	
SEK m	2024	2023	2024	2023
The year's deferred tax expense/income				
intangible assets	14.2	-1.8	–	–
change in loss carryforwards	20.0	-12.6	–	–
support and upgrade agreements	-0.1	2.1	–	–
untaxed reserves	0.1	0.0	–	–
other temporary differences	3.2	4.7	0.2	0.2
Total deferred tax in the income statement	**37.4**	**-7.6**	**0.2**	**0.2**

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Reconciliation between reported tax expense and tax expense based on the applicable tax rate				
Reported profit/loss before tax	124.4	-203.4	81.3	-337.8
Tax according to the applicable tax rate, 20.6%	-25.6	41.9	-16.6	69.6
Difference in foreign tax rates	0.9	-8.4	–	–
Tax effect of changed tax rates	–	8.3	–	–
Tax effect of uncapitalized loss carryforwards	–	-11.1	–	–
Tax effect of capitalized loss carryforwards	44.8	–	–	–
Tax effect of non-deductible expenses	-2.6	-56.3	-0.2	-93.8
Tax effect of non-taxable income	0.7	0.0	0.0	0.0
Tax effect of impairment of withholding tax*	-7.4	–	–	–
Total	**10.8**	**-25.6**	**-16.8**	**-24.2**
Prior year adjustments of current tax recognized in the current year	–	–	–	–
Tax on profit for the year according to the income statement	**10.8**	**-25.6**	**-16.8**	**-24.2**

The tax effect of items recognized in comprehensive income amounted to SEK 0.0m (-0.4).

** This pertains to impairment of withholding tax in China since the company received a decision from the Swedish tax authorities stating that it would not be able to offset this against income tax paid in Sweden.*

Notes

Note 8, cont.

Tax rate

In computing deferred tax on temporary differences, local tax rates in the country in question were used. The majority of deferred tax derives from operations in the UK, where the tax rate is 25% (raised in 2023 from the earlier rate of 19%), and operations in Sweden, where the tax rate is 20.6%.

Temporary differences

Temporary differences arise when the carrying amount of an asset or liability differs from its tax base. Temporary differences pertaining to the following items have resulted in deferred tax liabilities and deferred tax assets. Temporary differences pertaining to software, trademarks and customer contracts have resulted in deferred tax liabilities. Loss carryforwards are fully attributable to the Group's operations in the UK.

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Deferred tax liabilities attributable to intangible assets	-26.9	-40.9	–	–
Deferred tax liabilities attributable to untaxed reserves	-0.5	-0.6	–	–
Deferred tax liabilities attributable to other temporary differences	-1.0	-1.1	–	–
Deferred tax liabilities attributable to lease assets	-8.6	-10.1	–	–
Amounts offset against deferred tax assets under offset rules	8.6	10.1	–	–
Total deferred tax liabilities	**28.4**	**-42.6**	**–**	**–**
Deferred tax assets attributable capitalized tax loss carryforwards	20.0	–	–	–
Deferred tax assets attributable to support and upgrade agreements	3.5	2.6	–	–
Deferred tax assets attributable to other temporary differences	7.2	4.8	0.4	0.2
Deferred tax liabilities attributable to lease liabilities	8.6	10.1	–	–
Amounts offset against deferred tax liabilities under offset rules	-8.6	-10.1	–	–
Total deferred tax assets	**30.7**	**7.4**	**0.4**	**0.2**
Total deferred tax assets, net	**2.3**	**-35.2**	**0.4**	**0.2**

As of December 31, 2024, the Group had accumulated loss carryforwards outside Sweden of SEK 203.9m (220.5), of which the tax effect, corresponding to 25%, from SEK 80.0m of these loss carryforwards is recognized as deferred tax assets in the consolidated balance sheet. The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount when they are connected to the same tax subject.

Deferred tax assets are recognized in the balance sheet in an amount of SEK 30.7m (7.4), and deferred tax liabilities are recognized in an amount of SEK 28.4m (42.6). The increase in deferred tax asset and decrease in deferred tax liability are largely due to management's revised assessment concerning the Group's subsidiary in the UK, which they believe can utilize the historic tax loss carryforwards against future taxable profits. This was the result of the new transfer pricing model related to the English subsidiary. As a result, the Group recognized deferred tax income of SEK 41m in the first quarter of 2024, which comprised a decrease of SEK 21m in deferred tax liabilities and an increase of SEK 20m in deferred tax assets in the first quarter of 2024.

Note 9. Earnings per share

	Group	
	2024	2023
Earnings, SEK m	135.2	-229.0
Earnings per share, basic, SEK	10.20	-16.84
Earnings per share, diluted, SEK	9.98	-16.84
Number of shares		
Average number of shares outstanding before dilution, million	13.26	13.60
Average number of shares outstanding after dilution, million	13.55	13.80

No dilution effect has been considered in the calculation of earnings per share due to the negative result for 2023.

Basic

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

Diluted

In calculating diluted earnings per share, the average number of shares is adjusted to take into account the effects of dilutive potential ordinary shares, which for the reported periods are attributable to share-based remuneration issued to employees. All of IAR's LTI programs are performance-based and could potentially give rise to a dilution effect. Dilution arises only when the redemption price is lower than the market price and increases as the difference increases.

Notes

Note 10. Intangible assets

Group, SEKm	Goodwill 2024	Goodwill 2023	Trademarks 2024	Trademarks 2023	Technology 2024	Technology 2023	Software 2024	Software 2023	Internally generated software development costs 2024	Internally generated software development costs 2023	Total 2024	Total 2023
Opening cost	378.8	366.6	11.7	11.7	38.9	39.2	23.2	23.1	494.8	462.6	947.5	903.2
Investments	–	–	–	–	–	–	2.3	0.2	49.2	36.1	51.5	36.3
Translation differences	–	12.2	–	–	–	-0.3	–	-0.1	5.5	-3.9	5.5	7.9
Sales and disposals	–	–	–	–	–	–	–	–	–	–	–	–
Closing accumulated cost	**378.8**	**378.8**	**11.7**	**11.7**	**38.9**	**38.9**	**25.5**	**23.2**	**549.5**	**494.8**	**1,004.5**	**947.5**
Opening amortization	–	–	-11.7	-11.7	-20.7	-19.0	-21.8	-20.6	-185.1	-163.1	-239.3	-214.3
Sales and disposals	–	–	–	–	–	–	–	–	–	–	–	–
Translation differences	–	–	–	–	–	0.1	–	0.2	-4.4	5.4	-4.4	5.6
Amortization for the year	–	–	–	–	–	-1.8	-0.8	-1.4	-28.2	-27.4	-29.0	-30.6
Closing accumulated amortization	**–**	**–**	**-11.7**	**-11.7**	**-20.7**	**-20.7**	**-22.6**	**-21.8**	**-217.8**	**-185.1**	**-272.7**	**-239.3**
Opening impairment	-261.3	–	–	–	-18.2	-18.2	–	–	-129.4	-100.0	-408.9	-118.2
Impairment for the year	–	-261.3	–	–	–	–	–	–	–	-29.4	–	-290.7
Closing accumulated impairment	-261.3	-261.3	–	–	-18.2	-18.2	–	–	-129.4	-129.4	-408.9	-408.9
Carrying amount	**117.5**	**117.5**	**0.0**	**0.0**	**0.0**	**0.0**	**2.9**	**1.4**	**202.4**	**180.3**	**322.8**	**299.2**

Description

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

Useful lives

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

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

Notes

Note 10. cont.

Investments for the year

Of the year's investments of SEK 51.5m (36.3), SEK 2.3m (0.2) pertains to acquired software and SEK 49.2m (36.1) pertains to internally generated software development costs. Of the internally generated costs, SEK 41.4m (30.4) pertains to personnel costs.

Impairment testing of intangible assets

Goodwill is tested for impairment at the lowest level in the Group at which goodwill is monitored for internal management purposes (cash-generating units), which according to management's assessment as of December 31, 2024 comprises the two cash-generating units IAR and Secure Thingz. Impairment testing has been carried out by forecasting future cash flows for each cash-generating unit and discounting these to present value and comparing this with the carrying amount. For other intangible assets, corresponding impairment testing is performed for intangible assets that have not yet been utilized or if other indicators exist that may impact the value of the assets. In this assessment, management has also taken into account the geopolitical situation and the growing focus on ESG-related issues. However, management's assessment is that these areas do not have such a material impact on the overall analysis of impairment of intangible assets since the Group does not have a material exposure to conflict areas or have products that are significantly affected by the increased focus on ESG.

Assessment of cash-generating units

As at year-end 2023, management's assessment as of December 31, 2024 was that the Group has two cash-generating units: IAR and Secure Thingz.

The Secure Thingz cash-generating unit comprises the security product development unit located in Cambridge, while the cash-generating unit comprises the other business lines of the Group.

IAR cash-generating unit

For the IAR cash-generating unit, the growth rate used in the forecast of future cash flows is based on past performance and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on a growth rate of 2%. This growth rate does not exceed the long-term growth rate for the market. The estimated operating margin used is based on past performance and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on an estimated operating margin on a level with year five. A discount rate of 10.6% was used for the IAR cash-generating unit, which is stated after tax and is deemed to reflect specific risks relating to the assets.

Assumption	Growth rate	Operating margin	Discount rate (before tax), %
Year 1 (budget)	Acc. to the Board's adopted budget	Acc. to the Board's adopted budget	10.6 (11.0)
Years 2–5 (forecast period)	Acc. to management's estimated forecast	Acc. to management's estimated forecast	10.6 (11.0)
Terminal value	2% (2%)	On par with year 5	10.6 (11.0)

To support impairment testing of goodwill allocated to the IAR cash-generating unit, an overall analysis of the sensitivity of the variables used in the model has been carried out. The analysis showed that a reasonable potential change in a key assumption would not result in an impairment need for goodwill. Management's assessment is that a reasonable potential change in key assumptions used in this analysis would be a 2% increase in the discount rate, a 2% decrease in the growth rate of the terminal value and a 5% decrease in the operating margin. The discount rate used in impairment testing decreased slightly compared with the comparative year. This was mainly due to slightly lower interest rates, a nd thus lower expected yield requirements, noted in 2024.

Secure Thingz cash-generating unit

For the Secure Thingz cash-generating unit, the income growth rate used in the forecast of future cash flows is based on expected growth of the Group's security sales and management's expectations for market development. For year one, this corresponds to the budget and business plan established by the Board of Directors. For years two to five, this corresponds to management's forecasts. Cash flows beyond the five-year period are extrapolated based on a growth rate of 2%. This growth rate does not exceed the long-term growth rate for the market for security products. The estimated costs for year one correspond to the budget and business plan established by the Board of Directors. For years two to five, these costs correspond to management's forecasts. Cash flows beyond the five-year period are extrapolated based on estimated costs for year five adjusted upwards by 2%. A discount rate of 10.6% was used for the Secure Thingz cash-generating unit, which is stated after tax and is deemed to reflect specific risks relating to the assets.

As of December 31, 2024, the Secure Thingz cash-generating unit had no carrying amounts for intangible assets with indefinite useful lives, and there is therefore no requirement for impairment testing as there is no indication of impairment.

Notes

Note 11. Property, plant and equipment

	Right-of-use assets		Leasehold improvements		Equipment		Total	
Group, SEKm	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Opening cost	116.4	119.7	7.5	5.3	30.5	34.6	154.4	159.6
Investments	11.5	5.0	0.5	2.5	2.5	3.8	14.5	11.3
Translation differences	0.7	-2.8	-0.1	-0.2	0.3	-0.6	1.2	-3.6
Sales and disposals	-1.6	-5.5	-0.2	-0.1	-1.2	-7.3	-3.0	-12.9
Closing accumulated cost	**127.3**	**116.4**	**7.7**	**7.5**	**32.1**	**30.5**	**167.1**	**154.4**
Opening depreciation	-67.4	-51.5	-3.7	-2.5	-18.4	-20.6	-89.5	-74.6
Sales and disposals	1.6	3.8	0.1	–	0.9	6.0	2.6	9.8
Translation differences	0.8	1.0	0.2	0.1	0.2	0.6	1.2	1.7
Depreciation of leases for the year	-20.5	-20.7	–	–	–	–	-20.5	-20.7
Depreciation for the year	–	–	-1.4	-1.3	-4.4	-4.4	-5.5	-5.7
Closing accumulated depreciation	**-85.5**	**-67.4**	**-4.8**	**-3.7**	**-21.7**	**-18.4**	**-111.8**	**-89.5**
Carrying amount	**41.8**	**49.0**	**2.8**	**3.8**	**10.4**	**12.1**	**55.0**	**64.9**
Parent Company, SEKm								
Opening cost					0.4	0.4	0.4	0.4
Investments					–	–	–	–
Sales and disposals					-0.3	–	-0.3	–
Closing accumulated cost					**0.1**	**0.4**	**0.1**	**0.4**
Opening depreciation					-0.4	-0.2	-0.4	-0.2
Sales and disposals					0.3	–	0.3	–
Depreciation for the year					-0.0	-0.2	-0.0	-0.2
Closing accumulated depreciation					**-0.1**	**-0.4**	**-0.1**	**-0.4**
Carrying amount					**0.0**	**0.0**	**0.0**	**0.0**

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

Notes

Note 11. cont.

Leases Parent Company

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

	Parent Company	
SEK m	2024	2023
Due for payment within 1 year	0.5	0.4
Due for payment within 2 years	–	0.5
Due for payment within 3 years	–	–
Due for payment within 4 years	–	–
Due for payment in 5 years or later	–	–

Leases Group

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

The leases do not include any special terms and conditions, covenants or restrictions that would entail that the leases would be terminated, but the leased assets may not be sold or pledged or used as collateral for loans. The Group undertakes to insure leased cars. As regards leases for premises, the Group must keep these premises in good condition and restore them to an acceptable condition at the end of the lease. The Group must also perform and pay for necessary maintenance in accordance with the rental agreement. Options to extend the lease are included in a number of the Group's leases for premises to increase flexibility for the operations.

When the length of the lease is determined, management considers all available information that creates an economic incentive to exercise an extension option, or to not exercise an option to terminate the lease. The option to extend a lease is only included in the length of a lease if it is reasonable to assume that the lease will be extended (or not terminated). On December 31, 2024, there were both extension periods included in the lease term and extension options that were not deemed reasonably certain to be exercised and were not included in the lease liability.

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

The accumulated cost of leases at December 31, 2024 was SEK 127.3m (116.4).

Accumulated depreciation at year-end amounted to SEK 85.5m (67.4). These obligations are recognized under "Right-of-use assets" in the balance sheet. The present value of future payment obligations under finance leases is recognized in Lease liabilities, divided between current and non-current liabilities, as follows:

Group, SEKm	2024	2023
Current portion (due within 1 year)	20.1	16.8
Non-current portion (due within 5 years)	24.8	34.9
Non-current portion (due later than 5 years)	–	–
Total	**44.9**	**51.7**

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

Group, SEKm	2024	2023
Depreciation of right-of-use assets	-20.5	-20.7
Interest expenses for lease liabilities	-1.9	-2.5
Expenses attributable to short-term leases and low-value leases	-1.2	-1.9
Total	**-23.5**	**-25.1**

The total cash flow for the Group's leases recognized as right-of-use assets amounted to SEK -21.2m (-24.7) in 2024.

Notes

Note 12. Other non-current receivables

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Deposits	3.3	3.2	–	–
Other	0.0	0.0	–	–
	3.3	**3.2**	**–**	**–**

Note 13. Trade and other receivables

	Group	
SEK m	2024	2023
Trade receivables	102.6	78.3
Reserve for expected credit losses	-0.7	-0.3
Trade receivables, net	101.9	78.0
Prepaid expenses and accrued income	24.6	21.6
Other receivables	16.9	10.9
	41.6	**32.6**

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

Age analysis of past due trade receivables

	Group	
SEK m	2024	2023
Less than 3 months	13.7	15.5
3–6 months	4.1	0.5
More than 6 months	0.3	0.4
	18.1	**16.4**

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

	Group	
Currency	2024	2023
SEK	28.7	22.1
EUR	31.4	23.6
USD	56.2	37.9
Other currencies	28.5	27.1
	144.7	**110.7**

Changes in provisions for doubtful debts

	Group	
SEK m	2024	2023
Provisions at January 1	0.3	3.4
The year's provisions for doubtful debts	0.5	0.2
Receivables written off during the year as uncollectable	–	-1.4
Reversed unutilized amount	-0.1	-1.9
Provisions at December 31	**0.7**	**0.3**

Credit quality

The credit quality of trade receivables is deemed good, based on historical credit losses, and the risks are limited in view of the large size of the customer base. No individual customer accounted for more than 5% of total trade receivables at December 31, 2024.

Notes

Note 14. Other current receivables

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Withholding tax	3.9	7.2	–	–
Balances with tax authorities	10.1	–	–	–
Other	3.1	3.7	0.1	0.2
Total other current receivables	**16.9**	**10.9**	**0.1**	**0.2**

Note 15. Prepaid expenses and accrued income

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Accrued income	10.4	8.3	–	–
Prepaid rents	5.1	4.7	0.1	0.1
Prepaid insurance premiums	1.6	1.6	–	0.1
Other prepaid expenses	7.4	7.0	0.6	0.4
Total prepaid expenses and accrued income	**24.6**	**21.6**	**0.7**	**0.6**

Note 16. Cash and cash equivalents

	Group		Parent Company	
SEK m	2024	2023	2024	2023
Cash in hand and bank deposits	155.4	197.4	53.7	57.3
Cash and cash equivalents at end of year	**155.4**	**197.4**	**53.7**	**57.3**
Unutilized committed credit facilities	50.0	50.0	50.0	50.0
Total cash and cash equivalents and unutilized credit facilities	**205.4**	**247.4**	**103.7**	**107.3**

Notes

Note 17. Financial instruments

SEKm, December 31	2024	2023
Financial assets measured at amortized cost		
Other non-current receivables	3.3	3.2
Trade receivables	101.9	78.0
Accrued income	10.4	8.2
Other financial assets measured at amortized cost	45.7	16.2
Cash and cash equivalents	155.4	197.4
Financial assets measured at fair value through profit or loss		
Derivative instruments	–	–
Financial assets measured at fair value through other comprehensive income		
Other non-current securities	–	–
Total	**316.8**	**303.0**
Financial liabilities measured at amortized cost		
Lease liabilities	44.9	51.7
Liabilities to credit institutions	–	–
Trade payables	8.2	6.9
Other liabilities excluding non-financial liabilities	27.0	23.3
Total	**80.1**	**81.9**

Cash and cash equivalents

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

	Group	
SEK m	2024	2023
Cash in hand and bank deposits	155.4	197.4
Cash and cash equivalents	**155.4**	**197.4**

Cash flow attributable to liabilities related to financing activities

	Group	
SEK m	2024	2023
Borrowings, bank loans	–	–
Amortization of bank loans	–	–
Amortization of lease liabilities	-18.7	-19.1
Total	**-18.7**	**-19.1**

Reconciliation of cash flow attributable to liabilities related to financing activities

	Liabilities to credit institutions	Lease liabilities	Total
Opening balance, January 1, 2023	**–**	**-69.3**	**-69.3**
Cash flow from financing activities	–	19.1	19.1
New leases	–	-6.3	-6.3
Exchange differences	–	4.8	4.8
Closing balance, December 31, 2023	**–**	**-51.7**	**-51.7**
Cash flow from financing activities	–	18.7	18.7
New leases	–	-11.3	-11.3
Exchange differences	–	2.5	2.5
Closing balance, December 31, 2024	**–**	**-41.8**	**-41.8**

Notes

Note 17. cont.

Bank overdraft facility

SEK m	Group 2024	Group 2023
Bank overdraft facility	50.0	50.0

The Parent Company has a granted overdraft facility of SEK 50.0m. The bank overdraft facility is not included in net debt.

Interest-bearing liabilities

The Group's total interest-bearing liabilities at December 31, 2024 amounted to SEK 44.9m (51.9), of which SEK 24.8m (34.9) pertains to non-current borrowings excluding those maturing in the next 12 months. Non-current borrowings maturing within 12 months amount to SEK 20.1m (16.8). The table below shows the carrying amounts of the Group's interest-bearing liabilities.

Borrowings

Type of loan	Interest rate	Currency	Group 2024	Group 2023
Other non-current liabilities				
Non-current bank loans in Sweden	Variable	SEK	–	–
Lease liabilities	Fixed	SEK	24.8	34.9
Current portion of non-current liabilities				
Non-current bank loans in Sweden	Variable	SEK	–	–
Lease liabilities	Fixed	SEK	20.1	16.8
Bank overdraft facilities	Variable	SEK	–	–
			44.9	**51.7**

Information about measurement at fair value

For cash and cash equivalents, trade receivables, trade payables and borrowings, the carrying amount is a good approximation of fair value since the maturity is short. For borrowings, the carrying amount is a good approximation of fair value since the interest rate is variable and the credit margin is relatively unchanged.

No financial instruments measured at fair value in the Group were acquired/reclassified in 2024.

Fair value in accordance with the three levels above:

Level 1: Quoted prices in an active market place.
Level 2: Pricing model mainly based on observable market data for the asset.
Level 3: Pricing model mainly based on own assumptions.

Notes

Note 18. Share capital

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

No. of shares: Parent Company	**Class A shares**	**Class B shares**	**Class C shares**	**Total number**
Number at January 1, 2023	–	13,660,291	308,042	13,968,333
Total number of shares at December 31, 2023	**–**	**13,660,291**	**308,042**	**13,968,333**
Number at January 1, 2024	–	13,660,291	308,042	13,968,333
Total number of shares at December 31, 2024	**–**	**13,660,291**	**308,042**	**13,968,333**

Share capital is divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All shares have a quota value of SEK 10. Class B shares grant equal rights to the company's assets and profits. Class C shares are all held in treasury and do not grant entitlement to dividends. The class C shares are issued to ensure delivery of shares to participants in the performance-based incentive program Exchange Allotment 2018. There are 694,969 class B shares held in treasury, of which 591,282 class B shares were acquired in 2024 under the buyback program that the Board approved on August 29, 2023. Class B and C shares grant entitlement to one vote. At general shareholder meetings, each holder of voting shares is entitled to exercise the full number of votes held or represented by proxy without restriction.

Note 19. Proposed appropriation of profits

The funds at the disposal of the Annual General Meeting are as follows (SEK):	
Share premium reserve	254,789,281.14
Retained earnings	-182,363,257.16
Comprehensive income for the year	64,527,245.87
Total, SEK	**136,953,269.85**

The Board proposes that the profits be disposed of as follows:	
Dividend of SEK 1.50 per share to the shareholders	20,490,436.50
To be carried forward to new account	116,462,833.35
Total, SEK	**139,953,269.85**

Note 20. Accrued expenses

	Group		**Parent Company**	
SEK m	**2024**	**2023**	**2024**	**2023**
Accrued salaries and social security expenses	20.2	13.9	1.0	0.6
Accrued reorganization costs	–	1.1	–	0.7
Other items	6.3	8.3	0.3	0.3
Total accrued expenses	**26.5**	**23.3**	**1.3**	**1.6**

Notes

Note 21. Pledged assets

	Group		Parent Company	
SEK m	2024	2023	2024	2023
To secure own liabilities				
To secure pensions and similar obligations:				
Direct pension obligations	19.7	20.4	18.5	19.6
To secure liabilities to credit institutions:				
Machinery held under finance leases	2.4	1.7	–	–
Total assets pledged to secure own liabilities	**22.1**	**22.1**	**18.5**	**19.6**
To secure other commitments				
Guarantees	–	–	–	–
Total pledged assets	**22.1**	**22.1**	**18.5**	**19.6**

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

Note 22. Participations in Group companies

	Parent Company	
SEK m	**2024**	**2023**
Opening cost	460.3	455.1
Acquisitions	–	–
Sale of subsidiaries	–	–
Shareholder contributions (vesting RSUs)	19.1	5.2
Closing accumulated cost	**479.4**	**460.3**
Opening impairment	-241.6	–
Impairment for the year	–	-241.6
Closing accumulated impairment	**-241.6**	**-241.6**
Closing carrying amount	**237.8**	**218.7**

Subsidiaries

I.A.R. Systems Group AB conducts operations in a number of different geographical markets, which means that the Group has subsidiaries in many parts of the world. The Parent Company has control over a subsidiary when it is exposed to or has the right to variable returns from its involvement in the subsidiary and has the ability to use that control over the subsidiary to influence its returns. All subsidiaries are directly or indirectly wholly owned by the Parent Company I.A.R. Systems Group AB (publ). In 2024, the former Group company Secure Thingz was liquidated. In 2024, no impairment of participations in subsidiaries or impairment of receivables from subsidiaries was recognized, compared with SEK 241.6m and SEK 212.8m, respectively in 2023.

Group composition

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

Primary activity	Geographical location	Dec 31, 2024	Dec 31, 2023
Product development offices	Europe	2	2
Sales office	Europe	3	3
Sales office	Americas	3	3
Sales office	Asia	6	6

Notes

Note 22. cont.

PARENT COMPANY HOLDINGS

SEK m	Corp. ID no.	Domicile	% of capital	% of votes	Number of shares	Carrying amount 2024	Carrying amount 2023
Direct holdings:							
I.A.R. Systems AB	556230-7107	Uppsala, Sweden	100.0	100.0	22,846,224	175.9	168.6
Secure Thingz Ltd	09193626	Cambridge, England	100.0	100.0	102	61.8	–
Secure Thingz Inc	813002824	Foster City, USA	100.0	100.0	8,640,112	–	50.0
IAR Systems India Private Ltd.	U72900DL2020FTC365795	Bangalore, India	0.1	0.1	1	0.0	0.0
YinvestMIR AB	559154-7699	Uppsala, Sweden	100.0	100.0	50,000	0.1	0.1
Indirect holdings through subsidiaries:							
IAR Systems Software Inc	1830665	Foster City, USA	100.0	100.0	–	–	–
I.A.R. Systems Ltd	83464820	Taipei, Taiwan	100.0	100.0	–	–	–
IAR Systems GmbH	HRB 175145	Munich, Germany	100.0	100.0	–	–	–
IAR Systems KK	0111-01-034174	Tokyo, Japan	100.0	100.0	–	–	–
IAR Software Development (Shanghai) Co., Ltd.	010000002202003230005	Shanghai, China	100.0	100.0	–	–	–
IAR Systems Korea Co	110111-4699679	Seoul, South Korea	100.0	100.0	–	–	–
IAR Systems India Private Ltd.	U72900DL2020FTC365795	Bangalore, India	99.9	99.9	–	–	–
IAR Systems France Sarl	539 357 327 R.C.S. Nanterre	Boulogne-Billancourt, France	100.0	100.0	–	–	–
I.A.R. Systems Uppsala AB	556456-7690	Uppsala, Sweden	100.0	100.0	–	–	–
Closing carrying amount						**237.8**	**218.7**

Note 23. Related party transactions

Of the Parent Company's total expenses of SEK 4.2m (4.5), 0% (0) pertains to purchases from other companies in the Group. Of the Parent Company's total sales revenue, 100% (100) pertains to inter-company sales. Of the year's total purchasing costs and sales revenue in the subsidiaries, 0% (0) pertains to purchases from the Parent Company and 0% (0) to sales to the Parent Company.

At December 31, 2024, the Parent Company had receivables from subsidiaries of SEK 0.0m (83.8) and liabilities to subsidiaries of SEK 16.1m (42.7). No collateral has been pledged for these receivables. In 2023, the Parent Company impaired receivables from Group companies of SEK 212.4m, which was recognized on the line "Profit/loss from participations in Group companies" in the Parent Company's income statement. At December 31, 2024, there was a recognized credit loss reserve for receivables from Group companies of SEK 0.0m (0.3) in the Parent Company. Management's assessment is that there is no need for a further reserve for receivables from Group companies.

Transactions with other related parties

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

Note 24. Significant events after the reporting period

No significant events took place after the end of the financial year.

Assurance

The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and gives a true and fair view of the Parent Company's financial position and results of operations. The administration report for the Group and the Parent Company provides a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

The annual report will be presented to the Annual General Meeting for adoption on April 28, 2025.

Stockholm, April 4, 2025

Cecilia Wachtmeister
CEO and Board member

Nicolas Hassbjer
Board Chairman

Fred Wikström Board member	Michael Ingelög Board member	Sabina Lindén Board member

Our auditor's report was submitted on April 4, 2025.
Deloitte AB

Andreas Frountzos
Authorized Public Accountant
Auditor in Charge

Auditor's report

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of I.A.R. Systems Group AB (publ) for the financial year 2024-01-01 – 2024-12-31 except for the corporate governance report on pages 43–49. The annual accounts and consolidated accounts of the company are included on pages 35–86 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2024 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

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

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Consolidated net sales amounts to SEK 487,2 (458,1) million and derives from sales of both products and services. We have identified this as a key audit matter since revenue is significant and consist of a large number of smaller transactions where product and services in some cases are bundled into one customer offering. If goods or services to customers meets the criteria of being distinct they are accounted for as a performance obligation separate from other promised goods or services. Revenue is recognized when control of the underlying goods or services for that particular performance obligation is transferred to the customer. Identifying distinct promises (performance obligations) requires management to make significant judgements and estimates that may have a significant impact on the Group´s net sales and earnings.

For further information, please refer to the Group's accounting policies and description of significant estimates and assumptions in note 1 and distribution of accounted revenue in note 4. Our audit procedures included but were not limited to:

- evaluation of the appropriateness of Group´s revenue recognition principles and compliance with the same for each significant revenue stream;
- gaining an understanding of significant transactions flows and review of relevant internal controls mitigating the risk of significant financial statements misstatements;
- detailed testing for a sample of revenue transactions including identification of performance obligations and testing of cut off based on transfer of control of performance obligations;
- conducting data analytics review to ensure completeness and accurate cut-off of revenues;
- detailed testing for a sample of revenue transactions with respect of existence and completeness of revenue by comparing reported revenue with customer payments and review of revenue accruals at year end; and
- evaluation of disclosures for applied principles and recognized revenues.

Recognition and valuation of capitalized software development cost

Consolidated capitalized software development cost amounts to SEK 203,3 (181,5) million and includes internally generated development costs. Development costs are capitalized when the criteria's, described in the Group's accounting policies in note 1 are met.

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

Auditor’s report

For further information, please refer to the Group’s accounting policies and description of significant estimates and assumptions in note 1 and distribution of accounted intangible assets in note 10.

Our audit procedures included but were not limited to:

› evaluation of the appropriateness of Group´s principles for capitalization of internally generated software development costs;
› gaining an understanding of the company’s process for capitalization, amortization and impairment of capitalized software development costs and review of relevant internal controls mitigating the risk of significant financial statement misstatements;
› detailed testing for a sample of capitalized software development costs and evaluation of management’s assessment that capitalized development costs meets the criteria for capitalization;
› evaluation of the Group´s judgements and estimates when assessing risk of impairment; and
› evaluation of disclosures for applied principles and recognized development cost.

Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for this other information. The other information consist of the renumeration report as well as the pages 1–34, and 91–99 but does not include the annual accounts, the consolidated accounts and our audit report.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

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

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

› Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
› Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
› Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
› Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company’s and the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
› Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's report

- Plan and perform the group audit to obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated accounts. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit We remain solely responsible for our opinions.

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of I.A.R. Systems Group AB (publ) for the financial year 2024-01-01 – 2024-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

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

Auditor's report

The auditor's examination of the Esef report

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for I.A.R. Systems Group AB (publ) for the financial year 2024-01-01 – 2024-12-31.

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

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

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of I.A.R. Systems Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of The Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

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

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

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

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

Deloitte AB, was appointed auditor of I.A.R. Systems Group AB (publ) by the general meeting of the shareholders on the 25th of April 2024 and has been the company's auditor since 24th of April 2012.

Stockholm April 4, 2025
Deloitte AB

Signatures on Swedish original

Andreas Frountzos
Authorized Public Accountant

Reconciliations

Reconciliations

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

SEK m	2024	2023	2022	2021	2020
Net sales	487.2	125.9	419.9	355.9	372.0
Goods for resale	-13.2	-4.3	-12.8	-12.0	-14.1
Gross profit	474.0	121.6	407.1	343.9	357.9
Gross margin, %	**97.3**	**96.6**	**97.0**	**96.6**	**96.2**

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

SEK m	2024	2023	2022	2021	2020
Operating profit/loss	119.1	-204.1	75.7	-68.5	83.8
Depreciation of property, plant and equipment	5.8	5.7	5.3	3.7	3.1
Depreciation of right-of-use assets	20.5	20.7	20.2	16.7	17.2
Amortization of intangible assets	29.0	30.6	27.8	33.8	28.6
Impairment of intangible assets	–	29.4	–	118.2	–
Impairment of goodwill	–	261.3	–	–	–
EBITDA	**174.3**	**143.6**	**129.0**	**103.9**	**132.7**

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

SEK m	2024	2023	2022	2021	2020
Net sales	487.2	458.1	419.9	355.9	372.0
EBITDA	174.3	143.6	129.0	103.9	132.7
EBITDA margin, %	**35.8**	**31.3**	**30.7**	**29.2**	**35.7**

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

SEK m	2024	2023	2022	2021	2020
Operating profit/loss	119.1	-204.1	75.7	-68.5	83.8
Depreciation of property, plant and equipment	5.8	5.7	5.3	3.7	3.1
Depreciation of right-of-use assets	20.5	20.7	20.2	16.7	17.2
Amortization of intangible assets	29.0	30.6	27.8	33.8	28.6
Impairment of intangible assets	–	29.4	–	118.2	–
Impairment of goodwill	–	261.3	–	–	–
Costs for long-term incentive programs	11.4	7.3	1.2	–	–
Restructuring costs	1.0	2.2	–	16.0	–
Adjusted EBITDA	**186.7**	**153.1**	**130.2**	**119.9**	**132.7**

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

SEK m	2024	2023	2022	2021	2020
Net sales	487.2	458.1	419.9	355.8	372.0
Adjusted EBITDA	186.7	153.1	130.2	119.9	132.3
Adjusted EBITDA margin, %	**38.3**	**33.4**	**31.0**	**33.7**	**35.7**

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

SEK m	2024	2023	2022	2021	2020
Net sales	487.2	458.1	419.9	355.9	372.0
Operating profit/loss	119.1	-204.1	75.7	-68.5	83.8
Operating margin, %	**24.4**	**-44.6**	**18.0**	**-19.2**	**22.5**

Reconciliations

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

SEK m	2024	2023	2022	2021	2020
Operating profit/loss	119.1	-204.1	75.7	-68.5	83.8
Impairment of intangible assets	–	29.4	–	118.2	–
Impairment of goodwill	–	261.3	–	–	–
Costs for long-term incentive programs	11.4	7.3	1.2	–	–
Restructuring costs	1.0	2.2	–	16.0	–
Adjusted operating profit	**131.5**	**96.1**	**76.9**	**65.7**	**83.8**

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

SEK m	2024	2023	2022	2021	2020
Net sales	487.2	458.1	419.9	355.8	372.0
Adjusted operating profit	131.5	96.1	76.9	65.7	83.8
Adjusted operating margin, %	**27.0**	**21.0**	**18.3**	**18.5**	**22.5**

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

SEK m	2024	2023	2022	2021	2020
Net sales	487.2	458.1	419.9	355.9	372.0
Profit/loss before tax	124.4	-203.4	73.5	-68.6	76.8
Profit margin, %	**25.5**	**-44.4**	**17.5**	**-19.8**	**20.6**

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

SEK m	2024	2023	2022	2021	2020
Net sales	487.2	458.1	419.9	355.9	372.0
Cash flow from operating activities	135.4	144.1	127.7	131.6	118.4
Cash flow ratio, %	**27.8**	**31.5**	**30.4**	**37.0**	**31.8**

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

SEK m	2024	2023	2022	2021	2020
Equity	462.5	423.4	666.8	585.3	613.4
Total assets	724.2	700.0	922.2	812.8	833.5
Equity/assets ratio, %	**63.9**	**60.5**	**72.3**	**72.0**	**73.6**

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

SEK m	2024	2023	2022	2021	2020
Equity	462.5	423.4	666.8	585.3	613.4

SEK m	2024	2023	2022	2021	2020
Average equity	**454.2**	**545.1**	**626.1**	**599.4**	**602.7**

Reconciliations

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

SEK m	2024	2023	2022	2021	2020
Profit/loss after tax	135.2	-229.0	57.8	-67.4	59.4
Average equity	442.9	545.1	626.1	599.4	602.7
Return on equity	**30.5%**	**-42.0%**	**9.2%**	**-11.2%**	**9.9%**

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

SEK m	2024	2023	2022	2021	2020
Non-current interest-bearing liabilities	24.8	34.9	50.3	19.5	31.7
Current interest-bearing liabilities	20.1	16.8	19.0	36.5	34.6
Interest-bearing liabilities	**44.9**	**51.7**	**69.3**	**56.0**	**66.3**

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

SEK m	2024	2023	2022	2021	2020
Non-current liabilities	55.1	79.0	82.1	49.0	70.0
Current liabilities	206.6	197.6	173.3	178.5	150.1
Interest-bearing liabilities	-44.9	-51.7	-69.3	-56.0	-66.3
Non-interest-bearing liabilities	**216.8**	**224.9**	**186.1**	**171.5**	**153.8**

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

SEK m	2024	2023	2022	2021	2020
Interest-bearing liabilities	44.9	51.7	69.3	56.0	66.3
Cash and cash equivalents	-155.4	-197.4	-148.2	-113.4	-67.8
Net interest-bearing liabilities	-110.5	-145.7	-78.9	-57.4	-1.5
Equity	462.5	423.4	666.8	585.3	613.4
Net debt/equity ratio, multiple	**-0.24**	**-0.34**	**-0.12**	**-0.09**	**-0.00**

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

SEK m	2024	2023	2022	2021	2020
Profit/loss before tax	124.4	-203.4	73.5	-68.6	76.8
Financial expenses	2.7	0.9	2.5	1.6	7.5
Profit/loss before tax plus financial expenses	127.1	-202.5	76.0	-67.0	84.3
Return on capital employed, %	**25.9**	**-33.4**	**11.0**	**-10.1**	**12.5**

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

SEK m	2024	2023	2022	2021	2020
Cash and cash equivalents	155.4	197.4	148.2	113.4	67.8
Interest-bearing liabilities	-44.9	-51.7	-69.3	-56.0	-66.3
Net cash	**110.5**	**145.7**	**78.9**	**57.4**	**1.5**

Reconciliations

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

SEK m	2024	2023	2022	2021	2020
Total assets	724.2	700.0	922.2	812.8	833.5
Non-interest-bearing liabilities	-216.9	-224.9	-186.1	-171.5	-153.8
Capital employed	**507.3**	**475.1**	**736.1**	**641.3**	**679.7**

SEK m	2024	2023	2022	2021	2020
Average capital employed	**497.8**	**605.6**	**688.7**	**660.5**	**675.4**

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

SEK m	2024	2023	2022	2021	2020
Equity	462.5	423.4	666.8	585.3	613.4
No. of shares at end of year, million	13.66	13.66	13.66	13.65	13.64
Equity per share, SEK	**33.86**	**31.00**	**48.81**	**42.88**	**44.97**

Average number of shares outstanding is calculated as the number of shares outstanding at the beginning of the year plus the number of shares at the end of the year divided by two.

	2024	2023	2022	2021	2020
No. of shares, million	13.26	13.66	13.66	13.65	13.64
Average no. of shares, million	**13.26**	**13.66**	**13.65**	**13.64**	**13.63**

** Excluding 308,042 class B shares held in treasury.*

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

SEK m	2024	2023	2022	2021	2020
Cash flow from operating activities	135.4	144.1	127.7	131.6	118.4
Average no. of shares, million	13.26	13.66	13.65	13.64	13.63
Cash flow from operating activities per share, SEK	**10.21**	**10.55**	**9.36**	**9.65**	**8.69**

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

SEK m	2024	2023	2022	2021	2020
Cash flow from operating activities	135.4	144.1	127.7	131.6	118.4
Adjusted EBITDA	186.7	153.1	130.2	119.9	132.7
Cash conversion rate, multiple	**0.73**	**0.94**	**0.98**	**1.10**	**0.89**

Definitions

Definitions

The tables below present performance measures that are not defined in accordance with IFRS, unless otherwise stated. The previous section **Reconciliations** presents reconciliations and accounts for the components included in the alternative performance measures used by the company.

Key performance measures	Definition/Calculation	Use
Gross margin	Net sales less the cost of goods sold as a percentage of net sales.	Measures the company's profitability after cost of goods and is used to follow up cost-efficiency and the effect of changes to the product mix.
EBITDA	Earnings before interest, taxes, depreciation and amortization.	This measure basically shows the earnings-generating cash flow in operations. It provides an overview of the business's ability to generate, in absolute terms, resources for investments and payments to investors and is used as a comparison over time.
EBITDA margin	Earnings before interest, tax, depreciation and amortization (EBITDA) in relation to sales, expressed as a percentage.	Aims to show the profitability ratio for current operations.
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 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 ratio	Cash flow from operating activities as a percentage of net sales.	Measures the company's cash generation in relation to net sales.
Cash flow from operating activities per share	Cash flow from operating activities divided by the average number of shares during the period.	Measures the company's cash generation in relation to the number of shares in the company.
Net cash	Cash and cash equivalents less interest-bearing liabilities.	A measure of the ability to use available cash and cash equivalents to pay off all liabilities if they were due for payment on the date of the calculation and thereby a measure of the risk in relation to the company's capital structure.
Net interest-bearing liabilities	Interest-bearing liabilities less cash and cash equivalents.	A measure used to follow the liability trend and see the size of the need for refinancing. This measure is one component in calculating net cash and the net debt/equity ratio.

Definitions

Key performance measures	Definition/Calculation	Use
Net debt/equity ratio	Net interest-bearing liabilities divided by equity.	This measure reflects the relationship between the Group's two forms of financing. A measure to show the proportion of loan capital in relation to the capital invested by the owners and accordingly a measure of financial strength and also the gearing effect of loans. A higher net debt/equity ratio entails a higher financial risk and higher financial gearing.
Earnings per share*	Profit for the period after tax divided by the average number of shares during the period.	A measure of the company's profitability after tax per share. This key ratio is important in assessing the value of a share.
Return on equity	Profit after tax as a percentage of average equity.	Return on equity shows the total accounting returns on capital invested by the owners and reflects the effects of both the profitability of operations and financial gearing. This measure is mainly used to analyze the profitability of owners over time.
Return on capital employed	Profit before tax plus financial expenses as a percentage of average capital employed.	Return on capital employed shows how well operations use the capital tied up in the business. This measure is mainly used to study the Group's profitability over time.
Interest-bearing liabilities	Borrowings in banks or the equivalent.	This measure is one component in calculating net cash and the net debt/equity ratio.
Operating margin	Operating profit as a percentage of net sales.	This measure reflects the operating profitability of the business. It is useful for following up profitability and efficiency in operations before taking into account capital tied up. This key ratio is used both internally in governance and follow-up of operations and to compare with other companies.
Operating profit	Profit before tax less financial income plus financial expenses.	Used to calculate the operating margin.
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.*

Glossary

Glossary

8-, 16-, 32-, 64- bit
Processor architectures vary in complexity and size. 8-, 16-, 32- and 64-bit define the amount of code and data the processor can address.

Application
Another word for a program developed by the user of IAR's solutions, to be run on a processor in an embedded system.

Architecture
A microprocessor architecture is a specific combination of integrated circuit design and instructions that control how the processor works.

Arm
A multinational company that licenses a standard for processors and sells this to processor makers worldwide. IAR is the software provider that supports the most ARM-based processors in the market for embedded systems.

C-RUN
An add-on product for Embedded Workbench that analyzes the code when it is executed in a developer's application. Developers can identify errors and bugs at an early stage of the development process.

Continuous integration and continuous deployment/delivery (CI/CD)
CI frequently integrates code in a shared repository, where it is automatically built, tested and analyzed for issues. CD ensures that tested code is either distributed automatically (continuous deployment) or prepared for rapid release (continuous delivery). This streamlines development, reduces errors and allows for faster code releases.

C-Trust
An add-on product for Embedded Workbench that makes it possible for developers to automatically use secure and encrypted code.

Debug probe
An electronic tool that measures how a processor works when the program code is executed and can therefore be used to locate problems and errors in a program that a developer has created.

Debugger
Software that helps programmers to locate problems and errors in a program by analyzing and showing what is happening "under the surface" when the program code is executed, often with the help of a debug probe.

Embedded Trust
Software that makes adapting, and thus implementing, security in embedded systems easy and efficient, based on an organization's specific needs. Embedded Trust is tightly integrated with Embedded Workbench.

Functional safety
It is crucial that embedded systems used, for example, in the automotive industry, medical technology and industrial automation, meet the industry requirements and standards for functional safety. Protects people and physical property from damage.

IAR Build Tools (for CI/CD)
Command-line toolchain for automated building, analysis and testing of embedded applications. Optimized for CI/CD, it is seamlessly integrated into development work flows enabling efficient compilation, validation and compliance with industry standards.

IAR Embedded Workbench
A software package and a complete set of development solutions that is used to program processors in embedded systems. The most important of these include a compiler, a debugger, an editor in which source code can be written, and a linker that combines smaller program segments into an executable program.

IAR Secure Deploy
Protects embedded applications under production and distribution with secure key management, encryption and authentication. Ensures that only verified code is programmed, preventing unauthorized access, cloning and manipulation.

Embedded system
An embedded computer system consists of one or more microprocessors with related circuits and the software that is run in the system. Embedded systems control the functions in digital products such as industrial robots, reversing cameras, credit card readers, dishwashers, etc.

Integrated circuit (IC)
A small, typically rectangular silicon substrate onto which micrometer-sized transistors are mounted, sometimes in numbers of more than one million.

Intellectual property (IP)
Intellectual capital, intangible assets or intellectual property rights.

Internet of Things (IoT)
A collective term for the trend of equipping objects, such as machinery, vehicles and household appliances, with sensors and processors so that they can perceive and communicate with the world around them.

Compiler
A computer program (or set of programs) that transforms source code written in a programming language into instructions that the microprocessor can understand and execute.

Source code
Also referred to as program text, program code or sometimes simply program or code, source code comprises instructions, data and comments in a specific programming language. Programmers use source code to write, correct and make changes.

Microprocessor
Consists of a single integrated circuit or at most a few integrated circuits. The circuit incorporates the functions of a computer's central processing unit (CPU) with storage of code and data.

Processor
When the word is used in connection with IAR's products, processor is an abbreviation of microprocessor.

Real-time operating system (RTOS)
An RTOS manages task scheduling and resource allocation for exact timing in real-time applications. Used in the automotive industry, industrial applications, medicinal applications and IoT.

RISC-V
A processor architecture similar to the Arm architecture in structure, but created with open source code.

Security
There is an important distinction between safety, meaning protection of people and property, and security in data protection, which prevents unauthorized access, data theft and cyberattacks.

Sources: IAR, Wikipedia, IDG's dictionary.

Shareholder information

2025 Annual General Meeting

The Annual General Meeting (AGM) of I.A.R. Systems Group AB (publ), corporate identification number 556400-7200, will be held on Monday, April 28, 2025 at 2:00 p.m. at IAR's office at Strandbodgatan 1 in Uppsala.

From April 7, I.A.R. Systems Group's annual report will be available on I.A.R. Systems Group's website (www.iar.com/investors) and at the company's premises at Strandbodgatan 1 in Uppsala.

Notification

Shareholders who wish to participate in the AGM must:

- be recorded in the share register maintained by Euroclear Sweden AB no later than Wednesday, April 16, 2025, and
- provide notification of their intention to participate in the AGM no later than Friday, April 22, 2025, in writing to I.A.R. Systems Group AB (publ), Strandbodgatan 1, SE-753 23 Uppsala, Sweden, by telephone at +46 735 12 51 37 or by e-mail at investorrelations@iar.com. The notification should include the shareholder's name, address, telephone number, personal or corporate identity number, and registered shareholding.

More information will be included in the notice to attend the AGM.

In addition to notifying the company of their participation, shareholders whose shares are registered in the name of a nominee must request that these shares be temporarily re-registered in their own name in the share register maintained by Euroclear as of the record date on April 16, 2025. This is known as "voting rights registration" and is carried out through the nominee according to their procedures at a time predetermined by the nominee. Voting rights registration requested by the shareholder that has been completed by the nominee no later than April 22, 2025, will be recognized in the share register.

Financial calendar

Interim report Jan–Mar 2025	April 28, 2025
2025 Annual General Meeting	April 28, 2025
Interim report Apr–Jun 2025	August 14, 2025
Interim report Jul–Sep 2025	October 23, 2025

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