



I.A.R. SYSTEMS GROUP AB  
YEAR-END REPORT 2022

Q4

# I.A.R. Systems Group AB's best-ever quarterly and full-year sales

Q4  $\frac{20}{22}$

## SUMMARY OF THE PERIOD

The Group continued to post strong growth for the fourth quarter of 2022. Sales in the fourth quarter amounted to SEK 108.8m, with 18.7% growth or 6.8% in local currency compared with the preceding year. The full-year total was SEK 419.9m, with 18.0% growth or 8.6% in local currency compared with the preceding year. I.A.R. Systems Group posted the highest sales in the company's history for both the quarter and the full year. Growth was primarily attributable to APAC (21.3% in local currency), but we also saw growth of 5.6% in EMEA. Sales volumes in North America were on a par with the preceding year in local currency. The operating margin and EBITDA margin were weaker in 2022 than in previous years, largely because we capitalized a larger share of the costs as capitalized work on own account.

## JANUARY–DECEMBER 2022

- › Net sales growth of 18.0%, and 8.6% adjusted for foreign exchange effects.
- › EBITDA of SEK 129.0m (119.9\*), corresponding to an EBITDA margin of 30.7% (33.7\*).
- › Operating profit of SEK 75.7m (65.7\*), corresponding to an operating margin of 18.0% (18.5\*).
- › Capitalized work on own account amounted to SEK 50.2m (64.4).
- › In a year-on-year comparison, currency translation had a positive impact of SEK 33.4m on net sales and a positive impact of SEK 16.5m on operating profit for the period.
- › Cash flow from operating activities amounted to SEK 127.7m (131.6).

## FOURTH QUARTER OCTOBER–DECEMBER 2022

- › Net sales growth of 18.7%, and 6.8% adjusted for foreign exchange effects.
- › EBITDA of SEK 32.4m (29.2\*), corresponding to an EBITDA margin of 29.8% (31.9\*).
- › Operating profit of SEK 16.5m (15.2\*), corresponding to an operating margin of 15.2% (16.6\*).
- › Capitalized work on own account amounted to SEK 16.2m (14.1).
- › In a year-on-year comparison, currency translation had a positive impact of SEK 10.9m on net sales and a positive impact of SEK 4.4m on operating profit for the quarter.
- › Cash flow from operating activities amounted to SEK 25.8m (40.5).

## GROUP SUMMARY

|                                  | Q4    |        | Full-year |        |
|----------------------------------|-------|--------|-----------|--------|
|                                  | 2022  | 2021   | 2022      | 2021   |
| Net sales, SEK m                 | 108.8 | 91.6   | 419.9     | 355.9  |
| EBITDA, SEK m                    | 32.4  | 13.2   | 129.0     | 103.9  |
| Adjusted EBITDA, SEK m           | 32.4  | 29.2*  | 129.0     | 119.9* |
| Operating profit, SEK m          | 16.5  | -119.0 | 75.7      | -68.5  |
| Adjusted operating profit, SEK m | 16.5  | 15.2*  | 75.7      | 65.7*  |
| Earnings per share, basic, SEK   | 1.07  | -7.72  | 4.23      | -4.94  |
| Earnings per share, diluted, SEK | 1.06  | -7.72  | 4.20      | -4.94  |
| Cash flow, SEK m                 | -8.0  | 20.8   | 28.7      | 42.4   |
| Net cash, SEK m                  | 78.9  | 57.4   | 78.9      | 57.4   |
| Gross margin, %                  | 96.5  | 96.7   | 97.0      | 96.6   |

\* Adjusted for non-recurring items, refer to Reconciliations on page 45 of I.A.R. Systems Group AB 2021 Annual Report.

## KEY EVENTS DURING THE FOURTH QUARTER

- › No key events during the period



# Q4 2022 – CEO comments

Q4 <sup>20</sup>/<sub>22</sub>



*President and CEO Richard Lind*

“Sic itur ad astra.” So wrote the Roman poet Virgil in 29 BCE. The best-known variation on this line is probably, “Ad astra per aspera,” used as the motto of air force and space programs in several countries – and even by Starfleet on the TV show Star Trek. And at IAR, we’re continuing our journey “through difficulties to the stars.”

During the quarter, we entered into a partnership with CAES, a US company specializing in semiconductors for satellites and spacecraft, where the requirements for functional safety and reliability are especially high. We see this as a sign of the quality of our solutions for software development and proof that they meet the highest possible standards. In the same vein, our IAR Embedded Workbench solution was awarded the distinction “Best Development Tool” at the EE Awards Asia 2022, out of 400 other competing solutions from 157 companies.

During the quarter we wrapped up the integration of our operations in Cambridge. The SecureThingz brand has now finally gone into retirement and our development operations now go by the name IAR Embedded Security

Solutions (ESS). In Uppsala, we continued our work on Embedded Development Solutions (EDS), with several exciting releases and partnerships in the ARM and RISC-V architectures.

We completed the move of our hardware manufacturer from Camarillo, USA, to Sweden, and could therefore fully shut down the plant there, leading to an annual net savings of approximately SEK 10m for the company.

In terms of sales, the fourth quarter was both satisfactory and challenging. We worked hard to recruit sales personnel in EMEA and North America. The market to find the right expertise at the right cost was challenging. Fortunately, we are now fully staffed with sales personnel for 2023 in these regions, even if in retrospect we can see that we have temporarily lost some momentum in these regions.

Our operations in Asia continued to deliver successful results, with growth, new customers and strong relationships with strategic semiconductor partners. I had the privilege of visiting the region during the quarter and saw persistent optimism and a hungry, proactive team in a growing market. The absence of signals of a weakening market in EMEA is encouraging, and we are seeing excellent growth in India, which is part of the EMEA organization and an attractive market to develop further. In North America, our first customer in the ESS solution area has gone to production, which will generate royalty-based revenue for IAR throughout 2023 and beyond as we continue to recruit and activate customers within the framework of the new business model.

The market is surprisingly robust with the exception of consumer units, where the trend is weaker due to inflation and more cautious demand from end customers. This is having a clear impact on North America, our largest region in this market. At the same time, there is growing

demand for technology such as wind power and solar cells in cleantech, again primarily in North America. The automotive segment continues to grow globally, driven by electrification and the need for functional safety.

That being said, we are monitoring the market situation carefully in our weekly regional forecast reports to ensure that we retain a good balance in terms of income and costs, according to the “income first, spending second” principle.

An exception to this principle is our decision to invest in global training for our sales team in the first quarter of 2023 focused on selling our security offering and, generally, shifting from selling products to selling solutions in order to increase our average income per customer. This investment entailed travel costs for the quarter, but we are confident that these will pay off during the rest of our journey.

Sales for the year amounted to SEK 419.9m, with SEK 108.8m in the fourth quarter – IAR’s strongest year, and quarter, to date. We had excellent sales growth along with tail winds in the form of foreign exchange effects of SEK 33.4m, primarily related to USD. Growth amounted to 18.0%, with growth in local currency of 8.6%.

We achieved annual sales of SEK 138.6m for EMEA, corresponding to growth of 11.1% or 5.6% in local currency.

In APAC, sales amounted to SEK 139.0m and growth to 25.9% or 21.3% in local currency, and in North America, sales amounted to SEK 140.7m and growth to 18.2% or 0.1% in local currency.

“Ad astra per aspera.” Yes, we’re shooting for the stars, because – as we modestly say in Sweden – even if we miss, we’ll land among the treetops.

*Richard*

# Financial information

Q4 2022

## Net sales

Sales for the year amounted to SEK 419.9m (355.9). Growth totaled 18.0%, or 8.6% after adjusting for a foreign exchange effect of SEK 33.4m. Sales for the quarter amounted to SEK 108.8m (91.6), with growth of 18.7%. After adjusting for a foreign exchange effect of SEK 10.9m, growth was 6.8%. The previous quarter's trend continued, and Asia and EMEA continued to grow during the fourth quarter, while the Americas were on a par with the year-earlier period. Focusing on new customers is important, as is reviewing the price structure and prices to follow inflation and create sales growth. A price adjustment was carried out in 2022. It took effect in the USA during the second quarter, while it affected sales in the EMEA and APAC regions starting in the third quarter. Deferred income – or our “rainy day fund” as we call it, with income saved for the future – grew gradually and reached SEK 115.3m by December 31.

## Markets and products

APAC accounted for 33.3% of net sales, or SEK 36.2m (30.9), for the fourth quarter and 33.1%, or SEK 139.0m (110.4), for full-year 2022. Foreign exchange effects had a positive impact of SEK 1.9m (-1.4) for the fourth quarter and SEK 5.1m for the full year. Excluding foreign exchange effects, APAC contributed strong growth of 16.2 % in local currency for the fourth quarter and 21.3% for full-year 2022. All markets in APAC displayed growth in 2022: 89% in China, 65% in Taiwan, 21% in Korea and 4% in Japan.

EMEA accounted for 34.1% of net sales, or SEK 37.1m (32.9), for the fourth quarter and 33.0%, or SEK 138.6m, for full-year 2022. Net sales in EMEA increased 5.8%, adjusted for foreign exchange effects of SEK 2.8m (-0.5) for the fourth quarter and 5.6%, adjusted for foreign exchange effects of SEK 6.8m for full-year 2022. France/Benelux and southern Europe experienced weaker growth, while Germany was stronger in 2022. The USA accounted for 32.3% of net sales, or SEK 35.1m (28.9), for the fourth quarter and 33.5%, or SEK 140.7m, for full-year 2022. Net sales increased 1.0% in the USA in local currency, adjusted for foreign exchange effects of SEK 6.2m (1.0), for the fourth quarter and 0.1%, adjusted for foreign exchange effects of SEK 21.4m, for full-year 2022.

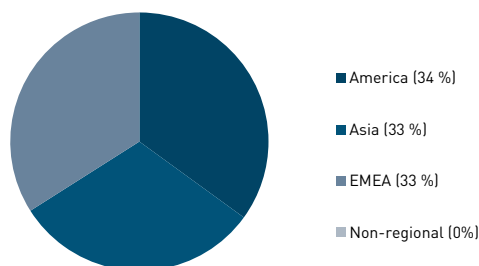
Demand for development solutions continues to increase. IAR has a unique position in the development solutions segment for embedded development – we can offer opportunities that no one else can, namely the ability to work with the same tool regardless of architecture or product. Our products in IAR Embedded Workbench for Arm account for approximately 80% of sales. The 64-bit offering has been well received, and we see great potential there and in RISC-V. These technologies and Security are areas for future growth. We are not satisfied with the sales performance in Security. We have modified our business model and are adding new sales representatives. Training and implementation of this sales team will continue in

2023. It was encouraging to see sales within security in the USA begin to pick up speed in 2022.

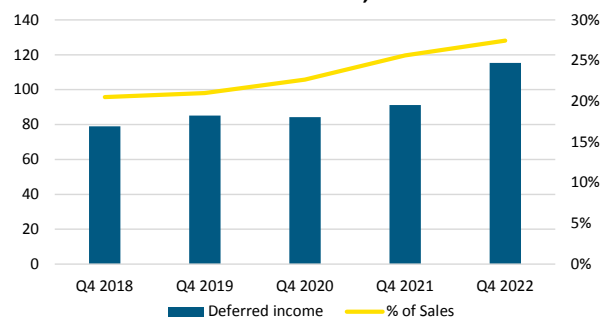
## Modernizing IAR

As IAR Systems marks its 40th year as a profitable software company, a modernization of the company and a review of its cost structure are both fully under way. This included shutting down the office in Camarillo, effective December 31, 2022, and moving probe development and production to Sweden. This will result in net annual savings of SEK 10m. Rationalizations have been carried out, and will continue for our premises and systems, enabling us to create modern ways of working and to utilize our resources as efficiently as possible and ultimately to improve our margins. However, this process requires investments that may have a temporary negative effect on the margin. The company's capitalization of development costs in the balance sheet is also lower than in the past, which is having a negative effect on both the operating margin and the EBITDA margin. However, EBITDA (after adjustment for capitalization and non-recurring items as described in Note 8 of the Q4 2021 interim report) was approximately SEK 23m higher in 2022 than in 2021. The incentive program introduced in 2022 had an impact of SEK 1.2m on personnel costs and the margin for the quarter and the year. This expected future cost will be paid in the form of shares in three years, provided the program is approved by the Board.

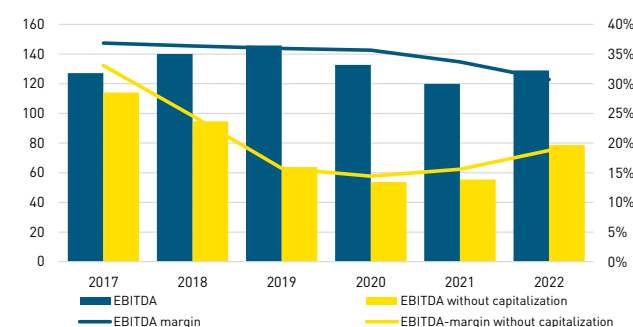
BREAKDOWN OF REVENUE Q4 2022



DEFERRED INCOME, SEKm



EBITDA AND EBITDA MARGIN\*



## NET SALES

### Net sales for the fourth quarter of 2022

Net sales for the quarter increased year-on-year and amounted to SEK 108.8m (91.6). Currency translation had a positive impact of SEK 10.9m on net sales for the quarter.

### Net sales for full-year 2022

Net sales for the full year amounted to SEK 419.9m (355.9). Currency translation had a positive impact of SEK 33.4m on net sales for the year.

### Other income

During the third quarter of 2021, we received a payment of SEK 2.1m in connection with a judgment against the former CEO of IAR Systems' US subsidiary IAR Systems Software Inc., Nadim Shehayed, which was recognized as other income. In 2022, we received SEK 2.3m for the same matter. Otherwise, the item "Other income" consisted primarily of capital gains from the sale of equipment.

### Deferred income December 31, 2022

Deferred income in the form of accrued support agreements increased SEK 4.8m during the quarter and amounted to SEK 115.3m (91.2) on December 31, 2022.

## EARNINGS

### Earnings for the fourth quarter of 2022

The gross margin for the fourth quarter amounted to 96.5% (96.7).

EBITDA for the fourth quarter totaled SEK 32.4m (29.2\*), corresponding to an EBITDA margin of 29.8% (31.9\*). Operating profit for the quarter amounted to SEK 16.5m (15.2\*), corresponding to an operating margin of 15.2% (16.6\*). The weaker margin was primarily attributable to lower capitalized costs during the fourth quarter and full-year 2022 compared with the year-earlier period.

Operating expenses were reduced by SEK 16.2m (14.1) during the quarter as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 13.7m (12.0) pertained to personnel costs.

In a year-on-year comparison, currency translation had a positive impact of SEK 4.4m on operating profit.

### Earnings for full-year 2022

The gross margin for the full year was 97.0% (96.6).

EBITDA for the full year totaled SEK 129.0m (119.9\*), corresponding to an EBITDA margin of 30.7% (33.7\*). Operating profit for the period amounted to SEK 75.7m (65.7\*), corresponding to a margin of 18.0% (18.5\*).

Operating expenses were reduced by SEK 50.2m (64.4) during the period as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 41.7m (54.4) pertained to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 16.5m on operating profit for the period.

## FINANCIAL POSITION

During the year, we focused on investments in our major product areas. Software investments for the year totaled SEK 50.2m (64.4), of which SEK 16.2m (14.1) was attributable to the fourth quarter. A large portion of the investments was in foreign currencies, which entailed foreign exchange effects upon conversion to SEK.

Investments in property, plant and equipment for the year totaled SEK 9.3m (9.9), of which SEK 6.3m (3.0) was attributable to the fourth quarter.

During the fourth quarter, new leases for office premises in Sweden, the USA and China increased lease liabilities

and right-of-use assets by SEK 52.9m. Meanwhile, the lease for office premises in Camarillo, USA, was terminated prematurely during the fourth quarter, which led to a decrease of SEK 6.2m in right-of-use assets and SEK 6.8m in lease liabilities.

The Group has chosen not to renew the previous credit limit at this time, but has an offer for an overdraft facility of SEK 50m, which it intends to exercise. The unutilized credit margin at December 31, 2022 amounted to SEK 0.0m (207.0). Utilized credit is reported as a liability to credit institutions in the balance sheet.

Other interest-bearing liabilities in the balance sheet pertain to current and non-current lease liabilities and amounted to SEK 69.3m (38.0) at December 31, 2022. Lease liabilities recognized in the balance sheet pertain to commitments for leases and the largest portion is connected to leases for our offices.

The equity/assets ratio at December 31, 2022 was 72.3% (72.0).

## CASH FLOW AND LIQUIDITY

Cash flow from operating activities for the year amounted to SEK 127.7m (131.6), of which SEK 25.8m (40.5) pertained to the fourth quarter. During the third quarter, the Group received SEK 11.2m in tax relief related to research and development costs in the UK, which affected the cash flow from operating activities but not profit or loss. The corresponding item for the previous year provided the Group with SEK 11.8m. Our customers' ability to pay remained adequate during 2022, and we have not noted any increased negative effects on cash flow.

Cash flow from investing activities for the full year totaled SEK -59.5m (-74.1), of which SEK -22.5m (-17.1) was attributable to the fourth quarter. Most of these investments pertain to the capitalization of development costs for software.

\* Adjusted for non-recurring items, refer to Reconciliations on page 45 of I.A.R. Systems Group AB 2021 Annual Report.

Cash flow from financing activities for the full year totaled SEK -39.5m (-15.1), of which SEK -11.3m (-2.6) was attributable to the fourth quarter. Cash flow from financing activities during the period primarily comprised the amortization of lease liabilities.

### Cash and cash equivalents

Cash and cash equivalents at year-end totaled SEK 148.2m (113.4). The Group's total available cash and cash equivalents at year-end amounted to SEK 148.2m (320.4). The Group has an offer for an overdraft facility of SEK 50m, which it intends to exercise. As of December 31, 2022, the Group had net cash of SEK 78.9m (57.4).

### EMPLOYEES

The number of employees at IAR Systems at year-end was 209 (214). The average number of employees during the year was 203 (203).

### PARENT COMPANY

The activities of the Parent Company consist of Group management, finance and IR/PR functions. The Parent Company's net sales for the full year amounted to SEK 8.3m (13.1). Profit after financial items amounted to SEK 91.4m (84.0) and was charged with SEK 7.6 in impairment pertaining to terminated operations.

Investments in property, plant and equipment amounted to SEK 0.0m (0.0). Cash and cash equivalents at December 31, 2022 totaled SEK 2.5m (4.5). The number of employees in the Parent Company at the end of the year was two (four).

### SIGNIFICANT RISKS AND UNCERTAINTIES

The market for IAR Systems' software is evolving rapidly and forecasts about future developments are thus uncertain. I.A.R. Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the 2021 annual report under "Administration report" on pages 48–49 and in Note 2 on

pages 65–67, except for the risks and uncertainties due to Russia's war against Ukraine. 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.

The pandemic is becoming a thing of the past. The Asian markets that have been the most affected by the pandemic, particularly China, have now opened up. This is undoubtedly part of the reason for the increase in sales we saw in APAC, although these markets also grew significantly during the pandemic.

In 2022, there was also an overall increase in interest rates and inflation, in Sweden and elsewhere, due in part to the war in Ukraine. These 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, a project was initiated to review the price structure in order to manage rising inflation, and this project will continue during 2023.

### FUTURE OUTLOOK

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

### PROPOSED DIVIDEND

The Board intends to propose a dividend of SEK 1.5 per share.

### REVIEW

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

### FINANCIAL CALENDAR

Interim report January–March 2023, April 26, 2023

2023 AGM, April 26, 2023

Interim report January–June 2023, August 16, 2023

Interim report January–September 2023, October 25, 2023

**This information is inside information that I.A.R. Systems Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation.**

**The information was submitted for publication, by the contact person set out below, on February 9, 2023, at 1:00 p.m. CET.**

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

### SUBMISSION OF THE REPORT

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

*Nicolas Hassbjer*  
Board Chairman

*Cecilia Wachtmeister*  
Board member

*Fred Wikström*  
Board member

*Michael Ingelög*  
Board member

*Sabina Lindén*  
Board member

*Richard Lind*  
CEO

# Income statement

Q4  $\frac{20}{22}$

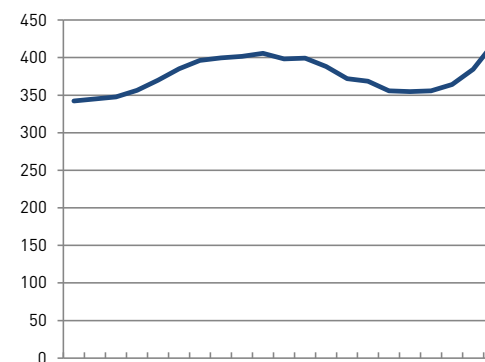
## CONDENSED CONSOLIDATED INCOME STATEMENT

| SEK m  | Note | Q4          |               | Full-year   |              |
|--|------|-------------|---------------|-------------|--------------|
|  |      | 2022        | 2021          | 2022        | 2021         |
| Net sales  | 1, 2 | 108.8       | 91.6          | 419.9       | 355.9        |
| Other income   |      | 1.9         | 0.0           | 2.9         | 2.1          |
| Capitalized work on own account  |      | 16.2        | 14.1          | 50.2        | 64.4         |
| Goods for resale   |      | -3.8        | -3.0          | -12.8       | -12.0        |
| Other external expenses  |      | -16.1       | -14.1         | -58.2       | -48.3        |
| Personnel costs  |      | -74.6       | -75.4         | -273.0      | -258.2       |
| Depreciation of property, plant and equipment                                    |      | -1.3        | -1.1          | -4.8        | -3.7         |
| Depreciation of right-of-use assets  |      | -7.4        | -4.1          | -20.7       | -16.7        |
| Amortization of intangible assets  |      | -7.2        | -8.8          | -27.8       | -33.8        |
| Impairment of intangible assets  |      | -           | -118.2        | -           | -118.2       |
| <b>Operating profit/loss</b>   |      | <b>16.5</b> | <b>-119.0</b> | <b>75.7</b> | <b>-68.5</b> |
| Financial income   |      | 0.3         | 2.3           | 0.3         | 1.5          |
| Financial expenses   |      | -2.2        | -0.5          | -2.5        | -1.6         |
| <b>Profit/loss before tax</b>  |      | <b>14.6</b> | <b>-117.2</b> | <b>73.5</b> | <b>-68.6</b> |
| Tax  |      | 0.0         | 11.8          | -15.7       | 1.2          |
| <b>Profit/loss for the period</b>  |      | <b>14.6</b> | <b>-105.4</b> | <b>57.8</b> | <b>-67.4</b> |
| Comprehensive income for the period attributable to owners of the Parent Company |      | 14.6        | -105.4        | 57.8        | -67.4        |
| Earnings per share for the period, basic, SEK                                    |      | 1.07        | -7.72         | 4.23        | -4.94        |
| Earnings per share, diluted, SEK   |      | 1.06        | -7.72         | 4.20        | -4.94        |

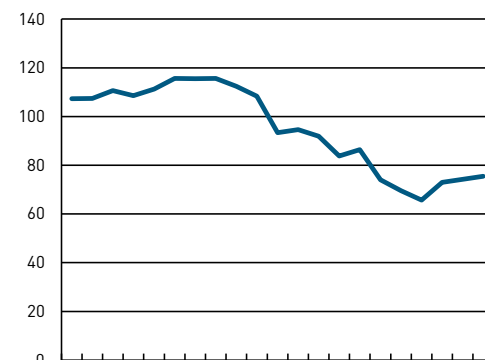
## STATEMENT OF COMPREHENSIVE INCOME

| SEK m  | Q4          |              | Full-year   |              |
|--|-------------|--------------|-------------|--------------|
|  | 2022        | 2021         | 2022        | 2021         |
| Profit/loss for the period   | 14.6        | -105.4       | 57.8        | -67.4        |
| <b>Other comprehensive income for the period</b>                                 |             |              |             |              |
| Items that may be reclassified subsequently to profit or loss:                   |             |              |             |              |
| Exchange differences   | 0.6         | 11.3         | 23.9        | 41.2         |
| Tax effect, items reported in comprehensive income                               | -0.6        | -0.7         | -1.2        | -2.3         |
| Total other comprehensive income   | 0.1         | 10.6         | 22.7        | 38.9         |
| <b>Comprehensive income for the period</b>                                       | <b>14.7</b> | <b>-94.8</b> | <b>80.5</b> | <b>-28.5</b> |
| Comprehensive income for the period attributable to owners of the Parent Company | 14.7        | -94.8        | 80.5        | -28.5        |

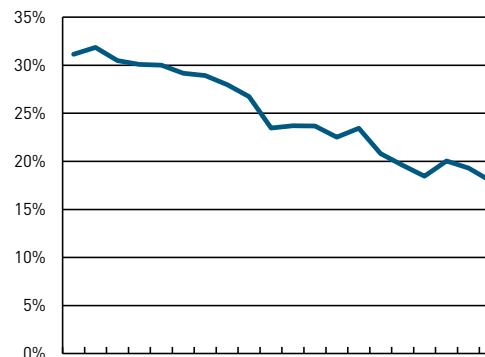
NET SALES ROLLING 12 MONTHS  
Q3 2017 - Q4 2022



OPERATING PROFIT\* ROLLING 12 MONTHS  
Q3 2017 - Q4 2022



OPERATING MARGIN\* ROLLING 12 MONTHS  
Q3 2017 - Q4 2022



# Balance sheet

Q4  $\frac{20}{22}$

## CONDENSED CONSOLIDATED BALANCE SHEET

| SEK m                                | Note | Dec 31,<br>2022 | Dec 31,<br>2021 |
|--------------------------------------|------|-----------------|-----------------|
| <b>ASSETS</b>                        |      |                 |                 |
| Non-current assets                   |      |                 |                 |
| Goodwill                             | 3    | 366.6           | 355.9           |
| Other intangible assets              | 4    | 204.1           | 175.5           |
| Property, plant and equipment        |      | 16.7            | 14.6            |
| Right-of-use assets                  |      | 68.2            | 35.6            |
| Financial assets                     | 7    | 3.7             | 3.0             |
| Deferred tax assets                  | 5    | 3.2             | 2.5             |
| <b>Total non-current assets</b>      |      | <b>662.5</b>    | <b>587.1</b>    |
| Current assets                       |      |                 |                 |
| Inventories                          |      | 11.3            | 9.5             |
| Other current assets                 | 7    | 33.6            | 43.8            |
| Trade receivables                    | 7    | 66.6            | 58.9            |
| Cash and cash equivalents            | 7    | 148.2           | 113.4           |
| <b>Total current assets</b>          |      | <b>259.7</b>    | <b>225.7</b>    |
| <b>TOTAL ASSETS</b>                  |      | <b>922.2</b>    | <b>812.8</b>    |
| <b>EQUITY AND LIABILITIES</b>        |      |                 |                 |
| Total equity                         |      |                 |                 |
|                                      |      | 666.8           | 585.3           |
| Non-current liabilities              |      |                 |                 |
| Lease liabilities                    | 7    | 50.3            | 19.5            |
| Other non-current liabilities        |      | 1.5             | 1.1             |
| Deferred tax liabilities             | 5    | 30.3            | 28.4            |
| <b>Total non-current liabilities</b> |      | <b>82.1</b>     | <b>49.0</b>     |
| Current liabilities                  |      |                 |                 |
| Trade payables                       | 7    | 8.4             | 9.2             |
| Liabilities to credit institutions   | 7    | -               | 18.0            |
| Lease liabilities                    | 7    | 19.0            | 18.5            |
| Deferred income                      |      | 115.3           | 91.2            |
| Other current liabilities            | 7    | 30.6            | 41.6            |
| <b>Total current liabilities</b>     |      | <b>173.3</b>    | <b>178.5</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>922.2</b>    | <b>812.8</b>    |

## CHANGES IN EQUITY, GROUP

| SEK m  | Q4           |              | Full-year    |              |
|--|--------------|--------------|--------------|--------------|
|  | 2022         | 2021         | 2022         | 2021         |
| Equity at beginning of period                            | 651.1        | 680.5        | 585.3        | 613.4        |
| Warrants, after deductions for transaction costs and tax | 0.1          | 0.1          | 0.1          | 0.2          |
| Value of share-based remuneration                        | 0.9          | -0.5         | 0.9          | 0.2          |
| Dividend   | -            | -            | -            | -            |
| Comprehensive income for the period                      | 14.7         | -94.8        | 80.5         | -28.5        |
| <b>Equity at end of period</b>                           | <b>666.8</b> | <b>585.3</b> | <b>666.8</b> | <b>585.3</b> |
| Of which, attributable to owners of the Parent Company   | 666.8        | 585.3        | 666.8        | 585.3        |



# Cash flows

Q4  $\frac{20}{22}$

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| SEK m  | Q4    |       | Full-year |        |
|--|-------|-------|-----------|--------|
|  | 2022  | 2021  | 2022      | 2021   |
| Incoming payments from customers and other incoming payments       | 104.9 | 89.2  | 412.8     | 359.4  |
| Outgoing payments to suppliers and employees                       | -70.5 | -52.2 | -267.6    | -222.6 |
| Interest received  | 0.2   | 0.0   | 0.2       | -0.0   |
| Interest paid  | -0.9  | -0.4  | -1.7      | -1.6   |
| Tax relief received  | -     | -     | 11.2      | 11.8   |
| Income taxes paid  | -7.9  | 3.9   | -27.2     | -15.4  |
| Cash flow from operating activities                                | 25.8  | 40.5  | 127.7     | 131.6  |
| Investments in property, plant and equipment                       | -6.3  | -3.0  | -9.3      | -9.9   |
| Investments in intangible assets                                   | -16.2 | -14.1 | -50.2     | -64.2  |
| Cash flow from investing activities                                | -22.5 | -17.1 | -59.5     | -74.1  |
| Warrants, after deductions for transaction costs                   | 0.0   | 0.1   | 0.1       | 0.2    |
| Amortization of financial liabilities                              | -11.4 | -2.7  | -39.6     | -16.2  |
| Borrowings   | -     | 0.0   | -         | 0.9    |
| Cash flow from financing activities                                | -11.4 | -2.6  | -39.5     | -15.1  |
| Cash flow for the period   | -8.1  | 20.8  | 28.7      | 42.4   |
| Cash and cash equivalents at beginning of period                   | 158.8 | 91.3  | 113.4     | 67.8   |
| Exchange difference in cash and cash equivalents                   |       |       |           |        |
| - attributable to cash and cash equivalents at beginning of period | -4.3  | 0.9   | 5.4       | 2.7    |
| - attributable to cash flow for the period                         | 1.8   | 0.4   | 0.7       | 0.5    |
| Cash and cash equivalents at end of period                         | 148.2 | 113.4 | 148.2     | 113.4  |

## CASH AND CASH EQUIVALENTS, GROUP

| SEK m                                      | Dec 31, 2022 | Dec 31, 2021 |
|--|--------------|--------------|
| Cash and cash equivalents at end of period | 148.2        | 113.4        |
| Unutilized overdraft facilities            | -            | 207.0        |
| Total available cash and cash equivalents  | 148.2        | 320.4        |

# Key performance measures

Q4  $\frac{20}{22}$

## GROUP

|                                   | Q4   |       | Full-year |       |
|-----------------------------------|------|-------|-----------|-------|
|                                   | 2022 | 2021  | 2022      | 2021  |
| Gross margin, %                   | 96.5 | 96.7  | 97.0      | 96.6  |
| EBITDA, %                         | 29.8 | 31,9* | 30.7      | 33,7* |
| Operating margin, %               | 15.2 | 16,6* | 18.0      | 18,5* |
| Profit margin, %                  | 13.4 | 18,6* | 17.5      | 18,4* |
| Cash flow, %                      | 23.7 | 44.2  | 30.4      | 37.0  |
| Equity/assets ratio, %            |      |       | 72.3      | 72.0  |
| Return on equity, %               | 2.2  | -16.7 | 9.2       | -11.2 |
| Return on capital employed, %     | 2.4  | -17.0 | 11.0      | -10.1 |
| Capital employed, SEK m           |      |       | 736.1     | 641.3 |
| Net cash, SEK m                   |      |       | 78.9      | 57.4  |
| Net debt/equity ratio, multiple   |      |       | -0.1      | -0.1  |
| No. of employees at end of period |      |       | 209       | 214   |
| Average no. of employees          | 208  | 205   | 203       | 203   |
| Sales per employee, SEK m         | 0.5  | 0.4   | 2.1       | 1.8   |

\* Adjusted for non-recurring items, refer to Reconciliations on page 45 of I.A.R. Systems Group AB 2021 Annual Report.

## SHARE DATA

|  | Q4    |       | Full-year |       |
|--|-------|-------|-----------|-------|
|  | 2022  | 2021  | 2022      | 2021  |
| Equity per share, SEK                              |       |       | 48.81     | 42.88 |
| No. of shares at end of period, million            |       |       | 13.66     | 13.64 |
| Average no. of shares, million                     | 13.65 | 13.65 | 13.65     | 13.64 |
| Average no. of shares, diluted, million            | 13.65 | 13.66 | 13.65     | 13.65 |
| Cash flow from operating activities per share, SEK | 1.89  | 2.97  | 9.36      | 9.65  |
| Earnings per share, SEK*                           | 1.07  | -7.72 | 4.23      | -4.94 |
| Earnings per share, diluted, SEK*                  | 1.06  | -7.72 | 4.20      | -4.94 |

\* Definition in accordance with IFRS. Refer also to definitions on page 20.

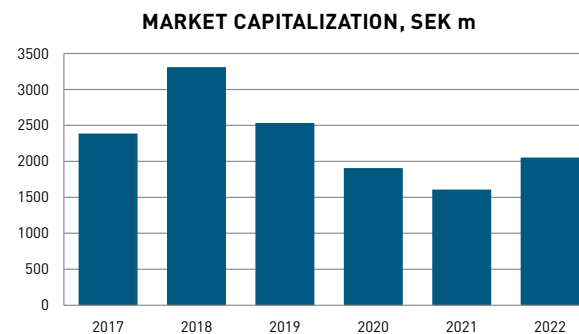
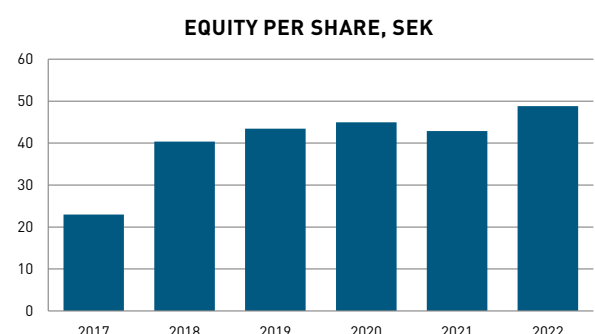
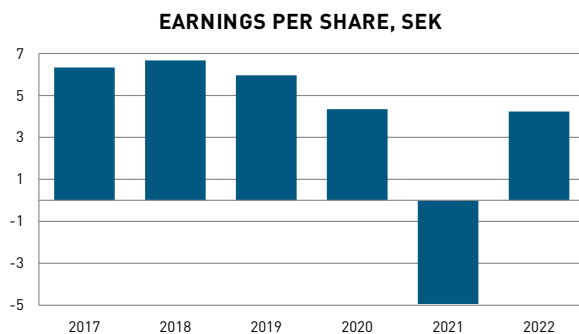
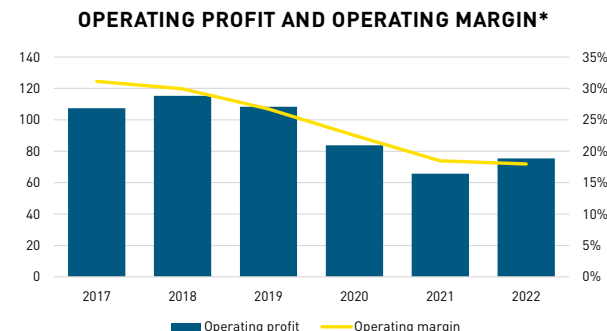
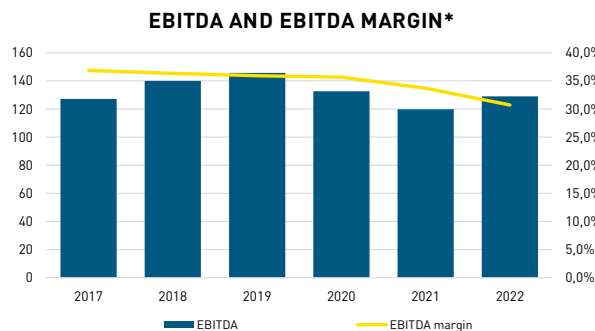
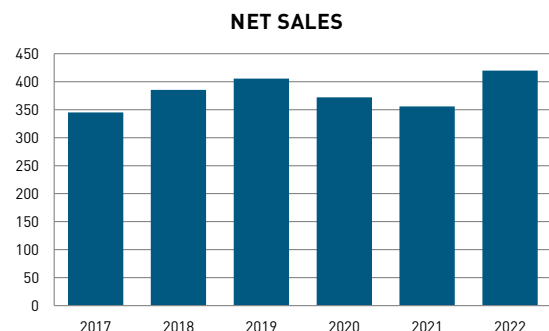
# Multi-year overview

Q4 <sup>20</sup>/<sub>22</sub>

|      | Net sales, SEK m | EBITDA, SEK m | EBITDA margin, % | Operating profit, SEK m | Operating margin, % | Earnings per share, SEK** | Return on equity, % | Cash flow from operating activities per share, SEK | Equity per share, SEK | Share price, SEK | Market capitalization, SEK m |
|------|------------------|---------------|------------------|-------------------------|---------------------|---------------------------|---------------------|--|-----------------------|------------------|------------------------------|
| 2022 | 419.9            | 129.0         | 30.7             | 75.7                    | 18.0                | 4.23                      | 9.2                 | 9.36   | 48.81                 | 150.40           | 2,054                        |
| 2021 | 355.9            | 119,9*        | 33,7*            | 65,7*                   | 18,5*               | -4.94                     | -11.2               | 9.65   | 42.88                 | 117.80           | 1,608                        |
| 2020 | 372.0            | 132.7         | 35.7             | 83.8                    | 22.5                | 4.35                      | 9.9                 | 8.69   | 44.97                 | 139.80           | 1,906                        |
| 2019 | 405.6            | 145.8         | 35.9             | 108.4                   | 26.7                | 5.96                      | 14.2                | 7.78   | 43.43                 | 186.00           | 2,535                        |
| 2018 | 385.2            | 140.1         | 36.4             | 115.6                   | 30.0                | 6.67                      | 20.8                | 7.05   | 40.38                 | 243.00           | 3,310                        |
| 2017 | 345.0            | 127.2         | 36.9             | 107.4                   | 31.1                | 6.33                      | 28.1                | 9.81   | 22.99                 | 189.00           | 2,387                        |

\* Adjusted for non-recurring items, refer to Reconciliations on page 45 of I.A.R. Systems Group AB 2021 Annual Report.

\*\*Definition in accordance with IFRS.



# Quarterly overview

Q4  $\frac{20}{22}$

|      |    | Net sales, SEK m | EBITDA, SEK m | EBITDA margin, % | Operating profit, SEK m | Operating margin, % | Earnings per share, SEK** | Return on equity, % | Cash flow from operating activities per share, SEK | Equity per share, SEK | Share price, SEK | Market capitalization, SEK m |
|------|----|------------------|---------------|------------------|-------------------------|---------------------|---------------------------|---------------------|--|-----------------------|------------------|------------------------------|
| 2022 | Q4 | 108.8            | 32.4          | 29.8             | 16.5                    | 15.2                | 1.07                      | 2.2                 | 1.89   | 48.81                 | 150.40           | 2,054                        |
|      | Q3 | 106.1            | 34.2          | 32.2             | 22.1                    | 20.8                | 1.04                      | 2.6                 | 3.48   | 47.73                 | 140.00           | 1,909                        |
|      | Q2 | 107.6            | 31.9          | 29.6             | 19.6                    | 18.2                | 1.05                      | 2.3                 | 1.91   | 46.00                 | 114.00           | 1,556                        |
|      | Q1 | 97.4             | 30.3          | 31.1             | 17.3                    | 17.8                | 0.88                      | 2.0                 | 2.11   | 43.85                 | 132.00           | 1,802                        |
| 2021 | Q4 | 91.6             | 29,2*         | 31,9*            | 15,2*                   | 16,6*               | -7.72                     | -16.7               | 2.97   | 42.88                 | 117.80           | 1,608                        |
|      | Q3 | 87.9             | 35.0          | 39.8             | 20.9                    | 23.8                | 1.17                      | 2.4                 | 3.04   | 49.89                 | 100.00           | 1,364                        |
|      | Q2 | 87.4             | 25.9          | 29.6             | 12.6                    | 14.4                | 0.68                      | 1.4                 | 2.02   | 48.39                 | 140.20           | 1,913                        |
|      | Q1 | 88.9             | 29.8          | 33.5             | 17.0                    | 19.1                | 0.94                      | 2.0                 | 1.61   | 48.38                 | 132.40           | 1,806                        |
| 2020 | Q4 | 90.7             | 32.5          | 35.8             | 19.0                    | 20.9                | 0.88                      | 1.9                 | 2.04   | 44.97                 | 139.80           | 1,906                        |
|      | Q3 | 88.9             | 36.8          | 41.4             | 25.4                    | 28.6                | 1.37                      | 3.1                 | 2.40   | 45.43                 | 161.00           | 2,195                        |
|      | Q2 | 100.1            | 36.8          | 36.8             | 25.0                    | 25.0                | 1.29                      | 2.9                 | 3.15   | 44.10                 | 114.80           | 1,565                        |
|      | Q1 | 92.3             | 26.6          | 28.8             | 14.4                    | 15.6                | 0.81                      | 1.8                 | 1.10   | 45.14                 | 116.40           | 1,587                        |
| 2019 | Q4 | 106.8            | 37.0          | 34.6             | 27.1                    | 25.4                | 1.47                      | 3.4                 | 2.27   | 43.43                 | 186.00           | 2,535                        |
|      | Q3 | 100.0            | 37.5          | 37.5             | 28.1                    | 28.1                | 1.58                      | 3.9                 | 2.00   | 42.11                 | 234.50           | 3,196                        |
|      | Q2 | 99.0             | 32.9          | 33.2             | 23.8                    | 24.0                | 1.23                      | 2.9                 | 2.11   | 39.63                 | 269.50           | 3,673                        |
|      | Q1 | 99.8             | 38.4          | 38.5             | 29.4                    | 29.5                | 1.68                      | 4.0                 | 1.40   | 43.58                 | 260.00           | 3,542                        |
| 2018 | Q4 | 102.8            | 37.6          | 36.6             | 31.1                    | 30.3                | 1.60                      | 3.9                 | 2.45   | 40.38                 | 243.00           | 3,310                        |
|      | Q3 | 97.9             | 37.8          | 38.6             | 31.3                    | 32.0                | 1.97                      | 5.0                 | 1.09   | 40.88                 | 258.50           | 3,518                        |
|      | Q2 | 95.6             | 30.0          | 31.4             | 23.7                    | 24.8                | 1.20                      | 3.2                 | 1.86   | 37.29                 | 277.00           | 3,770                        |
|      | Q1 | 88.9             | 34.7          | 39.0             | 29.5                    | 33.2                | 1.81                      | 5.7                 | 1.51   | 32.76                 | 230.00           | 2,905                        |
| 2017 | Q4 | 87.6             | 31.9          | 36.4             | 26.8                    | 30.6                | 1.56                      | 7.0                 | 2.64   | 22.99                 | 189.00           | 2,387                        |
|      | Q3 | 84.2             | 33.8          | 40.1             | 28.6                    | 34.0                | 1.61                      | 7.7                 | 2.52   | 21.56                 | 180.50           | 2,280                        |
|      | Q2 | 86.8             | 30.9          | 35.6             | 25.8                    | 29.7                | 1.68                      | 7.7                 | 2.56   | 20.09                 | 175.00           | 2,211                        |
|      | Q1 | 86.4             | 30.6          | 35.4             | 26.2                    | 30.3                | 1.49                      | 6.5                 | 2.10   | 23.58                 | 200.00           | 2,526                        |

\*\* Definition in accordance with IFRS.

\* Adjusted for non-recurring items, refer to Reconciliations on page 45 of I.A.R. Systems Group AB 2021 Annual Report.



# Parent Company

Q4  $\frac{20}{22}$

## CONDENSED INCOME STATEMENT

| SEK m                       | Full-year |       |
|-----------------------------|-----------|-------|
|                             | 2022      | 2021  |
| Net sales                   | 8.3       | 13.1  |
| Operating expenses          | -14.3     | -37.5 |
| Operating loss              | -5.9      | -24.4 |
| Profit from financial items | 97.3      | 108.4 |
| Profit before tax           | 91.4      | 84.0  |
| Tax                         | -20.7     | -17.8 |
| Profit/loss for the period  | 70.7      | 66.2  |

## STATEMENT OF COMPREHENSIVE INCOME

| SEK m  | Full-year |       |
|--|-----------|-------|
|  | 2022      | 2021  |
| Profit/loss for the period                                     | 70.7      | -66.2 |
| <b>Other comprehensive income for the period</b>               |           |       |
| Items that may be reclassified subsequently to profit or loss: |           |       |
| Change in value of non-current securities                      | -         | -     |
| Total other comprehensive income                               | -         | -     |
| Comprehensive income for the period                            | 70.7      | -66.2 |

## CONDENSED BALANCE SHEET

| SEK m                               | Note | Dec 31, 2022 | Dec 31, 2021 |
|-------------------------------------|------|--------------|--------------|
| <b>ASSETS</b>                       |      |              |              |
| Non-current assets                  |      |              |              |
| Property, plant and equipment       |      | 0.1          | 0.2          |
| Shares in subsidiaries              |      | 455.1        | 481.4        |
| Other financial assets              |      | 0.1          | 0.1          |
| Receivables from subsidiaries       | 9    | 232.5        | 0.0          |
| Total non-current assets            |      | 687.8        | 481.7        |
| Current assets                      |      |              |              |
| Receivables from subsidiaries       | 9    | 19.7         | 172.7        |
| Other current assets                |      | 0.4          | 0.5          |
| Cash and cash equivalents           |      | 2.5          | 4.5          |
| Total current assets                |      | 22.6         | 177.7        |
| <b>TOTAL ASSETS</b>                 |      | <b>710.4</b> | <b>659.4</b> |
| <b>EQUITY AND LIABILITIES</b>       |      |              |              |
| Total equity                        |      |              |              |
|                                     |      | 695.5        | 623.7        |
| Current liabilities                 |      |              |              |
| Trade payables                      |      | 1.0          | 0.5          |
| Liabilities to credit institutions  |      | -            | 18.0         |
| Liabilities to subsidiaries         |      | 11.9         | 1.4          |
| Other current liabilities           |      | 2.0          | 15.8         |
| Total current liabilities           |      | 14.9         | 35.7         |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <b>710.4</b> | <b>659.4</b> |

## 1. ACCOUNTING POLICIES

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

The accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report. New or revised standards and new interpretations from the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRIC) and amendments to RFR 2 effective as of January 1, 2022 have not had any material impact on the financial statements of the Group or the Parent Company.

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

## 2. NET SALES

Net sales are distributed as follows:

| SEK m                 | Q4           |             | Full-year    |              |
|-----------------------|--------------|-------------|--------------|--------------|
|                       | 2022         | 2021        | 2022         | 2021         |
| Development solutions | 108.6        | 91.5        | 418.4        | 355.2        |
| Security solutions    | 0.2          | 0.1         | 1.5          | 0.7          |
| <b>Net sales</b>      | <b>108.8</b> | <b>91.6</b> | <b>419.9</b> | <b>355.9</b> |

| SEK m                        | Q4           |             | Full-year    |              |
|------------------------------|--------------|-------------|--------------|--------------|
|                              | 2022         | 2021        | 2022         | 2021         |
| License-based revenue        | 57.0         | 49.4        | 233.0        | 196.1        |
| Support and software updates | 45.4         | 36.1        | 167.9        | 141.7        |
| Other                        | 6.3          | 6.1         | 18.9         | 18.1         |
| <b>Net sales</b>             | <b>108.8</b> | <b>91.6</b> | <b>419.9</b> | <b>355.9</b> |

|                    |              |             |              |              |
|--------------------|--------------|-------------|--------------|--------------|
| At a point in time | 63.4         | 55.5        | 252.0        | 214.2        |
| Over time          | 45.4         | 36.1        | 167.9        | 141.7        |
| <b>Net sales</b>   | <b>108.8</b> | <b>91.6</b> | <b>419.9</b> | <b>355.9</b> |

| SEK m                   | Q4           |             | Full-year    |              |
|-------------------------|--------------|-------------|--------------|--------------|
|                         | 2022         | 2021        | 2022         | 2021         |
| Americas                | 35.1         | 29.2        | 140.7        | 119.1        |
| Asia                    | 36.2         | 29.5        | 139.0        | 110.4        |
| Europe                  | 37.1         | 32.4        | 138.6        | 124.7        |
| Not allocated by region | 0.4          | 0.5         | 1.6          | 1.7          |
| <b>Net sales</b>        | <b>108.8</b> | <b>91.6</b> | <b>419.9</b> | <b>355.9</b> |

## 3. GOODWILL

Goodwill increased SEK 10.7m during full-year 2022 as a result of currency translation. Goodwill is tested annually or when a requirement for impairment is indicated. Goodwill is recognized at cost less accumulated impairment. The impairment test performed at year end did not indicate any requirement for impairment. Goodwill at December 31, 2022 amounted to SEK 366.6m (355.9).

## 4. OTHER INTANGIBLE ASSETS

During full-year 2022, other intangible assets increased SEK 28.6m and amounted to SEK 204.1m (175.5) on December 31, 2022. Operating expenses were reduced by SEK 50.2m (64.4) during the year as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 41.7m (54.5) pertained to personnel costs.

## 5. DEFERRED TAX ASSETS

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of December 31, 2022, the Group had accumulated loss carryforwards outside Sweden of SEK 264.6m (217.0), of which SEK 86.7m (57.9) is recognized in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 3.2m (2.5), and the deferred tax liability is recognized in an amount of SEK 30.3m (28.4), of which SEK 12.6m (11.0) pertains to loss carryforwards. The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount since they are connected to the same tax subject. The tax relief payment in the UK for 2022 connected to research and development costs was made during the third quarter and amounted to approximately SEK 11.2m (11.8). The payment reduced aggregate loss carryforwards by an equivalent amount.

## 6. PLEDGED ASSETS

| SEK m  | Dec 31,<br>2022 | Dec 31,<br>2021 |
|--|-----------------|-----------------|
| To secure pensions                           | 22.8            | 17.7            |
| To secure liabilities to credit institutions | 2.9             | 2.7             |
| <b>Total pledged assets</b>                  | <b>25.7</b>     | <b>20.5</b>     |

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

## 7. INFORMATION ABOUT MEASUREMENT AT FAIR VALUE

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

## 8. RELATED PARTY TRANSACTIONS

The dismissal of the previous CEO means that salary payments during the period of notice, termination benefits and pension will continue after the date of dismissal pursuant to the terms of the contract.

A new incentive program, LTI 2022, was introduced in the Group in 2022. Under this program, members of the Group's management group were allocated a total of 49,250 restricted stock units (RSUs).

## 9. PARENT COMPANY'S RECEIVABLES FROM SUBSIDIARIES

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

## 10. INCENTIVE PROGRAMS

As of December 31, 2022, the Group had two incentive programs outstanding, LTI 2022 and Exchange Allotment 2018.

### 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 Systems Group employees has been introduced, LTI 2022. The program includes RSUs and covers a maximum of 140,000 shares in IAR Systems Group AB, which were allocated to a maximum of 140 employees at four different levels within the Group. As of December 31, 2022, there were 138,250 RSUs outstanding.

The shares will be transferred to individuals free of charge after three years, provided that the performance conditions and limitations established during the period have been achieved. The performance conditions for this program are that the Group's operating margin is to be at least 20% for each year and that the increase in the Group's net sales is to be between 10% and 15% for each year. The vesting period for the RSUs in the program runs until August 2025, allocated evenly between the periods. The allotted RSUs are vested at a rate of one third from the date of allotment (7 November 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, 2022 were to be exercised for shares, this would entail total dilution of approximately 1.0% of the number of shares outstanding and votes. For more information about the EGM and the resolutions passed, refer to the company's website: iar.com.

### EXCHANGE ALLOTMENT 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in accordance with the approval from the EGM held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program will continue until October 2022 and the program extends until 2027. Vested stock options can be exercised on an ongoing basis until 2027 at the latest. A total of 45,077 stock options were exercised and 21,774 stock options were forfeited.

### INCENTIVE PROGRAMS

|                         | Total   | Subscribed/<br>Allocated | Exercised<br>Dec 31,<br>2022 | Forfeited Dec<br>31, 2022 | Qualified<br>Dec 31,<br>2022 | Qualified<br>after Dec 31,<br>2022 |
|-------------------------|---------|--------------------------|------------------------------|---------------------------|------------------------------|------------------------------------|
| LTI 2022                |         |                          |                              |                           |                              |                                    |
| RSUs                    | 140,000 | 140,000                  | 0                            | 1,750                     | 0                            | 138,250                            |
| EXCHANGE ALLOTMENT 2018 |         |                          |                              |                           |                              |                                    |
| Stock options           | 73,413  | 73,413                   | 45,077                       | 21,774                    | 6,562                        | 0                                  |

# Definitions

Q4  $\frac{20}{22}$

Certain financial performance measures are presented in this interim report that are not defined in accordance with IFRS. The company believes that these performance measures provide valuable supplementary information to investors and the company's management since they facilitate evaluations of the company's earnings trend and financial position. These financial performance measures are not always comparable with the measures used by other companies since not all companies calculate financial performance measures in the same way. Accordingly, these financial performance measures must not be regarded as a replacement for the measures defined in accordance with IFRS.

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

| Key performance measures                      | Definition/Calculation  | Use  |
|---|---|--|
| Gross margin                                  | Net sales less the cost of goods sold as a percentage of net sales.   | Measures the company's profitability after cost of goods and is used to follow up cost-efficiency and the effect of changes to the product mix.  |
| EBITDA  | Earnings before interest, taxes, depreciation and amortization.   | This measure basically shows the earnings-generating cash flow in operations. It provides an overview of the business's ability to generate, in absolute terms, resources for investments and payments to investors and is used as a comparison over time. |
| EBITDA margin                                 | Earnings before interest, tax, depreciation and amortization (EBITDA) in relation to sales, expressed as a percentage.  | Aims to show the profitability ratio for current operations.   |
| 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.  |



| 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.  |
| Equity/assets ratio          | Equity as a percentage of total assets.  | This key ratio shows the proportion of assets financed with equity and can be used as an indication of the company's long-term solvency.   |
| Capital employed             | Total assets less non-interest-bearing liabilities. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at the end of the year divided by two. | The capital made available to the company by shareholders and lenders. This shows the net capital invested in operating activities with the addition of financial assets.  |
| Profit margin                | Profit before tax as a percentage of net sales.  | Profit margin shows the earnings capacity of the business from operating activities regardless of the tax situation in relation to the company's net sales and can be used to in a comparison with other companies in the same industry.   |

\* Definition in accordance with IFRS.

# Reconciliations

Q4 <sup>20</sup>/<sub>22</sub>

**GROSS MARGIN** is calculated as net sales less the cost of goods sold as a percentage of net sales.

| SEK m            | Q4    |      | Full-year |       |
|------------------|-------|------|-----------|-------|
|                  | 2022  | 2021 | 2022      | 2021  |
| Net sales        | 108.8 | 91.6 | 419.9     | 355.9 |
| Goods for resale | -3.8  | -3.0 | -12.8     | -12.0 |
| Gross profit     | 105.0 | 88.6 | 407.1     | 343.9 |
| Gross margin, %  | 96.5  | 96.7 | 97.0      | 96.6  |

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

| SEK m   | Q4   |       | Full-year |        |
|---|------|-------|-----------|--------|
|   | 2022 | 2021  | 2022      | 2021   |
| Operating profit                              | 16.5 | 15,2* | 75.7      | 65,7*  |
| Depreciation of property, plant and equipment | 1.3  | 1.1   | 5.3       | 3.7    |
| Depreciation of right-of-use assets           | 7.4  | 4.1   | 20.2      | 16.7   |
| Amortization of intangible assets             | 7.2  | 8.8   | 27.8      | 33.8   |
| EBITDA  | 32.4 | 29.2  | 129.0     | 119,9* |

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

| SEK m            | Q4    |       | Full-year |        |
|------------------|-------|-------|-----------|--------|
|                  | 2022  | 2021  | 2022      | 2021   |
| Net sales        | 108.8 | 91.6  | 419.9     | 355.9  |
| EBITDA           | 32.4  | 29,2* | 129       | 119,9* |
| EBITDA margin, % | 29.8  | 31,9* | 30.7      | 33,7*  |

**OPERATING MARGIN** is calculated as operating profit as a percentage of net sales.

| SEK m               | Q4    |       | Full-year |       |
|---------------------|-------|-------|-----------|-------|
|                     | 2022  | 2021  | 2022      | 2021  |
| Net sales           | 108.8 | 91.6  | 419.9     | 355.9 |
| Operating profit    | 16.5  | 15,2* | 75.7      | 65,7* |
| Operating margin, % | 15.2  | 16,6* | 18.0      | 18,5* |

**PROFIT MARGIN** is calculated as profit before tax as a percentage of net sales.

| SEK m             | Q4    |       | Full-year |       |
|-------------------|-------|-------|-----------|-------|
|                   | 2022  | 2021  | 2022      | 2021  |
| Net sales         | 108.8 | 91.6  | 419.9     | 355.9 |
| Profit before tax | 14.6  | 17,0* | 73.5      | 65,6* |
| Profit margin, %  | 13.4  | 18,6* | 17.5      | 18,4* |

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

| SEK m                               | Q4    |      | Full-year |       |
|-------------------------------------|-------|------|-----------|-------|
|                                     | 2022  | 2021 | 2022      | 2021  |
| Net sales                           | 108.8 | 91.6 | 419.9     | 355.9 |
| Cash flow from operating activities | 25.8  | 40.5 | 127.7     | 131.6 |
| Cash flow, %                        | 23.7  | 44.2 | 30.4      | 37.0  |

**EQUITY/ASSETS RATIO** is calculated as equity as a percentage of total assets.

| SEK m               | Dec 31, 2022 | Dec 31, 2021 |
|---------------------|--------------|--------------|
|                     | Equity       | 666.8        |
| Total assets        | 922.2        | 812.8        |
| Equity/assets ratio | 72.3         | 72.0%        |

**AVERAGE EQUITY** is calculated as equity at the beginning of the period plus equity at the end of the period divided by two.

| SEK m          | Dec 31, 2022 | Dec 31, 2021 |
|----------------|--------------|--------------|
|                | Equity       | 666.8        |
| Average equity | 651.1        | 680.5        |

| SEK m          | Q4    |       | Full-year |       |
|----------------|-------|-------|-----------|-------|
|                | 2022  | 2021  | 2022      | 2021  |
| Average equity | 659.0 | 632.9 | 626.1     | 599.4 |

**RETURN ON EQUITY** is calculated as profit after tax as a percentage of average equity.

| SEK m                 | Q4    |        | Full-year |       |
|-----------------------|-------|--------|-----------|-------|
|                       | 2022  | 2021   | 2022      | 2021  |
| Profit/loss after tax | 14.6  | -105.4 | 57.8      | -67.4 |
| Average equity        | 659.0 | 632.9  | 626.1     | 599.4 |
| Return on equity, %   | 2.2   | -16.7  | 9.2       | -11.2 |

**NET DEBT/EQUITY RATIO** is calculated as net interest-bearing liabilities divided by equity.

| SEK m                            | Dec 31, 2022                 | Dec 31, 2021 |
|----------------------------------|------------------------------|--------------|
|                                  | Interest-bearing liabilities | 69.3         |
| Cash and cash equivalents        | -148.2                       | -113.4       |
| Net interest-bearing liabilities | -78.9                        | -57.4        |
| Net debt/equity ratio, %         | -0.1                         | -0.1         |

**RETURN ON CAPITAL EMPLOYED** is calculated as profit before tax plus financial expenses as a percentage of average capital employed.

| SEK m  | Q4   |        | Full-year |       |
|--|------|--------|-----------|-------|
|  | 2022 | 2021   | 2022      | 2021  |
| Profit/loss before tax                         | 14.6 | -117.2 | 73.5      | -68.6 |
| Financial expenses                             | 2.2  | 0.5    | 2.5       | 1.6   |
| Profit/loss before tax plus financial expenses | 16.8 | -116.7 | 76        | -67.0 |
| Return on capital employed, %                  | 2.4  | -17.0  | 11.0      | -10.1 |

\*Adjusted for non-recurring items, refer to Reconciliations on page 45 of I.A.R. Systems Group AB 2021 Annual Report.

# Reconciliations, cont.

Q4  $\frac{20}{22}$

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

| SEK m                        | Dec 31,<br>2022 | Dec 31,<br>2021 |
|------------------------------|-----------------|-----------------|
| Cash and cash equivalents    | 148.2           | 113.4           |
| Interest-bearing liabilities | -69.3           | -56.0           |
| <b>Net cash</b>              | <b>78.9</b>     | <b>57.4</b>     |

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

| SEK m                            | Dec 31,<br>2022 | Sep 30,<br>2022 | Dec 31,<br>2021 | Sep 30,<br>2021 | Dec 31,<br>2020 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total assets                     | 922.2           | 878.9           | 812.8           | 901.4           | 833.5           |
| Non-interest-bearing liabilities | -186.1          | -200.1          | -171.5          | -165.9          | -153.8          |
| <b>Capital employed</b>          | <b>736.1</b>    | <b>678.8</b>    | <b>641.3</b>    | <b>735.5</b>    | <b>679.7</b>    |

| SEK m                    | Q4    |       | Full-year |       |
|--------------------------|-------|-------|-----------|-------|
|                          | 2022  | 2021  | 2022      | 2021  |
| Average capital employed | 707.5 | 688.4 | 688.7     | 660.5 |

**EQUITY PER SHARE** is calculated as equity divided by the number of shares at the end of the period.

| SEK m                                   | Dec 31,<br>2022 | Dec 31,<br>2021 |
|---|-----------------|-----------------|
| Equity                                  | 666.8           | 585.3           |
| No. of shares at end of period, million | 13.66           | 13.65           |
| <b>Equity per share</b>                 | <b>48.81</b>    | <b>42.88</b>    |

**CASH FLOW FROM OPERATING ACTIVITIES PER SHARE** is calculated as cash flow from operating activities divided by the average number of shares.

| SEK m  | Q4          |             | Full-year   |             |
|--|-------------|-------------|-------------|-------------|
|  | 2022        | 2021        | 2022        | 2021        |
| Cash flow from operating activities                  | 25.8        | 40.5        | 127.7       | 131.6       |
| Average no. of shares, million                       | 13.65       | 13.65       | 13.65       | 13.64       |
| <b>Cash flow from operating activities per share</b> | <b>1.89</b> | <b>2.97</b> | <b>9.36</b> | <b>9.65</b> |

# The IAR Systems share

Q4 <sup>20</sup>/<sub>22</sub>

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. During the period, the share price varied from a low of SEK 120.2 (100.0) to a high of SEK 159.2 (166.0). I.A.R. Systems Group's market capitalization on the same date was SEK 2,054m (1,608). The number of shareholders in I.A.R. Systems Group at December 31, 2022 was 6,917 (7,271). Of these shareholders, 403 (472) held more than 1,000 shares each. Foreign shareholders held approximately 28% (27) of the share capital and 28% (27) of the votes.

I.A.R. Systems Group AB's share capital at December 31, 2022 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 7,963 of the Class B shares are held in treasury. Class C shares are not included in the information submitted regarding the I.A.R. Systems Group AB share. Class C shares do not entitle the holder to dividends.

The aim of the company's treasury holding is to ensure the delivery of shares to employees through the exercise of stock options according to the Group's incentive program and, in terms of cash flow, to ensure payment of future social security expenses attributable to this program. Prior to any delivery of shares according to the Group's employee ownership program, the company converts the class C shares into class B shares. A total of 51,646 class C shares have been converted into class B shares to be delivered under an incentive program since the original buyback of 359,688 class C shares.

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

## 2022 AGM

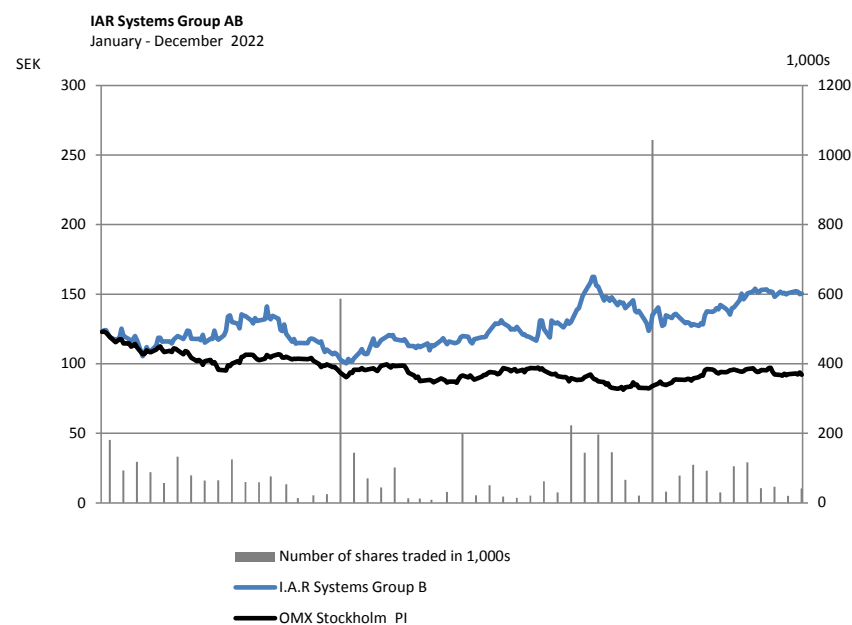
The Annual General Meeting (AGM) of I.A.R. Systems Group AB was held on April 26, 2022. For information about the AGM and the resolutions passed, refer to the company's website: [www.iar.com](http://www.iar.com).

## NOMINATING COMMITTEE

In accordance with the resolution of the AGM in April 2022, a nominating committee has been appointed ahead of the 2023 AGM and consists of Jonas Eixmann (appointed by Andra AP-fonden), Jonas Rennmark (appointed by Arbetsmarknedets Tillaegspension (ATP)), Markus Lindqvist (appointed by Aktia) and Petter Mattsson (appointed by Alcur Fonder). Jonas Eixmann was appointed Chairman of the nominating committee.

## PROPOSED DIVIDEND

The Board intends to propose a dividend of SEK 1.5 per share.





## BREAKDOWN OF SHAREHOLDINGS

|                | No. of<br>shareholders | No. of<br>shareholders,<br>% | Share of<br>capital,<br>% | Share of<br>votes,<br>% |
|----------------|------------------------|------------------------------|---------------------------|-------------------------|
| 1-500          | 6,189                  | 89                           | 4                         | 4                       |
| 501-1 000      | 325                    | 5                            | 2                         | 2                       |
| 1,001-10,000   | 315                    | 5                            | 6                         | 6                       |
| 10,001-        | 88                     | 1                            | 88                        | 88                      |
| <b>Total *</b> | <b>6,917</b>           | <b>100</b>                   | <b>100</b>                | <b>100</b>              |

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

## GEOGRAPHICAL DISTRIBUTION

|                     | No. of<br>shareholders | No. of<br>shareholders,<br>% | Share of<br>capital,<br>% | Share of<br>votes,<br>% |
|---------------------|------------------------|------------------------------|---------------------------|-------------------------|
| Sweden              | 6,681                  | 97                           | 72                        | 72                      |
| Europe excl. Sweden | 193                    | 3                            | 26                        | 26                      |
| Other countries     | 43                     | 0                            | 2                         | 2                       |
| <b>Total *</b>      | <b>6,917</b>           | <b>100</b>                   | <b>100</b>                | <b>100</b>              |

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

## LARGEST SHAREHOLDERS (VOTES)

|  | No. of<br>shares  | Share of<br>capital,<br>% | Share of<br>votes,<br>% |
|--|-------------------|---------------------------|-------------------------|
| 1. Andra AP-fonden                           | 1,295,415         | 9                         | 9                       |
| 2. Tredje AP-fonden                          | 828,930           | 6                         | 6                       |
| 3. Alcur Select                              | 826,846           | 6                         | 6                       |
| 4. Avanza Pension                            | 701,842           | 5                         | 5                       |
| 5. Northern Trust Company London             | 700,428           | 5                         | 5                       |
| 6. Fjärde AP-fonden                          | 690,000           | 5                         | 5                       |
| 7. Arbejdsmarkedets Tillaegspension          | 580,320           | 4                         | 4                       |
| 8. Enter Småbolagsfond                       | 561,429           | 4                         | 4                       |
| 9. Sijoitusrahasto Aktia Nordic Mid          | 525,000           | 4                         | 4                       |
| 10. Ribbskottet Aktiebolag                   | 500,000           | 4                         | 4                       |
| 11. Sijoitusrahasto Aktia Nordic             | 432,279           | 3                         | 3                       |
| 12. Säästöpankki Itämeri- Sijoitusrahasto    | 285,556           | 2                         | 2                       |
| 13. Fondita Nordic Small Cap Investment Fund | 270,000           | 2                         | 2                       |
| 14. Tequity Invest AB                        | 227,605           | 2                         | 2                       |
| 15. JP Morgan SE, Luxembourg Branch          | 226,935           | 2                         | 2                       |
| Other  | 5,007,705         | 37                        | 37                      |
| <b>Total *</b>                               | <b>13,660,291</b> | <b>100</b>                | <b>100</b>              |

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



**I.A.R. SYSTEMS GROUP AB (PUBL)**

Corporate identification number 556400-7200  
Kungsgatan 33, SE-111 56 Stockholm Tel +46 8 410 920 00  
[www.iar.com](http://www.iar.com)

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