



IAR Systems Group AB

Annual Report 2023

Tomorrow's Intelligence
Delivered Today

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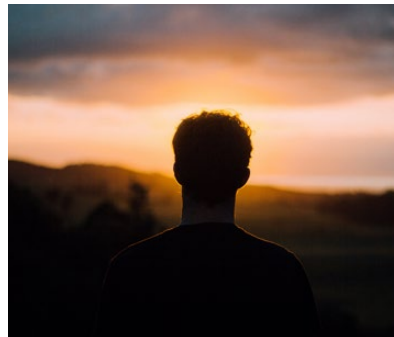
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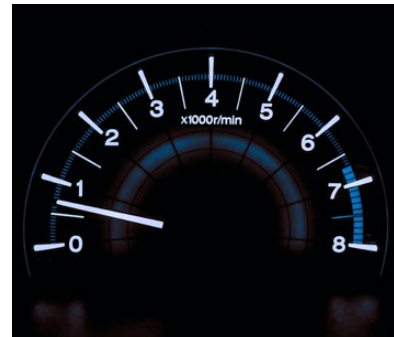
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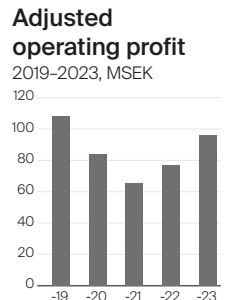
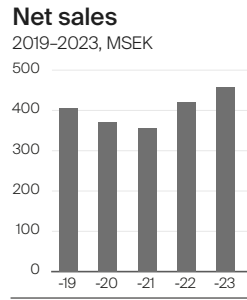
IAR in brief

Software solutions that improve innovation, productivity and security

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.

Our products are packaged in the **IAR Embedded Development (EDS)** and **IAR Embedded Security Solutions (ESS)** portfolios. Together with our customers and partners, we are driving development in the field of embedded systems. In an increasingly digitalized world, our solutions are essential for creating and protecting smart products in every industry – from consumer electronics, medical technology and healthcare to manufacturing, green technology, defense and the automotive industry. Our software solutions help developers program processors so that they fulfill their function in the embedded system.

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 IAR Systems Group AB, which has been listed since 1999. The company is currently listed on the Mid Cap list of Nasdaq Stockholm.



9000+ **30,000**
Customers **developers**

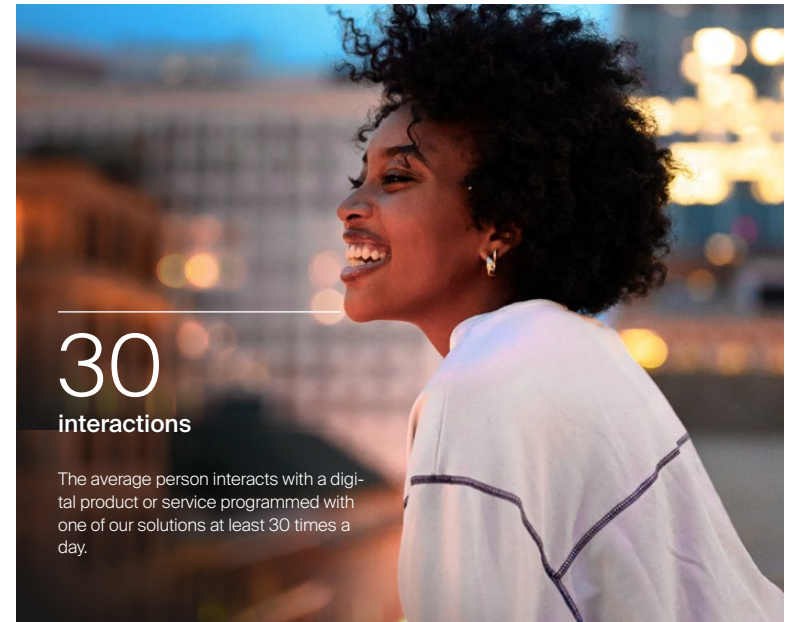
More than 9,000 customers are supported by 208 employees across 13 offices in North America, Europe and Asia. Our headquarters are located in Uppsala, Sweden.

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

40 **Forbes Global**
years **2000**

2023 marked 40 years since IAR was founded.

The majority of all income is from Forbes Global 2000 companies



30
interactions

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

Highlights of 2023

2023 was an eventful year for the company as well as the world. Here are some of the most important events for IAR.

Q1

The launch of a more modern brand with a new visual identity that reflects the company's journey of change and our focus on modern technology, advanced computing and future innovations. **In parallel with this, we changed our name to IAR.**

Re-launch of **IAR Embedded Trust**, the most robust security solution* for embedded systems. The latest version is architecture agnostic and based on the principle of **"Security Made Simple,"** which enables quick and easy management, prioritization and mitigation of potential security issues for customers.



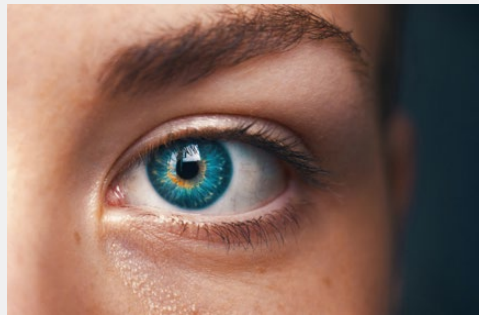
Q2

We launched **IAR Embedded Secure IP**, a solution that makes it possible for developers to add embedded security to their firmware applications – even in late stages of the product's life cycle.



Q3

Restructuring in the embedded security department to meet changes in customer demand. The measures, including personnel reductions, will improve IAR's operating efficiency, profitability, and ability to take advantage of changes in the market.



Presentation of a new partnership where IAR's software solutions will be connected with leading AI platforms from Edge Impulse. **The partnership will accelerate innovation** and offer the machine learning (ML) solutions needed for the next generation of Arm-based IoT applications.



Q4

In September and October, **29,161 shares** were repurchased under the share buy-back program initiated by the Board. The program gives the Board greater freedom of action in optimizing the company's capital structure.

Launch of the **flagship product Embedded Workbench for Arm** version 9.50, with new advanced cloud-based debugging and simulation in Linux. Linking the development of embedded systems to more cloud-based solutions increases work efficiency.



* Security refers to a solution that offers safety by protecting the system and its users from unwanted events and errors such as technical failures, system crashes and other accidents that could lead to damage and offers security by protecting the system from intentional attacks, which includes preventing unauthorized entry, protection against sabotage or theft and ensuring that the system's data and functions cannot be manipulated.

Comments from the CEO

Positioned for profitable growth

IAR is well positioned to leverage the large, exciting growth opportunities offered in the markets where we operate. We will do so by challenging today's truths and leading through our approach and actions in order to create a better and smarter future.

We ended 2023 on a strong note and achieved the company's long-term targets of 15% growth and a 25% operating margin in the fourth quarter. While Asia and North America delivered particularly strong performances for the year, Europe and India also ended the year with good results. We started 2023 with a tailwind. In retrospect, we can see that this was largely due to a pent-up investment need following the impact of the pandemic on the supply of semi-conductors, rather than a result of our own efforts. This put us on the back foot slightly, which was noticeable in the first quarter and into the second. Customers were impacted by higher interest rates and a need to reduce their cost of capital – something that our license offering was not adapted for. One of our strengths as an organization is our ability quickly collect, analyze and act on data. To better meet the needs of our various customers, we focused on developing our offering in the second quarter, at both the regional and industry level. This began to pay off in the third quarter and continued into the fourth.

Customer-centric development and value-added sales

We are redefining IAR's business models through a shift from lifetime licenses to subscription- and consumption-based solutions. This is something our customers appreciate and that we believe will help drive

future growth. We have made the greatest progress on these new business models in North America, which contributed to a strong performance in this market. We introduced new designs for our solutions during the year. One such innovation relates to our embedded security offering, where we established a new approach to safety, security and compliance, and implemented rationalizations. Our focus is on customer-centric development, which means that we help customers build security solutions that are more tailored to their different needs. As a result, our teams are focusing more on pre-sales engineering in close cooperation with the sales organization as well as our customers and partners. Updated regulations and new legislation in many markets have resulted in stricter requirements for security solutions in embedded systems and a greater need for this type of approach.

We are also working on new solutions in our offering for embedded systems. We are moving from product sales to solution sales in order to help customers address specific problems and develop tools that realize their application goals – a journey that has only just begun. The next step is to develop platforms of solutions and tools that are in demand among developers – platforms that help to maximize developers' efficiency and productivity through their usability. Improving developer productivity by as little as 10%



"We help our customers create tomorrow's innovations today."

Comments from the CEO

can have a significant impact on the customer's total cost of ownership. This kind of value-added sales will be a strong guiding principle in our work going forward.

A connected world of opportunities

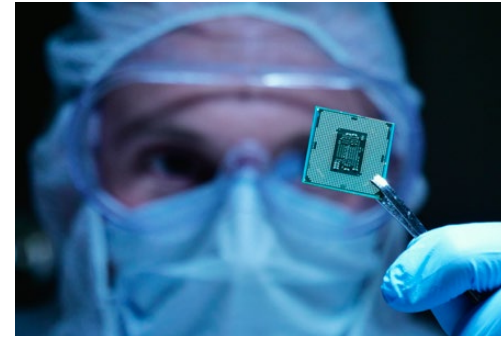
We live in a world where more and more things are becoming connected and where there are processors or microcontrollers in almost every product around us. A modern car is programmed with hundreds of millions of lines of code, compared to only about 12 million lines of code in a Boeing 787 – and the amount of code is only continuing to grow as new, smart features are constantly being launched. This is leading to increased demand for secure programming with maximum, energy-efficient effect. Success in this fast-growing and changing world requires a global presence and agile ways of working, which IAR has.

We are currently seeing a shift in perspective when it comes to the technologies used in embedded systems. Traditionally, the focus has been on individual microchips, but vehicles, data centers and other application areas are now considered an overall embedded system. This requires a new type of development support and new ways of working – entirely in line with IAR's offering, with smart solutions, increased efficiency and faster time-to-market for customer products, which leads to a lower total cost of ownership for the customer.

Looking ahead

During the year, IAR introduced a new growth strategy. This provides an overall direction for our operations and will help us achieve our long-term goals for profitable growth. One tangible benefit of the strategy is that it facilitates decision-making while also improving the precision of our risk-taking, resulting in better business decisions. Our goal is to become the preferred embedded systems development platform for most developers.

Our strategy, which is based on six pillars, highlights the importance of analyzing customer and user data when designing of our offerings. New partnerships and more flexible services are also growing in importance and will be taken into consideration as the business model continues to evolve. Our strategy also includes expansion into new areas in existing markets, both in security solutions and when it comes to improving developer productivity. In addition, we are targeting growth in entirely new markets – including possible acquisitions to supplement our existing offering – where accelerating digitalization and rapid growth in the number of processors are creating opportunities that did not exist before. With this strategy, we aim to be a supplier that supports the entire development process. This means that we analyze both time to market – how quickly we can bring the offering to market – and time to revenue – how quickly we can increase our sales volume and profitability.



“IAR’s offering, with smart solutions, increased efficiency and faster time-to-market for customer products, leads to a lower total cost of ownership.”



Well positioned

Employee engagement is crucial to the success of our strategic cornerstones, and we devote a great deal of effort to ensuring our employees thrive and develop with us. We therefore take a proactive approach to growth and have an open-minded and tolerant corporate culture, where employees are encouraged to learn new things and to make mistakes they can learn from.

In March 2024, I announced that I plan to step down from my role as CEO during the year. I remain fully committed to ensuring that our ongoing transformation continues uninterrupted, and I will stay with the company until a successor is in place. In the more than two years during which I have had the privilege of leading IAR, we have achieved significant progress, and I am proud of what we have accomplished. Our corporate culture, characterized by a growth mindset, has been instrumental in this success.

IAR faces major and exciting growth opportunities. I am confident that we are well positioned to take advantage of these opportunities, and thereby achieve our goals for profitable growth. At the same time, we will continue to challenge current truths and serve as a leader through our approach and actions in order to create a better, smarter future. In doing so, we will help our customers create tomorrow's innovations today.

Richard Lind, President and CEO, IAR

Market

A changing market

Electrification, digitalization and increased requirements for IT security are strong driving forces in IAR's market. These developments are being driven by climate risks, increased political and economic uncertainty and the journey towards an increasingly connected society.



1. Second wave of electrification

Electrification is impacting technological development in many industries. Companies have started to phase out technology based on fossil fuels in favor of electric solutions. This is a comprehensive shift comparable to the initial wave of electrification in society during the previous century. The aim is to limit climate impact, but it also opens up opportunities for innovative global technological development, not least within the software industry.

2. The connected society

A connected society means that the number of digital products and smart services is snowballing, in work as well as private life, and often in ways that the end user never even notices. One effect, for example, is the growing use of sensors. Simply put, sensors measure or detect some kind of change in their environment and then convert this information into signals that govern or influence a technological application. When sensor technology is used in more contexts, the requirements for its underlying software development grow more complex. Circuit boards and processors need to offer a higher level of functionality and increased efficiency as the number of connected devices increases.

3. Security and compliance

In addition to digitalization and electrification, security aspects are becoming increasingly important – not least due to growing political and economic uncertainty in the world. New laws and regulations have been introduced as a result, with the intention of protecting digital infrastructure and industrial systems. At the same time, there are clear requirements from product developers and end users. Everyone from the developer who programs the processors – and who needs their code to be secure and protected – to the company that manufactures the end products and whose brand is tied to the processor's quality and functionality. It is also equally important that consumers and other end users are able to use the product safely.

Market

Current technology trends

In addition to major global trends, IAR is being affected by several technological changes in the market close to home.

- **Increase of AI and ML in embedded systems:** The integration of AI and ML algorithms into embedded systems is expected to accelerate. This is creating opportunities for more sophisticated refinement, where embedded devices can carry out complex tasks like image recognition, natural language processing and predictive analysis.
- **Advanced IoT connection:** Technology like 5G, Wi-Fi 6 and Low-Power Wide-Area Networks (LPWAN) are becoming increasingly common in embedded systems. They provide faster, more reliable and effective connection alternatives.
- **Increased use of edge computing:** Edge computing is continuing to grow in importance as the IoT continues to expand. This means that data is processed closer to where it is generated. This reduces the risk of dependence on cloud-based services, which is essential for real-time applications.
- **Improved focus on security:** As embedded systems become increasingly connected, the need for security is growing. This is paving the way for more robust encryption technology, secure boot processes and improved systems for intrusion detection.
- **Energy efficiency and green computing:** Optimizing embedded software for energy efficiency is becoming a key issue related to the broader trend towards sustainability. Developers need tools that help them write more energy-efficient code.
- **Collaborative and cloud-based environments:** The use of test and simulation tools is growing rapidly. Developers can test and validate their embedded software in a variety of automated and simulated environments, which simplifies remote collaborations and accelerates development processes.



Value creation

Our customers help build society

DENSO Corporation is a global supplier of automotive components. The company uses IAR Embedded Workbench for high performance and certified functional safety certification. Thanks to our technical expertise and global presence, we deliver first-class automotive solutions around the world.



Automotive technology

Mitsubishi Electric specializes in heat pumps, air conditioning and ventilators and has partnered with IAR for more than 25 years. Our solutions play a central role when it comes to improving the performance efficiency and reliability of the company's systems. This also ensures comfort and energy efficiency in challenging environments.



Ventilation and heating

Schneider Electric develops industrial computers that are the heart of a manufacturing environment. IAR's solutions allow Schneider Electric to efficiently build and manage large, complex structures with advanced validation and verification capabilities, which saves considerable development time.



Industrial automation

Medtronic is a global leader in medical technology, with a focus on cardiopulmonary products. Among other achievements, the company created the first battery-powered pacemaker. IAR has been essential in helping them develop code that not only is fast and energy efficient, but also meets stringent FDA requirements for functional safety.



Medical technology

A pioneer in innovation, Casio is a global manufacturer of watches and other electronic devices. Using IAR Embedded Workbench, the company's performance and energy efficiency were improved.



Home electronics

Landis+Gyr leads the industry in energy management solutions. The company uses IAR's solutions for its innovative products that protect data and infrastructure in the energy sector. Our solutions contribute to improvements in the shared environment where we live and work.



Green technology

Value creation

Safety, clarity and reliability on the road

A modern car is equipped with many different microcontrollers (MCUs). They are programmed with millions of lines of code, adhere to extremely high security standards and can be connected to the internet. IAR's solutions are critical for improving the reliability and safety of cars.



The functionality in vehicle safety standards – particularly when charging electric vehicles to avoid damage to batteries – is ensured through the statistical analysis tool IAR C-STAT.



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



IAR's I-jet and I-jet Trace hardware streamline the debugging of programmed code. This guarantees that the performance warnings on infotainment screens are clear and reliable.



IAR Embedded Trust ensures the integrity of software that controls, for example, airbags to prevent damage and manipulation. End-to-end security in embedded devices is also used to protect sensitive user data such as the car's status, location tracking and other warnings.



IAR Secure Deploy reduces the risk of clones and software manipulation in electric cars, thereby preventing battery deterioration, damage and fires. Secure manufacturing solutions provide protection through encrypted product packages, including verified software and unique data transferred securely to programming companies or suppliers.



IAR Embedded Workbench is ISO-certified for safety-related software development. This solution enables effective and reliable development and verification of safety-critical systems in cars, for example the lane assist function.



The model-based design tool IAR Visual State uses problem identification and effective graphic modeling to improve various functions, for example in the car's electronic stability control.



Poor performance in the infotainment system, navigation or other technological parts of the car affect the user experience. This is effectively addressed with IAR Build Tools in automated workflows (DevOps), which leads to more reliable systems of a higher quality.

Strategies

Governance towards increased growth

Strategic governance at IAR is based on six cornerstones that all aim to provide stable, long-term growth. This is achieved by developing the existing offering and our ways of working while expanding to new customer and market segments. A fundamental condition in all of this work is ongoing personal development among our employees, which ensures our innovative and competitive strength.



Strategic governance is built on six cornerstones:

Data- and insight-driven

– Expanded analysis of customer, market and user data ensures precision when implementing our strategy. The more we know about how our solutions are used in practice and where the market is headed, the more value we create for the customer in the form of innovative product development.

Top-class organizational culture

– We are building a strong organization through continuous adaptations and development of our ways of working. Analyses once again provide data and customer insights to help the organization and work methods harmonize to better meet customers in all markets.

Disruptive business model

– Continuous development and evaluation of the business model ensures that we are correctly approaching the market and meeting customer needs. We believe in curious business engagement, where new partnerships and flexible services including subscription- and consumption-based solutions increase value generation for our customers and their end users.

Adjacent expansion

– The development flow and how services are consumed are in constant flux. We are always open to expanding into new areas in existing markets, for example within security solutions where new regulations drive development, in order to meet the needs of tomorrow's developers.

Growth in new markets

– Our curiosity and willingness to expand also includes an ability to grow beyond existing customer and market segments. Our guiding star here is the growth opportunities that exist in entirely new operations where IAR's automation and security solutions can make a difference.

Ensuring employee engagement

– Enthusiastic, driven and skilled employees are a precondition for realizing these cornerstones and making them meaningful to work with. Employees who thrive and develop make IAR more innovative and pave the way for technological gains that increase value generation for customers.

Guiding IAR's daily work

Vision

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

Mission

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

Values

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

Business model

IAR's business model

IAR helps software developers at manufacturing companies create secure, reliable and high-quality code for embedded systems. Our solutions and services protect our customers' brands and end users in a digital world where risks and threats are constantly growing. They also help increase productivity, efficiency and creativity in the development process.

We offer flexible licensing alternatives where the customer can choose between one-time purchases and subscriptions. Our offering includes everything from specialized individual packages to comprehensive solutions for large companies. Like all platform-based companies, we collaborate and innovate with our partners, who consist of niche, ground-breaking start-ups, global semiconductor manufacturers, cloud service providers and producers of finished goods.

Innovative technology

Our solutions are important for developing products with advanced technology in all industries.

All smart products have an embedded system controlled by one or more processors. IAR's software helps developers program and optimize so that they fulfill the desired function in the embedded system.

To this we add security solutions that protect our customer's end users as well as their assets.

Our most important competitive advantages are:

- A unique combination of developer tools and security products
- Independence that means we can support a variety of processor architectures
- Superior quality that means our customers do not need to compromise when it comes to code performance, reliability and user-friendliness
- Proprietary security solutions that are integrated into development work and production

Digital development creating market growth

The rapid growth of digital products and services is driving the market for embedded systems. Almost all industries have devices and products that could be

developed further through better communication and connectivity. In addition to digitalization and electrification, security aspects are also growing in importance - not least due to increased political and economic uncertainty in the world, which are leading to new rules, legislation and standardization, something we help our customers comply with.

Business model

IAR provides software developers at manufacturing companies around the world with industry-leading tools and services that create robust and high-quality code for embedded systems. Our solutions support safety, security and compliance for a broad spectrum of industries. We also enable customers' developer organizations to more effectively shorten the time to market through increased productivity, efficiency and

creativity with a focus on engineers as well as the end customer and global sustainability.

Our license model is aimed at developers at large manufacturing companies and their sub-suppliers. It offers flexible ownership options, from one-time purchases to subscription-based models. Our products range from specialized individual packages to Enterprise class comprehensive solutions that may include advanced software and professional services.

We have a common goal with our partners: solving customer challenges in the best way possible, now and in the future, through constant improvements, results and advantages for all stakeholders.

Corporate culture

Employees on IAR and successful customer relationships



Contributing to success

Tod Chapman is a Sales Manager in the USA. He stresses how important a passion for technology is when working with customers and meeting their needs for software development platforms. Providing new technological solutions is one of the challenges involved.

“Because IAR’s technology is innovative, we often need to develop sales methods that demonstrate how our offering looks to customers. This leads to an opportunity to brainstorm with our colleagues to come up with new, creative ways to describe IAR, our operations and what we offer.”

As Tod notes, customers are successful when their products are delivered on time and are well received in the market.

“By using IAR’s quality tool, they can efficiently develop the firmware and software required. For me, nothing can beat an unexpected email from an engineer to thank me and the team for going the extra mile.”



Small, daily improvements

Minako Kurosaki works in customer support in Japan. For her, personal development is connected to working with colleagues from different countries and differences in cultures and ways of working.

“I appreciate and respect differences, take in the good points and try to use them in my own development. The good and the bad are always two sides of the same coin. There’s a lot to learn from both sides, which is so exciting.”

Minako feeds her creativity through her constant strive for small, daily improvements – a philosophy known in Japan as “kaizen.”

“Every small discovery I make gives me new ideas, and these moments of insight always fill me with happiness. I’m always trying to find ways to simplify my work, in the hope that it will also make things easier for everyone I work with. I believe that this gradual approach will create a better work environment for all of us. That’s why I’ll always continue on this path.”



Growing in her role

Lisa Åstrand is an Engineering Manager in Uppsala and is responsible for the Engineering Operations team.

“What sets IAR apart is how engineer-heavy its operations are, which I found attractive. It’s stimulating to work with a large group of very knowledgeable developers. There are specialists here who are world leaders in their areas and very proud of the products. Working alongside them is enormously educational.

I’m also motivated by the fact that IAR has a path forward. I’m part of that journey. I can take initiative and investigate ideas that help me grow in my role.”

In her role as Engineering Manager, Lisa helps the team focus on engineering matters and problem solving.

“I clear the way for the specialists by planning and coordinating in a way that makes things easier for them. I’m also incurably optimistic, which means that nothing is impossible. Everything can be solved together.”

40 years of IAR

40 years of forward-looking development

This year marks 40 years since IAR was founded. In 1983, Anders Rundgren registered the company Ingenjörfirma Anders Rundgren AB. Since then, the company has blossomed and developed into the world's leading supplier of software and services for embedded systems.

There are a few things that have guided our operations so far and will continue to do so in the future. One of these is the art of engineering, which permeates our DNA. This art is the core of everything we do and of the technology we provide to help customers and partners efficiently and productively develop secure solutions in their operations. Add to this a sense of curiosity, bravery and passion, which drive us to help

engineers who work with embedded systems to create a brighter, better and more innovative world.

Out in the world

We still have our roots in Uppsala, where IAR was founded. However, today we support our customers globally from 13 offices in nearly every time zone and all of our key regions. During our journey out into the

world, we have also developed our world-leading software and services. These allow companies in several industries to create the brilliant products of today as well as to develop many of the innovations that will change tomorrow.

Together with the art of engineering, looking ahead is also essential for us. Moving forward is what gives us energy and drives us to actively help shape the

societies of tomorrow. We are never satisfied with being stagnant and instead encourage others – and ourselves – to always aim a little higher. This is how we collectively built a successful business for the past 40 years and it is how we will continue to develop IAR in the years ahead.

Offering

A complete solution for developers

Creating the best and most secure code possible, as quickly as possible, is essential for a developer. Here are our solutions that make that possible – and that together improve the productivity and innovative ability of embedded systems developers.

IAR Embedded Development Solutions (EDS)

Developer Productivity

Tomorrow's embedded systems can be created efficiently, securely and quickly with IAR's development environments. Code is optimized to be compact and effective. Support for thousands of processors makes development smarter and more profitable.

IAR Embedded Security Solutions (ESS)

Safety, Security & Compliance

Security requirements for embedded systems are increasing as quickly as the market is growing. IAR's security solutions meet legal requirements, protect IP and create security for the end user.

IAR Embedded Development Solutions (EDS)

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 in software development and can be easily integrated into the workflow.



The core of IAR's portfolio of solutions for development of embedded systems is IAR Embedded Workbench. This is a complete toolchain that includes everything a developer needs in an integrated development environment (IDE). Developers can use IAR Embedded Workbench to write, compile, link, debug and analyze code in a single view. The tool also has advanced functions that optimize code for maximum performance and reduced energy consumption. It also supports international safety standards required for certain applications.

Accelerated digitalization

Digitalization and electrification mean that embedded systems are becoming increasingly complex. They need to manage more tasks, adapt to different user requirements and environmental conditions, and communicate with other devices and services. This increases demands on developers' expertise, creativity and efficiency. During the year, IAR developed additional functionality for automotive electronics, which strengthens our position in this competitive market. IAR's tools streamline software development and allow reliable, high-performance vehicle applications to be developed quickly and efficiently. The solutions meet current needs and can be adapted to future development in electric cars as well as international safety standards.

Integrating AI and ML

Together, AI and ML can create systems that learn from data and experience. By integrating AI and ML into embedded systems, enables the systems to become more intelligent and flexible. They can, for example, recognize patterns, make decisions and adapt to different situations. IAR's solutions are designed to optimize code for maximum efficiency. This makes them faster, safer and more energy-efficient. One example in this area is IAR's partnership with Edge Impulse during the year. You can read more about it on page 17.

Cloud-based workflows

Modern cloud-based workflows – processes that use cloud services to carry out various tasks during development in embedded systems – are also growing in importance. IAR Embedded Workbench for Arm is one example of a tool that supports these workflows. The most recent version, 9.50, includes several new functions. For example, developers can use Arm Virtual Hardware in the cloud to debug and simulate code. This makes it easier and faster to find and fix errors in the code and to test it in various scenarios and environments.

Case: Edge Impulse

Hand in hand with AI and ML

Now 1 + 1 equals 3. The background is a new partnership where IAR's software solutions will be connected with leading AI platforms from Edge Impulse. For thousands of developers worldwide, this means more efficient workflows, time savings and better code quality.

Embedded developers everywhere are looking for efficient ways to include ML and AI in their workflows. This is exactly what the partnership between IAR and Edge Impulse aims to address. Cutting-edge technologies from Edge Impulse are now being integrated with the market-leading developer solution IAR Embedded Workbench. At the workflow level, this means full integration between the two products.

"The partnership with Edge Impulse puts ML and AI at our customers' fingertips. It is yet another testament to the fact that IAR is an attractive solution

provider for embedded development organizations, offering a platform where both IAR and our partners bring added value to the customer experience," says Richard Lind, CEO of IAR.

Developers are currently facing growing software complexity that requires new development flows for optimized ML models. The partnership between IAR and Edge Impulse will accelerate innovation and offer the ML solutions needed for the next generation of Arm-based IoT applications, such as in industrial automation, smart cities, healthcare and medicine.

Better performance

One advantage is for engineers who build applications with predictive abilities used for various kinds of prognoses and predictions. This could be an application that analyzes vibration data in a machine and warns the user of potential problems that could arise, such as a worn-out bearing that can then be replaced before it breaks. By using Edge Impulse's technology, it is easier to evaluate predictive ML models during development. The seamless integration between Edge Impulse's platform and IAR's Embedded Work-

bench saves time and optimizes code performance in ML solutions.

"We're thrilled to partner with IAR to help embedded engineers deploy AI on the edge quickly and easily with modern, enterprise-grade workflows," says Zach Shelby, co-founder and CEO of Edge Impulse.

IAR Embedded Security Solutions (ESS)

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 solutions for functional safety that protect customers' IP and data throughout the entire life cycle of their products. Focus is on four key areas to provide a simple but effective security solution for each device:

- **Authenticity** – Before an embedded product is integrated with other devices, its identity needs to be validated. This is to ensure that information does not come from an unauthorized source. IAR's authenticating solution validates data integrity and source, provides unique identities for devices and prevents undue personalization.
- **Active IP protection** – Embedded devices are vulnerable to attacks that lead to unauthorized access to the software. IAR's solutions ensure that IP investments cannot be stolen and protect data from being manipulated or used incorrectly.
- **Anti-rollback and software updates** – Incorrect software can be downloaded during updates. Unauthorized individuals can also try to take control of the product. IAR provides the update mechanism with a function that keeps software updated and prevents the wrong software from being installed.
- **Anti-cloning** – Cloning refers to when a third party creates a copy of a product. The product developer then risks losing income from their original product. IAR's security solutions prevent software from being copied by unauthorized individuals, which provides strong protection against copying the entire product.

Sustainable security

Security solutions help make the customer's products more sustainable. Software that can be manipulated can lead to various forms of resource waste and negative environmental impact. In many countries, laws pertaining to network and information security are now becoming more stringent. Security is also important from a commercial perspective. Failing to meet requirements can mean that a company is unable to sell its products in a specific market. Increased requirements for efficient security solutions create opportunities for IAR's strong offering.

Solution-oriented work

IAR Security Solutions is a complete, simple way to use and configure solutions for customers who want a high level of security and who want to incorporate the tools into their product development. To simplify the integration of solutions, IAR works closely with customers to identify security threats and to provide training. Afterwards the products are modified so they can be integrated with existing products, tools and organizations. This is one example of solutions engineering where IAR works closely with customers to develop an effective solution.

Case: Briggs & Stratton

Comprehensive support in electrification

IAR was an important partner in the ongoing electrification of Briggs & Stratton's products. Development took off at an incredible speed thanks to IAR's Embedded Trust solution. At the same time, processes were streamlined for future designs and new projects.

Briggs & Stratton manufactures engines for lawn mowers and other outdoor equipment. The company is known for its innovative designs. Today, innovation is increasingly focused on electrification of the company's product portfolio, which created an opportunity for a partnership with IAR.

Ground-breaking battery pack design

An early challenge was the development of a new, ground-breaking battery back design, where one of

the requirements was access to a bootloader. While working on the bootloader, the team found IAR's Embedded Trust, which proved to meet their requirements.

Through IAR Embedded Trust's configuration guide, the company implemented a secure boot manager (SBM) solution. The process only took a few days and allowed for rapid updates and better firmware distribution.

"The biggest surprise was how easy it was. The ability to implement unique firmware updates and

use group ID keys had unexpected benefits," says Rick Ryer, software architect at Briggs & Stratton.

"We also had access to the entire source code. This meant we could adapt Embedded Trust to our needs and ensure long-term control of the design."

Support all the way

During the implementation process, Briggs & Stratton received support from the IAR team. This ensured a seamless transition and efficient operation of the

SBM solution. This way the company could secure its entire strategic hardware platform and streamline processes for future projects.

"This was an enormous gain for the organization to be able to deliver this. It wouldn't have been possible without IAR's SBM," says Rick Ryer.

Customer Success

Optimizing customer use

Customers who can work efficiently and achieve their goals using IAR’s products: this is the goal of the work carried out by the Customer Success organization. It includes all kinds of customer contacts, where product experiences, service and support functions collectively pave the way for long-term, profitable relationships.

Customers who choose IAR’s solutions should have a positive experience with the products and services and be able to take full advantage of the potential in what we offer. In order to make this possible, Customer Success covers all of the contexts where we meet customers: before a purchase, through every step of using a product, during service, support and when renewing or purchasing additional solutions. By keeping an eye on the big picture, we can ensure that the customer optimizes their use, which leads to cost savings, efficiency gains and improved earnings for their operations. At the same time, we see Customer Success as a part of IAR’s own product development, where feedback from customers is used to improve products and services.

Guidance for increased knowledge

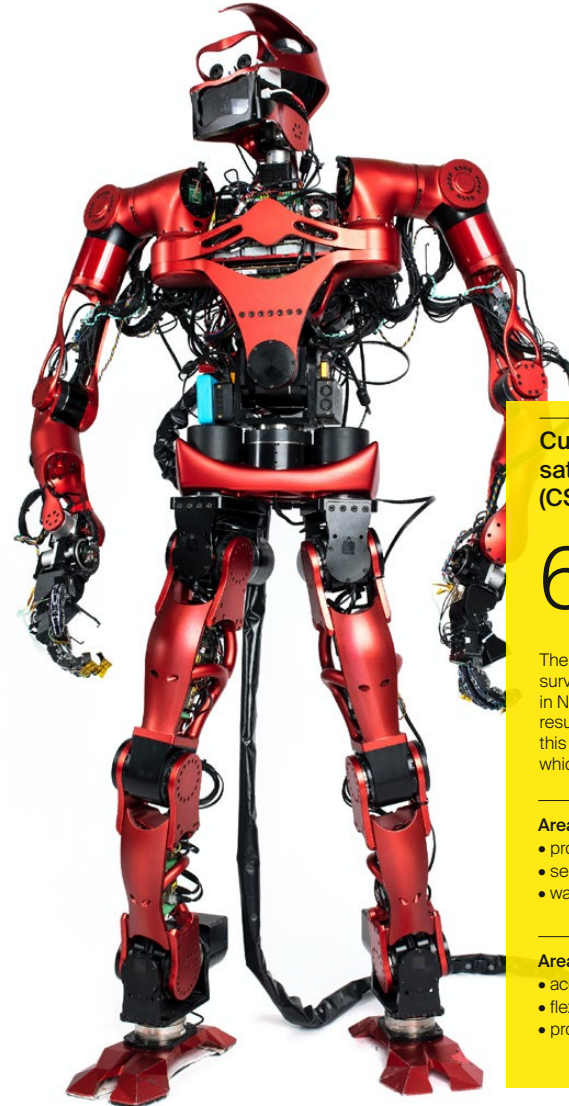
Guidance and training are examples of initiatives that increase customer expertise and skill. The My Pages portal allows them to submit support cases, read articles on various topics, download information and contact IAR. In addition to this self-service offering, IAR also provides staffed service and support for more advanced customer matters. Another tool in this is IAR Embedded Academy, which

essentially serves as the hub for our customer training. It is also a self-service tool where customers can practice with IAR solutions and improve their expertise. The content is based on topics that are relevant for developers as well as typical questions from customers. IAR Embedded Academy underwent a review during the year, resulting in a more dynamic platform, an improved educational approach and stronger graphic design. In 2023, we noted that customer use of the Academy increased 77% compared with 2022.

The global customer questionnaire launched in 2022 was once again carried out in 2023. It focused on all active users, who shared their perspective on IAR as a company, what it is like to work with our solutions and what they think of our support services. The results provide guidance in how we can continue to grow with our customers and further develop our long-term relationships.

New initiatives

The development of My pages will continue in 2024. The goal is to increase accessibility for even more users. Bug report management will also be improved and feedback from customers will be directed into a more streamlined process.



<p>Customer satisfaction index (CSI)</p> <p>68</p> <p>The global customer survey was carried out in November. The overall results were positive again this year. Our CSI was 68, which is high.</p>	<p>Satisfied/Very satisfied customers</p> <p>82%</p> <p>Over 80% of respondents ranked product quality as good or very good.</p>
<p>Areas that customers were most satisfied with:</p> <ul style="list-style-type: none"> • product and service quality • service and support staff expertise • waiting time 	
<p>Areas with the greatest need for improvement:</p> <ul style="list-style-type: none"> • access to self-service alternatives • flexible license models • product information and training from IAR 	

Sustainability report

Sustainability report

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

Electronics industry and sustainability

Our solutions cater to a broad spectrum of industries, spanning automotive, industrial automation, medical technology, consumer electronics, and IoT. IAR Systems Group AB confronts escalating social and environmental challenges inherent in the electronics industry. Regulatory bodies, investors, and stakeholders are increasingly scrutinizing issues like circular economy, cybersecurity, resource scarcity, supply chain labor conditions, energy consumption, product life cycles, and e-waste. Sustainability not only aligns with our strategic cornerstones but also fosters enduring partnerships with our business partners.

Our technology contributes to both our customers’ and our own sustainability. It enables maximum code reuse, optimizes development resources, provides flexible low-resource and low-energy consumption options, reduces time spent on product maintenance and upgrades, and safeguards applications and devices from inception to large-scale production. Sustainability permeates our software solutions and services, enabling our customers to make more application innovations and reduce their own environmental footprint.

Compared to many other industries, the software industry has a limited climate impact. Software companies do not have any energy-intensive manufacturing that results in large emissions of greenhouse gases (GHG). Nor is transport – which can have a major climate impact – a sustainability issue. The Group’s GHG emissions are linked to Scope 2 and Scope 3, mainly via energy consumption in its office properties, business travel, and purchased goods and services.

Our business model

Our business model is described on page 12.

Value chain and stakeholders

We are a software-centric organization. As such, we have integrated our ESG efforts with our value chain by aligning the ESG priority topics from our materiality assessment with key business activities. We have identified where our business practices can create value for our stakeholders and society, in alignment with the UN Sustainable Development Goals (SDGs).

IAR’s value chain and stakeholders

	Procurement >	Operations >	Technology and products >	Sales and service >
Key stake-holders	Suppliers, employees	Employees, investors and shareholders, community	Employees, customers, partners	Customers, employees, suppliers
Key activities	Supplier due diligence and management; cost and performance control; regulation compliance and training	Marketing communication; human capital management; legal and compliance; ISO certifications; Annual General Meeting; community engagement	Product strategy and business development; technology innovation; product quality and safety control; partnerships; customer engagement; circularity support	Sales generation; customer service and education; customer satisfaction survey; export control and compliance training; delivery assurance
ESG topics* impacted	1-4	1-2, 4-5, 8-10	2-7, 10	1-4, 7, 9-10
SDG aligned				

* See "IAR ESG Materiality Topics – 2023" diagram on page 23 for detailed ESG topics.

Sustainability report

Value creation for stakeholders

Engage with our customers to better serve them with high-quality products and technology to drive their innovations related to circularity and security.
Communication channel: Daily customer service, monthly newsletters and annual customer survey, digital communication (Academy courses, webinars)

Support community development through local recruitment and active participation in events that focus on environmental protection and human health.
Communication channel: Local community networks.

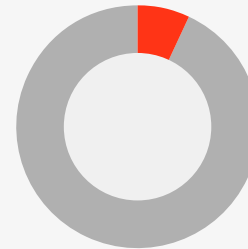
Provide long-term and sustainable value for all shareholders.
Communication channel: public meetings, Annual General Meeting.



Create and nurture a DEI working environment.
Communication channel: Work Environment Committee, monthly internal global meetings, HR platforms, annual employee reviews.

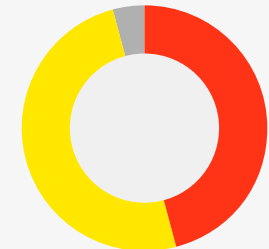
Long-term and resilient cooperation and promoting technology innovation and decarbonization.
Communication channel: Regular partner meetings, supplier due diligence process.

The ten largest customers' share of sales 2023



■ Top ten largest customers 7.0% (8.4)
■ Other 93% (92%)

Revenue from sales of licenses and services



■ SUA service 46%
■ Software licenses 50%
■ Other 4%

The diagrams below shows IAR's limited dependency on its largest customers as well as the relatively high portion of recurring revenue from licenses and services.

About the report

About the report

Regulatory frameworks

IAR is in the process of ensuring full compliance with the Swedish application of the EU Corporate Sustainability Reporting Directive (CSRD). According to the scope and implementation timeline for the CSRD, IAR is to make formal disclosures as an SME (small and medium-sized enterprises) in accordance with the European Sustainability Reporting Standards (ESRS) for the 2026 financial year from 2027. Depending on the IAR's performance and whether we meet the criteria for a large company, we will report under this framework in either 2026 or 2027. These criteria are: net turnover of over SEK 50m, total assets of over SEK 25m or over 250 employees in 2023 and 2024. During the transition period (see the ESG roadmap), we are aligning our disclosures with the ESRS, with index references to other leading reporting frameworks such as GRI and the UN SDGs. As the CSRD

and the Taxonomy Regulation evolve, we will follow the applicable disclosure requirements and report our Taxonomy-eligible products and activities from the financial year in question.

ESG Committee and roadmap

The ESG Committee, established in 2023, oversees and manages ESG issues within IAR. The committee consists of the ESG Manager, senior executives such as the CFO, CHRO, CMCO, Director of Product Management and Customer Success Lead, and other key internal stakeholders. The committee's tasks include: carrying out materiality assessments; monitoring and providing guidance on ESG issues; developing and approving strategies, policies, initiatives and objectives; referring important matters to the Board; ensuring transparent reporting; and promoting best practices and ethical awareness.

Our ESG roadmap was updated in 2023 according to the scope and implementation timeline for the CSRD.

Materiality assessment

To ensure compliance with essential international and national standards governing non-financial reporting, the ESG Committee conducted a broad materiality assessment. This process engaged both internal and selected external stakeholders. Our thorough review and revision of the 2022 ESG material topics were grounded in an analysis of our business models, value chain, corporate risk management, and the incorporation of new ESRS requirements.

We assessed the financial and impact materiality of each material topic, designated key responsible individuals, devised systematically rooted action

plans, and defined the corresponding key performance indicators (KPIs) for disclosure requirements. The aim of this process was to identify ESG material topics, align with emerging sustainability trends and stakeholder expectations, and significantly boost our sustainable development efforts.

The materiality assessment criteria will be updated according to factors and precedence defined in the ESRS and will be used in materiality assessments from 2024.

ESG material topics together with risk and opportunity areas are noted below and discussed on the following pages.

IAR ESG roadmap*

Milestone 2 (2023) ESG start-up – driven by compliance requirements

- ESG Committee set up to execute ESG strategy.
- ESG material topic review.
- Training to integrate ESG criteria into business operations.
- Management of focused ESG activities.
- ESRS study and gap analysis.

Milestone 3 (2024) ESG integration – driven by performance

- Double-materiality assessment in accordance with the ESRS.
- ESG criteria further embedded into corporate strategies, business models and communication.
- Establishment of ESG oversight, reporting and auditing processes.

Milestone 4 (2025) ESG evolution – driven by values

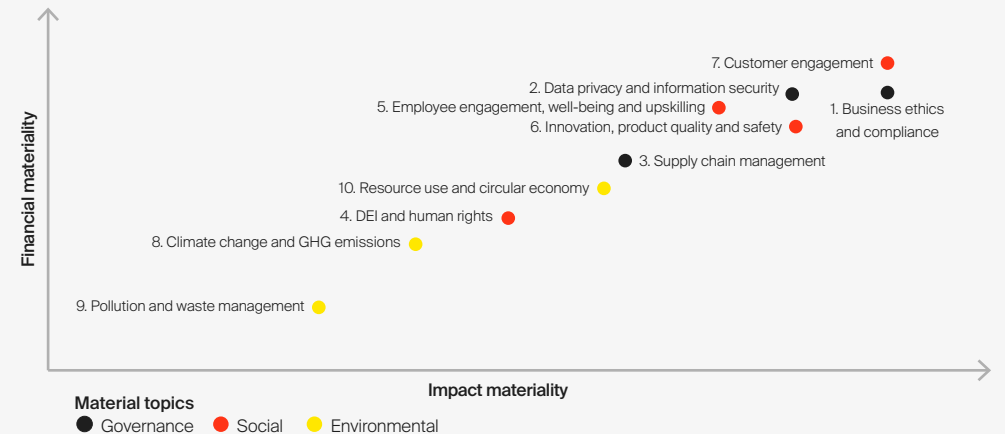
- ESG criteria fully integrated into business operations, responsibilities and remuneration of leadership team.
- Establishment of ESG platform for automation of data collection.
- Preparation of ESG report in accordance with the ESRS within the phase-in timeline.

Milestone 5 (2026) ESG evolution

- Continuous improvement of ESG integration in all business operations.
- Flexible adaptation to changing conditions.
- Transparent and accurate ESG disclosures on the ESG platform.
- ESG ratings with maturity.
- Future ESG recognition, participation and award.

* Milestone 1 (2022) ESG preparations – driven by compliance requirements and implemented in 2022.

IAR ESG Material Topics – 2023



Focus area 1 – Governance

Focus area 1 – Governance

Our Sustainability Policy and Code of Conduct serve as the compass for our sustainability initiatives. Based on this policy, as part of our annual budget process and corporate risk management (refer to pages 34–37), we comply with the ESG governance framework for conducting our ESG materiality assessment. Subsequently, the leadership team crafts actions that align with the prioritized ESG topics. Approved activities undergo Board of Directors' validation and are implemented across the business units as part of routine operations. Progress is monitored and integrated into our business activities.

To ensure ESG competence, we have conducted diverse training sessions. These include self-learning ESG courses, seminars by PwC and Nasdaq, internal training, and guidance within the framework of the audit by Deloitte.

Impacts, risks and opportunities (IRO)

We are seeing growing regulatory pressure, both from supervisory authorities and from stakeholders, for increased transparency in all business practices. Companies are being urged to adopt zero-tolerance policies for corruption and ethics and to implement robust compliance programs to foster a culture of adherence.

With operations spanning Asia, Europe, and the USA, IAR operates in diverse markets with varying exposure to corruption and unethical business risks. Therefore, it is necessary to conduct internal training to raise awareness of our Code of Conduct and improve related internal processes. The aim is to

ensure strict compliance with the Code and to effectively reduce associated risks.

Recent geopolitical events like the Russia-Ukraine and Israel-Hamas wars have heightened cyberthreats and human rights violations. Cybersecurity, export controls, and compliance are critical for maintaining seamless business operations.

As a software-focused company, our hardware production is minimal and is managed through certified local subcontractors who comply with the ISO 9001 and 14001 standards. These subcontractors maintain rigorous oversight of their supply chains, ensuring environmental compliance, responsible sourcing, quality control, and ethical business practices. Our operations focus on meeting delivery schedules, cost management, and navigating increasingly stringent export and trade regulations.

Actions in 2023

- **Business ethics** – We updated our Code of Conduct and are continuing to refine our financial procedures to proactively prevent, detect, and address risks related to corruption and bribery. The sales team was trained on the Code of Conduct in February 2023 and further internal training is planned for February 2024.
- **Risk management** – We developed a Risk Management Policy. We also planned internal training sessions for the leadership team, focusing on further sub-risk assessments across various risk domains.
- **Export control** – Amid Russia's invasion of Ukraine and escalating geopolitical tensions, both the EU's sanctions against Russia and the new US chip regulations concerning China are unfolding. To address

Materiality topics with framework references	Short- and long-term targets**	Approaches	Policies and processes	Monitoring
Business ethics and compliance ESRs G1 GRI 2, 3–3, 205, 206 SDG 3 to 5, 8 to 10, 16, 17	Short-term: All employees with compliance roles educated to ensure compliance with all mandatory requirements of applied national and international laws and regulations. Long-term: Compliance with the highest ethical, economic, environmental and social standards throughout all IAR operations and the value chain.	<ul style="list-style-type: none"> • Internal ethics compliance training and public communications via IAR website and stakeholder channels to increase awareness. • Internal compliance program (ICP) for export control. • Continuous education and proactive adaptation of policies/processes to the new or updated laws and regulations. • Whistleblower protection for all misconduct reports. 	<ul style="list-style-type: none"> • Sustainability Policy. • Code of Conduct • Risk Management Policy • Finance Policy* • Internal Compliance Program • Communication Policy 	Annual review of policies and compliance.
Data privacy and information security ESRs S1, S2, S4 and GRI 3–3, 418–1	Short-term: Compliance with the EU GDPR and similar local regulations; establishment of an information and security management system (ISMS) with ISO 27001:2017 certification. Long-term: Ensuring cybersecurity and continuous improvement of ISMS with flexible adaptation to changing conditions.	<ul style="list-style-type: none"> • ISO 27001 certification project to improve internal processes. • Internal training to ensure employee awareness and the right expertise for compliance roles. 	<ul style="list-style-type: none"> • Information Security Policy • Privacy Policy 	Annual review of policies and compliance.
Supply chain management ESRs S2 GRI 308, 414 SDG 3 to 5, 8 to 10, 12, 17	Short-term: 90% of major suppliers are reviewed and approved. Long-term: Establish robust and resilient supplier/partner base for long-term cooperation in technology innovation and decarbonization. 100% of all suppliers are approved.	<ul style="list-style-type: none"> • SDD process to ensure high-quality supplier base. • Approved supplier database integrated into financial systems to safeguard our procurement processes. • Procurement processes with compliance embedded. 	<ul style="list-style-type: none"> • Code of Conduct • SDD process* • Procurement procedures*. 	Annual review of policies and compliance.

* Policies under development or pending approval in Q1 2024.

** Short-term targets: 1–3 years, long-term targets: more than 3 years.

Focus area 1 – Governance

potential risks, we are prioritizing export control compliance. This involves the development of an Export Control Policy and the establishment of an Internal Compliance Program (ICP), aligned with EU ICP guidelines. Training for various compliance roles is in progress and being planned. Additional measures are continuously being implemented to ensure that we comply with the latest updates of applicable laws.

- Data privacy and information security – In compliance with our ISO 27001 certification process initiated in 2022, a number of tasks were carried out. These included conducting risk assessments, performing gap analyses, crafting a statement of applicability (SOA), and formulating an Information Security Policy. We also implemented standardized procedures for server patching and successfully integrated these procedures with our UK office as well as integrating our subsidiary in Cambridge with IAR's environment. Action plans have been devised for 2024, and our cybersecurity initiatives will be further intensified in 2025.
- Supplier management – In 2023, we developed our Supplier Due Diligence (SDD) process with the aim of systematically assessing existing and potential suppliers/partners against specific criteria. Key steps include establishing criteria, risk assessment, review of documentation, continuous monitoring, integration with procurement processes, response mechanisms, and adaptation and continuous improvement. The SDD process aims to effectively manage and reduce risks associated with our supply chain, covering areas such as quality, delivery, ethics, environmental and social impact, regulatory

compliance, and financial stability. Our goals are to increase transparency and develop sustainable and resilient supply chains. Implementation is scheduled for 2024.

Code of Conduct

Our Board issues the Code of Conduct (available at www.iar.com), which offers essential guidance on our company's policies and instructions across various sustainability topics, including business ethics, whistleblowing, people and the environment. Serving as our ethical guide, it applies universally to everyone associated with IAR, including employees, Board members, contractors, consultants, and suppliers.

The Board oversees the policies within the Code, ensuring their approval. These policies are available on our website and may be revised in accordance with instructions issued by the CEO.



Focus area 2 – Social sustainability

Focus area 2 – Social sustainability

At IAR, social responsibility is fundamental in our pursuit of creating enduring value for both internal and external stakeholders. We attach great importance to our Code of Conduct and expect our employees, business partners, and customers to align with these principles. This mutual dedication to ethical standards underpins our collective efforts toward sustainable value creation.

Impact, risks and opportunities

In high-tech sectors, such as the sector where IAR operates, human capital is a pivotal asset. The industry is facing global skill shortages and relatively high turnover rates. A skilled and diverse workforce is essential to drive innovation and meet diverse global needs. Companies, including IAR, that excel at attracting, nurturing, and retaining diverse talent gain a competitive edge by fostering cultures that value integrity, empathy, personal and professional development, and inclusivity.

The main challenges are talent retention and the need for upskilling to align with the latest technology trends. To maintain a healthy and productive workforce, we work proactively to prevent occupational injuries (back and neck problems) and mental stress and to optimize conditions for carrying out work and in the workplace.

Based on our Code of Conduct, the composition of our workforce, positive results from employee surveys and zero reports of irregularities, we assess IAR's

potential risks related to diversity, equality and human rights to be low. The same assessment applies to our strategic partners and suppliers after reviewing their ESG/sustainability reports, implementation status and compliance screening.

However, challenges may arise in our value chain, particularly among customers and sub-suppliers impacted by geopolitical conflicts or international sanctions and with potential risks of human rights, DEI (diversity, equity, and inclusion) or child labor violations. More frequent compliance screening is needed to manage and mitigate these risks effectively.

Our technology makes it easier for customers to attain their innovation objectives and fosters their engagement and loyalty, thereby also ensuring the sustainability of our business.

We categorize actions according to the following areas:

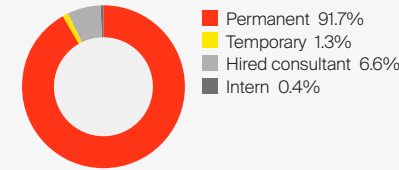
- Employee responsibility
- Product responsibility
- Customer responsibility

Leadership representation as of Dec 31, 2023

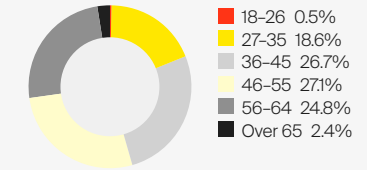
Women on the Board: 2/5 (40%)
 Women in leadership team: 5/12 (42%)
 Independent Board members: 5/5 (100%)

Workforce composition

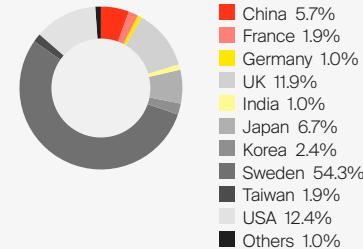
Employees by contract



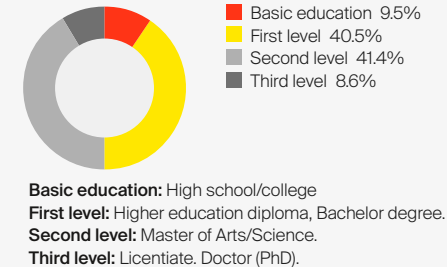
Employees by age



Employees by country



Employees by education level



Focus area 2 – Social sustainability

Employee responsibility

We value and trust our dedicated employees and align our operations with IAR’s corporate culture, strive

to improve the work environment and encourage everyone to contribute their best performance and creative ideas.

Materiality topics with framework references	Short- and long-term targets	Approaches	Policies and processes	Monitoring
<p>Employee engagement, well-being and upskilling</p> <p>ESRS S1-11 to 14, GRI 401 to 404 SDG 3 to 5, 7 to 10</p>	<p>Short-term: 100% of new employees with on-boarding training, 90% of all employees with responsibility for regulatory compliance with relevant upskilling.</p> <p>Long-term: Create and nurture a DEI working environment and continue to improve employee engagement to drive financial performance and creativity.</p>	<ul style="list-style-type: none"> • Employment process to improve employee development throughout employment. • IAR training programs to strengthen employees’ competences and talent development. • Annual employee survey, analysis and follow-up actions to increase employee satisfaction; • Yearly employee reviews to evaluate, reward, and motivate employees, aligning their contributions with company goals. • IAR’s long-term incentive program to attract talents. • Employee insurance schemes to provide various forms of protection and support to employees. • Multiple action plans with a focus on employee safety, physical and mental health. 	<ul style="list-style-type: none"> • Human Resources Policy*. • Employee handbooks. • Employee survey. • Employment process. 	<ul style="list-style-type: none"> • Quarterly meetings of IAR Work Environment Committee. • Annual review of policies and compliance.
<p>DEI and human rights</p> <p>ESRS S1-1, 9, 10 GRI 405-1 SDG 4, 5, 10</p>	<p>Short-term: Zero tolerance of violations and zero violations reported.</p> <p>Long-term: Foster a culture where the values of DEI and human rights are integrated into the company’s mission and vision.</p>	<ul style="list-style-type: none"> • Continuous education and promotion of IAR’s core values and social inclusion. • Recruitment focuses first and foremost on skills, with diversity also being a priority. • Advancing human rights protection across the entire chain via SDD and stricter compliance screenings to minimize risks. 	<ul style="list-style-type: none"> • Code of Conduct. • Human Resources Policy*. • Recruitment process. 	<ul style="list-style-type: none"> • Annual review of policies and compliance.

Actions in 2023

- Work environment – We continued to foster a diverse, equitable, and inclusive environment that prioritizes both security and innovation. Our goal is to empower our highly educated team to unleash their full potential, enabling them to deliver exceptional performance and ground-breaking creative ideas.
- Employment process – In addition to identifying the right skills, the aim of our employment process is to create an inclusive and sustainable workplace. During the year, we enhanced the process by integrating our core values and Code of Conduct principles throughout the entire employee journey, from recruitment to off-boarding. Our aim in doing so was to improve our corporate culture, providing each individual with better conditions to grow both professionally and personally.

The recruitment process is designed to ensure access to talent based on skills, experience and potential, while respecting the principles of equal treatment.
- Talent management – We continued our long-term incentive program (LTI 2023) to recognize exceptional contributions and engagement, offering added remuneration. About 66.7% (63) of our workforce is encompassed by varying remuneration levels within our LTI programs.
- Regular activities – Our Hackathon event for innovative solutions and our Movember campaign to alleviate stress and highlight the importance of good health are recurring annual initiatives.

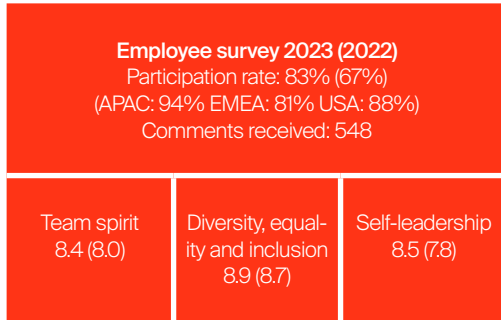
Work Environment Committee

The overall responsibility for creating a safe, healthy and pleasant working environment rests with the CHRO and the Corporate Office Manager. In cooperation with local support functions, managers and employees, we strive to create optimal conditions, while taking into account local conditions and applicable regulations.

Annual employee reviews

- Performance review – led by team managers in one-on-one meetings, assessing employees’ job performance, setting goals, providing feedback, and creating development plans. These plans align individual and shared objectives with groups, departments, and company goals for the upcoming year.
- Salary review – an annual discussion with a focus on transparent and open communication about the employee’s total remuneration, assessed on the basis of the individual’s role and responsibilities, performance and market salaries.

Focus area 2 – Social sustainability



Average value on a scale from 1 (strongly disagree) to 10 (strongly agree).

- We improved our IT network support to further facilitate hybrid working for our employees, which helps to simplify working life and attract staff.
- Employee survey – An internal survey conducted in October 2023, mirroring last year’s questions (refer to our Annual Report 2022), garnered an impressive 83% (67) response rate. The survey also provided extensive feedback and numerous suggestions. The 2023 survey results reflect continued high confidence levels among employees in their immediate supervisors, colleagues, and working groups. Positive outcomes in areas related to DEI were noted. Our future action plans will be linked to the analysis of these survey results.
- Community engagement: We actively participate in various events and activities to support local communities in issues pertaining to environmental sustainability and human well-being.

- Participation in the Carbon Neutral Workshop hosted by the Swedish Chamber of Commerce and Industry in Japan (SCCJ), where we served as a presenter and a member of panel lists.
- Donations to various organizations each year, such as Doctors Without Borders in 2023, rubbish plogging – led by our volunteers at IAR Korea’s office – and contributing to local environmental initiatives.

Product responsibility

Given the current global sustainability regulations, the importance of responsible technological solutions and products has surged. As a software company, we strive to align with market trends like digitalization, edge and cloud computing, and the evolution of AI innovation. Our goal is to deliver competitive products and solutions that meet our customers’ ambitious development needs. Our solutions go beyond offering high-quality and secure alternatives: we aim to support and enable our customers’ growth ambitions by developing sustainable products with low energy and resource consumption, minimal environmental impact throughout the product’s life cycle, and maximum resource use for a circular economy.

Actions in 2023

- Products and opportunities for innovation – For more information of our product innovations, see pages 16–19. One impressive example is that we were awarded the distinction of “2023 Best Development Tools” for IAR Embedded Trust at the EE Awards Asia 2023.

Materiality topics with framework references	Short- and long-term targets	Approaches	Policies and processes	Monitoring
Innovation, product quality and safety ESRS E5 SDG 9, 17 GRI 3-3	Short-term: Establish a quality management system (QMS) with ISO 9001 certification. 100% of products compliant with applied environmental and safety regulations/directives. Long-term: Continue to offer competitive products and solutions with a high level of quality and security, keep leading position in the market.	<ul style="list-style-type: none"> • Sustainable business development plan throughout entire life cycle of products; • Robust ecosystem to ensure our solution platform maintains a leading market position. • ISO 9001 certification project to bridge the gaps to the standard requirements. • Product compliance control to ensure full safety and environmental compliance. • Product certifications for more industry standards upon customer demands. 	<ul style="list-style-type: none"> • Risk Management Policy. • Quality Policy. 	<ul style="list-style-type: none"> • Annual business plan review. • Annual review of policies and compliance.

- Partnerships – We earned the distinction of “2023 Partner of the Year” from Andes, a leading micro-processor vendor, for our pivotal role in jointly creating cutting-edge automotive solutions.
- Product quality and safety – To meet growing quality assurance demands, we launched an ISO 9001 certification project. Following a structured process, we conducted a gap analysis, developed a Quality Policy, established action plan to improve our management, operational, and supporting processes. This shift allows us to dedicate more engineering resources to customer-centric product and project development.

Focus area 2 – Social sustainability

Customer responsibility

Our customers are the foundation of our mission. Their needs, preferences, and feedback drive our success. We are dedicated to delivering superior products, solutions, and services that support their current needs and pave the way for future innovations.

Actions in 2023:

- Customer Service and Support Policy – We are committed to providing prompt, courteous, and effective support and services to all our customers. We believe that by delivering high-quality services, we can build strong relationships with our customers and help them achieve their goals. Our team is dedicated to ensuring that every customer

receives the attention and authorized support they need to succeed. We are always looking for ways to improve our services and welcome feedback from our customers.

- Customer value and loyalty – To increase customer value, we have introduced several courses within the IAR Academy. These cover diverse embedded programming and security topics across various professional levels. Additionally, we have conducted over 130 webinars, workshops and online training sessions, drawing more than 13,000 attendees. These initiatives aim to enable our customers to leverage our solutions’ latest features and technologies for innovative product development, adopt best practices in software development and industry applications, and gain valuable insights into the

latest trends shared by industry experts.

- Request handling system – In addition to the services covered by general support and update agreements (SUAs), we are enhancing our request handling system to streamline customer inputs. Our aim is to ensure that every suggestion and issue is acknowledged, prioritized and acted on in line with our product development roadmap. This revamped process will be operational during the first quarter of 2024.
- Customer survey – In our 2023 customer survey, we scored a customer satisfaction index (CSI) of 68 (previously 75). This survey data helps us benchmark performance, swiftly pinpoint areas for improvement, and uphold our reputation while nurturing customer relationships. We have developed a plan to restore our score to its previous level.
- Customer safety – IAR hardware products are designed, manufactured and safety tested according to the requirements of applicable environmental and safety directives and regulations.

Materiality topics with framework references	Short- and long-term targets	Approaches	Policies and processes	Monitoring
<p>Customer engagement</p> <p>ESRS S4 GRI 416 SDG 3, 4</p>	<p>Short-term: Increase CSI to 80.</p> <p>Long-term: Continue to expand our customer base and improve customer satisfaction and retention.</p>	<ul style="list-style-type: none"> • Product and service offering to bring added value. • Compliance control of all hardware products for customers health and safety. • Integrated CRM system to provide efficient communication channels. • Improving the My Pages customer portal to allow flexible customer self-service. • Annual customer survey and follow-up actions to increase customer satisfaction. 	<p>Go-to-market and customer service and support processes.</p>	<p>Annual review of results, processes and compliance.</p>

Focus area 3 – Environmental sustainability

Focus area 3 – Environmental sustainability

Environmental Policy

IAR prioritizes environmental sustainability and recognizes that sustainability plays its pivotal role in our business success. We take responsibility for our environmental impact both directly in terms of our own operations and indirectly through our purchasing decisions, the products and services we offer to our customers and the business opportunities we pursue. Committed to minimizing our footprint, we integrate environmental concerns into all facets of our business.

We follow applicable environmental laws, regulations, and other codes of practice and make continuous efforts to improve our environmental performance. Over time, we also aim to reach net zero emissions in line with the UN SDGs.

Impact, risks and opportunities

As a software services company, our direct environmental footprint is relatively limited compared with the broader impact from our value chain. We conducted IRO assessments throughout our ISO 14001 certification project, aiming to establish an environmental management system (EMS) that efficiently manages all material environmental topics.

Our major environmental footprint mainly comes from the energy consumption for our offices, business trips, and purchased goods and services.

Actions in 2023:

- ISO 14001 certification project – We started an ISO 14001 certification project, jointly with ISO 27001 and 9001 certifications, aiming to build up an efficient EMS to constantly improve our environmental performance. Based on our newly developed Environmental Policy, gap analysis and risk assessments, we set our objectives and action plans for further implementation in 2024.
- GHG emissions – We began gathering information and compiling status reports on GHG emissions for all our local offices, with a focus on Scope 1 and 2 emissions. Our head office currently uses only renewable energy sources for electricity, cooling and heating systems. The emission status of our other local offices varies, depending on the environmental conditions and efforts being made in the countries where we operate. Further actions will be taken, aiming for maximum renewable electricity wherever possible, or through carbon compensation programs when required.
- Resource use and circular economy – Alongside our focus on responsible products and technology, we also implemented the following enhancements:
 - Office space optimization: We restructured certain local offices to maximize efficiency, reducing redundant spaces and significantly lowering our operational costs.
 - Sustainable packaging: Our newly designed packaging boxes use low-carbon materials. Non-recyclable plastic inserts have been replaced with recyclable cardboard. This has resulted in an approximately 12% reduction in

Materiality topics with framework references	Short- and long-term targets	Approaches	Policies and processes	Monitoring
Climate change and GHG emissions ESRS E1 GRI 302, 305-1 to 5 SDG 7, 13, 15	Short-term: Disclosure of Scope 1 and 2 emissions; 100% renewable energy at IAR's head office. Long-term: Achieving carbon neutrality for IAR by 2030 and for the entire supply chain by 2050 in line with 1.5°C goal of the Paris Agreement.	<ul style="list-style-type: none"> • Signing green electricity contracts whenever possible for local office operations. • Promotion of electric company/benefit cars. • Cooperation with approved suppliers to prioritize low-carbon options for purchased goods, business trips and shipping services. 	<ul style="list-style-type: none"> • Environmental Policy*. • Procurement procedures*. 	Annual review of policies and compliance.
Resource use and circular economy ESRS E5 GRI 306-2 SDG 6, 12, 15	Short-term: Reduction of internal resource consumption. Long-term: Establishment of sustainable practices that reduce environmental impact while ensuring efficient resource utilization in software development and operations.	<ul style="list-style-type: none"> • Responsible products and solutions allowing reuse of resources and extended product lifespan. • Budget plan and cost control with both ESG and financial criteria to optimize major procurements. • Improvement of production plan together with sub-suppliers for better control of cost and delivery time in the event of component shortages and price increases. • Promotion of using recycled material for office consumption, such as packaging boxes and printing paper. 	<ul style="list-style-type: none"> • Sustainability Policy. • Procurement procedures*. 	Annual review of policies and compliance.
Pollution and waste management ESRS E2 GRI 306-5 SDG 12, 14, 15	Short-term: Waste and hazardous material management fully compliant with local environmental regulations. Long-term: Minimizing pollution and waste produced by operations. Transition to a circular economy, contributing to a cleaner, healthier ecosystem for future generations.	<ul style="list-style-type: none"> • EU WEEE scheme for disposal of electrical and electronic equipment waste we put on the EU market. • Control of conformity declarations by all suppliers. • Promotion of waste hierarchy, with preferred options comprising prevention, reduction, reuse, recycling; sending to landfill as a last resort. 	<ul style="list-style-type: none"> • Environmental Policy*. • Waste management procedures in line with local environmental regulations. 	Annual review of policies and compliance.

Focus area 3 – Environmental sustainability

CO₂ emissions and 33% reduction in costs per unit, thereby improving our environmental and financial performance.

- Pollution and waste management – The majority of waste occurs within office spaces, with management approaches varying depending on location and region. The waste includes general office waste, food waste, recyclable waste, and non-recyclable waste. We follow local environmental regulations concerning the sorting of waste for disposal via office services provided by our office owners.
 - We adhere 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. We are exploring further enhancements in line with best practices.
 - Our head office has a new cleaning contract using chemical-free cleaners to minimize chemical contamination risks.

Auditor's Report on the Statutory Sustainability Report

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

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2023 on pages 21- 31 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinion

A statutory sustainability report has been prepared.

Stockholm April 3 2024.

Deloitte AB

Signatures on Swedish original

Andreas Frountzos
Authorized Public Accountant

Administration report

Administration report

The Board of Directors and the CEO hereby present the annual report and consolidated financial statements for I.A.R. Systems Group AB for the 2023 financial year. The company is domiciled in Stockholm, corporate identification number 556400-7200.

Net sales

Net sales for the year amounted to SEK 458.1m (419.9) and were distributed as follows: SEK 229.4m (233.0) from licenses, SEK 210.6m (167.9) from support and software updates, SEK 18.1m (19.0) in other sales. Growth in total revenue amounted to 9.1% compared with the preceding year, or 5.3% after adjusting for the positive foreign exchange effect of SEK 16.0m.

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

Profit/loss for the period

EBITDA for the year totaled SEK 143.6m (129.0), corresponding to an EBITDA margin of 31.3% (30.7) for the year. EBITDA adjusted for non-recurring items amounted to SEK 153.1m (130.2), corresponding to an adjusted EBITDA margin for the year of 33.4% (31.0). The company reported an operating loss for the year of SEK -204.1m (75.7), corresponding to an operating margin of -44.6% (18.0). Operating profit adjusted for non-recurring items amounted to SEK 96.1m (76.9), corresponding to an adjusted operating margin for the year of 21.0% (18.3).

Operating expenses for full-year 2023 included impairment of intangible assets of SEK 29.3m, impairment of goodwill of SEK 261.3m, costs of SEK 7.3m related to incentive programs, and costs of SEK 2.2m for restructuring of subsidiaries. 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 36.1m (50.2) during the year through the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 30.4m (41.7) pertained to personnel costs.

Personnel costs are the Group's largest cost item and account for about 40% (71) of total costs. Of the Group's total costs, 29% (44) are attributable to operations in Sweden.

In a year-on-year comparison, currency translation had a positive impact of SEK 8.4m on operating profit for the year.

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

The effective tax rate for the full year was -12.3% (21.4%). The significant change from the previous year is due primarily to the impairment of goodwill recognized in 2023 (which did not have an impact on tax costs but will be charged to earnings for the year for the Group).



Net sales

458.1

SEK m (419.9)

Adjusted operating profit

96.1

SEK m (76.9)

Cash flow from operating activities

144.1

SEK m (127.7)

Net cash

145.7

SEK m (78.9)

Proposed dividend

SEK 1.50

(1.50) per share

Administration report

Cash flow

Cash flow from operating activities for the year totaled SEK 144.1m (127.7). 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 12.9m (11.2) during the third quarter of 2023, which affected the cash flow but not the income statement for the year. Our customers' ability to pay remained adequate during 2023.

Cash flow from investing activities for the year totaled SEK -41.8m (-59.5). Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities for the year totaled SEK -49.2m (-39.5). Cash flow from financing activities during the year primarily comprised the amortization of lease liabilities.

Balance sheet items and financial position

The Group's cash and cash equivalents at December 31, 2023 totaled SEK 197.4m (148.2). In 2023, an agreement was entered into for a new bank overdraft facility of SEK 50.0m. However, the overdraft facility has not been utilized, which meant that the unutilized credit limit at December 31, 2023 amounted to SEK 50.0m (-).

The Group's interest-bearing liabilities at December 31, 2023 totaled SEK 51.7m (69.3). Interest-bearing liabilities include lease liabilities amounting to SEK 51.7m (69.3), which increased in accordance with IFRS 16 Leases.

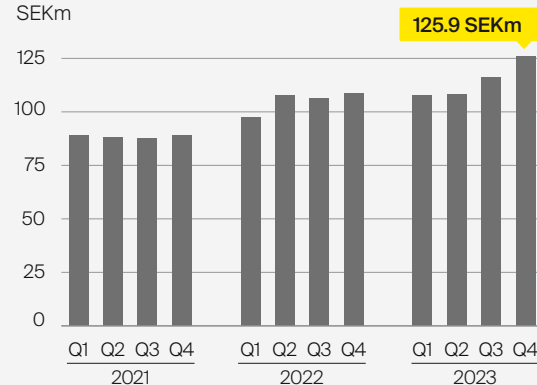
As of December 31, 2023, the Group had net cash of SEK 145.7m (78.9). Net cash was also impacted by IFRS 16 Leases; see above.

Consolidated goodwill at the end of the year amounted to SEK 117.5m (366.6). The decrease of SEK 249.1m is mainly due to impairment of goodwill related to the cash-generating unit Secure Thingz. Other intangible assets in the form of trademarks, software, internally generated software development costs and customer contracts totaled SEK 181.7m (204.1).

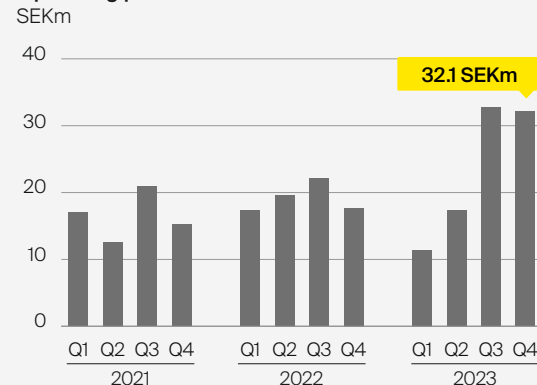
As of December 31, 2023, the Group had accumulated loss carryforwards outside Sweden of SEK 220.5m (264.6). The Group received a tax relief payment of SEK 12.9m (11.2) during the third quarter of 2023 related to research and development costs in the UK attributable to 2022. The payment reduced aggregate loss carryforwards by an equivalent amount. This tax relief was recognized on December 31, 2022 as deferred tax assets, but as of the first quarter of 2023 is recognized under current receivables. On December 31, 2023, SEK 6.3m was recognized as estimated tax relief related to 2023, with expected payout during the second half of 2024.

The deferred tax asset is recognized in the balance sheet in an amount of SEK 7.4m (3.2), and the deferred tax liability is recognized in an amount of SEK 42.6m (30.3). The increase in deferred tax liabilities is partly due to the increased tax rate in England in 2023. The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount since they are connected to the same tax subject.

Net sales



Operating profit



Administration report

As of December 31, 2023, equity amounted to SEK 423.4m (666.8). This change in equity is presented in the specification on page 41. The equity/assets ratio at December 31, 2023 was SEK 60.5m (72.3). Pledged assets decreased during the year and totaled SEK 22.1m (25.7) at December 31, 2023.

Investments

Investments in property, plant and equipment for the year amounted to SEK 5.8m (9.3). Investments in intangible assets totaled SEK 36.3m (50.2). Investments in intangible assets pertained primarily to costs for in-house staff for the development of software. Of the year's investments, SEK 0.2m (0.0) was acquired separately and SEK 36.1m (50.2) comprises internally generated costs. Of the internally generated costs, SEK 30.4m (41.7) 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. The spread of digital technology is driving the market for embedded systems, largely as a result of IoT. Almost all industries have devices and products that could be developed further through improved communication and connectivity.

IAR has stopped all sales to the Russian market and parts of Ukraine as a result of the war in Ukraine and sanctions against Russia. Sales in EMEA have been somewhat affected although only marginally, since Russia is not a large market for IAR.

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.

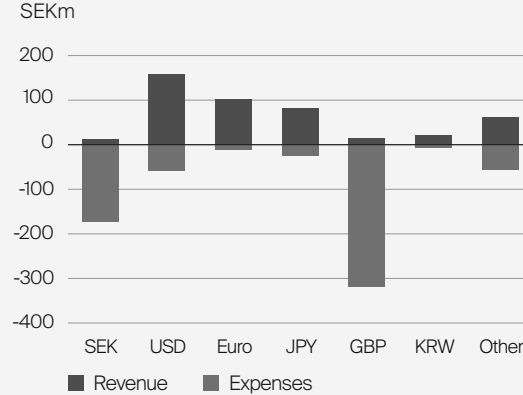
The company strives for a personnel policy and a work environment that inspire its employees to develop in their professional roles.

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, 86% (88) of employees have a post-secondary or higher education, and 14% (12) have a secondary education. The average age of the Group's employees is 46 (48). At year-end 2023, the gender distribution was 28% (26) women and 72% (74) men. The average number of employees in 2023 was 202 (203).

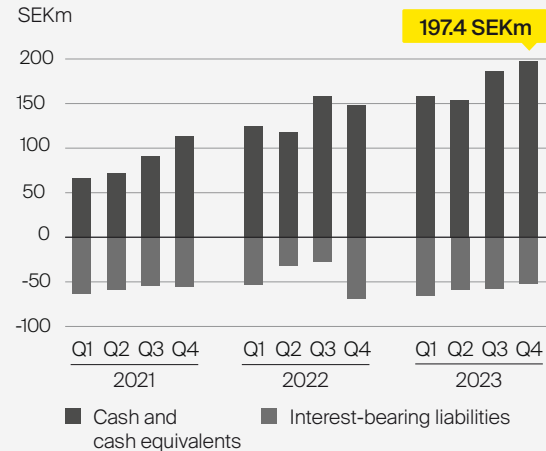
Risks and risk management

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

Currency spread



Net cash



Administration report

2023, the general increase in interest rates continued and higher inflation was noted both in Sweden and abroad, due in part to the Russia-Ukraine and Israel-Hamas wars. Other than higher interest on the Group's investments, rising interest rates have not had any significant effects on IAR since the Group's financing from loans is very limited and it is therefore not dependent on, or sensitive to, interest rate fluctuations. However, growing inflation has led to higher costs and increased salary requirements. In 2022 and 2023, prices were adjusted to counteract the increase in inflation.

Three types of risks

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

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

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

Financial risks refer to fluctuations in IAR's profit and cash flow as a result of credit 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). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

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

Credit risk

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

Liquidity risk

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

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

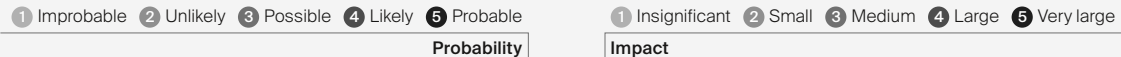
Sensitivity analysis

The table 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. Since the Group does not recognize any value changes in other comprehensive income pertaining to transaction and interest rate exposure, the corresponding effect occurs under equity.

Dec 31, 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

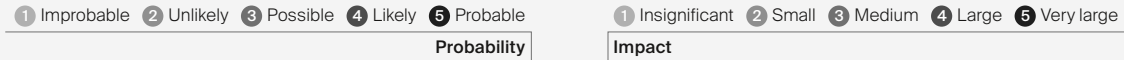
Administration report

The table includes the most significant risks, 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.



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.	3	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 7.0% 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 7.0% of sales, and no single customer accounts for more than 1.5% of sales.
Supply of qualified personnel	IAR's key competencies are found primarily in technological development and in its customer relationships.	3	3	IAR works actively to retain and develop skills and competency in the company. Competency and loyalty are strengthened in the Group through training and knowledge sharing. IAR has low employee turnover and distinct, shared core values. Finding the right expertise at the right cost is a challenge, particularly in product development.

Administration report



Risk area	Description	Probability	Impact	IAR'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 95% of total sales. Most of the company's expenses are denominated in SEK. Measures to manage transaction-related foreign exchange risk are established in the Group's finance policy and include, 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.	1	1	IAR's liquidity risk is deemed to be relatively limited. The Group had cash and cash equivalents of SEK 197.4m at December 31, 2023, and the Parent Company signed an agreement for a bank overdraft facility of SEK 50.0m in 2023. Interest-bearing liabilities on December 31, 2023 amounted to SEK 51.7m, of which lease liabilities accounted for SEK 51.7m.
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, 2023 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All of the class C shares and 103,687 of the class B shares are held in treasury. All shares have a quota value of SEK 10 per share. Of the class C shares acquired in 2018, no shares were transferred in 2023. 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 73.0 (100.2) to a high of SEK 166.4 (162.4). The share price at December 31, 2023 was SEK 123.8 (150.4). I.A.R. Systems Group's market capitalization on the same date was SEK 1,691m (2,054).

Ownership and control

The number of shareholders in I.A.R. Systems Group at December 31, 2023 was 6,583 (6,917). Of these

shareholders, 355 (400) held more than 1,000 shares each. Foreign shareholders held approximately 25% (28) of the share capital and 25% (28) of the votes. For additional information about the I.A.R. Systems Group's share, see pages 86–88.

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 21–31.

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 80–84.

Guidelines for remuneration and other terms of employment for senior executives

The Board of Directors proposes to the 2024 AGM that the guidelines for remuneration to senior executives that were adopted by the 2023 AGM continue to apply.

The 2023 AGM approved the Board's proposed guidelines for remuneration to the company's senior

Administration report

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

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

The Board's proposal corresponds to the previously applied guidelines for remuneration to the company's senior executives. The principles apply to employment contracts entered into after the decision of the AGM and in cases where changes are made to existing terms of employment after this date. The group Other senior executives refers to Group management. See pages 96–97.

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.

Multi-year overview	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue, SEK m	255.7	311.7	328.4	345.0	385.2	405.6	372.0	355.9	419.9	458.1
Operating expenses, SEK m	-202.5	-228.3	-231.9	-237.6	-269.6	-297.2	-288.2	-426.5	-347.1	-374.2
Operating profit, SEK m	53.2	83.4	96.5	107.4	115.6	108.4	83.8	-68.5	75.7	-204.1
EBITDA margin, % **	24.9	31.5	34.5	36.9	36.4	35.9	35.7	29.2	30.7	31.3
Adjusted EBITDA margin, % **	24.9	31.5	34.5	36.9	36.4	35.9	35.7	33.7	31.0	33.4
Operating margin, % **	20.8	26.8	29.4	31.1	30.0	26.7	22.5	-19.2	18.0	-44.6
Adjusted operating margin, % **	20.8	26.8	29.4	31.1	30.0	26.7	22.5	18.5	18.3	21.0
Return on equity, % **	14.5	21.9	25.9	28.1	20.8	14.2	9.9	-11.2	9.2	-42.0
Basic earnings per share, SEK	3.37	5.02	5.86	6.33	6.67	5.96	4.35	-4.94	4.23	-16.84
Earnings per share, diluted, SEK	3.37	5.02	5.86	6.33	6.67	5.96	4.35	-4.94	4.20	-16.84
Equity per share, SEK **	22.85	23.03	22.13	22.99	40.38	43.43	44.97	42.88	48.81	31.00
Cash flow from operating activities per share, SEK **	5.63	7.81	9.04	9.81	7.05	7.78	8.69	9.65	9.36	10.55

** This performance measure pertains to an alternative performance measure not defined by IFRS. For further information, refer to pages 91–94.

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 2023.

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.

Significant events after the reporting period

On March 22, 2024, it was announced that President and CEO Richard Lind would resign during the year, and on March 28, it was announced that Cecilia Wachtmeister would succeed him, taking office no later than October 1, 2024.

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	276,817,696.20
Comprehensive income for the year	-361,553,745.50
Total, SEK	170,053,231.84

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	149,562,795.34
Total, SEK	170,053,231.84

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 25, 2024 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).

Group

Income statement

SEKm	Note	2023	2022
Net sales	1, 2, 3, 4	458.1	419.9
Other income		2.7	2.9
Capitalized work on own account		36.1	50.2
Goods for resale		-13.4	-12.8
Other external expenses	5	-61.3	-58.2
Personnel costs	6	-278.6	-273.0
Depreciation of property, plant and equipment	11	-5.7	-4.8
Depreciation of right-of-use assets	11	-20.7	-20.7
Amortization of intangible assets	10	-30.6	-27.8
Impairment of intangible assets	10	-29.4	-
Impairment of goodwill	10	-261.3	-
Operating profit/loss		-204.1	75.7
Financial income	7	1.6	0.3
Financial expenses	7	-0.9	-2.5
Profit/loss before tax		-203.4	73.5
Income taxes	8	-25.6	-15.7
Profit/loss for the year		-229.0	57.8
<i>Profit for the year attributable to:</i>			
Owners of the Parent Company		-229.0	57.8
<i>Comprehensive income for the year attributable to:</i>			
Owners of the Parent Company		-218.9	80.5
<i>Earnings per share calculated on profit for the year attributable to owners of the Parent Company, SEK</i>			
- basic	9	-16.84	4.23
- diluted	9	-16.84	4.20

Statement of comprehensive income

SEKm	2023	2022
Profit/loss for the year	-229.0	57.8
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of net investment in foreign operations	1.9	5.9
Exchange differences on translation of foreign subsidiaries	8.6	18.0
Tax effect, items reported in comprehensive income	-0.4	-1.2
Total comprehensive income for the year	-218.9	80.5

Group

Balance sheet

SEKm	Note	Dec 31, 2023	Dec 31, 2022
Assets	1, 2		
Non-current assets			
Intangible assets	10		
Goodwill		117.5	366.6
Other intangible assets		181.7	204.1
Total intangible assets		299.2	570.7
Property, plant and equipment	11		
Leasehold improvements		3.8	2.9
Equipment		12.1	13.9
Right-of-use assets		49.0	68.2
Total property, plant and equipment		64.9	85.0
Financial assets			
Other non-current receivables	12, 17	3.2	3.7
Total financial assets		3.2	3.7
Deferred tax assets	8	7.4	3.2
Total non-current assets		374.7	662.6
Current assets			
Inventories		9.7	11.3
Current receivables			
Trade receivables	13, 17	78.0	66.6
Current tax assets	14	7.7	0.3
Other current receivables	14, 17	10.9	5.1
Prepaid expenses and accrued income	15, 17	21.6	28.1
Total current receivables		118.2	100.1
Cash and cash equivalents	16, 17	197.4	148.2
Total current assets		325.3	259.6
Total assets		700.0	922.2

SEKm	Note	Dec 31, 2023	Dec 31, 2022
Equity and liabilities			
Equity	18, 19		
Share capital		139.7	139.7
Other contributed capital		228.1	228.1
Translation reserves		70.5	60.4
Retained earnings including profit for the year		-14.9	238.6
Total equity		423.4	666.8
Non-current liabilities			
Lease liabilities	17	34.9	50.3
Other non-current liabilities		1.5	1.5
Deferred tax liabilities	8	42.6	30.3
Total non-current liabilities		79.0	82.1
Current liabilities			
Trade payables	17	6.9	8.4
Lease liabilities	17	16.8	19.0
Current tax liabilities		18.0	3.1
Other liabilities	17	5.8	9.6
Deferred income	4	126.8	115.3
Accrued expenses	17	23.3	17.9
Total current liabilities		197.6	173.3
Total equity and liabilities		700.0	922.2

Group

Statement of changes in equity

SEKm	Share capital	Other contributed capital	Translation reserves	Retained earnings	Total equity
Opening balance, January 1, 2022	139.7	228.0	37.8	179.8	585.3
Profit for the year				57.8	57.8
Other comprehensive income					
Translation differences			22.6		22.6
Total comprehensive income			22.6	57.8	80.4
Transactions with owners					
Warrant payment		0.1			0.1
Share-based remuneration				1.0	1.0
Total transactions with owners		0.1		1.0	1.1
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			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
Closing balance, December 31, 2023	139.7	228.1	70.5	-14.9	423.4

Group

Cash flow statement

SEKm	Note	2023	2022
Operating activities			
Incoming payments from customers		443.6	412.8
Outgoing payments to suppliers and employees		-287.3	-267.6
Cash flow from operating activities before interest and income taxes paid		156.3	145.2
Interest received		1.6	0.2
Interest paid		-2.6	-1.7
Tax relief received		12.9	11.2
Income taxes paid		-24.1	-27.2
Cash flow from operating activities		144.1	127.7
Investing activities			
Investments in intangible assets	10	-36.3	-50.2
Investments in property, plant and equipment	11	-5.8	-9.3
Divestments of financial assets		0.3	-
Cash flow from investing activities		-41.8	-59.5
Financing activities			
Share warrants		-	0.1
Share buybacks		-9.6	-
Dividend		-20.5	-
Amortization of financial liabilities		-19.1	-39.6
Cash flow from financing activities		-49.2	-39.5
Cash flow for the year			
Cash and cash equivalents at beginning of year		53.1	28.7
Exchange difference in cash and cash equivalents		148.2	113.4
- attributable to cash and cash equivalents at beginning of year		-5.7	5.4
- attributable to cash flow for the year		1.8	0.7
Cash and cash equivalents at end of year	16	197.4	148.2

Parent Company

Income statement

SEKm	Note	2023	2022
Net sales	1, 2	13.1	13.1
Other external expenses	5	-4.5	-3.7
Personnel costs	6	-9.5	-10.4
Depreciation of property, plant and equipment	11	-0.1	0.0
Operating profit/loss		-1.0	-1.0
Profit from financial items			
Profit/loss from participations in Group companies	22	-454.4	-8.5
Financial income	7	18.1	12.1
Financial expenses	7	-0.1	-0.2
Profit/loss before tax		-437.4	2.4
Appropriations, Group contributions		100.0	89.0
Tax on profit for the year	8	-24.2	-20.7
Profit for the year		-361.6	70.7

Statement of comprehensive income

SEKm	2023	2022
Profit for the year	-361.6	70.7
Other comprehensive income	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	-361.6	70.7

Parent Company

Balance sheet

SEKm	Note	Dec 31, 2023	Dec 31, 2022
Assets	1,2		
Non-current assets			
Property, plant and equipment			
Equipment	11	0.0	0.2
Total property, plant and equipment		0.0	0.2
Financial assets			
Participations in Group companies	22	218.7	455.1
Receivables from Group companies		83.8	232.5
Other non-current receivables	12	-	0.1
Deferred tax assets		0.2	0.1
Total financial assets		302.7	687.8
Total non-current assets		302.7	688.0
Current assets			
Current receivables			
Receivables from Group companies		-	19.5
Current tax assets		-	0.1
Other current receivables	14	0.2	0.1
Prepaid expenses and accrued income	15	0.6	0.2
		0.8	19.9
Cash in hand and bank deposits	16	57.3	2.5
Total current assets		58.1	22.3
Total assets		360.8	710.4

SEKm	Note	Dec 31, 2023	Dec 31, 2022
Equity and liabilities			
Equity	18,19		
<i>Restricted equity</i>			
Share capital		139.7	139.7
		139.7	139.7
<i>Non-restricted equity</i>			
Share premium reserve		254.9	254.9
Retained earnings		276.7	230.2
Comprehensive income for the year		-361.6	70.7
		170.0	555.8
Total equity		309.7	695.5
Current liabilities			
Trade payables		0.9	0.9
Liabilities to subsidiaries		42.7	11.9
Current tax liabilities		4.3	0.6
Other liabilities		1.6	0.8
Accrued expenses	20	1.6	0.7
Total current liabilities		51.1	14.9
Total equity and liabilities		360.8	710.4

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Parent Company

Statement of changes in equity

SEKm	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance, January 1, 2022	139.7	254.8	229.2	623.7
Warrant payment		0.1		0.1
Share-based remuneration			1.0	1.0
Total transactions with owners		0.1	1.0	1.1
Profit for the year			70.7	70.7
Other comprehensive income				
Total comprehensive income			70.7	70.7
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
Closing balance, December 31, 2023	139.7	254.9	-84.9	309.7

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Parent Company

Cash flow statement

SEKm	Note	2023	2022
Operating activities			
Incoming payments from subsidiaries		13.1	13.1
Outgoing payments to suppliers and employees		-9.1	-18.7
Cash flow from operating activities before interest and income taxes paid		4.0	-5.6
Interest received		16.2	5.7
Interest paid		-0.1	-0.2
Income taxes paid		-20.7	-20.7
Cash flow from operating activities		-0.6	-15.2
Investing activities			
Investments in property, plant and equipment	11	-	-
Cash flow from investing activities		-	-
Financing activities			
Share warrants incoming payments		-	0.1
Dividend to shareholders		-20.5	-
Change in borrowings to/from subsidiaries		-3.5	-52.3
Share buybacks		-9.6	-
Amortization of borrowings		-	-18.0
Group contributions		89.0	89.0
Cash flow from financing activities		55.4	18.8
Cash flow for the year		54.8	-2.0
Cash and cash equivalents at beginning of year		2.5	4.5
Cash and cash equivalents at end of year	16	57.3	2.5

Notes

Notes

Note 1. Summary of significant accounting policies

General

I.A.R. Systems Group AB (publ), corporate identification number 556400-7200, is a Swedish registered limited liability company domiciled in Stockholm, Sweden. The address of the company's head office 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 3, 2024.

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 2023

The Group applies the following new or amended IFRS from the IFRS Interpretations Committee as of January 1, 2023:

Standards	To be applied for financial years beginning:
IFRS 17 Insurance Contracts	On or after January 1, 2023
Amendments in IAS 1 Presentation of Financial Statements (disclosure of accounting policies)	On or after January 1, 2023
Amendments in IAS 8 Accounting Policies, amendments in accounting estimates and judgments and errors	On or after January 1, 2023
Amendments in IAS 12 Income Taxes	On or after January 1, 2023

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 starting on or after January 1, 2022 have not yet been applied by the Group.

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

Standards	To be applied for financial years beginning:
Changes in IAS 1 Presentation of Financial Statements (classification of liabilities) *	On or after January 1, 2024
Changes in IFRS 16 Leases (recognition of lease liabilities in a sale and leaseback transaction)	On or after January 1, 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (provide information on supplier finance arrangements) *	On or after January 1, 2024
Amendments to IFRS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability *	On or after January 1, 2024

* Not yet approved within the EU.

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

Revenue recognition

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

Payment for technical support and software updates is normally received in advance and the difference between payments received and reported revenue is recognized as a contract liability on the line "Deferred

Notes

Note 1, cont.

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

Technical support

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

Software updates

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

1.2 Consolidated financial statements

The consolidated financial statements include the Parent Company I.A.R. Systems Group AB and those companies over which the Parent Company has control (subsidiaries). 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 the net investment in foreign operations are taken to equity and recognized as an item in comprehensive income. This also includes exchange differences in inter-company loans where the loan is a part of the Group's net investment in foreign operations.

Notes

Note 1, cont.

The following exchange rates have been used:

Country	Currency	Closing day rate	Average rate
USA	1 USD	10.0416	10.6128
France, Germany	1 EUR	11.096	11.4765
UK	1 GBP	12.768	13.1979
Japan	1 JPY	0.07098	0.07559
China	1 CNY	1.4133	1.4982
Taiwan	1 NTD	0.3195	0.3343
South Korea	1 KRW	0.00774	0.008124
India	1 INR	0.1207	0.1285

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 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.
- › Short-term leases (12 months or less) and leases where the underlying asset has a low value (USD 5,000 or less) are not recognized in the balance sheet but in the same manner as operating leases were previously recognized.

1.6 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 (primarily IAR Embedded Workbench and Embedded Trust) and debug probes 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,

Notes

Note 1, cont.

- › there are adequate technical, financial and other resources available to complete the development and to utilize or sell the intangible asset, and
- › the expenditure associated with the intangible asset during its development can be reliably calculated.

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

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

1.7 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 cannot easily be determined for the Group's leases. 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.

Notes

Note 1, cont.

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

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

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

1.12 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

Notes

Note 1, cont.

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 2023 financial year are the same as those presented for the Group.

Amendments to RFR 2 that are not yet effective

The Parent Company has not yet begun to apply the amendments to RFR 2 Accounting for Legal Entities that took effect January 1, 2023 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's financial statements, participations in subsidiaries are measured at cost less any impairment losses. Dividends received from subsidiaries are recognized only to the extent that these derive from profits arising after the acquisition date.

1.21 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 and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that are associated with a signif-

icant risk for material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below.

a) Impairment testing of goodwill and other intangible assets

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 four, 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 four, 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 four. The discount rates used, 11.0% (9.9), are stated after tax and are deemed to reflect specific risks relating to the operating segments.

For other intangible assets, corresponding impairment testing is performed for assets that have not yet been utilized or if other indicators exist that may impact the value of the assets. The impairment test is based on an assessment of the asset's future cash flow. The discount rates used, 11.0% (9.9), are stated after tax and are deemed to reflect specific risks relating to the asset. No reasonable potential change to the key assumption would lead to further impairment. Management's assessment is that

Notes

Note 1, cont.

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.

b) Identification of cash-generating units

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 2023, management determined that the Group has two cash-generating units: IAR and Secure Thingz (see detailed description in Note 10 Intangible assets).

c) Income tax

The Group is subject to income taxation in several countries. Extensive judgment is required to determine the recognition of income taxes in the consolidated financial statements. There are many transactions and calculations for which the ultimate tax determination is uncertain at the date of the transactions and calculations. 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. At the 2023 year-end, no deferred tax assets related to previous years' tax losses are recognized in the consolidated balance sheet.

d) Revenue recognition

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

e) Exchange differences in inter-company loans

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

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

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

Note 2. Financial risk management

Operational risks

In addition to the description of the Group's operational risks presented below, further descriptions of the Group's risks can be found in the administration report on pages 34–37.

Customers

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

Employees

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

Technology

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

Competitors

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

Business cycle

The business cycle is difficult to predict and has an impact on the company's sales and earnings. Management closely monitors trends in the

Notes

Note 2, cont.

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 97% (97) of total sales. Of the cost of goods sold, which accounts for about 2% (4) of the Group's cost base, approximately 67% (59) of purchases are denominated in foreign currency, primarily in USD, EUR, GBP and JPY.

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

SEKm	Total	SEK	USD	EUR	GBP	JPY	Other currencies
Sales	458.1	13.3	159.0	102.8	15.6	82.4	85.0
Cost of goods sold	13.4	3.6	3.4	2.7	1.0	2.6	0.1
Other expenses	651.3	213.6	55.4	12.2	317.6	22.8	29.7

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, 2023 was determined as follows:

At December 31, 2023	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	0.0	0.0	76.2	0.4
Trade receivables, gross	61.9	12.4	2.0	1.6	0.4	78.3
Contract assets, gross	8.2	0.0	0.0	0.0	0.0	8.2
Credit loss allowance	0.0	0.0	0.0	0.0	0.3	0.3

c) Liquidity risk

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

Notes

Note 2, cont.

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, 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	-	-	-

At December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years
Bank loans	-	-	-	-
Leases	19.0	31.2	18.9	-
Bank overdraft facilities	-	-	-	-
Trade and other payables ¹	15.5	-	-	-

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 December 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

Sensitivity analysis

At December 31, 2022	Change	Effect on profit
Cost of goods sold	+/- 5%	+/- SEK 0.6m
Payroll expenses	+/- 5%	+/- SEK 13.7m
Currency - EUR	+/- 5%	+/- SEK 6.0m
Currency - USD	+/- 5%	+/- SEK 3.0m
Currency - GBP	+/- 5%	+/- SEK 2.1m
Currency - JPY	+/- 5%	+/- SEK 1.8m
Currency - CNY	+/- 5%	+/- SEK 1.3m
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, 2023 and 2022 was as follows:

	2023	2022
Total borrowings (Note 17)	51.7	69.3
Less cash and cash equivalents (Note 17)	-197.4	-148.2
Net debt	-145.7	-78.9
Total equity	423.4	666.8
Total capital	277.7	587.9
Net debt/equity ratio, %	-52.5	-13.4

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 SEKm	Net sales		Non-current assets		Investments	
	2023	2022	2023	2022	2023	2022
Americas						
USA	148.2	128.3	11.2	35.1	0.6	11.4
Other countries	9.2	10.1	-	-	-	-
	157.4	138.3	11.2	35.1	0.6	11.4
Asia						
Japan	84.1	73.6	1.6	3.7	-	2.2
South Korea	20.9	23.5	0.5	1.2	-	1.7
Other countries	63.6	60.4	7.7	4.6	7.0	4.1
	168.6	157.5	9.8	9.5	7.0	8.7
EMEA						
UK	14.9	13.1	86.0	351.4	22.2	29.3
Germany	50.3	45.1	1.5	2.2	-	0.0
France	11.4	12.7	0.4	0.2	0.7	0.3
Other countries	38.7	38.2	0.0	0.0	0.0	0.0
	115.3	109.2	87.9	353.8	22.9	29.6
Nordic region						
Sweden	7.4	6.9	255.2	257.2	16.8	67.6
Other countries	9.3	7.9	-	-	-	-
	16.7	14.8	255.2	257.2	16.8	67.6
Total	458.1	419.9	364.1	655.6	47.3	116.6

No single customer accounted for 10% or more of the Group's net sales in 2023 and 2022. 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:

SEKm	2023	2022
Development solutions	456.0	418.4
Security products	2.1	1.5
Net sales	458.1	419.9
SEKm	2023	2022
License-based revenue	229.4	233.1
Support and software updates	210.6	167.9
Other	18.1	18.9
Net sales	458.1	419.9
At a point in time	247.5	252.0
Over time	210.6	167.9
Net sales	458.1	419.9
Americas	154.9	140.7
Asia	152.7	139.0
Europe	148.6	138.6
Not allocated by region	1.9	1.6
Net sales	458.1	419.9

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

Notes

Note 4, cont.

Contract balances are recognized as follows:

SEKm	Group		
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Contract assets			
Licenses	8.2	15.5	26.0
Contract liabilities			
Technical support and software updates	126.8	115.3	91.2

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 111.6m (91.2) 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

SEKm	2024	Group		Total
		2025	2026–2028	
Technical support and software updates	123.4	3.0	0.4	126.8

SEKm	2023	Group		Total
		2024	2025–2027	
Technical support and software updates	111.6	2.9	0.8	115.3

Note 5. Other external expenses

Fees to auditors

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Deloitte				
Audit of the financial statements	1.3	1.3	-	-
Audit-related services other than the audit	0.0	0.0	-	-
Tax consultancy	0.6	0.4	-	-
Other services	-	0.2	-	-
Total Deloitte	1.9	1.9	-	-
Other				
Audit of the financial statements	0.5	0.4	-	-
Tax consultancy	-	0.0	-	-
Other services	-	-	-	-
Total fees to auditors	2.4	2.3	-	-

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 2023 was 202 (203). The breakdown of the average number of employees by country and, in Sweden, by location, is shown in the table below.

Half, 53% (49), are employed in Sweden (calculated on the average number of employees during the year).

Average number of employees

	2023		2022	
	Number of employees	Of whom, men, %	Number of employees	Of whom, men, %
Parent Company				
Uppsala	2	50	4	50
Subsidiaries in Sweden				
Uppsala	106	78	94	78
Subsidiaries outside Sweden				
Germany	2	50	2	50
France	4	46	2	50
UK	25	84	39	85
USA	28	46	31	58
South Korea	5	60	4	75
India	2	50	2	50
China	10	70	7	71
Taiwan	4	50	2	100
Japan	14	71	15	60
Total subsidiaries	200	73	199	73
Total Group	202	72	203	74

Gender distribution among senior executives in the Group

	2023		2022	
	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	58	12	67
Presidents of subsidiaries	1	100	1	100
Parent Company				
Board members	5	60	5	60
CEO and other senior executives	2	50	2	50

Salaries, other remuneration and social security expenses

The Group's total payroll costs in 2023 amounted to SEK 249.5m (259.3), of which social security expenses accounted for SEK 42.6m (38.0) and pensions for SEK 17.3m (17.4). Of the Group's total payroll costs, SEK 30.4m (41.7) has been capitalized as internally generated development costs in the balance sheet.

	2023			2022		
	Salaries and other remuneration	Social security expenses (of which pension costs)		Salaries and other remuneration	Social security expenses (of which pension costs)	
SEKm						
Parent Company	6.1	3.3 (1.0)		6.9	3.5 (1.0)	
Subsidiaries	183.4	56.6 (16.3)		197.0	51.9 (16.4)	
Total Group	189.5	59.9 (17.3)		203.9	55.4 (17.4)	

Of the Group's total pension costs, SEK 0.7m (0.8) is attributable to Board members and the CEO. Of the Parent Company's total pension costs, SEK 0.7m (0.8) 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

SEKm	2023		2022	
	Board, CEO and other senior executives	Other employees	Board, CEO and other senior executives	Other employees
Parent Company	7.3	–	6.4	1.5
Subsidiaries in Sweden	7.1	75.7	5.6	69.5
Subsidiaries outside Sweden	9.6	104.3	13.2	104.7
Total Group	24.0	180.0	25.2	175.7

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 2023, this did not apply to any members. In 2022, this included Richard Lind. The group Other senior executives refers to all other members of Group management (11 individuals).

Board of Directors

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

Board Chairman: SEK 500,000

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

Principles

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

For 2023, 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 other senior executives 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 2023 was based on the Group's sales and operating profit. The bonus amount for other senior executives in 2023 was equal to 6.3% (8.2) of fixed salary.

Pension agreements

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

Termination benefits

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

Incentive programs

Changes in the number of outstanding warrants

SEKm	LTI 2023		LTI 2022		Exchange Allotment 2018	
	2023	2022	2023	2022	2023	2022
At beginning of year	–	–	138,250	–	6,563	17,099
Allotted	141,000	–	–	140,000	–	–
Exercised	–	–	–	–	–	-10,536
Forfeited/past due	-1,750	–	-8,983	-1,750	–	–
At end of year	139,250	–	129,267	138,250	6,563	6,563

Notes

Note 6, cont.

Remuneration and other benefits during the year

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

SEKm	Fixed salary/ Board fees		Variable salary		Other benefits		Pension agreements		Share-based remuneration		Other remuneration		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Board Chairman Nicolas Hassbjer	0.5	0.5	-	-	-	-	-	-	-	-	-	-	0.5	0.5
Board member Cecilia Wachtmeister	0.2	0.2	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Board member Sabina Lindén	0.2	0.1	-	-	-	-	-	-	-	-	-	-	0.2	0.1
Board member Fred Wikström	0.2	0.2	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Board member Michael Ingelög	0.2	0.2	-	-	-	-	-	-	-	-	-	-	0.2	0.2
CEO Richard Lind	2.8	2.7	-	-	0.1	0.0	0.7	0.8	0.4	0.1	-	-	4.0	3.6
Other senior executives, 11 (11)	15.7	17.1	1.0	1.4	0.4	0.2	2.3	2.0	1.6	0.3	-	-	21.0	21.0
Total	19.8	21.0	1.0	1.4	0.5	0.2	3.0	2.8	2.0	0.4	-	-	26.3	25.8

Information about incentive programs

LTI 2023

In accordance with the decision of the Extraordinary General Meeting (EGM) on April 26, 2023, a three-year incentive program for key I.A.R. Systems Group employees has been introduced ("LTI 2023"). The program includes restricted stock units (RSUs) and covers a maximum of 145,000 shares in I.A.R. Systems Group AB, 141,000 of which were allocated to a maximum of 140 employees at four different levels within the Group. In 2023, 1,750 RSUs were forfeited since employees announced that their employment in the Group would be ending. As of December 31, 2023, there were 139,250 RSUs outstanding.

Each RSU vested entitles the holder to one share, which will be transferred to participants in the program free of charge after three years, provided that the performance conditions established during the period have been achieved. The vesting period for the RSUs in the program runs until August 2026, allocated evenly between the periods. The allotted RSUs are vested at a rate of one third from the date of allotment (September 1,

2023) until August 31, 2024, August 31, 2025 and August 31, 2026. Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the period conditions for the program have been fulfilled, which is expected to take place in the fourth quarter of 2026. No RSUs in this program could be exercised as of December 31, 2023. In the event that all RSUs outstanding as of December 31, 2023 were to be exercised for shares, this would correspond to total dilution of approximately 1.0% of the number of shares outstanding and votes in the company.

The performance conditions for the program are based on annual growth of the Group's net sales for the 2023, 2024 and 2025 financial years and the Group's operating margin for the 2023, 2024 and 2025 financial years. The targets for the performance conditions are presented in the table below, and the relative weighting between the performance conditions for each year is one-third (meaning that the performance conditions for both increased net sales and the operating margin are to be fulfilled for each financial year for the performance conditions for the financial year to be fulfilled).

Performance conditions	Minimum level, %	Maximum level, %
Growth in net sales, 2023	5	20
Growth in net sales, 2024	5	20
Growth in net sales, 2025	5	20

Performance conditions	Minimum level, %
Operating margin, 2023	20
Operating margin, 2024	20
Operating margin, 2025	20

The Board has a mandate to determine, after the end of the last vesting period, whether the above performance targets have been met for all periods covered by LTI 2023. The Board also has a mandate to make adjustments to the above performance conditions, when appropriate.

Notes

Note 6, cont.

LTI 2023 is recognized in accordance with IFRS 2 Share-based Payment, which means that the cost of the incentive program is recognized on a straight-line basis during the vesting period. The fair value of the RSUs in the program was set based on the share price for the company's class B share on the allotment date (September 1, 2023), taking into account the likelihood that the performance conditions for the program, which are considered non-vesting conditions since the period for fulfillment of Performance conditionsthe targets differs from the vesting period, will be achieved. This calculation also takes future expected dividends into account. The total cost of the warrant program is estimated at SEK 7.0m, of which SEK 1.4m (-) has been charged to profit for the period.

Of the total 141,000 RSUs included in LTI 2023, 51,000 were allotted to individuals in Group management.

LTI 2022

In accordance with the decision of the Extraordinary General Meeting (EGM) on June 13, 2022, a three-year incentive program for key I.A.R. Systems Group employees has been introduced ("LTI 2022"). The program includes restricted stock units (RSUs) and covers a maximum of 140,000 shares in I.A.R. Systems Group AB, which were allocated to 140 employees at four different levels within the Group. In 2023, 8,983 RSUs were forfeited since employees announced that their employment in the Group would be ending. As of December 31, 2023, there were 129,267 RSUs outstanding.

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

have been fulfilled, which is expected to take place in the fourth quarter of 2025. No RSUs in this program could be exercised as of December 31, 2023. In the event that all RSUs outstanding as of December 31, 2023 were to be exercised for shares, this would correspond to total dilution of approximately 1.0% of the number of shares outstanding and votes in the company.

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

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

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

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

LTI 2022 is recognized in accordance with IFRS 2 Share-based Payment, which means that the cost of the incentive program is recognized on a straight-line basis during the vesting period. The fair value of the RSUs in the program was set based on the share price for the company's class B share on the allotment date (November 7, 2022), taking into account the likelihood that the performance conditions for the program, which are considered non-vesting conditions since the period for fulfillment of the targets differs from the vesting period, will be achieved. This calculation also takes future expected dividends into account. The total cost of the warrant program is estimated at SEK 10.2m, of which SEK 5.8m (1.2) has been charged to profit for the period.

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

Exchange Allotment 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in accordance with the approval from the Extraordinary General Meeting held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program 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 (10,536) stock options were exercised in 2023.

Notes

Note 7. Financial income and expenses

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Interest income	1.6	0.3	16.2	5.6
Exchange differences	0.0	0.0	1.9	6.5
Total financial income	1.6	0.3	18.1	12.1
Interest expenses	0.0	-0.2	-0.1	-0.2
Exchange differences	-0.1	-0.8	-	-
Interest expenses leases	-0.8	-1.5	-	-
Total financial expenses	-0.9	-2.5	-0.1	-0.2
Net financial items	0.7	-2.2	18.0	11.9

Note 8. Tax

The following components are included in the tax expense.

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Current tax on profit for the year	-18.0	-16.8	-24.4	-20.7
Deferred tax	-7.6	1.1	0.2	0.0
Total tax on profit for the year	-25.6	-15.7	-24.2	-20.7

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

SEKm	Group		Parent Company	
	2023	2022	2023	2022
The year's deferred tax expense/income				
intangible assets	-1.8	-2.4	-	-
change in loss carryforwards	-12.6	1.3	-	-
support and upgrade agreements	2.1	1.8	-	-
untaxed reserves	0.0	-0.2	-	-
other temporary differences	4.7	0.6	0.2	0.0
Total deferred tax in the income statement	-7.6	1.1	0.2	0.0

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Reconciliation between reported tax expense and tax expense based on the applicable tax rate				
Reported profit/loss before tax	-203.4	73.4	-337.8	91.5
Tax according to the applicable tax rate, 20.6%	41.9	-15.1	69.6	-18.8
Difference in foreign tax rates	-8.4	-0.1	-	-
Tax effect of changed tax rates	8.3	-	-	-
Tax effect of uncaptured loss carryforwards	-11.1	11.2	-	-
Tax effect of reversal of previously recognized tax relief in the UK	-	-11.2	-	-
Tax effect of non-deductible expenses	-56.3	-0.5	-93.8	-1.9
Tax effect of non-taxable income	0.0	0.0	0.0	0.0
Total	-25.6	-15.7	-24.2	-20.7
Prior year adjustments of current tax recognized in the current year	-	-	-	-
Tax on profit for the year according to the income statement	-25.6	-15.7	-24.2	-20.7

The tax effect of items recognized in comprehensive income amounted to SEK -0.4m (-1.2).

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.

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Deferred tax liabilities attributable to intangible assets	-40.9	-40.0	-	-
Deferred tax liabilities attributable to untaxed reserves	-0.6	-0.6	-	-
Deferred tax liabilities attributable to other temporary differences	-1.1	-6.4	-	-
Deferred tax liabilities attributable to lease assets	-10.1	-14.0	-	-
Amounts offset against deferred tax assets under offset rules	10.1	30.7	-	-
Total deferred tax liabilities	-42.6	-30.3	-	-
Deferred tax assets attributable to tax relief in the UK	-	12.6	-	-
Deferred tax assets attributable to support and upgrade agreements	2.6	1.8	-	-
Deferred tax assets attributable to other temporary differences	4.8	5.5	0.2	0.0
Deferred tax liabilities attributable to lease liabilities	10.1	14.0	-	-
Amounts offset against deferred tax liabilities under offset rules	-10.1	-30.7	-	-
Total deferred tax assets	7.4	3.2	0.2	0.0
Total deferred tax assets, net	-35.2	-27.1	0.2	0.0

As of December 31, 2023, the Group had accumulated loss carryforwards outside Sweden of SEK 220.5m (264.6). The Group received a tax relief payment of SEK 12.9m (11.2) during the third quarter of 2023 related to research and development costs in the UK attributable to 2022. The payment reduced aggregate loss carryforwards by an equivalent amount. This tax relief was recognized on December 31, 2022 as deferred tax assets, but as of the first quarter of 2023 is recognized under current receivables. On December 31, 2023, SEK 6.3m was recognized as estimated tax relief related to 2023, with expected payout during the second half of 2024.

Note 9. Earnings per share

	Group	
	2023	2022
Earnings, SEK m	-229.0	57.8
Basic earnings per share, SEK	-16.84	4.23
Earnings per share, diluted, SEK	-16.84	4.20
No. of shares		
Average number of shares outstanding before dilution, million	13.60	13.65
Average number of shares outstanding after dilution, million	13.80	13.75

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

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

Notes

Note 10. Intangible assets

Group, SEKm	Goodwill		Trademarks		Technology		Software		Internally generated software development costs		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Opening cost	366.6	355.9	11.7	11.7	39.2	38.0	23.1	25.5	462.6	394.5	903.2	825.7
Investments	-	-	-	-	-	-	0.2	-	36.1	50.3	36.3	50.3
Translation differences	12.2	10.7	-	-	-0.3	1.2	-0.1	0.3	-3.9	17.8	7.9	29.9
Sales and disposals	-	-	-	-	-	-	-	-2.7	-	-	-	-2.7
Closing accumulated 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
Opening amortization	-	-	-11.7	-11.7	-19.0	-10.7	-20.6	-21.4	-163.1	-132.1	-214.3	-175.9
Sales and disposals	-	-	-	-	-	-	-	2.7	-	-	-	2.7
Translation differences	-	-	-	-	0.1	-0.9	0.2	-0.3	5.4	-12.3	5.6	-13.4
Amortization for the year	-	-	-	-	-1.8	-7.4	-1.4	-1.6	-27.4	-18.7	-30.6	-27.7
Closing accumulated amortization	-	-	-11.7	-11.7	-20.7	-19.0	-21.8	-20.6	-185.1	-163.1	-239.3	-214.3
Opening impairment	-	-	-	-	-18.2	-18.2	-	-	-100.0	-100.0	-118.2	-118.2
Impairment for the year	-261.3	-	-	-	-	-	-	-	-29.4	-	-290.7	-
Closing accumulated impairment	-261.3	-	-	-	-18.2	-18.2	-	-	-129.4	-100.0	-408.9	-118.2
Carrying amount	117.5	366.6	0.0	0.0	0.0	2.0	1.4	2.5	180.3	199.5	299.2	570.7

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 36.3m (50.2), SEK 0.2m (0.0) pertains to acquired software and SEK 36.1m (50.2) pertains to internally generated software development costs. Of the internally generated costs, SEK 30.4m (41.7) 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, 2023 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

The assessment of the cash-generating units that existed in the Group as of December 31, 2023 took into account the change in strategy implemented in 2023 regarding the Group's security solutions business, which also resulted in a reorganization of the development activities for the Group's security solutions in Cambridge in 2023.

Management's overall assessment of these changes is that the security solutions business conducted in Cambridge is a separate cash-generating unit and that there were therefore two cash-generating units in the Group as of December 31, 2023: IAR (embedded systems) and Secure Thingz (security solutions). Goodwill has been allocated to the Secure Thingz cash-generating unit based on the purchase price allocation prepared for the acquisition of Secure Thingz, as we consider this allocation to be the most accurate. The Secure Thingz cash-generating unit comprises the security product development unit located in Cambridge, while the IAR cash-generating unit comprises the other business lines of the IAR 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. An impairment test was also carried out for this cash-generating unit on December 31, 2022, but due to the changed assessment as of December 31, 2023 regarding the cash-generating units that exist in the Group, the composition of this cash-generating unit has been changed compared with earlier years. 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 11.0% was used for the IAR cash-generating unit, which is stated after tax and is deemed to reflect specific risks relating to the assets.

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 increased slightly compared with the comparative year. This was mainly due the general increase in interest, and thus higher expected yield requirements, noted in 2023.

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. This cash-generating unit is tested for impairment as a separate unit on December 31, 2023, which was not done on December 31, 2022. 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

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	11.0 (13.9)
Years 2-5 (forecast period)	Acc. to management's estimated forecast	Acc. to management's estimated forecast	11.0 (13.9)
Terminal value	2 % (2 %)	On par with year 5	11.0 (13.9)

Notes

Note 10. cont.

adjusted upwards by 2%. A discount rate of 11.0% 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.

To support impairment testing of goodwill in the Group allocated to the Secure Thingz cash-generating unit, an overall analysis of the sensitivity of the variables used in the model has been carried out. All goodwill allocated to the Secure Thingz cash-generating unit was impaired during the period and no goodwill or intangible assets with indefinite useful lives thus remained as of December 31, 2023. Therefore, there is no additional sensitivity regarding the impairment test for this cash-generating unit.

The impairment test conducted for this Secure Thingz cash-generating unit at year-end 2023 showed that the recoverable amount, calculated as the value in use, is lower than the carrying amount. The recoverable amount is lower than the carrying amount largely because this cash-generating unit is now tested for impairment as an independent unit, unlike in previous years. As a result, an impairment loss of SEK 261.3m for the entire allocated goodwill related to the Secure Thingz cash-generating unit was recognized on the line "Impairment of goodwill" in profit or loss. After impairment, the carrying amount corresponds to the recoverable amount of the cash-generating unit, and the carrying amount of goodwill allocated to the Secure Thingz cash-generating unit was therefore zero on December 31, 2023.

Note 11. Property, plant and equipment

Group, SEKm	Right-of-use assets		Leasehold improvements		Equipment		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening cost	119.7	78.0	5.3	3.6	34.6	33.0	159.6	114.6
Investments	5.0	57.9	2.5	1.4	3.8	6.0	11.3	65.3
Translation differences	-2.8	5.1	-0.2	0.3	-0.6	0.8	-3.6	6.2
Sales and disposals	-5.5	-21.3	-0.1	-	-7.3	-5.3	-12.9	-26.6
Closing accumulated cost	116.4	119.7	7.5	5.3	30.5	34.6	154.4	159.5
Opening depreciation	-51.5	-42.3	-2.5	-1.6	-20.6	-20.5	-74.6	-64.5
Sales and disposals	3.8	14.2	-	-	6.0	4.7	9.8	18.9
Translation differences	1.0	-2.7	0.1	-0.1	0.6	-0.9	1.7	-3.6
Depreciation of leases for the year	-20.7	-20.7	-	-	-	-	-20.7	-20.7
Depreciation for the year	-	-	-1.3	-0.8	-4.4	-3.9	-5.7	-4.7
Closing accumulated depreciation	-67.4	-51.5	-3.7	-2.5	-18.4	-20.6	-89.5	-74.6
Carrying amount	49.0	68.2	3.8	2.9	12.1	13.9	64.9	85.0
Parent Company, SEKm					2023	2022	2023	2022
Opening cost					0.4	0.7	0.4	0.7
Investments					-	-	-	-
Sales and disposals					-	-0.3	-	-0.3
Closing accumulated cost					0.4	0.4	0.4	0.4
Opening depreciation					-0.2	-0.5	-0.2	-0.5
Sales and disposals					-	0.3	-	0.3
Depreciation for the year					-0.2	0.0	-0.2	0.0
Closing accumulated depreciation					-0.4	-0.2	-0.4	-0.2
Carrying amount					0.0	0.2	0.0	0.2

Notes

Note 11. cont.

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

Leases Parent Company

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

SEKm	Parent Company	
	2023	2022
Due for payment within 1 year	0.4	0.3
Due for payment within 2 years	0.5	0.4
Due for payment within 3 years	-	0.5
Due for payment within 4 years	-	-
Due for payment in 5 years or later	-	-

Leases Group

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

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

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

When the length of the lease is determined, management considers all available information that creates an economic incentive to exercise an extension option, or to not exercise an option to terminate the lease. The option to extend a lease is only included in the length of a lease if it is reasonable to assume that the lease will be extended (or not terminated). On December 31, 2023, 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, 2023 was SEK 116.4m (119.7).

Accumulated depreciation at year-end amounted to SEK 67.4m (51.5). 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	2023	2022
Current portion (due within 1 year)	16.8	19.0
Non-current portion (due within 5 years)	34.9	50.3
Non-current portion (due later than 5 years)	-	-
Total	51.7	69.3

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

Group, SEKm	2023	2022
Depreciation of right-of-use assets	-20.7	-20.7
Interest expenses for lease liabilities	-2.5	-1.5
Expenses attributable to short-term leases and low-value leases	-1.9	-1.1
Total	-25.1	-23.4

The total cash flow for the Group's leases recognized as right-of-use assets amounted to SEK -24.7m (-19.9) in 2023.

Notes

Note 12. Other non-current receivables

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Deposits	3.2	3.4	-	0.1
Other	0.0	0.3	-	-
	3.2	3.7	-	0.1

Note 13. Trade and other receivables

SEKm	Group	
	2023	2022
Trade receivables	78.3	70.0
Reserve for expected credit losses	-0.3	-3.4
Trade receivables, net	78.0	66.6
Prepaid expenses and accrued income	21.6	28.1
Other receivables	11.0	5.1
	32.6	33.2

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

SEKm	Group	
	2023	2022
Less than 3 months	15.5	14.6
3-6 months	0.5	3.8
More than 6 months	0.4	0.5
	16.4	18.9

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

Currency	Group	
	2023	2022
SEK	22.1	15.7
EUR	23.6	28.2
USD	37.9	36.0
Other currencies	27.1	20.2
	110.7	100.1

Changes in provisions for doubtful debts

SEKm	Group	
	2023	2022
Provisions at January 1	3.4	1.5
The year's provisions for doubtful debts	0.2	3.5
Receivables written off during the year as uncollectable	-1.4	-1.6
Reversed unutilized amount	-1.9	-
Provisions at December 31	0.3	3.4

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, 2023.

 Notes

Note 14. Other current receivables

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Tax assets	7.7	0.3	-	-
Other	3.2	5.1	0.2	0.1
Total other current receivables	10.9	5.4	0.2	0.1

Note 15. Prepaid expenses and accrued income

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Accrued income	8.3	15.5	-	-
Prepaid rents	4.7	5.0	0.1	0.1
Prepaid insurance premiums	1.6	1.6	0.1	0.1
Other prepaid expenses	7.0	6.0	0.4	0.1
Total prepaid expenses and accrued income	21.6	28.1	0.6	0.3

Note 16. Cash and cash equivalents

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Cash in hand and bank deposits	197.4	148.2	57.3	2.5
Cash and cash equivalents at end of year	197.4	148.2	57.3	2.5
Unutilized committed credit facilities	50.0	-	50.0	-
Total cash and cash equivalents and unutilized credit facilities	247.4	148.2	107.3	2.5

Notes

Note 17. Financial instruments

SEKm, December 31	2023	2022
Financial assets measured at amortized cost		
Other non-current receivables	3.2	3.7
Trade receivables	78.0	66.6
Accrued income	8.2	15.5
Other financial assets measured at amortized cost	16.2	5.9
Cash and cash equivalents	197.4	148.2
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	303.0	239.9
Financial liabilities measured at amortized cost		
Lease liabilities	51.7	69.3
Liabilities to credit institutions	-	-
Trade payables	6.9	8.4
Other liabilities excluding non-financial liabilities	23.3	16.8
Total	81.9	94.5

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	
SEKm	2023	2022
Cash in hand and bank deposits	197.4	148.2
Cash and cash equivalents	197.4	148.2

Cash flow attributable to liabilities related to financing activities

	Group	
SEKm	2023	2022
Borrowings, bank loans	-	-
Amortization of bank loans	-	-18.0
Amortization of lease liabilities	-19.1	-21.6
Total	-19.1	-39.5

Reconciliation of cash flow attributable to liabilities related to financing activities

	Liabilities to credit institutions	Lease liabilities	Total
Opening balance, January 1, 2022	-18.0	-38.0	-56.0
Cash flow from financing activities	18.0	21.5	39.5
New leases	-	-55.9	-55.9
Exchange differences	-	3.1	3.1
Closing balance, December 31, 2022	-	-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

Notes

Note 17. cont.

Bank overdraft facility

SEKm	Group	
	2023	2022
Bank overdraft facility	50.0	-

In 2023, an agreement was entered into for a new bank 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, 2023 amounted to SEK 51.9m (69.3), of which SEK 34.9m (50.3) pertains to non-current borrowings excluding those maturing in the next 12 months. Non-current borrowings maturing within 12 months amount to SEK 16.8m (19.0). The table below shows the carrying amounts of the Group's interest-bearing liabilities.

Borrowings	Interest rate	Currency	Group	
			2023	2022
Other non-current liabilities				
Non-current bank loans in Sweden	Variable	SEK	-	-
Lease liabilities	Fixed	SEK	34.9	50.3
Current portion of non-current liabilities				
Non-current bank loans in Sweden	Variable	SEK	-	-
Lease liabilities	Fixed	SEK	16.8	19.0
Bank overdraft facilities	Variable	SEK	-	-
			51.7	69.3

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 2023.

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, 2022	-	13,649,445	318,888	13,968,333
Conversion of class C shares to Class B shares 2022	-	10,846	-10,846	-
Total number of shares at December 31, 2022	-	13,660,291	308,042	13,968,333
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

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 103,687 class B shares held in treasury, of which 95,724 class B shares were acquired in 2023 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	276,817,696.20
Comprehensive income for the year	-361,553,745.50
Total, SEK	170,053,231.84

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	149,562,795.34
Total, SEK	170,053,231.84

Note 20. Accrued expenses

SEKm	Group		Parent Company	
	2023	2022	2023	2022
Accrued salaries and social security expenses	13.9	12.2	0.6	0.5
Accrued reorganization costs	1.1	-	0.7	-
Other items	8.3	5.7	0.3	0.2
Total accrued expenses	23.3	17.9	1.6	0.7

Notes

Note 21. Pledged assets

SEKm	Group		Parent Company	
	2023	2022	2023	2022
To secure own liabilities				
To secure pensions and similar obligations:				
Direct pension obligations	20.4	22.8	19.6	22.3
To secure liabilities to credit institutions:				
Machinery held under - finance leases	1.7	2.9	-	-
Total assets pledged to secure own liabilities	22.1	25.7	19.6	22.3
To secure other commitments				
Guarantees	-	-	-	-
Total pledged assets	22.1	25.7	19.6	22.3

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

SEKm	Parent Company	
	2023	2022
Opening cost	455.1	481.4
Acquisitions	-	-
Sale of subsidiaries	-	-27.2
Shareholder contributions (vesting RSUs)	5.2	0.9
Closing accumulated cost	460.3	455.1
Opening impairment	-	-
Impairment for the year	-241.6	-
Closing accumulated impairment	-241.6	-
Closing carrying amount	218.7	455.1

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 2023, the former Group company Signum Systems Software Inc was liquidated. During the year, participations in subsidiaries were impaired by SEK 241.6m (-) and receivables from subsidiaries were impaired by SEK 212.8m (-).

Group composition

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

Primary activity	Geographic operations	Dec 31, 2023	Dec 31, 2022
Product development offices	Europe	2	2
Product development offices	Americas	-	-
Sales office	Europe	3	3
Sales office	Americas	3	3
Sales office	Asia	6	6

Notes

Note 22. cont.

PARENT COMPANY HOLDINGS

SEKm	Corp. ID no.	Domicile	% of capital	% of votes	No. of shares	Carrying amount 2023	Carrying amount 2022
Direct holdings:							
I.A.R. Systems AB	556230-7107	Uppsala, Sweden	100.0	100.0	22,846,224	168.6	164.4
Secure Thingz Inc	813002824	Foster City, USA	100.0	100.0	8,640,112	50.0	290.7
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	0.0
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.	01000002202003230005	Shanghai, China	100.0	100.0	–	–	–
IAR Systems Korea Co	110111-4699679	Seoul, South Korea	100.0	100.0	–	–	–
IAR Systems India Private Ltd.	U72900DL2020FTC365795	Bangalore, India	99.9	99.9	–	–	–
IAR Systems France Sarl	539 357 327 R.C.S. Nanterre	Boulogne-Billancourt, France	100.0	100.0	–	–	–
I.A.R. Systems Uppsala AB	556456-7690	Uppsala, Sweden	100.0	100.0	–	–	–
Secure Thingz Ltd	09193626	Cambridge, England	100.0	100.0	–	–	–
Closing carrying amount						218.7	455.1

Note 23. Related party transactions

Of the Parent Company's total expenses of SEK 4.5m (3.7), 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, 2023, the Parent Company had receivables from subsidiaries of SEK 83.8m (252.2)

and liabilities to subsidiaries of SEK 42.7m (11.9). The absolute majority of the receivables from Group companies carry market interest (based on the Sterling Overnight Index Average, SONIA, for receivables in GBP and on the Secured Overnight Financing Rate, SOFR, for receivables in USD). No collateral has been pledged for these receivables. In 2023, the Parent Company impaired receivables from Group companies of SEK 212.4m, which is recognized on the line "Profit/loss from participations in Group companies"

in the Parent Company's income statement. At December 31, 2023, there was a recognized credit loss reserve for receivables from Group companies of SEK 0.3m (0.9) 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

On March 22, 2024, it was announced that President and CEO Richard Lind would resign during the year, and on March 28, it was announced that Cecilia Wachtmeister would succeed him, taking office no later than October 1, 2024.

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 posi-

tion 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 25, 2024.

Stockholm, April 3, 2024

Richard Lind
President and CEO

Nicolas Hassbjer
Board Chairman

Fred Wikström
Board member

Cecilia Wachtmeister
Board member

Michael Ingelög
Board member

Sabina Lindén
Board member

Our auditor's report was submitted on April 3, 2024.
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 2023-01-01 – 2023-12-31. The annual accounts and consolidated accounts of the company are included on pages 32–75 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Consolidated net sales amounts to SEK 458,1 (419,9) 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 181,5 (199,5) 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.

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, description of impairment and identification of the cash generated units in note 10.

Auditor's report

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

Identifying cash-generating units when testing goodwill for impairment

Consolidated goodwill amounts to SEK 117,5 (366,6) million and originates from the acquisition of IAR Systems AB, Signum Inc and Secure Thingz Inc. Group management has since 2020 assessed that the group consist of a single cash-generating unit but due to changes occurring in the company during 2023, this assessment has been updated and as of 2023-12-31 the company is assessed to consist of two cash-generating units. As a consequence group management prepares two impairment tests where the recoverable amount of the group is estimated and compared to the carrying value of consolidated net assets. We have identified this as a key audit matter since a different assessment could have a

material impact on the Group's earnings and financial position. For further information, please refer to the Group's accounting policies and description of significant estimates and assumptions in note 1 and not 10 Intangible assets for a more detailed description of group management's assessment of number of cash-generating units.

Our audit procedures included but were not limited to:

- › challenge significant assumptions in management's assessment of the number of cash generating units;
- › create an understanding of the process for identifying the number of cash-generating units
- › evaluation of disclosures related to cash-generating units and applied assumptions by management.
- › evaluation of the management's impairment after finalizing the identification of cash generating units
- › evaluation of management's assessments and estimates when assessing the impairment; and
- › evaluation of disclosures for regarding the impairment of goodwill in 2023

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–31 and 80–100. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

Auditor's report

- › 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.

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of I.A.R. Systems Group AB (publ) for the

financial year 2023-01-01-2023-12-31 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

Auditor's report

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.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consol-

idated 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 2023-01-01 – 2023-12-31.

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

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

Deloitte AB, was appointed auditor of I.A.R Systems Group AB (publ) by the general meeting of the shareholders on the 26th of April 2023 and has been the company's auditor since 24th of April 2012.

Stockholm April 3, 2024
Deloitte AB

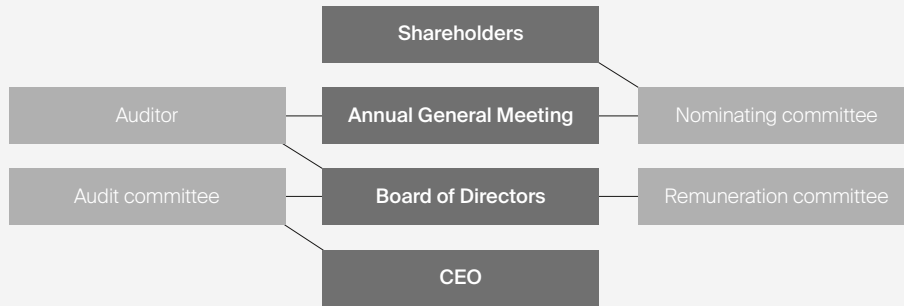
Signatures on Swedish original

Andreas Frountzos
Authorized Public Accountant

Corporate governance report

Corporate governance report

I.A.R. Systems Group is a Swedish public limited company domiciled in Stockholm, Sweden. In 2023, 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 103,687 class B shares are held in treasury.

The number of shareholders in I.A.R. Systems Group at December 31, 2023 was 6,583 (6,917). Of these shareholders, 355 (400) held more than 1,000 shares each. Foreign shareholders held approximately 25% (28) of the share capital and 27% (28) of

the votes. For additional information about the shareholders and ownership structure, see pages 86–87.

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.

2023 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.

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

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

The AGM resolved in accordance with the Board's proposal to carry forward the profits from the 2022 financial year.

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

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

Corporate governance report

ture. 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 53 years and two of the five members are women. The nominating committee considers all of the Board members to be independent in relation to the company, its management and the company's major shareholders. I.A.R. Systems Group meets the requirements in the Code regarding the Board of Directors' independence in relation to the company, its management and the company's major shareholders.

Work and responsibilities of the Board

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

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

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

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

Work of the Board in 2023

In 2023, the Board held 11 meetings, of which seven were scheduled and four were extraordinary meetings. Each of the regular meetings followed an approved agenda, and both the proposed agendas

Board 2023	Elected	Dependent	Remuneration committee	Audit committee
Nicolas Hassbjer, Chairman	2021	No	Chairman	Chairman
Cecilia Wachtmeister	2021	No	Member	Member
Sabina Lindén	2022	No	Member	Member
Michael Ingelög	2019	No	Member	Member
Fred Wikström	2019	No	Member	Member

Remuneration to CEO, other senior executives and the Board for 2023 is recognised in Note 6 on pages 58–61.

Corporate governance report

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 84 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 2023 AGM, at which time Deloitte was elected as auditor to serve for the period until the end of the 2024 AGM. Auditor in Charge is Andreas Frountzos (born in 1981). In addition to I.A.R. Systems Group AB, he has audit assignments for TV4 AB, 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 2023 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 0.6m (0.4) in 2023. The auditor is paid fees in accordance with the decision of the AGM. For information about fees to auditors in 2023 and 2022, see Note 5 on page 57.

CEO

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

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

Board's financial calendar

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

Attendance at Board meetings in 2023

	8/2	28/3	26/4	26/4 Stat.	30/6	16/8	29/8	6/9	25/10	1/12	18/12	Total
Nicolas Hassbjer, Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Cecilia Wachtmeister	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Michael Ingelög	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Fred Wikström	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Sabina Lindén	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11

Corporate governance report

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

Remuneration to the CEO and other senior executives

The principles for remuneration to the CEO and other senior executives are prepared by the remuneration committee and presented to the Board, which puts forward proposals for such principles for approval by the AGM. The group Other senior executives refers to Group management. For 2023, 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. Variable remuneration is only paid to sales personnel. Maximum remuneration corresponds to 50% of fixed salary. Pension benefits and other benefits are paid as part of the total remuneration package. In 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 solely/primarily on gender, and to ensure that groups are not made up solely of one gender.

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

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

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

Internal control

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

Control environment

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

Risk assessment

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

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

Corporate governance report

of the remuneration committee are to be independent in relation to the company and its management. All members of the remuneration committee are independent in relation to the company, its management and the company's major shareholders. The remuneration committee is appointed by the Board. The committee has addressed matters of principle regarding variable salary for senior executives and general matters related to guidelines and policies for senior executives. The committee has also dealt with the salary and other terms of employment for the CEO.

Ahead of the 2024 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. No separate committee meetings were held in 2023. All issues were handled within in the context of Board meetings.

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 2023. 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 2024 AGM, comprised:

Jonas Eixmann, Andra AP-fonden, *Chairman*
Peter Lundkvist, Tredje AP-fonden, Markus Lindqvist, Aktia and Petter Mattsson, Alcur Fonder.

The AGM on April 26, 2023 resolved to appoint a nominating committee according to the following principles. By September 30, 2023, 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 2024 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 2024 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 2024 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 2025 AGM.

The corporate governance report for 2023 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 2023-01-01 - 2023-12-31 on pages 80-84 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 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

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

Stockholm April 3 2024
Deloitte AB

Signatures on Swedish original
Andreas Frountzos
Authorized Public Accountant

Investment case



Why invest in IAR

IAR is leading in the rapidly expanding market for secure, reliable, and high-quality software tailored for embedded systems. With over 40 years of experience, IAR is active in a global market, supported by a strong financial standing and a dedicated team boasting extensive expertise in embedded solutions and services.

Strong position in a rapidly evolving market

The company's flexible user licensing model nurtures robust customer relationships and ensures high retention rates. With a broad product portfolio for embedded solutions and services, IAR is a strong partner for its customers and well positioned for continued growth and success.

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 aspects are becoming increasingly important.

IAR stands at the forefront of the embedded systems industry. Our software helps developers in programming and optimizing embedded systems and provides security solutions to protect clients' end users and assets.

Our most important competitive advantages

- A unique combination of developer tools and security products
- The independence that allows us to support different processor architectures
- Superior quality, ensuring no compromise on code performance, reliability, and ease of use
- Own security solutions that are integrated into development and production

Profitable growth and strong financial position

IAR's strong financial position enables flexibility and ensures the conditions for planned investments in tech development and sustainable growth. In 2023, we achieved growth of 5.3% with an adjusted operating margin of 21%. The long-term financial target is 10-15% annual organic growth and an operating margin exceeding 25%. Our dividend policy is to return 30-50% of the profit 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, 2023 was SEK 123.8 (150.4) and the market capitalization was SEK 1,691m (2,054).

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 73.0 (100.2) to a high of SEK 166.4 (162.4). The share price at December 31, 2023 was SEK 123.8 (150.4). I.A.R. Systems Group's market capitalization on the same date was SEK 1,691m (2,054).

The number of shareholders in I.A.R. Systems Group at December 31, 2023 was 6,583 (6,916). Of these shareholders, 355 (400) held more than 1,000 shares each. Foreign shareholders held approximately 24.6% (28.0) of the share capital and 24.6% (28.0) of the votes.

I.A.R. Systems Group's share capital at December 31, 2023 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All of the class C shares and 103,687 of the class B shares are held in treasury, of which 95,724 class B shares were acquired in 2023 under the buyback program that the Board approved on August 29, 2023. Class C shares are not included in the information submitted regarding the IAR Systems Group share.

Dividend proposal

Ahead of the AGM on April 25, 2024, the Board intends to propose a dividend of SEK 1.5 per share.

Dividend policy

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

Authorizations

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

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

Largest shareholders at December 31, 2023¹

	No. of class B shares	Total no. of shares	% of capital	Total no. of votes	% of votes
Alcur Fonder AB	1,326,869	1,326,869	9.71	1,326,869	9.71
Andra AP-fonden	1,295,415	1,295,415	9.48	1,295,415	9.48
Avanza Pension	1,294,962	1,294,962	9.48	1,294,962	9.48
Aktia Asset Management	859,758	859,758	6.29	859,758	6.29
Tredje AP-fonden	828,930	828,930	6.07	828,930	6.07
Fjärde AP-fonden	590,000	590,000	4.32	590,000	4.32
Arbetsmarknedets Tillaegspension	580,320	580,320	4.25	580,320	4.25
Highclere International Investors LLP	549,806	549,806	4.02	549,806	4.02
Ribbskottet AB	500,000	500,000	3.66	500,000	3.66
JP Morgan Chase Bank NA	295,300	295,300	2.16	295,300	2.16
Total 10 largest shareholders	8,272,108	8,272,108	60.56	8,272,108	60.56
Other	5,538,931	5,538,931	40.55	5,538,931	40.55
Total	13,660,291	13,660,291	100.00%	13,660,291	100.00%

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

Distribution of shareholdings at December 31, 2023¹

	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	466,149	466,149	3.30	466,149	3.30	5,927	90.03
501-1,000	239,131	239,131	1.70	239,131	1.70	301	4.57
1,001-10,000	855,270	855,270	6.10	855,270	6.10	291	4.42
10,001-	12,099,741	12,099,741	88.90	12,099,741	88.90	64	0.97
Total	13,660,291	13,660,291	100.00	13,660,291	100.00	6,583	100.00

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

The share

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

LTI 2023

In accordance with the decision of the general meeting on April 26, 2023, a three-year long-term incentive program for key IAR Group employees has been introduced, LTI 2023. The program includes restricted stock units (RSUs) and covers a maximum of 145,000 shares in I.A.R. Systems Group AB, 141,000 of which were allocated to a maximum of 140 employees at four different levels within the Group. On December 31, 2023, the number of RSUs outstanding in this program amounted to 139,250.

The shares will be transferred to individuals free of charge after three years, provided that the performance conditions established during the period have been achieved. The performance conditions for this program are that the Group's operating margin is to be at least 20% for each year and that the

increase in the Group's net sales is to be between 5% and 20% for each year. The allotted RSUs are vested at a rate of one third from the date of allotment (September 1, 2023) until August 31, 2024, August 31, 2025 and August 31, 2026. Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the period conditions for the program have been fulfilled, which is expected to take place in the fourth quarter of 2026. In the event that all RSUs outstanding as of December 31, 2023 were to be exercised for shares, this would entail total dilution of approximately 1.0% of the number of shares outstanding and votes in the company.

LTI 2022

In accordance with the decision of the Extraordinary General Meeting (EGM) on June 13, 2022, a three-year long-term incentive program for key IAR Group employees has been introduced, LTI 2022. The program includes RSUs and covers a maximum of 140,000 shares in I.A.R. Systems Group AB, which were allocated to a maximum of 140 employees at four different levels within the Group. As of December 31, 2023, there were 129,267 RSUs outstanding.

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

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

Exchange allotment 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in

accordance with the approval from the EGM held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program continued until October 2022 and the program extends until 2027. Vested stock options can be exercised on an ongoing basis until 2027 at the latest. A total of 45,077 stock options were exercised and 21,774 stock options were forfeited.

Shareholder data

Shareholder data is based on information from Euroclear Sweden AB on December 31, 2023 and pertains to the share of votes, unless otherwise stated.



75.5% ■ Sweden
13.8% ■ Other Nordic countries
7.7% ■ Europe excl. Nordic region
3.0% ■ Rest of the world

70.6% ■ Legal entities
29.4% ■ Natural persons

Incentive programs (LTI)		Total	Subscribed/Allotted	Exercised Dec 31, 2023	Forfeited Dec 31, 2023	Qualified Dec 31, 2022	Qualified after Dec 31, 2023
LTI 2023	Restricted stock units	145,000	141,000	0	1,750	0	139,250
LTI 2022	Restricted stock units	140,000	140,000	0	10,733	44,317	84,950

Exchange allotment		Total	Subscribed/Allotted	Exercised Dec 31, 2023	Forfeited Dec 31, 2023	Qualified Dec 31, 2022	Qualified after Dec 31, 2023
2018	Stock options	73,413	73,413	45,077	21,774	6,562	0

The share

Share data	2023	2022
Equity per share, SEK	31.00	48.81
No. of shares at end of year, million	13.66	13.66
Average no. of shares, million	13.66	13.65
Cash flow from operating activities per share, SEK	10.55	9.36
Earnings per share, SEK ¹	-16.84	4.23
Dividend or equivalent per share, SEK	1.5	1.5
No. of shareholders	6,583	6,917
Last price paid on December 31 or similar, SEK	123.8	150.4

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 123.8 on December 31, 2023.

I.A.R. Systems Group 2019–2023



I.A.R. Systems Group 2023



Definitions

Definitions

The tables below present performance measures that are not defined in accordance with IFRS, unless otherwise stated. The following section **Reconciliations** present 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	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.

Reconciliations

Reconciliations

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

SEKm	2023	2022	2021	2020	2019
Net sales	125.9	419.9	355.9	372.0	405.6
Goods for resale	-4.3	-12.8	-12.0	-14.1	-10.8
Gross profit	121.6	407.1	343.9	357.9	394.8
Gross margin	96.6%	97.0%	96.6%	96.2%	97.3%

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

SEKm	2023	2022	2021	2020	2019
Operating profit	-204.1	75.7	-68.5	83.8	108.4
Depreciation of property, plant and equipment	5.7	5.3	3.7	3.1	3.1
Depreciation of right-of-use assets	20.7	20.2	16.7	17.2	9.8
Amortization of intangible assets	30.6	27.8	33.8	28.6	24.5
Impairment of intangible assets	29.4	-	118.2	-	-
Impairment of goodwill	261.3	-	-	-	-
EBITDA	143.6	129.0	103.9	132.7	145.8

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

SEKm	2023	2022	2021	2020	2019
Net sales	458.1	419.9	355.9	372.0	405.6
EBITDA	143.6	129.0	103.9	132.7	145.8
EBITDA margin	31.3%	30.7%	29.2%	35.7%	35.9%

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

SEKm	2023	2022	2021	2020	2019
Operating profit	-204.1	75.7	-68.5	83.8	108.4
Depreciation of property, plant and equipment	5.7	5.3	3.7	3.1	3.1
Depreciation of right-of-use assets	20.7	20.2	16.7	17.2	9.8
Amortization of intangible assets	30.6	27.8	33.8	28.6	24.5
Impairment of intangible assets	29.4	-	118.2	-	-
Impairment of goodwill	261.3	-	-	-	-
Costs for long-term incentive programs	7.3	1.2	-	-	-
Restructuring expenses	2.2	-	16.0	-	-
Adjusted EBITDA	153.1	130.2	119.9	132.7	145.8

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

SEKm	2023	2022	2021	2020	2019
Net sales	458.1	419.9	355.8	372.0	405.6
Adjusted EBITDA	153.1	130.2	119.9	132.3	145.8
Adjusted EBITDA margin	33.4%	31.0%	33.7%	35.7%	35.9%

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

SEKm	2023	2022	2021	2020	2019
Net sales	458.1	419.9	355.9	372.0	405.6
Operating profit	-204.1	75.7	-68.5	83.8	108.4
Operating margin	-44.6%	18.0%	-19.2%	22.5%	26.7%

Reconciliations

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

SEKm	2023	2022	2021	2020	2019
Operating profit	-204.1	75.7	-68.5	83.8	108.4
Impairment of intangible assets	29.4	-	118.2	-	-
Impairment of goodwill	261.3	-	-	-	-
Costs for long-term incentive programs	7.3	1.2	-	-	-
Restructuring expenses	2.2	-	16.0	-	-
Adjusted operating profit	96.1	76.9	65.7	83.8	108.4

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

SEKm	2023	2022	2021	2020	2019
Net sales	458.1	419.9	355.8	372.0	405.6
Adjusted operating profit	96.1	76.9	65.7	83.8	108.4
Adjusted operating margin	21.0%	18.3%	18.5%	22.5%	26.7%

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

SEKm	2023	2022	2021	2020	2019
Net sales	458.1	419.9	355.9	372.0	405.6
Profit/loss before tax	-203.4	73.5	-68.6	76.8	107.0
Profit margin	-44.4%	17.5%	-19.8%	20.6%	26.4%

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

SEKm	2023	2022	2021	2020	2019
Net sales	458.1	419.9	355.9	372.0	405.6
Cash flow from operating activities	144.1	127.7	131.6	118.4	105.7
Cash flow	31.5%	30.4%	37.0%	31.8%	26.1%

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

SEKm	2023	2022	2021	2020	2019
Equity	423.4	666.8	585.3	613.4	592.0
Total assets	700.0	922.2	812.8	833.5	824.9
Equity/assets ratio	60.5%	72.3%	72.0%	73.6%	71.8%

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

SEKm	2023	2022	2021	2020	2019
Equity	423.4	666.8	585.3	613.4	592.0
SEK m	2023	2022	2021	2020	2019
Average equity	545.1	626.1	599.4	602.7	571.0

Reconciliations

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

SEKm	2023	2022	2021	2020	2019
Profit after tax	-229.0	57.8	-67.4	59.4	81.2
Average equity	545.1	626.1	599.4	602.7	571.0
Return on equity	-42.0%	9.2%	-11.2%	9.9%	14.2%

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

SEKm	2023	2022	2021	2020	2019
Non-current interest-bearing liabilities	34.9	50.3	19.5	31.7	41.1
Current interest-bearing liabilities	16.8	19.0	36.5	34.6	38.0
Interest-bearing liabilities	51.7	69.3	56.0	66.3	79.1

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

SEKm	2023	2022	2021	2020	2019
Non-current liabilities	79.0	82.1	49.0	70.0	68.7
Current liabilities	197.6	173.3	178.5	150.1	164.2
Interest-bearing liabilities	-51.7	-69.3	-56.0	-66.3	-79.1
Non-interest-bearing liabilities	224.9	186.1	171.5	153.8	153.8

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

SEKm	2023	2022	2021	2020	2019
Interest-bearing liabilities	51.7	69.3	56.0	66.3	79.1
Cash and cash equivalents	-197.4	-148.2	-113.4	-67.8	-60.7
Net interest-bearing liabilities	-145.7	-78.9	-57.4	-1.5	18.4
Net debt/equity ratio, multiple	-0.34	-0.12	-0.09	-0.00	0.03

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

SEKm	2023	2022	2021	2020	2019
Profit/loss before tax	-203.4	73.5	-68.6	76.8	107.0
Financial expenses	0.9	2.5	1.6	7.5	2.6
Profit/loss before tax plus financial expenses	-202.5	76.0	-67.0	84.3	109.6
Return on capital employed	-33.4%	11.0%	-10.1%	12.5%	17.9%

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

SEKm	2023	2022	2021	2020	2019
Cash and cash equivalents	197.4	148.2	113.4	67.8	60.7
Interest-bearing liabilities	-51.7	-69.3	-56.0	-66.3	-79.1
Net cash	145.7	78.9	57.4	1.5	-18.4

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.

SEKm	2023	2022	2021	2020	2019
Total assets	700.0	922.2	812.8	833.5	824.9
Non-interest-bearing liabilities	-224.9	-186.1	-171.5	-153.8	-153.8
Capital employed	475.1	736.1	641.3	679.7	671.1

SEKm	2023	2022	2021	2020	2019
Average capital employed	605.6	688.7	660.5	675.4	612.0

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

SEKm	2023	2022	2021	2020	2019
Equity	423.4	666.8	585.3	613.4	592.0
No. of shares at end of year, million	13.66	13.66	13.65	13.64	13.63
Equity per share, SEK	31.00	48.81	42.88	44.97	43.43

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

	2023	2022	2021	2020	2019
No. of shares, million	13.66	13.66	13.65	13.64	13.63
Average no. of shares, million	13.66	13.65	13.64	13.63	13.63

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

SEKm	2023	2022	2021	2020	2019
Cash flow from operating activities	144.1	127.7	131.6	118.4	105.7
Average no. of shares, million	13.66	13.65	13.64	13.63	13.63
Cash flow from operating activities, per share, SEK	10.55	9.36	9.65	8.69	7.75

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

SEKm	2023	2022	2021	2020	2019
Cash flow from operating activities	144.1	127.7	131.6	118.4	105.7
Adjusted EBITDA	153.1	130.2	119.9	132.7	145.8
Cash conversion rate, multiple	0.94	0.98	1.10	0.89	0.72

Board of Directors

Board of Directors



Nicolas Hassbjer
Board Chairman

Born in: 1967.
Board member: Since 2021.
Education: Honorary doctorate in information technology.
Employment/other board assignments: Chairman of Yaskawa Robotics Nordic, Sigicom and Tequity, Deputy Chairman of the Chalmers University of Technology Foundation and Board member of Consafe Logistics and LumenRadio.
Work experience: Founder of HMS Networks (CEO from 1988 to 2009 and Deputy Chairman until 2013) and extensive experience in international sales, the Internet of Things and embedded systems.
Shareholding: 326,814 class B shares (February 28, 2024).
 Independent in relation to the company and management.
 Independent in relation to the company's major shareholders.



Michael Ingelög
Board member

Born in: 1971.
Board member: Since 2019.
Education: BSc in business administration from Uppsala University.
Employment/other board assignments: CEO and founder of MiMain, Chairman and co-founder of Stabelo, and Chairman and member of several boards.
Work experience: Long career in the finance sector in various senior positions, including at Svenska Handelsbanken, Deutsche Bank and Credit Suisse.
Shareholding: 7,000 class B shares (February 28, 2024).
 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, 2024).
 Independent in relation to the company and management.
 Independent in relation to the company's major shareholders.



Cecilia Wachtmeister
Board member, incoming CEO

Born in: 1966.
Board member: since 2021
Education: MSc in industrial engineering from the Institute of Technology at Linköping University.
Employment/other board assignments: Executive Vice President, Business & Group Functions at KAMBI Plc and Board member of HMS Networks AB and Smart Eye AB.
Work experience: Several years in various senior positions at Ericsson AB, both in Sweden and abroad.
Shareholding: 2,500 class B shares (February 28, 2024).
 Independent in relation to the company and management.
 Independent in relation to the company's major shareholders.



Fred Wikström
Board member

Born in: 1970.
Board member: Since 2019.
Education: LL.M. from Stockholm University.
Employment/other board assignments: Own investments and corporate finance and M&A consultant.
Work experience: Over 15 years' experience of starting, developing and operating companies, including as the co-founder of POC.
Shareholding: 35,400 class B shares (including related parties' holdings) (February 28, 2024).
 Independent in relation to the company and management.
 Independent in relation to the company's major shareholders.

Management

Management



Richard Lind

Resigning CEO

Born in: 1964.

Education: IHM and several internal training programs at Microsoft. Microsoft/Wharton internal MBA program.

Work experience: Extensive experience of the technology sector, including various senior positions at Microsoft, both internationally and in Sweden, for 18 years.

Shareholding: 23,218 class B shares (February 28, 2024).



Anders Holmberg

Chief Technology Officer (CTO)

Born in: 1967.

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

Work experience: Has worked at IAR Systems for 17 years, mainly in advanced solutions for developing embedded systems. Early career in parallel computers and super-computers. Later a university lecturer, technical consultant, C/C++ developer and development manager.

Shareholding: No holdings (February 28, 2024).



Ann Zetterberg

Chief Financial Officer (CFO)

Born in: 1967.

Education: BSc in business administration from Stockholm University.

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

Shareholding: 1,076 class B shares (February 28, 2024).



Jesper Rydåker

Chief Marketing and Communications Officer (CMCO)

Born in: 1970.

Education: Berghs School of Communication, IHM Business School, Kellogg School of Management, Stockholm School of Economics.

Work experience: More than 20 years of experience in marketing and communications in multinational companies specializing in the development of software or service deliveries.

Shareholding: No holdings (February 28, 2024).



Peter Johansson

VP Engineering, IAR Embedded Development Solutions

Born in: 1973.

Education: BSc in embedded real-time systems from Mälardalen University.

Work experience: More than 25 years of experience in the embedded systems domain, including in telecommunications, robotics, network management systems, train control management systems, and industrial data communications.

Shareholding: No holdings (February 28, 2024).



Tim Woodruff

VP Engineering, IAR Embedded Security Solutions

Born in: 1965.

Education: BSc in Micro-electronics and Computing, MBA.

Other professional qualifications: UK Chartered Engineer.

Work experience: Over 35 years of experience in developing systems. Has worked at IAR for five years, most recently with responsibility for engineering in IAR Embedded Security Solutions.

Shareholding: 4,558 class B shares (February 28, 2024).

Management



Lotta Frimanson

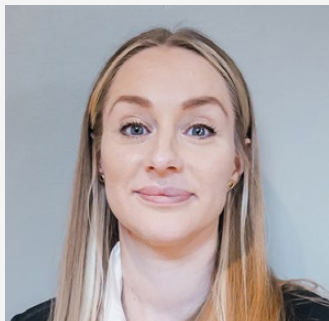
Director of Product Management

Born in: 1966.

Education: Education: M.Sc. in Engineering Physics from the Faculty of Science and Technology at Uppsala University.

Work experience: Lotta has more than 30 years of experience in embedded systems. She worked in embedded systems programming prior to joining IAR as a Product Manager 24 years ago.

Shareholding: No holdings (February 28, 2024).



Johanna Frödevik

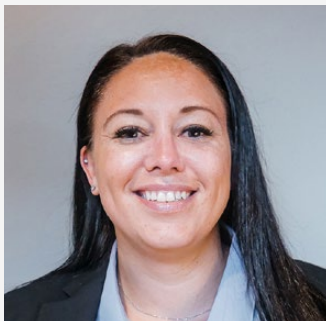
Global Customer Success Lead

Born in: 1986.

Education: High school education in hotel and tourism.

Work experience: Has worked at IAR for five years. She has over 15 years of experience in various customer service-focused roles at different companies.

Shareholding: No holdings (February 28, 2024).



Dannielle Iversen

Chief Revenue Officer (CRO)
Area Vice President, Americas

Born in: 1986.

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

Work experience: Has worked at IAR since 2010 in a global capacity leading business operations, sales enablement and customer service. Dannielle leads the Americas division.

Shareholding: No holdings (February 28, 2024).



Guillaume Boucher

EMEA Regional Director

Born in: 1975.

Education: BTEC Higher National Diploma in computer science for industry.

Work experience: Has worked at IAR Systems for ten years. 23 years of experience in embedded systems, technical support, FAE and business development and as an Account Manager and Regional Sales Manager.

Shareholding: No holdings (February 28, 2024).



Kiyo Uemura

Area Vice President APAC

Born in: 1969.

Education: School of Commerce, Waseda University.

Work experience: More than 25 years of experience in the embedded systems market. During last 20 years at IAR, Kiyo has launched IAR Japan, IAR Korea, and IAR Taiwan.

Shareholding: No holdings (February 28, 2024).



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: No holdings (February 28, 2024).

Glossary

Glossary

8-, 16-, 32-bit

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

Application

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

Architecture

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

Arm

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

C-RUN

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

C-STAT

C-STAT is an add-on product for IAR Embedded Workbench that executes a static code analysis. Using C-STAT, developers can verify the quality of the code at an early stage and ensure compliance with rules and coding standards.

C-Trust

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

Debug probe

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

Debugger

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

Embedded Trust

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

Functional safety

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

IAR Embedded Workbench

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

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)

An integrated circuit is a small, typically rectangular silicon substrate onto which micrometer-sized transistors are mounted, sometimes in numbers of more than one million.

Industrial Internet of Things

The Industrial Internet of Things (IIoT) is a subcategory of IoT. It refers to IoT used in an industrial environment. Some examples are smarter factories, increased digitization and the use of artificial intelligence (AI).

Internet of Things

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

Compiler

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

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

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

Processor

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

RISC-V

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

Security

There is an important distinction between safety, meaning protection against damage, and security, meaning protection against risks. Security involves ensuring that something does not occur, while safety is about minimizing the damage if something does occur. The term safety is used, in particular, when referring to protection against damage to people and property. Security is often used in connection with data security and mainly refers to protection against unauthorized access, data theft, unauthorized changes or sabotage, for example, by hackers.

Sources: IAR, Wikipedia, IDG's dictionary.

 Shareholder information

2024 AGM

The Annual General Meeting (AGM) of I.A.R. Systems Group AB (publ), corporate identification number 556400-7200, will be held on Wednesday, April 25, 2024 at 3:00 p.m. at IAR's office at Strandbodgatan 1A in Uppsala.

From the end of March, I.A.R. Systems Group's annual report will be available on IAR Systems Group's website (www.iar.com/investors) 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 17, 2024, and
- provide notification of their intention to participate in the AGM no later than Friday, April 19, 2024, in writing to IAR Systems Group AB (publ), Strandbodgatan 1A, SE-750 23 Uppsala, Sweden, by telephone at +46 735 12 51 37 or by e-mail at investorrelations@iar.com. 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 17, 2024. 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 19, 2024, will be recognized in the share register.

Financial calendar

Interim report Jan–Mar 2024	April 25, 2024
2024 Annual General Meeting	April 25, 2024
Interim report Apr–Jun 2024	August 15, 2024
Interim report Jul–Sep 2024	October 24, 2024

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