



Q2

IAR Systems Group AB

# Interim report January–June 2023

Summary

# A changing market that requires new, modern solutions.

## Summary of the period

Sales in the first half-year amounted to SEK 215.9m (205.0), corresponding to modest growth of 5.3%, or -0.2% in local currency, compared with the preceding year. Foreign exchange effects had an impact of SEK +11.3m on net sales during the period. Growth was primarily attributable to APAC (14.4% in local currency during the first half-year), while sales volumes in EMEA and North America were somewhat lower year-on-year in local currency. The USA and EMEA are experiencing a tougher market, which IAR is working to respond to, for example by developing new business models, packaging and solutions. In the second quarter, limited testing of a subscription offering was carried out in the USA with good results. Before long, this will transition into a broader Software-as-a-Service (SaaS) offering. The modernization of IAR, which is a necessity, is continuing. Our operating margin and EBITDA margin are somewhat weaker than expected. While modernization requires investments, cost-saving measures totaling SEK 50m on an annual basis have also been implemented since late 2022. These will have full effect in the fourth quarter of 2023. Going forward, the company will report adjusted EBITDA and operating profit in order to present a more accurate picture of its margins adjusted for items affecting comparability and non-recurring items.

## Second quarter, April–June 2023

- Net sales growth of 0.5%, and -4.5% adjusted for foreign exchange effects.
- EBITDA of SEK 30.5m (31.9), corresponding to an EBITDA margin of 28.2% (29.6).
- Adjusted EBITDA of SEK 32.0m (31.9), corresponding to an adjusted EBITDA margin of 29.6% (29.6).
- Operating profit of SEK 11.2m (19.6), corresponding to an operating margin of 10.4% (18.2).
- Adjusted operating profit of SEK 17.4m (19.6), corresponding to an adjusted operating margin of 16.1% (18.2).
- Capitalized work on own account amounted to SEK 10.4m (10.5).
- In a year-on-year comparison, currency translation had a positive impact of SEK 5.4m on net sales and a positive impact of SEK 4.4m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 29.4m (26.0).

## Key events during the second quarter

- No key events

## The period, January–June 2023

- Net sales growth of 5.3%, and -0.2% adjusted for foreign exchange effects.
- EBITDA of SEK 55.8m (62.1), corresponding to an EBITDA margin of 25.8% (30.3).
- Adjusted EBITDA of SEK 59.0m (62.1), corresponding to an adjusted EBITDA margin of 27.3% (30.3).
- Operating profit of SEK 22.7m (36.9), corresponding to an operating margin of 10.5% (18.0).
- Adjusted operating profit of SEK 30.6m (36.9), corresponding to an adjusted operating margin of 14.2% (18.0).
- Capitalized work on own account amounted to SEK 19.8m (22.7).
- In a year-on-year comparison, currency translation had a positive impact of SEK 11.3m on net sales and a positive impact of SEK 8.3m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 55.5m (54.6).

## Key events after the second quarter

- IAR announced a reorganization, cutting back 25 employees and consultants in Cambridge. This restructuring will yield an estimated SEK 27m in cost savings.



Asia continues to demonstrate strong results, including favorable growth in the mature Japanese market.

Richard Lind, CEO

## Q2 in brief:

- **Chief Revenue Office appointed for increased focus on sales in relation to a shared objective.**
- **Subscription offering tested in the USA in preparation for a broader cloud-based SaaS offering.**

## Group summary

	3 months Apr–Jun		6 months Jan–Jun		Full-year
	2023	2022	2023	2022	2022
Net sales, SEK m	108.2	107.6	215.9	205.0	419.9
EBITDA, SEK m	30.5	31.9	55.8	62.1	129.0
Adjusted EBITDA, SEK m	32.0	31.9	59.0	62.1	130.2
Operating profit, SEK m	11.2	19.6	22.7	36.9	75.7
Adjusted operating profit, SEK m	17.4	19.6	30.6	36.9	76.9
Earnings per share, basic, SEK	0.45	1.05	0.92	1.93	4.23
Earnings per share, diluted, SEK	0.45	1.05	0.91	1.93	4.20
Cash flow, SEK m	29.4	26.0	55.5	54.6	127.7
Net cash, SEK m	94.7	85.9	94.7	85.9	78.9
Gross margin, %	97.4	97.1	97.2	97.1	97.0

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 Comments from the CEO

# Q2 2023 – Comments from the CEO

As I write this, I am in Cambridge in the UK, at Arm's annual partner meeting. The message from Arm is a very positive one, for IAR as well. The world is increasingly being driven by software, and digitization is showing no signs of slowing – quite the opposite. The car of today has some 500 million lines of code in it, and within a few years several models will have a billion lines of code.

We are at the beginning of a shift in the market for embedded systems. A generational shift from silicon to 64-bit is taking place, to new designers who have artificial intelligence (AI) and machine learning (ML) processing capacity in their hardware with more power, more memory, and more functions. This shift resulted in a slowdown in the market during the first half of the year, with many players adapting to coming designs and possibilities, such as those Arm focused on during this year's partner briefing.

The Automotive and IoT verticals are moving large amounts of code to devices and edge devices (devices near the data source, such as car or cameras). The number of developers, as well as the number of applications, will thus increase. The future of software development is an extremely bright one.

The macroeconomic headwinds in the form of higher interest rates and inflation, in combination with the aforementioned generational shift, have impacted us as well. In general, customers have become more cautious, with reduced or postponed investments and increased cost awareness. We saw this back in the first quarter in North America, and it continued to be seen in the second quarter (-14.1% growth). Now, the trend has also reached EMEA (-12.7% growth). It should be noted that the second-quarter year-on-year growth figures for EMEA are somewhat distorted, since we signed a major contract for approximately SEK 8m in May 2022 as a single transaction. However, one bright spot is that India is delivering strong growth and is now a bigger market than France for IAR.

No slowdown has been seen in APAC (14.1% growth). Instead, IAR is continuing to grow its business in the region, with China and Japan as stable growth engines.

The North American shift in software purchasing is continuing, from capital investments (perpetual licenses) to operating cost (subscription licenses, software as service delivery).



We are bringing more AI and ML into everything we do.

## Insights

IAR developed new solutions in the second quarter. One example is our integrated Safety, Security & Compliance solution area, and another is the introduction of new licensing offerings, which were tested in the USA with good results. In the second half of 2023, we will offer these to all new and existing customers globally.

We also continued to pursue changes in the sales organization, from sales of products and functions to sales of solutions and added value. To accelerate the transformation of the sales organization, I have appointed our Area Vice President for the Americas, Danielle Iversen, as global Chief Revenue Officer (CRO). We have been adept at eliminating costs from our operations in order to achieve our objective of an operating margin of over 25% going forward. We have identified, adopted and to a large extent conducted activities to reduce our operating costs by approximately SEK 50m on a future annual basis.

Of course, we are monitoring and following trends, but we can – and will – also be a leader and a trend-setter. We have been engaged in a dialogue concerning developer productivity for seven months now, and we see that many of our customers, partners and even competitors have accepted and embraced this perspective. We are bringing more AI and ML into Embedded Developer Solutions, which this customer example – hot off the press – describes nicely:

*"The compiler just warned me about a possible error in an expression I'd written. I've never had that kind of warning come up before with any compiler. It required a sophisticated*

*guess (Intelligence) at what I intended as opposed to what the expression was actually going to do. The compiler was right. The warning probably saved me half an hour of debugging (Productivity). I'm glad I picked IAR."*

Brian Falter, Principal Engineer, Electronic Innovation Inc., Canada

## Summary

Both now and going forward, the focus is simple: increased sales and the growth that goes with it. Everything we do will – and must – drive growth: new solution packages, licensing models and delivery models. I am pleased with the sense of purpose, willingness to take risk and drive that I see at all levels in the organization. It is now up to us at IAR to prove that we can achieve our goals.

Richard Lind, CEO



Financial information

# Financial information

## Net sales

The previous quarter's trend continued in Asia, which continued to grow while EMEA and the Americas were slightly weaker than in 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 and another took effect on July 1, 2023. The product offering is being revised to create greater value and flexibility for customers and to provide other means of income generation. Deferred income – or our “rainy day fund” as we call it, with income saved for the future – is gradually growing and reached SEK 129.6m (105.5) as of June 30.

## Markets and products

APAC accounted for 35.7% of net sales for the quarter, corresponding to SEK 38.7m (33.4). Foreign exchange effects had a positive effect of SEK 0.5m on sales for the quarter, and excluding foreign exchange effects, APAC contributed strong growth of 14.1%. China and Japan grew 31% and 18%, respectively, while Taiwan and Korea declined -22% and -16%, respectively. EMEA accounted for 31.7% of net sales, or SEK 34.3m (36.3), during the quarter. Net sales in EMEA decreased -12.7%, adjusted for foreign exchange effects of SEK 2.7m for the quarter. France/Benelux and southern Europe had stronger growth, while Germany, the Nordic region and Central Europe were weaker. The USA accounted

for 32.0% of net sales, or SEK 34.6m (37.7), during the quarter. Net sales decreased -14.1% in the USA, adjusted for foreign exchange effects of SEK 2.3m for the quarter.

We are seeing a general weakening in demand, primarily in the USA and EMEA. IAR has a unique position in the development solutions segment for embedded development – we can offer opportunities that no one else can, including the ability to work with the same tool regardless of architecture or product. However, we need to modernize our business model and will do so, for example, by starting to offer our IAR Embedded Workbench for Arm (EWARM) development solution as a cloud-based SaaS offering. Our products in IAR EWARM account for approximately 80% of sales. The 64-bit offering has been well received, and we see great potential both there and in RISC-V. These technologies and Security are areas for future growth. Our efforts to train and implement the sales team are continuing in 2023. It was encouraging to see sales within Security in the USA begin to pick up speed.

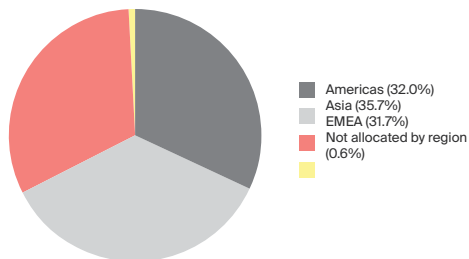
## Modernizing IAR

As IAR marks its 40th year as a profitable software company, a modernization of the company and a review of its cost structure are both fully under way. This included shutting down the office in Camarillo, effective December 31, 2022, and moving probe development and production to Sweden. Rationalizations – like the reorganization and phase-out of personnel, primarily in Cambridge – have been carried out,

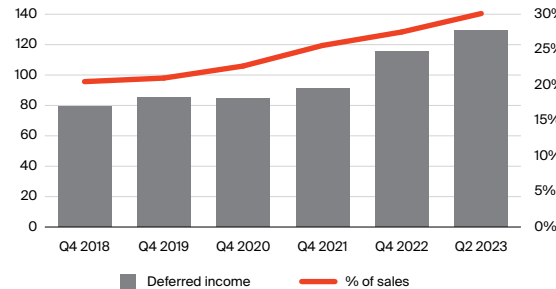
and are continuing for our premises and systems, enabling us to create modern ways of working and to utilize our resources as efficiently as possible and ultimately to improve our margins. A review of our cost structure is expected to generate an estimated yearly savings of SEK 50m, with full effect in the fourth quarter of 2023. However, this process requires investments that may have a temporary negative effect on the margin. The company is also capitalizing a lower share of its development costs in the balance sheet than in the past, which is having a negative effect on both the operating margin and the EBITDA margin. Personnel costs increased, largely due to more employees in the sales organization. The focus is to improve sales in the Security offering through training, incentives and an increase in the number of sales representatives.

The incentive program introduced in 2022 had an impact of SEK 1.5m on personnel costs and the margin for the quarter and SEK 3.2m for the half-year. This is an allocated cost calculated based on the likely outcome of the incentive program, and may be paid in the form of shares in three years, according to the scope determined by the Board. In addition, intangible assets were impaired by SEK 4.7m during the quarter. As of the second quarter of 2023, two additional performance measures will be reported: adjusted operating profit and adjusted EBITDA, which show the company's margins adjusted for these items. This is to present a more accurate view of the company's margins over time.

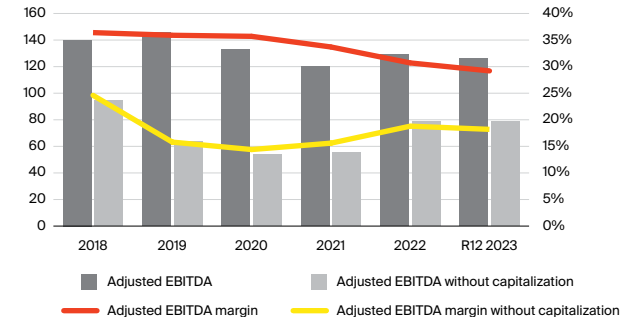
Breakdown of income Q2 2023



Deferred income, SEKm



EBITDA and EBITDA margin\*



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



## Financial information

### Net sales

#### Net sales for the second quarter of 2023

Net sales for the second quarter increased compared with the same quarter last year and amounted to SEK 108.2m (107.6). Currency translation had a positive impact of SEK 5.4m on net sales for the quarter.

#### Other income

In 2023, IAR received a payment of SEK 1.6m in accordance with an earlier judgment against the previous CEO of IAR's US subsidiary IAR Systems Software Inc., which is recognized in other income.

#### Net sales January–June 2023

Net sales for the period amounted to SEK 215.9m (205.0). Currency translation had a positive impact of SEK 11.3m on net sales for the period.

#### Deferred income June 30, 2023

Deferred income in the form of accrued support agreements increased during the period by SEK 10.2m and amounted to SEK 129.6m (105.5) on June 30, 2023.

### Earnings

#### Earnings for the second quarter of 2023

The gross margin for the quarter was 97.4% (97.1). EBITDA for the second quarter amounted to SEK 30.5m (31.9), corresponding to an EBITDA margin of 28.2% (29.6). Adjusted EBITDA for the second quarter amounted to SEK 32.0m (31.9), or 29.6% (29.6). An adjustment was made for the probable costs for the LTI 2022 incentive program. If the performance conditions for this program are not met and thus no shares are allocated to the holders of these restricted stock units (RSUs), these costs will have been charged to consolidated profit or loss, but will have no impact on cash flow.

Operating profit for the second quarter amounted to SEK 11.2m (19.6), corresponding to an operating margin of 10.4% (18.2). Adjusted operating profit was SEK 17.4m (19.6), or 16.1% (18.2). Intangible assets were impaired by SEK 4.7m during the quarter, which adversely impacted earnings. The weaker margin was attributable to a lower share of capitalized costs, more employees and other investments in sales as well as costs for the incentive program compared with the year-ear-

lier period. Operating expenses were reduced by SEK 10.4m (10.5) during the quarter as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 8.6m (8.6) pertained to personnel costs.

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

The tax cost for the second quarter totaled SEK 7.8m (4.8) despite lower profit before tax for the second quarter of 2023 compared to the year-earlier period. This was largely due to the increased income tax rate in the UK as of April 2023 (which primarily impacts the deferred tax liabilities linked to the intangible assets in the Group) and the expectation that the UK subsidiary will have less tax relief linked to research and development than in earlier periods.

#### Earnings January–June 2023

The Parent Company's net sales for the period amounted to SEK 55.8m (62.1), corresponding to an EBITDA margin of 25.8% (30.3). Adjusted EBITDA for the period amounted to SEK 59.0m (62.1), or 27.3% (30.3).

Operating profit for the period amounted to SEK 22.7m (36.9), corresponding to an operating margin of 10.5% (18.0). Adjusted operating profit for the period amounted to SEK 30.6m (36.9), or a margin of 14.2% (18.0). Intangible assets were impaired by SEK 4.7m during the period, which adversely impacted earnings.

The gross margin for the period amounted to 97.2% (97.1). Operating expenses were reduced by SEK 19.8m (22.7) during the period as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 16.3m (18.8) pertained to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 8.3m on operating profit.

### Financial position

During the year, we focused on investments in our major product areas. Investments in software during January–June totaled SEK 19.8m (22.7). A large portion of the investments was in foreign currencies, which entailed foreign exchange effects upon conversion to SEK.

Investments in property, plant and equipment during January–June totaled SEK 1.1m (3.1).

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

Other interest-bearing liabilities in the balance sheet pertain to current and non-current lease liabilities and amounted to SEK 59.1m (32.0) as of June 30, 2023. Lease liabilities recognized in the balance sheet pertain to commitments for leases and the largest portion is connected to leases for our offices.

The equity/assets ratio at June 30, 2023 was 69.3% (73.8).

### Cash flow and liquidity

Cash flow from operating activities amounted to SEK 29.4m (26.0) for the quarter and SEK 55.3m (54.6) for January–June. Our customers' ability to pay remained adequate during 2023, and we have not noted any increased negative effects on cash flow.

Cash flow from investing activities totaled SEK -10.7m (-9.5) for the quarter and SEK -20.8m (-23.0) for January–June. Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities totaled SEK -24.3m (-22.5) for the second quarter and SEK -29.7m (-26.5) for January–June. Cash flow from financing activities during the period primarily comprised the amortization of lease liabilities as well as a dividend to shareholders.

#### Cash and cash equivalents

Cash and cash equivalents at the end of the period totaled SEK 153.8m (117.9). The Group's total available cash and cash equivalents at the end of the period amounted to SEK 203.8m (117.9). As of June 30, 2023, the Group had net cash of SEK 94.7m (86.0). Under IFRS 16, the company's interest-bearing liabilities consist exclusively of lease liabilities pertaining to office premises.

### Employees

The number of employees at IAR at the end of the period was 222 (213). The average number of employees during the period was 221 (214).

Financial information

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 quarter amounted to SEK 6.5m (6.5). Profit after financial items amounted to SEK 21.8m (2.4). The increase was due primarily to currency translation of loans to foreign subsidiaries, which had a positive impact of SEK 22.7m on earnings during the first half-year.

Investments in property, plant and equipment amounted to SEK 0.0m (0.0). Cash and cash equivalents at June 30, 2023 totaled SEK 1.0m (1.7). The number of employees in the Parent Company at the end of the quarter was two (three).

Significant risks and uncertainties

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

Future outlook

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

Review

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

Financial calendar

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

**This information is inside information that I.A.R. Systems Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on August 16, 2023, at 1:00 p.m. CEST.**

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

Submission of the report

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

*Nicolas Hassbjer*  
Board Chairman

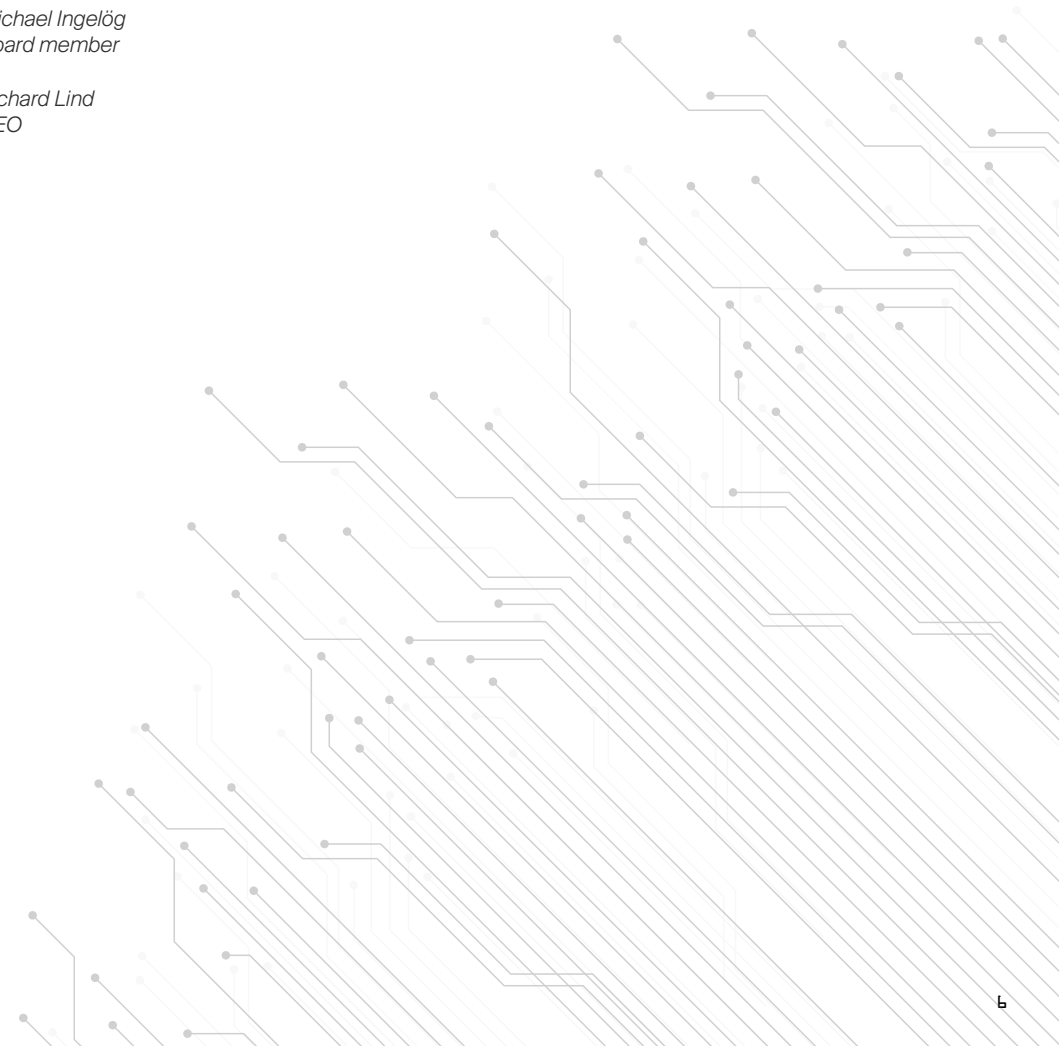
*Fred Wikström*  
Board member

*Sabina Lindén*  
Board member

*Cecilia Wachtmeister*  
Board member

*Michael Ingelög*  
Board member

*Richard Lind*  
CEO



# Income statement

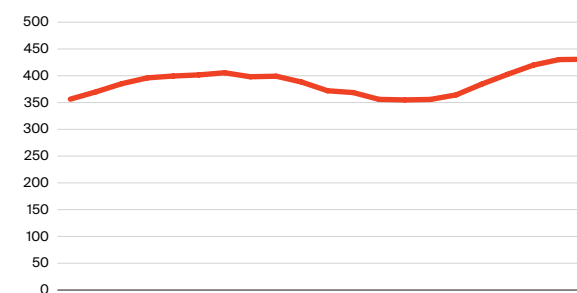
## Condensed consolidated income statement

SEK m	Note	3 months Apr–Jun		6 months Jan–Jun		Full-year
		2023	2022	2023	2022	2022
Net sales	1, 2	108.2	107.6	215.9	205.0	419.9
Other income		0.7	0.0	1.6	0.9	2.9
Capitalized work on own account		10.4	10.5	19.8	22.7	50.2
Goods for resale		-2.8	-3.1	-6.0	-5.9	-12.8
Other external expenses		-10.0	-11.9	-22.7	-23.5	-58.2
Personnel costs		-76.0	-71.2	-152.8	-137.1	-273.0
Depreciation of property, plant and equipment		-1.7	-1.6	-2.9	-2.8	-4.8
Depreciation of right-of-use assets		-4.8	-4.1	-10.1	-8.6	-20.7
Amortization of intangible assets		-8.1	-6.5	-15.4	-13.9	-27.8
Impairment of intangible assets		-4.7	-	-4.7	-	-
<b>Operating profit</b>		<b>11.2</b>	<b>19.6</b>	<b>22.7</b>	<b>36.9</b>	<b>75.7</b>
Financial income		3.4	0.0	4.4	0.0	0.3
Financial expenses		-0.6	-0.5	-1.3	-1.4	-2.5
<b>Profit before tax</b>		<b>14.0</b>	<b>19.1</b>	<b>25.8</b>	<b>35.5</b>	<b>73.5</b>
Tax		-7.9	-4.8	-13.2	-9.2	-15.7
<b>Profit for the period</b>		<b>6.1</b>	<b>14.3</b>	<b>12.6</b>	<b>26.3</b>	<b>57.8</b>
Comprehensive income for the period attributable to owners of the Parent Company		6.1	14.3	12.6	26.3	57.8
Earnings per share for the period, basic, SEK		0.45	1.05	0.92	1.93	4.23
Earnings per share, diluted, SEK		0.45	1.05	0.91	1.93	4.20

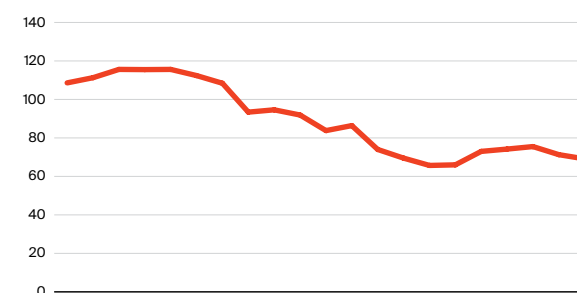
## Statement of comprehensive income

SEK m	3 months Apr–Jun		6 months Jan–Jun		Full-year
	2023	2022	2023	2022	2022
Profit for the period	6.1	14.3	12.6	26.3	57.8
<b>Other comprehensive income for the period</b>					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences	24.0	15.6	28.1	16.9	23.9
Tax effect, items reported in comprehensive income	-6.0	-0.8	-6.8	-0.7	-1.2
Total other comprehensive income	18.0	14.8	21.3	16.2	22.7
<b>Comprehensive income for the period</b>	<b>24.1</b>	<b>29.1</b>	<b>33.9</b>	<b>42.5</b>	<b>80.5</b>
Comprehensive income for the period attributable to owners of the Parent Company	24.1	29.1	33.9	42.5	80.5

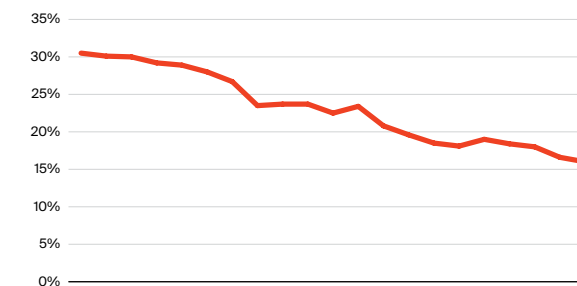
Net sales rolling 12 months, Q2 2018–Q2 2023



Operating profit\* rolling 12 months, Q2 2018–Q2 2023



Operating margin\* rolling 12 months, Q2 2018–Q2 2023



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

# Balance sheet

## Condensed consolidated balance sheet

SEK m	Note	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
<b>Assets</b>				
Non-current assets				
Goodwill	3	389.1	362.8	366.6
Other intangible assets	4	213.2	188.8	204.1
Property, plant and equipment		18.3	14.0	16.7
Right-of-use assets		56.6	30.7	68.2
Financial assets	7	3.8	3.0	3.7
Deferred tax assets	5	4.9	4.3	3.2
<b>Total non-current assets</b>		<b>685.9</b>	<b>603.6</b>	<b>662.5</b>
Current assets				
Inventories		11.2	12.1	11.3
Other current assets	7	59.5	35.3	33.6
Trade receivables	7	75.1	82.3	66.6
Cash and cash equivalents	7	153.8	117.9	148.2
<b>Total current assets</b>		<b>299.6</b>	<b>247.6</b>	<b>259.7</b>
<b>Total assets</b>		<b>985.5</b>	<b>851.2</b>	<b>922.2</b>
<b>Equity and liabilities</b>				
Total equity				
		683.1	627.9	666.8
Non-current liabilities				
Lease liabilities	7	41.7	16.1	50.3
Other non-current liabilities		1.5	1.2	1.5
Deferred tax liabilities	5	49.2	25.7	30.3
<b>Total non-current liabilities</b>		<b>92.4</b>	<b>43.0</b>	<b>82.1</b>
Current liabilities				
Trade payables	7	7.4	9.0	8.4
Liabilities to credit institutions	7	-	-	-
Lease liabilities	7	17.4	15.9	19.0
Deferred income		129.6	105.5	115.3
Other current liabilities	7	55.6	50.0	30.6
<b>Total current liabilities</b>		<b>210.0</b>	<b>180.3</b>	<b>173.3</b>
<b>Total equity and liabilities</b>		<b>985.5</b>	<b>851.2</b>	<b>922.2</b>

## Changes in equity, Group

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2023	2022	2023	2022	2022
Equity at beginning of period	677.9	598.6	666.8	585.3	585.3
Warrants, after deductions for transaction costs and tax	-	-	-	-	0.1
Value of share-based remuneration	1.6	-	2.9	-	0.9
Dividend	-20.5	-	-20.5	-	-
Comprehensive income for the period	24.1	29.1	33.9	42.5	80.5
<b>Equity at end of period</b>	<b>683.1</b>	<b>627.9</b>	<b>683.1</b>	<b>627.9</b>	<b>666.8</b>
Of which, attributable to owners of the Parent Company	683.1	627.9	683.1	627.9	666.8



# Cash flows

## Condensed consolidated cash flow statement

SEK m	3 months Apr–Jun		6 months Jan–Jun		Full-year
	2023	2022	2023	2022	2022
Incoming payments from customers and other incoming payments	101.8	77.8	209.3	181.3	412.8
Outgoing payments to suppliers and employees	-64.1	-44.6	-137.1	-114.5	-267.6
Interest received	0.0	0.0	0.0	0.0	0.2
Interest paid	-0.7	-0.2	-1.3	-0.6	-1.7
Tax relief received	-	-	-	-	11.2
Income taxes paid	-7.9	-7.6	-15.6	-11.6	-27.2
Cash flow from operating activities	29.2	26.0	55.3	54.6	127.7
Investments in property, plant and equipment	-0.2	-1.9	-1.1	-3.1	-9.3
Investments in intangible assets	-10.5	-7.6	-19.9	-19.9	-50.2
Divestment of financial assets	-	-	0.2	-	-
Cash flow from investing activities	-10.7	-9.5	-20.8	-23.0	-59.5
Warrants, after deductions for transaction costs	-	-	-	-	0.1
Amortization of financial liabilities	-3.8	-22.5	-9.2	-26.9	-39.6
Borrowings	-	-	-	0.4	-
Dividend	-20.5	-	-20.5	-	-
Cash flow from financing activities	-24.3	-22.5	-29.7	-26.5	-39.5
Cash flow for the period	-5.6	-6.1	5.0	5.2	28.7
Cash and cash equivalents at beginning of period	158.0	125.0	148.2	113.4	113.4
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of period	2.2	0.0	1.2	0.8	5.4
- attributable to cash flow for the period	-0.8	-1.0	-0.6	0.0	0.7
Cash and cash equivalents at end of period	153.8	117.9	153.8	117.9	148.2

## Cash and cash equivalents, Group

SEK m	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Cash and cash equivalents at end of period	153.8	117.9	148.2
Unutilized overdraft facilities	50.0	-	-
Total available cash and cash equivalents	203.8	117.9	148.2

# Key performance measures

## Group

	3 months Apr–Jun		6 months Jan–Jun		Full-year
	2023	2022	2023	2022	2022
Gross margin, %	97.4	97.1	97.2	97.1	97.0
EBITDA, %	28.2	29.6	25.8	30.3	30.7
Adjusted EBITDA, %	29.6	29.6	27.3	30.3	31.0
Operating margin, %	10.4	18.2	10.5	18.0	18.0
Adjusted operating margin, %	16.1	18.2	14.2	18.0	18.3
Profit margin, %	12.9	17.8	11.9	17.3	17.5
Cash flow, %	27.2	24.2	25.7	26.6	30.4
Equity/assets ratio, %			69.3	73.8	72.3
Return on equity, %	0.9	2.3	1.9	4.3	9.2
Return on capital employed, %	2.0	3.0	3.8	5.7	11.0
Capital employed, SEK m			742.2	659.9	736.1
Net cash, SEK m			94.7	85.9	78.9
Net debt/equity ratio, multiple			-0.1	-0.1	-0.1
No. of employees at end of period			222	213	209
Average no. of employees	221	213	218	214	203
Sales per employee, SEK m	0.5	0.5	1.0	1.0	2.1

## Share data

	3 months Apr–Jun		6 months Jan–Jun		Full-year
	2023	2022	2023	2022	2022
Equity per share, SEK			50.01	46.00	48.81
No. of shares at end of period, million			13.66	13.65	13.66
Average no. of shares, million	13.66	13.64	13.66	13.64	13.65
Average no. of shares, diluted, million	13.76	13.65	13.76	13.64	13.75
Cash flow from operating activities per share, SEK	2.15	1.9	4.06	4.00	9.36
Earnings per share, SEK*	0.45	1.05	0.92	1.93	4.23
Earnings per share, diluted, SEK*	0.45	1.05	0.91	1.93	4.20

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

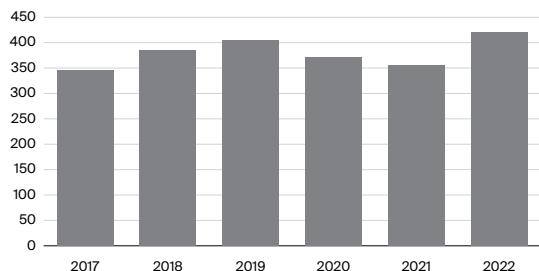
# Multi-year overview

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

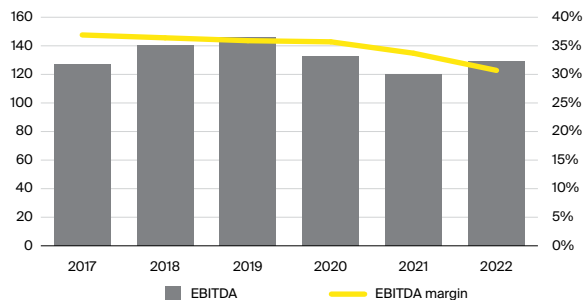
\* Adjusted for non-recurring items, refer to Reconciliations on page 87 of I.A.R. Systems Group AB's 2022 Annual Report.

\*\*Definition in accordance with IFRS.

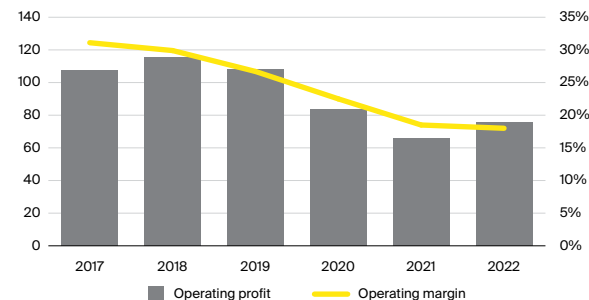
Net sales, SEK m



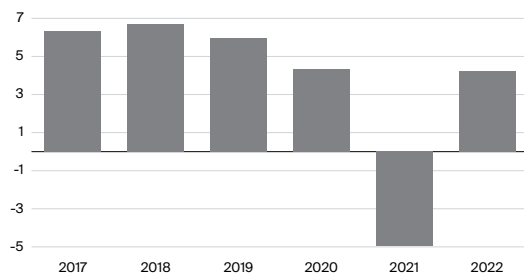
EBITDA and EBITDA margin\*



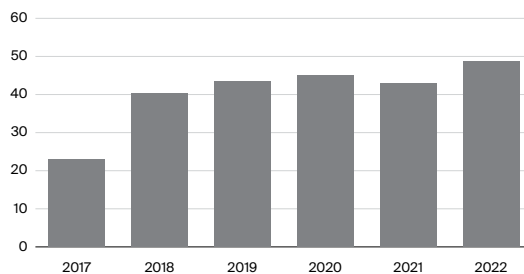
Operating profit and operating margin\*



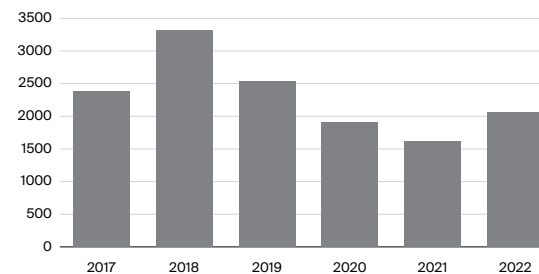
Earnings per share, SEK



Equity per share



Market capitalization, SEK m



## Quarterly overview

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

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

\*\* Definition in accordance with IFRS.

# Parent Company

## Condensed income statement

SEK m	6 months Jan–Jun		Full-year
	2023	2022	2022
Net sales	6.5	6.5	13.1
Operating expenses	-7.0	-7.8	-14.1
Operating loss	-0.5	-1.3	-1.0
Profit from financial items	22.3	3.6	92.4
Profit before tax	21.8	2.4	91.4
Tax	-4.5	-0.5	-20.7
Profit for the period	17.3	1.9	70.7

## Statement of comprehensive income

SEK m	6 months Jan–Jun		Full-year
	2023	2022	2022
Profit for the period	17.3	1.9	70.7
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Change in value of non-current securities	-	-	-
Total other comprehensive income	-	-	-
Comprehensive income for the period	17.3	1.9	70.7

## Condensed balance sheet

SEK m	Note	Jun 30,	Jun 30,	Dec 31,
		2023	2022	2022
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment		0.0	0.2	0.1
Shares in subsidiaries		457.7	481.4	455.1
Other financial assets		0.1	0.1	0.2
Receivables from subsidiaries	9	286.9	0.0	232.5
Total non-current assets		744.7	481.7	687.8
Current assets				
Receivables from subsidiaries	9	0.2	205.9	19.7
Other current assets		6.1	0.8	0.4
Cash and cash equivalents		1.0	1.7	2.5
Total current assets		7.3	208.4	22.6
<b>Total assets</b>		<b>752.0</b>	<b>691.1</b>	<b>710.4</b>
<b>Equity and liabilities</b>				
Total equity				
		695.2	624.5	695.5
Current liabilities				
Trade payables		0.5	0.6	1.0
Liabilities to credit institutions		-	-	-
Liabilities to subsidiaries		55.3	61.4	11.9
Other current liabilities		1.0	3.6	2.1
Total current liabilities		56.8	65.6	14.9
<b>Total equity and liabilities</b>		<b>752.0</b>	<b>691.1</b>	<b>710.4</b>



# Notes

## 1. Accounting policies

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

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

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

## 2. Net sales

Net sales are distributed as follows:

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2023	2022	2023	2022	2022
Development solutions	107.1	107.2	214.4	204.2	418.4
Security solutions	1.1	0.4	1.5	0.8	1.5
<b>Net sales</b>	<b>108.2</b>	<b>107.6</b>	<b>215.9</b>	<b>205.0</b>	<b>419.9</b>

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2023	2022	2023	2022	2022
License-based revenue	53.0	67.8	106.3	119.8	233.0
Support and software updates	50.7	36.9	100.4	78.1	167.9
Other	4.5	2.9	9.2	7.1	18.9
<b>Net sales</b>	<b>108.2</b>	<b>107.6</b>	<b>215.9</b>	<b>205.0</b>	<b>419.9</b>
At a point in time	57.5	70.7	115.5	126.9	252.0
Over time	50.7	36.9	100.4	78.1	167.9
<b>Net sales</b>	<b>108.2</b>	<b>107.6</b>	<b>215.9</b>	<b>205.0</b>	<b>419.9</b>

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2023	2022	2023	2022	2022
Americas	34.6	37.7	69.7	69.5	140.7
Asia	38.7	33.4	76.9	66.6	139.0
Europe	34.3	36.4	68.2	68.3	138.6
Not allocated by region	0.6	0.2	1.1	0.6	1.6
<b>Net sales</b>	<b>108.2</b>	<b>107.6</b>	<b>215.9</b>	<b>205.0</b>	<b>419.9</b>

## 3. Goodwill

Goodwill increased by SEK 17.9m during the quarter as a result of currency translation. Goodwill is tested annually or when a requirement for impairment is indicated. Goodwill is recognized at cost less accumulated impairment. The impairment test performed at year end did not indicate any requirement for impairment. Goodwill at June 30, 2023 amounted to SEK 389.1m (362.8).

## 4. Other intangible assets

During the quarter, other intangible assets increased SEK 5.5m and amounted to SEK 213.2m (188.8) on June 30, 2023. Intangible assets were impaired by SEK 4.7m during the quarter. Operating expenses were reduced by SEK 10.4m (10.5) during the period as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 8.6m (8.6) 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 June 30, 2023, the Group had accumulated loss carryforwards outside Sweden of SEK 287.0m (221.0), of which SEK 95.3m (88.0) is recognized in the consolidated balance sheet. The expected tax relief payment in the UK for 2023 connected to research and development costs is estimated at approximately SEK 13.2m (11.2). The payment reduced aggregate loss carryforwards by an equivalent amount. This tax relief was recognized on December 31, 2022 as deferred tax assets, but as of the first quarter of 2023 is recognized under other current receivables.

The deferred tax asset is recognized in the balance sheet in an amount of SEK 4.9m (4.3), and the deferred tax liability is recognized in an amount of SEK 49.2m (25.7), of which SEK 17.3m (16.7) pertains to loss carryforwards. The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount since they are connected to the same tax subject.

## Notes, cont.

### 6. Pledged assets

SEK m	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
To secure pensions	21.1	18.4	22.8
To secure liabilities to credit institutions	2.0	3.0	2.9
<b>Total pledged assets</b>	<b>23.1</b>	<b>21.4</b>	<b>25.7</b>

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

### 7. Information about measurement at fair value

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

### 8. Related party transactions

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

### 9. Parent Company's receivables from subsidiaries

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

### 10. Incentive programs

As of June 30, 2023, the Group had two incentive programs outstanding, LTI 2022 and Exchange Allotment 2018. LTI 2023 will be implemented during the third quarter in accordance with the resolution by the Annual General Meeting (AGM).

#### LTI 2023

In accordance with the decision of the Extraordinary General Meeting (EGM) on April 26, 2023, a three-year long-term

incentive program for key IAR Systems Group employees has been introduced, LTI 2023. The program includes RSUs and covers a maximum of 145,000 shares in IAR Systems Group AB, which were allocated to a maximum of 140 employees at four different levels within the Group.

The shares will be transferred to individuals free of charge after three years, provided that the performance conditions and limitations established during the period have been achieved. The performance conditions for this program are that the Group's operating margin is to be at least 20% for each year and that the increase in the Group's net sales is to be between 5% and 20% for each year. The vesting period for the RSUs in the program runs until August 2026, allocated evenly between the periods. The program will be implemented during the third quarter of 2023. One third of the allocated RSUs will be vested annually as of the allocation date. Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the period conditions for the program have been fulfilled, which is expected to take place in the fourth quarter of 2026. In the event that all RSUs outstanding were to be exercised for shares, this would entail total dilution of approximately 1.0% of the number of shares outstanding and votes. For more information about the EGM and the resolutions passed, refer to the company's website: iar.com.

#### LTI 2022

In accordance with the decision of the EGM on June 13, 2022, a three-year long-term incentive program for key IAR Systems Group employees has been introduced, LTI 2022. The program includes RSUs and covers a maximum of 140,000 shares in IAR Systems Group AB, which were allocated to a maximum of 140 employees at four different levels within the Group. As of June 30, 2023, there were 129,650 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 (November 7, 2022) until August 31, 2023, August 31, 2024 and August 31, 2025. Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the period conditions for the program have been fulfilled, which is expected to take place in the fourth quarter of 2025. In the event that all RSUs outstanding as of March 31, 2023 were to be exercised for shares, this would entail total dilution of approximately 1.0% of the number of shares outstanding and votes. For more information about the EGM and the resolutions passed, refer to the company's website: iar.com.

#### Exchange Allotment 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in accordance with the approval from the EGM held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program 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/ Allocated	Exercised Jun 30, 2023	Forfeited Jun 30, 2023	Qualified Jun 30, 2023	Qualified after Jun 30, 2023
LTI 2022						
RSUs	140,000	140,000	0	10,350	0	129,650
Exchange Allotment 2018						
Stock options	73,413	73,413	45,077	21,774	6,562	0

# Definitions

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

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

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

Key performance measures	Definition/Calculation	Use
Gross margin	Net sales less the cost of goods sold as a percentage of net sales.	Measures the company's profitability after cost of goods and is used to follow up cost-efficiency and the effect of changes to the product mix.
EBITDA	Earnings before interest, taxes, depreciation and amortization.	This measure basically shows the earnings-generating cash flow in operations. It provides an overview of the business's ability to generate, in absolute terms, resources for investments and payments to investors and is used as a comparison over time.
EBITDA margin	Earnings before interest, tax, depreciation and amortization (EBITDA) in relation to sales, expressed as a percentage.	Aims to show the profitability ratio for current operations.
Adjusted EBITDA	EBITDA according to the above definition, excluding items affecting comparability.	The measure shows the profit-generating cash flow in the operations, excluding costs that complicate comparison with Group earnings in previous periods. This is to more clearly indicate growth in the underlying operations.
Adjusted EBITDA margin	Adjusted EBITDA according to the above definition in relation to sales, expressed as a percentage.	Aims to show the profitability ratio for current operations excluding costs for items affecting comparability such as long-term incentive programs.
Equity, Group	Recognized equity including 79.4% of untaxed reserves. Average equity is calculated as equity at the beginning of the year plus equity at the end of the year divided by two.	Measures the company's net value.
Equity per share	Equity divided by the number of shares at the end of the period.	Measures the company's net value per share.
Sales growth in local currency	Net sales in local currency compared to sales in local currency in the corresponding period last year.	Measures the company's sales growth in local currency and allows the assessment of growth without the influence of foreign exchange effects.
Cash flow	Cash flow from operating activities as a percentage of net sales.	Measures the company's cash generation in relation to net sales.
Cash flow from operating activities per share	Cash flow from operating activities divided by the average number of shares during the period.	Measures the company's cash generation in relation to the number of shares in the company.
Net cash	Cash and cash equivalents less interest-bearing liabilities.	A measure of the ability to use available cash and cash equivalents to pay off all liabilities if they were due for payment on the date of the calculation and thereby a measure of the risk in relation to the company's capital structure.
Net interest-bearing liabilities	Interest-bearing liabilities less cash and cash equivalents.	A measure used to follow the liability trend and see the size of the need for refinancing. This measure is one component in calculating net cash and the net debt/equity ratio.

## Definitions, cont.

Key performance measures	Definition/Calculation	Use
Net debt/equity ratio	Net interest-bearing liabilities divided by equity.	This measure reflects the relationship between the Group's two forms of financing. A measure to show the proportion of loan capital in relation to the capital invested by the owners and accordingly a measure of financial strength and also the gearing effect of loans. A higher net debt/equity ratio entails a higher financial risk and higher financial gearing.
Earnings per share*	Profit for the period after tax divided by the average number of shares during the period.	A measure of the company's profitability after tax per share. This key ratio is important in assessing the value of a share.
Return on equity	Profit after tax as a percentage of average equity.	Return on equity shows the total accounting returns on capital invested by the owners and reflects the effects of both the profitability of operations and financial gearing. This measure is mainly used to analyze the profitability of owners over time.
Return on capital employed	Profit before tax plus financial expenses as a percentage of average capital employed.	Return on capital employed shows how well operations use the capital tied up in the business. This measure is mainly used to study the Group's profitability over time.
Interest-bearing liabilities	Borrowings in banks or the equivalent.	This measure is one component in calculating net cash and the net debt/equity ratio.
Operating margin	Operating profit as a percentage of net sales.	This measure reflects the operating profitability of the business. It is useful for following up profitability and efficiency in operations before taking into account capital tied up. This key ratio is used both internally in governance and follow-up of operations and to compare with other companies.
Operating profit	Profit before tax less financial income plus financial expenses.	Used to calculate the operating margin.
Adjusted operating profit	Operating profit according to the above definition, excluding items affecting comparability.	Aims to show the profitability ratio for current operations excluding costs for items affecting comparability such as long-term incentive programs, impairment of assets and/or other non-recurring items affecting comparability.
Equity/assets ratio	Equity as a percentage of total assets.	This key ratio shows the proportion of assets financed with equity and can be used as an indication of the company's long-term solvency.
Capital employed	Total assets less non-interest-bearing liabilities. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at the end of the year divided by two.	The capital made available to the company by shareholders and lenders. This shows the net capital invested in operating activities with the addition of financial assets.
Profit margin	Profit before tax as a percentage of net sales.	Profit margin shows the earnings capacity of the business from operating activities regardless of the tax situation in relation to the company's net sales and can be used to in a comparison with other companies in the same industry.

\* Definition in accordance with IFRS.

# Reconciliations

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Net sales	108.2	107.6	215.9	205.0	419.9
Goods for resale	-2.8	-3.1	-6.0	-5.9	-12.8
Gross profit	105.4	104.5	209.9	199.1	407.1
<b>Gross margin, %</b>	<b>97.4</b>	<b>97.1</b>	<b>97.2</b>	<b>97.1</b>	<b>97.0</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Operating profit	11.2	19.6	22.7	36.9	75.7
Depreciation of property, plant and equipment	1.7	1.6	2.9	2.8	5.3
Depreciation of right-of-use assets	4.8	4.1	10.1	8.6	20.2
Amortization of intangible assets	8.1	6.6	15.4	13.9	27.8
Impairment of intangible assets	4.7	-	4.7	-	-
<b>EBITDA</b>	<b>30.5</b>	<b>31.9</b>	<b>55.8</b>	<b>62.1</b>	<b>129.0</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Net sales	108.2	107.6	215.9	205.0	419.9
EBITDA	30.5	31.9	55.8	62.1	129.0
<b>EBITDA margin, %</b>	<b>28.2</b>	<b>29.6</b>	<b>25.8</b>	<b>30.3</b>	<b>30.7</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Operating profit	11.2	19.6	22.7	36.9	75.7
Depreciation of property, plant and equipment	1.7	1.6	2.9	2.8	5.3
Depreciation of right-of-use assets	4.8	4.1	10.1	8.6	20.2
Amortization of intangible assets	8.1	6.6	15.4	13.9	27.8
Impairment of intangible assets	4.7	-	4.7	-	-
Costs for the long-term incentive program	1.5	-	3.2	-	1.2
<b>EBITDA</b>	<b>32.0</b>	<b>31.9</b>	<b>59.0</b>	<b>62.1</b>	<b>130.2</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Net sales	108.2	107.6	215.9	205.0	419.9
Adjusted EBITDA	32.0	31.9	59.0	62.1	130.2
<b>Adjusted EBITDA margin, %</b>	<b>29.6</b>	<b>29.6</b>	<b>27.3</b>	<b>30.3</b>	<b>31.0</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Net sales	108.2	107.6	215.9	205.0	419.9
Operating profit	11.2	19.6	22.7	36.9	75.7
<b>Operating margin, %</b>	<b>10.4</b>	<b>18.2</b>	<b>10.5</b>	<b>18.0</b>	<b>18.0</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Operating profit	11.2	19.6	22.7	36.9	75.7
Impairment of intangible assets	4.7	-	4.7	-	-
Costs for the long-term incentive program	1.5	-	3.2	-	1.2
<b>Adjusted operating profit</b>	<b>17.4</b>	<b>19.6</b>	<b>30.6</b>	<b>36.9</b>	<b>76.9</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Net sales	108.2	107.6	215.9	205.0	419.9
Adjusted operating profit	17.4	19.6	30.6	36.9	76.9
<b>Operating margin, %</b>	<b>16.1</b>	<b>18.2</b>	<b>14.2</b>	<b>18.0</b>	<b>18.3</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Net sales	108.2	107.6	215.9	205.0	419.9
Profit before tax	14.0	19.1	25.8	35.5	73.5
<b>Profit margin, %</b>	<b>12.9</b>	<b>17.8</b>	<b>11.9</b>	<b>17.3</b>	<b>17.5</b>

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full- year
	2023	2022	2023	2022	2022
Net sales	108.2	107.6	215.9	205.0	419.9
Cash flow from operating activities	29.4	26.0	55.5	54.6	127.7
<b>Cash flow, %</b>	<b>27.2</b>	<b>24.2</b>	<b>25.7</b>	<b>26.6</b>	<b>30.4</b>

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

SEK m	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Equity	683.1	627.9	666.8
Total assets	985.5	851.2	922.2
<b>Equity/assets ratio</b>	<b>69.3</b>	<b>73.8</b>	<b>72.3</b>



## Reconciliations, cont.

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

SEK m	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Equity	683.1	677.9	666.8	627.9	592.0	585.3
	3 months Apr–Jun		6 months Jan–Jun		Full-year	
SEK m	2023	2022	2023	2022	2022	
<b>Average equity</b>	<b>680.5</b>	<b>613.3</b>	<b>675.0</b>	<b>606.6</b>	<b>626.1</b>	

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

SEK m	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2023	2022	2023	2022	2022	
Profit after tax	6.1	14.3	12.6	26.3	57.8	
Average equity	680.5	613.3	675.0	606.6	626.1	
<b>Return on equity, %</b>	<b>0.9</b>	<b>2.3</b>	<b>1.9</b>	<b>4.3</b>	<b>9.2</b>	

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

SEK m	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Interest-bearing liabilities	59.1	65.5	69.3	32.0	53.0	56.0
Cash and cash equivalents	-153.8	-158.1	-148.2	-117.9	-125.0	-113.4
Net interest-bearing liabilities	-94.7	-92.6	-78.9	-85.9	-72.0	-57.4
<b>Net debt/equity ratio, %</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>

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

SEK m	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2023	2022	2023	2022	2022	
Profit before tax	14.0	19.1	25.8	35.5	73.5	
Financial expenses	0.6	0.5	1.3	1.4	2.5	
Profit before tax plus financial expenses	14.6	19.6	27.1	36.9	76.0	
<b>Return on capital employed, %</b>	<b>2.0</b>	<b>3.0</b>	<b>3.8</b>	<b>5.7</b>	<b>11.0</b>	

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

SEK m	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Cash and cash equivalents	153.8	117.9	148.2
Interest-bearing liabilities	-59.1	-31.9	-69.3
<b>Net cash</b>	<b>94.7</b>	<b>86.0</b>	<b>78.9</b>

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

SEK m	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Total assets	985.5	959.1	922.2	851.2	822.9	812.8
Non-interest-bearing liabilities	-243.3	-215.7	-186.1	-191.3	-171.3	-171.5
<b>Capital employed</b>	<b>742.2</b>	<b>743.4</b>	<b>736.1</b>	<b>659.9</b>	<b>651.6</b>	<b>641.3</b>
	3 months Apr–Jun		6 months Jan–Jun		Full-year	
SEK m	2023	2022	2023	2022	2022	
Average capital employed	742.8	654.6	710.5	650.6	688.7	

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

SEK m	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Equity	683.1	627.9	666.8
No. of shares at end of period, million	13.66	13.65	13.66
<b>Equity per share</b>	<b>50.01</b>	<b>46.00</b>	<b>48.81</b>

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

SEK m	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2023	2022	2023	2022	2022	
Cash flow from operating activities	29.4	26.0	55.5	54.6	127.7	
Average no. of shares, million	13.66	13.64	13.66	13.64	13.65	
<b>Cash flow from operating activities per share</b>	<b>2.15</b>	<b>1.90</b>	<b>4.06</b>	<b>4.00</b>	<b>9.36</b>	

The share

# The IAR Systems Group share

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. During the period, the share price varied from a low of SEK 78.1 (125.0) to a high of SEK 124.0 (132.0). I.A.R. Systems Group's market capitalization on June 30, 2023 was SEK 1,160m (1,556). The number of shareholders in I.A.R. Systems Group on June 30, 2023 was 6,721 (7,037). Of these shareholders, 391 (430) held more than 1,000 shares each. Foreign shareholders held approximately 30.4% (28.0) of the share capital.

I.A.R. Systems Group AB's share capital at June 30, 2023 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All of the class C shares and 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 and RSUs 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.

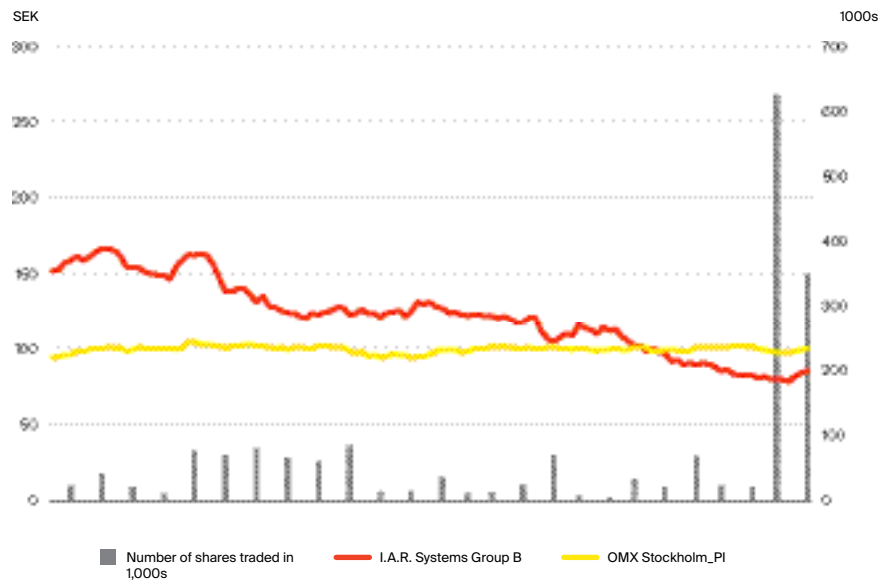
**2023 AGM**

The AGM of I.A.R. Systems Group AB was held on April 26, 2023. For more information about the AGM and the resolutions passed, refer to the company's website: [www.iar.com](http://www.iar.com). The AGM resolved to pay a dividend of SEK 20.5m to its shareholders, which was carried out in early May.

**2024 AGM**

The AGM of I.A.R. Systems Group AB will be held on April 25, 2024. From the beginning of April 2024, I.A.R. Systems Group AB's 2023 Annual Report will be available on the company's website [www.iar.com](http://www.iar.com) and at the company's premises at Strandbodgatan 1 in Uppsala.

IAR Systems Group AB, January–June 2023



## The share

### Shareholder type

	No. of shares	No. of shareholders	Share of capital, %	Share of votes, %
Private individuals	4,355,840	6,427	31.2	31.2
Funds	4,082,166	22	29.2	29.2
Pension and insurance companies	3,440,492	10	24.6	24.6
Other	1,781,793	262	15.0	15.0
<b>Total *</b>	<b>13,660,291</b>	<b>6,721</b>	<b>100.0</b>	<b>100.0</b>

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

### Geographical distribution

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	6,522	97.0	69.6	69.6
Finland	36	0.5	12.7	12.7
UK	15	0.2	5.9	5.9
Denmark	32	0.5	4.3	4.3
Germany	15	0.2	1.8	1.8
Other countries	101	1.5	5.7	5.7
<b>Total *</b>	<b>6,721</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

### Breakdown of shareholdings

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
1-500	6,006	89.4	3.4	3.4
501-1,000	324	4.8	1.8	1.8
1,001-10,000	310	4.6	6.4	6.4
10,001-	81	1.2	88.3	88.3
<b>Total *</b>	<b>6,721</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

### Largest individual shareholders

	No. of shares	Share of capital, %	Share of votes, %
1. Andra AP-fonden	1,295,415	9.3	9.3
2. Avanza Pension	1,257,562	9.0	9.0
3. Aktia Asset Management	956,397	6.8	6.8
4. Alcur Funds	936,210	6.7	6.7
5. Tredje AP-fonden	829,930	5.9	5.9
6. Fjärde AP-fonden	690,000	4.9	4.9
7. Highclere International Investors LLP	670,686	4.8	4.8
8. Arbejdsmarkedets Tillaegspension	580,320	4.2	4.2
9. Ribbskottet Aktiebolag	500,000	3.6	3.6
10. Sp-Fund Management	437,566	3.1	3.1
Other	5,815,247	41.6	41.6
<b>Total *</b>	<b>13,660,291</b>	<b>100</b>	<b>100</b>

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



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