



Q3

I.A.R. Systems Group AB

Interim report January–September 2024

Summary

Strong profitability despite challenging environment for growth

Summary of the period

Sales during January–September amounted to SEK 355.2m (332.2), corresponding to growth of 6.9%, or 10.0% in local currency. Foreign exchange effects had a negative impact of SEK 10.2m on net sales during the period. Adjusted for foreign exchange effects, growth was 19.0% in EMEA, 10.3% in APAC and 1.6% in North America.

An adjusted EBITDA margin of 38.6% (32.0) and an adjusted operating margin of 26.9% (19.2) were posted for January–September. The rising margins stemmed from a combination of sales growth and the full effect in the first quarter of 2024 of the cost-saving measures of approximately SEK 50m. Deferred income amounted to SEK 119.7m (122.5) on September 30, 2024. The Parent Company repurchased shares for SEK 62.1m during January–September.

Third quarter, July–September 2024

- Net sales were SEK 112.3m (116.3), with growth of -3.5% and 0.8% in local currency.
- EBITDA of SEK 39.9m (43.4), corresponding to an EBITDA margin of 35.5% (37.3).
- Adjusted EBITDA of SEK 45.1m (47.3), corresponding to an adjusted EBITDA margin of 40.2% (40.7).
- Operating profit of SEK 26.3m (28.9), corresponding to an operating margin of 23.5% (24.8).
- Adjusted operating profit of SEK 31.6m (32.8), corresponding to an adjusted operating margin of 28.1% (28.2).
- Capitalized work on own account amounted to SEK 14.8m (7.2).
- In a year-on-year comparison, currency translation had a negative impact of SEK 5.1m on net sales and a negative impact of SEK 2.2m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 27.7m (51.8).

Key events during the third quarter

- Cecilia Wachtmeister assumed the role of CEO and began a strategic review to increase growth

January–September 2024

- Net sales were SEK 355.2m (332.2), with growth of 6.9% and 10.0% in local currency.
- EBITDA of SEK 127.4m (99.1), corresponding to an EBITDA margin of 35.9% (29.8).
- Adjusted EBITDA of SEK 137.3m (106.4), corresponding to an adjusted EBITDA margin of 38.6% (32.0).
- Operating profit of SEK 85.6m (51.7), corresponding to an operating margin of 24.1% (15.6).
- Adjusted operating profit of SEK 95.5m (63.7), corresponding to an adjusted operating margin of 26.9% (19.2).
- Capitalized work on own account amounted to SEK 35.9m (27.0).
- In a year-on-year comparison, currency translation had a negative impact of SEK 10.2m on net sales and a negative impact of SEK 6.5m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 96.1m (107.2).

Key events after the third quarter

- No key events.

“ We are approaching the launch of the subscription-based IAR Embedded Workbench for Arm as a service

Cecilia Wachtmeister, CEO

Q3 in brief:

- **Cecilia Wachtmeister assumes the role of CEO**
- **IAR resumes share buybacks**

Group summary

	3 months Jul–Sep		9 months Jan–Sep		Full-year
	2024	2023	2024	2023	2023
Net sales, SEK m	112.3	116.3	355.2	332.2	458.1
EBITDA, SEK m*	39.9	43.4	127.4	99.1	143.6
Adjusted EBITDA, SEK m*	45.1	47.3	137.3	106.4	153.1
Operating profit, SEK m*	26.3	28.9	85.6	51.7	-204.1
Adjusted operating profit, SEK m*	31.6	32.8	95.5	63.7	96.1
Earnings per share, basic, SEK**	1.04	1.02	7.38	1.94	-16.84
Earnings per share, diluted, SEK**	1.02	1.01	7.22	1.92	-16.84
Cash flow from operating activities, SEK m*	27.7	51.8	96.1	107.2	144.1
Net cash, SEK m*	114.7	127.8	114.7	127.8	145.7
Gross margin, %*	97.7	97.3	97.6	97.3	97.1

*For definitions and calculations of alternative performance measures, refer to pages 17 and 20.

** Definition in accordance with IFRS.

CEO Statement

Comments from the CEO

Sales for the third quarter remained relatively unchanged, with an increase of 0.8% in local currency compared with the year-earlier period. In SEK, this was a decline of 3.5%. It is important to note that last year's earnings included a large multi-year agreement in US of SEK 8m, making comparisons more challenging. Combined with the fact that the third quarter is traditionally slower due to the summer vacation period, this means that we performed well in a challenging macroeconomic environment.

Performance by region

To date this year, we have grown 10% in local currency, corresponding to an increase of 6.9% in SEK. We have also delivered solid YTD sales growth in APAC (+10%) and EMEA (+19%), driven by new key customers and strong demand for development solutions for multi-core processors (Arm and RISC-V), particularly within industries that require functional safety. China and Taiwan were the largest growth engines for APAC, with growth figures of 21% and 26%, respectively. In EMEA, DACH posted growth of 31%, followed by India with growth of 11%. It is gratifying to see that demand remains strong within Safety, Security and Compliance. This is particularly true for functional security and static analysis, but also within the security product area, where we had a record-breaking income for the third quarter.

The US market, however, faced challenges during the quarter, with large companies delaying or re-evaluating projects due to rising interest rates, layoffs and broader economic uncertainty. Geopolitical tensions, together with uncertainty about the outcome of the upcoming presidential election, have also slowed down decision-making and reduced software investments. In combination with a large multi-year agreement last year, this led to a 15% decrease in sales for the Americas region. Despite these challenges, the US posted YTD growth of 1.6%.

Market overview and strategic position

We are approaching the launch of our subscription-based offering. This will allow our customers to take advantage of IAR Embedded Workbench for Arm as a service through a



Despite a challenging environment, we reported growth of 10.0% with EBIT of 24.1%

private or public cloud, on local computers or as a hybrid solution – the customer is the one who decides. The service simplifies collaboration and automation, improves the quality of the customer's code and shortens the time to market. Tests carried out during the quarter with select strategic customers have received very positive feedback, and we are convinced that this offering will be well received.

There is a growing use of RISC-V and increased demand for embedded tools that can handle multi-core projects (Arm and RISC-V on the same chip). This trend is especially strong in industries such as automotive, aeronautic and medical technology, where the complex prospect of developing for both architectures is becoming increasingly common. Our certified tools with support for both Arm and RISC-V streamline the development process and meet stringent functional security requirements. We are seeing growing interest in these tools in several of our regions. During the quarter, the number of RISC-V licenses sold grew remarkably from previously low levels.

Well positioned for future opportunities

During my first two months as CEO of IAR, I focused on getting to know our talented employees and gaining a deeper insight into operations. I also had the opportunity to work with important industry partners, improve relationships and explore new partnership opportunities. An important takeaway from this period is the deep, unique expertise within the company, which has been essential for our success. It is clear that IAR is highly respected for the value we bring to the market, and I am determined to build on our strong reputa-

tion. I also began a comprehensive review of our long-term strategy to ensure that we remain well positioned for future growth and continued innovation.

As we enter the fourth quarter, we expect the challenges in the business environment to continue – but not without opportunities. The future also remains exciting. We operate in an industry defined by rapid and ground-breaking development, where IAR is well positioned to take advantage of the opportunities that lay ahead of us.

Cecilia Wachtmeister, CEO



Financial information

Financial information

Net sales

Sales during January-September amounted to SEK 355.2m (332.2), corresponding to growth of 6.9%, or 10.0% in local currency. Foreign exchange effects had a negative impact of SEK 10.2m on net sales during the period.

APAC accounted for 32.5% of net sales for January-September, corresponding to SEK 115.6m (112.3) and growth of 2.9%. Foreign exchange effects had a negative effect of SEK 8.3m on sales, and growth in APAC was 10.3% in local currency. Net sales for January-September increased 4.5% in Japan and 21.3% in China, while Taiwan increased 26.4% and Korea 7.4%. EMEA accounted for 35.0% of net sales, or SEK 124.2m (105.1), during January-September and posted growth of 18.2%. Adjusted for foreign exchange effects of SEK -0.9m, net sales in EMEA increased 19.0% for the period. The DACH region posted strong growth of 31.0%, while other markets in EMEA posted lower growth figures. The US accounted for 32.2% of net sales, or SEK 114.4m (113.5), during January-September and posted growth of 0.8%. Adjusted for foreign exchange effects of SEK -1.0m, net sales in the US increased 1.6% for the period.

APAC accounted for SEK 39.6m during the quarter, with growth of 11.8%. Foreign exchange effects had an impact of SEK -2.3m on sales. Adjusted for this, growth in APAC amounted to 18.1% in local currency. EMEA accounted for SEK 36.6m, with growth of -0.8%. Adjusted for foreign exchange effects of SEK -1.3m, growth in local currency increased to 2.7%. The US accounted for SEK 35.7m, with growth of -18.5%. Adjusted for foreign exchange effects of SEK -1.5m,

growth in local currency amounted to -15.2%. In the third quarter of 2023, the US signed a large multi-year agreement of SEK 8m, which accounts for the weaker growth in the US in the third quarter of 2024.

Our solutions

Focusing on new customers is important, as is reviewing the price structure and prices to follow inflation and create sales growth. However, the most important factor in future growth is offering solutions with significant customer value. Our solutions are being revised to create even greater value and flexibility for customers and to lay the foundation for new ways to generate income. We are nearing the launch of our development solution IAR Embedded Workbench for Arm (EWARM) as a cloud-based service, which will make it easier for our customers to develop in teams. The offering will be sold as a subscription service and will launch in 2025. The subscription offering has good potential to increase the share of recurring income, which already comprises approximately 50%. A large portion of this income comes from support and update agreements (SUAs) linked to lifetime licenses, but historically only approximately 25% of new lifetime license customers have purchased support and update services. We are working to increase our share of recurring income both through SUAs and by gradually transitioning from lifetime licenses to subscriptions. Initially, this could entail a risk of decreased income, but the potential for greater recurring income is significant.

IAR has a unique position in the embedded development

solutions segment, where we can offer opportunities that no one else can. This includes the ability to use the same tools even when the customer works with several different architectures and solutions. Our solutions in IAR EWARM account for approximately 80% of sales. The 64-bit offering, RISC-V, and safety, security and compliance are areas for future growth.

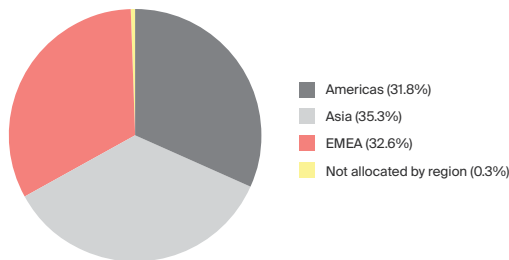
Modernizing IAR

IAR is a 40-year-old profitable software company, the last three years have seen a modernization of the company and a review of its cost structure. These measures led to higher margins, but modernization also requires investments in the future, which could have a temporary negative impact on the margin. The modernization of IAR has focused on streamlining organizational processes and IT support, thereby creating a strong foundation for data-driven decision making, with clear goals and easy access to information. Investments have also been made in development and sales, with the goal of strengthening our position as the preferred choice for our customers.

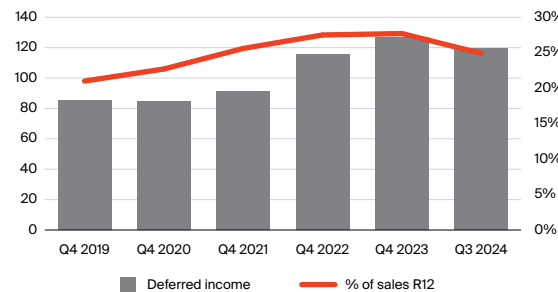
IAR is capitalizing a lower share of its development costs in the balance sheet than in previous years, which has a negative effect both on the operating margin and on the EBITDA margin. However, the margins nonetheless displayed a positive trend, which is particularly clear when adjusted for development costs in the Group (refer to the diagram at lower right).

Deferred income, meaning income that will be recognized in coming periods, reached SEK 119.7m (122.5) as of September 30, 2024. This income primarily relates to sales of SUAs.

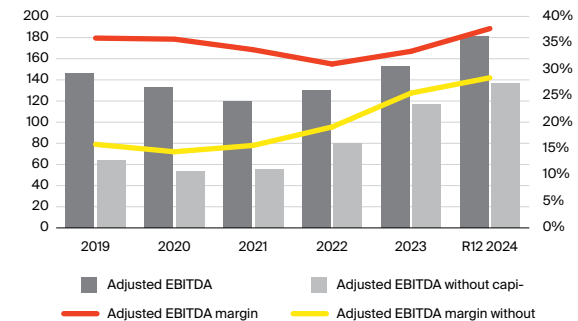
Breakdown of income Q3 2024



Deferred income, SEKm



Adjusted EBITDA and Adjusted EBITDA margin*



*For definitions and calculations of alternative performance measures, refer to pages 17 and 20.

Financial information

Net sales

Net sales for the third quarter of 2024

Net sales for the third quarter decreased compared with the same quarter last year and amounted to SEK 112.3m (116.3). Currency translation had a negative impact of SEK 5.1m on net sales for the quarter.

Net sales January–September 2024

Net sales for the period increased compared with the same period last year and amounted to SEK 355.2m (332.2). Currency translation had a negative impact of SEK 10.2m on net sales for the period.

Deferred income September 30, 2024

Deferred income in the form of accrued support agreements decreased SEK 7.1m since the beginning of the year and amounted to SEK 119.7m (122.5) on September 30, 2024.

Earnings

Earnings for the third quarter of 2024

The gross margin for the quarter was 97.7% (97.3).

EBITDA for the quarter amounted to SEK 39.9m (43.4), corresponding to an EBITDA margin of 35.5% (37.3). Adjusted EBITDA for the quarter amounted to SEK 45.1m (47.3), corresponding to an adjusted EBITDA margin of 40.2% (40.7). An adjustment was made for non-recurring items (including restructuring costs and impairment of intangible assets) and the recognized costs for the LTI 2022, LTI 2023 and LTI 2024 incentive programs. If the performance conditions for these programs are not met and thus no shares are allotted to the holders of these restricted stock units (RSUs), these RSU costs will nevertheless be recognized in pace with expected earnings. This will have no impact on cash flow besides potential social security expenses.

Operating profit for the quarter amounted to SEK 26.3m (28.9), corresponding to an operating margin of 23.5% (24.8). Adjusted operating profit for the quarter amounted to SEK 31.6m (32.8), corresponding to an adjusted operating margin of 28.1% (28.2).

Operating expenses were reduced by SEK 14.8m (7.2) during the quarter as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 12.5m (6.1) pertained to personnel costs.

In a year-on-year comparison, currency translation had a

negative impact of SEK 2.2m on operating profit.

Net financial items for the quarter amounted to SEK 2.2m (-4.0). The increase noted compared with the year-earlier quarter was primarily due to positive exchange effects and, in part, to higher interest rates.

Tax cost for the quarter was SEK -14.7m (-10.9) and the effective tax rate for the quarter was -51.7% (-43.8). The tax cost for this quarter increased from the year-earlier quarter, despite lower earnings before tax. This is because IAR was informed by the Swedish tax authorities that the Group will not be able to utilize withholding tax in China to the extent the company was expecting, which would have reduced income tax paid in Sweden. This means that during the third quarter, a non-recurring tax cost of SEK 4.2m was incurred.

Earnings January–September 2024

The gross margin for the period was 97.6% (97.3).

EBITDA for the period amounted to SEK 127.4m (99.1), corresponding to an EBITDA margin of 35.9% (29.8). Adjusted EBITDA for the period amounted to SEK 137.3m (106.4), corresponding to an adjusted EBITDA margin of 38.6% (32.0).

Operating profit for the period amounted to SEK 85.6m (51.7), corresponding to an operating margin of 24.1% (15.6). Adjusted operating profit for the quarter amounted to SEK 95.5m (63.7), corresponding to an adjusted operating margin of 26.9% (19.2).

Operating expenses were reduced by SEK 35.9m (27.0) during the period as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 30.1m (22.4) pertained to personnel costs.

In a year-on-year comparison, currency translation had a negative impact of SEK 6.5m on operating profit.

Net financial items for the period amounted to SEK 4.5m (-1.1). The increase noted compared with the year-earlier period was primarily due to positive exchange effects and, in part, to higher interest rates.

Tax cost for the period was SEK 8.4m (-24.1) and the effective tax rate for the period was +9.3% (-47.6). The dramatically decreased tax cost/increased tax revenue for the period is primarily due to management's revised assessment concerning the Group's subsidiary in the UK, which they believe can utilize the historic tax loss carryforwards against future taxable profits. As a result, the Group capitalized portions of

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

Financial position

During the year, we continued to focus on investments in our major product areas. Software investments for January–September totaled SEK 35.9m (27.0), of which SEK 14.8m (7.3) was attributable to the third quarter. The increase noted in the third quarter compared with the year-earlier period is due to a larger share of capitalized costs during the third quarter as well as to positive foreign exchange effects.

Investments in property, plant and equipment for January–September totaled SEK 2.6m (5.8), of which SEK 0.8m (4.7) was attributable to the third quarter.

The Group had unutilized bank overdraft facilities of SEK 50.0m as of September 30, 2024. 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 42.3m (58.2) at September 30, 2024. 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 September 30, 2024 was 64.5% (71.4). Repurchases of own shares totaling SEK 62.1m in 2024 had a negative impact on the equity/assets ratio for the Group.

Cash flow and liquidity

Cash flow from operating activities amounted to SEK 27.7m (51.8) for the third quarter and SEK 96.1m (107.2) for January–September. The relatively large decrease is primarily due to tax relief received in the UK in the third quarter of 2023. The tax relief for 2024 also decreased and was received in the fourth quarter. Our customers' ability to pay remained adequate during 2024, and we have not noted any increased negative effects on cash flow.

Cash flow from investing activities totaled SEK -16.2m (-12.2) for the third quarter and SEK -40.1m (-32.9) for January–September. Most of these investments pertain to the capitalization of development costs for software.

Financial information

Cash flow from financing activities totaled SEK -15.5m (-5.7) for the third quarter and SEK -97.0m (-35.4) for January-September. Cash flow from financing activities primarily comprised the repurchase of own shares and dividends, but to some extent also the amortization of lease liabilities.

Cash and cash equivalents

Cash and cash equivalents at the end of the period totaled SEK 156.9m (186.0). The Group's total available cash and cash equivalents at the end of the period amounted to SEK 206.9m (236.0). As of September 30, 2024, the Group had net cash of SEK 114.7m (127.8). The company's interest-bearing liabilities consist exclusively of lease liabilities, the majority of which is linked to rented offices.

Employees

The number of employees at IAR at the end of the period was 219 (206). The average number of employees during January-September was 204 (207).

Parent Company

The activities of the Parent Company consist of Group management, finance and IR/PR functions. The Parent Company's net sales for January-September 2024 amounted to SEK 9.8m (9.8). Profit after financial items for the period amounted to SEK 10.6m (12.3). The decrease in earnings is due to reduced effects of currency translation of loans to subsidiaries outside Sweden, since a large part of these loans were impaired in the annual accounts for 2023.

Investments in property, plant and equipment amounted to SEK 0.0m (0.0). Cash and cash equivalents at September 30, 2024 totaled SEK 53.9m (24.9). The number of employees in the Parent Company at the end of the quarter was three (two).

Significant risks and uncertainties

The market for IAR's software is evolving rapidly and forecasts about future developments are thus uncertain. I.A.R. Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the 2023 Annual Report under "Administration report" on pages 32-38 and in Note 2 on pages 53-55.

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.

Financial calendar

Interim report October-December 2024, February 11, 2025
 Interim report January-March 2025, April 28, 2025
 Annual General Meeting, April 28, 2025
 Interim report April-June 2025, August 14, 2025
 Interim report July-September 2025, October 23, 2025

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 October 24, 2024, 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

Michael Ingelög
 Board member

Fred Wikström
 Board member

Sabina Lindén
 Board member

Cecilia Wachtmeister
 Board member and CEO



Financial information

Review Report

Introduction

We have reviewed the interim report for IAR Systems Group AB (publ) for the period from January 1 - September 30, 2024. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, in accordance with the Annual Accounts Act.

Stockholm, the 24th of October 2024

*Deloitte AB
Andreas Frountzos
Authorized Public Accountant*

Income statement

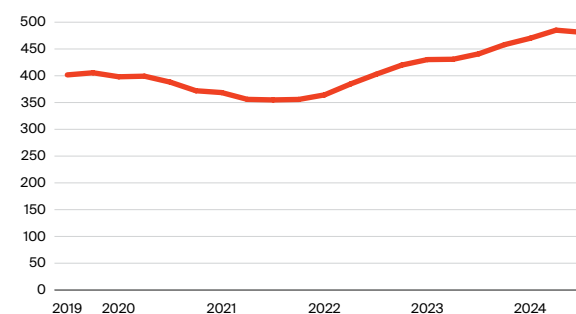
Condensed consolidated income statement

SEK m	Note	3 months Jul-Sep		9 months Jan-Sep		Full-year
		2024	2023	2024	2023	2023
Net sales	1, 2	112.3	116.3	355.2	332.2	458.1
Other income		0.0	1.1	0.0	2.6	2.7
Capitalized work on own account		14.8	7.2	35.9	27.0	36.1
Goods for resale		-2.6	-3.1	-8.6	-9.1	-13.4
Other external expenses		-14.1	-11.9	-41.8	-34.6	-61.3
Personnel costs		-70.5	-66.2	-213.3	-219.0	-278.6
Depreciation of property, plant and equipment		-1.3	-1.6	-4.2	-4.6	-5.7
Depreciation of right-of-use assets		-5.4	-5.2	-15.4	-15.3	-20.7
Amortization of intangible assets		-6.9	-7.7	-22.2	-22.8	-30.6
Impairment of intangible assets		-	-	-	-4.7	-29.4
Impairment of goodwill		-	-	-	-	-261.3
Operating profit/loss		26.3	28.9	85.6	51.7	-204.1
Financial income		2.6	0.1	6.5	0.9	1.6
Financial expenses		-0.4	-4.1	-2.0	-2.0	-0.9
Profit/loss before tax		28.5	24.9	90.1	50.6	-203.4
Tax		-14.7	-10.9	8.4	-24.1	-25.6
Profit/loss for the period		13.7	14.0	98.5	26.5	-229.0
Comprehensive income for the period attributable to owners of the Parent Company		13.7	14.0	98.5	26.5	-229.0
Earnings per share for the period, basic, SEK		1.04	1.02	7.38	1.94	-16.84
Earnings per share for the period, diluted, SEK		1.02	1.01	7.22	1.92	-16.84

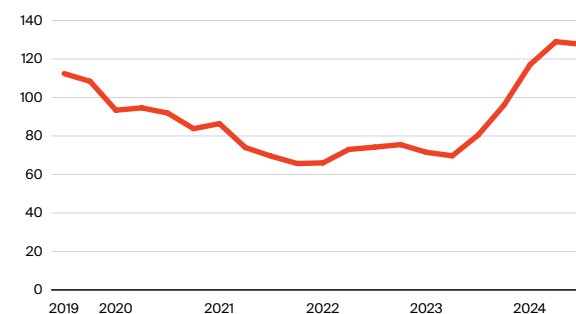
Statement of comprehensive income

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Profit/loss for the period	13.7	14.0	98.5	26.5	-229.0
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
Translation differences	-1.8	-9.6	0.0	18.5	10.5
Tax effect, items reported in comprehensive income	0.0	2.2	0.0	-4.6	-0.4
Total other comprehensive income	-1.8	-7.4	0.0	13.9	10.1
Comprehensive income for the period	11.9	6.6	98.5	40.4	-218.9
Comprehensive income for the period attributable to owners of the Parent Company	11.9	6.6	98.5	40.4	-218.9

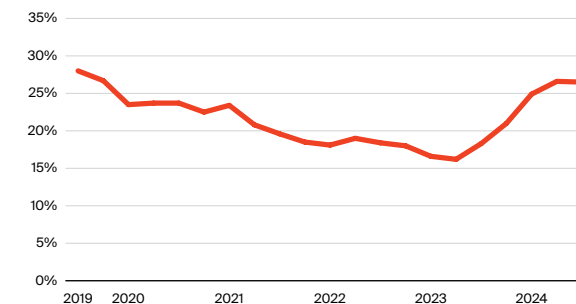
Net sales, rolling 12 months, Q3 2019–Q3 2024



Adjusted operating profit, rolling 12 months, Q3 2019–Q3 2024



Adjusted operating margin, rolling 12 months, Q3 2019–Q3 2024



Balance sheet

Condensed consolidated balance sheet

SEK m	Note	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
Assets				
Non-current assets				
Goodwill	3	117.5	380.3	117.5
Other intangible assets	4	197.4	209.5	181.7
Property, plant and equipment		13.6	17.2	15.9
Right-of-use assets		39.5	55.6	49.0
Financial assets	7	3.3	3.7	3.2
Deferred tax assets	5	28.7	4.7	7.4
Total non-current assets		400.0	671.0	374.7
Current assets				
Inventories		8.8	10.5	9.7
Other current assets	7	52.1	39.2	40.2
Trade receivables	7	73.1	60.6	78.0
Cash and cash equivalents	7	156.9	186.0	197.4
Total current assets		290.9	296.3	325.3
Total assets		690.9	967.3	700.0
Equity and liabilities				
Total equity				
		445.9	690.2	423.4
Non-current liabilities				
Lease liabilities	7	23.7	39.4	34.9
Other non-current liabilities		1.9	1.5	1.5
Deferred tax liabilities	5	26.5	49.4	42.6
Total non-current liabilities		52.1	90.3	79.0
Current liabilities				
Trade payables	7	5.7	6.8	6.7
Lease liabilities	7	18.6	18.8	16.8
Deferred income		119.7	122.5	126.8
Other current liabilities	7	48.9	38.7	47.3
Total current liabilities		192.9	186.8	197.6
Total equity and liabilities		690.9	967.3	700.0

Changes in equity, Group

SEK m	Share capital	Other contributed capital	Translation reserves	Retained earnings	Total equity
Opening balance, January 1, 2023	139.7	228.1	60.4	238.6	666.8
Comprehensive income for the period			10.1	-229.0	-218.9
Transactions with owners					
Share-based remuneration				5.6	5.6
Share buybacks				-9.6	-9.6
Dividend				-20.5	-20.5
Total transactions with owners				-24.5	-24.5
Opening balance, January 1, 2024	139.7	228.1	70.5	-14.9	423.4
Comprehensive income for the period			0.0	98.5	98.5
Transactions with owners					
Share-based remuneration				6.1	6.1
Share buybacks				-62.1	-62.1
Dividend				-20.0	-20.0
Total transactions with owners				-76.0	-76.0
Closing balance, September 30, 2024	139.7	228.1	70.5	7.6	445.9

Cash flows

Condensed consolidated cash flow statement

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Incoming payments from customers and other incoming payments	118.3	127.2	356.7	336.6	443.6
Outgoing payments to suppliers and employees	-80.5	-84.4	-232.4	-221.6	-287.3
Interest received	0.9	0.0	3.2	0.0	1.6
Interest paid	-0.6	-0.7	-2.0	-1.9	-2.6
Tax relief received	-	12.9	-	12.9	12.9
Income taxes paid	-10.4	-3.2	-29.5	-18.8	-24.1
Cash flow from operating activities	27.7	51.8	96.1	107.2	144.1
Investments in property, plant and equipment	-0.8	-4.7	-2.6	-5.8	-5.8
Investments in intangible assets	-15.4	-7.3	-37.5	-27.2	-36.3
Investments in financial assets	-	-0.2	-	-0.2	-
Divestment of financial assets	-	-	-	0.3	0.3
Cash flow from investing activities	-16.2	-12.2	-40.1	-32.9	-41.8
Amortization of financial liabilities	-5.3	-4.9	-14.9	-14.1	-19.1
Share buybacks	-10.2	-0.8	-62.1	-0.8	-9.6
Dividend	-	-	-20.0	-20.5	-20.5
Cash flow from financing activities	-15.5	-5.7	-97.0	-35.4	-49.2
Cash flow for the period	-4.0	33.9	-41.0	38.9	53.1
Cash and cash equivalents at beginning of period	160.5	153.8	197.4	148.2	148.2
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of period	0.0	-1.2	0.3	0.1	-5.7
- attributable to cash flow for the period	0.4	-0.5	0.2	-1.2	1.8

Cash and cash equivalents, Group

SEK m	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
Cash and cash equivalents at end of period	156.9	186.0	197.4
Unutilized overdraft facilities	50.0	50.0	50.0
Total available cash and cash equivalents	206.9	236.0	247.4

Key performance measures

Group

	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Gross margin, %	97.7	97.3	97.6	97.3	97.1
EBITDA, %	35.5	37.3	35.9	29.8	31.3
Adjusted EBITDA, %	40.2	40.7	38.6	32.0	33.4
Operating margin, %	23.5	24.8	24.1	15.6	-44.6
Adjusted operating margin, %	28.1	28.2	26.9	19.2	21.0
Profit margin, %	25.4	21.4	25.4	15.2	-44.4
Cash flow, %	24.6	44.5	27.0	32.3	31.5
Cash conversion rate, multiple	0.61	1.10	0.70	1.01	0.94
Equity/assets ratio, %			64.5	71.4	60.5
Return on equity, %	3.1	2.0	22.7	4.0	-42.0
Return on capital employed, %	5.9	3.9	19.1	7.1	-33.4
Capital employed, SEK m			488.2	748.4	475.1
Net cash, SEK m			114.7	127.8	145.7
Net debt/equity ratio, multiple			-0.3	-0.2	-0.3
No. of employees at end of period	219	206	219	206	211
Average no. of employees	208	207	204	203	206
Sales per employee, SEK m	0.5	0.6	1.7	1.6	2.2

Share data

	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Equity per share, SEK			32.65	50.53	31.00
No. of shares at end of period, million			13.66	13.66	13.66
Average no. of shares outstanding, million	13.18	13.65	13.35	13.65	13.66
Average no. of shares outstanding, diluted, million*	13.47	13.82	13.64	13.83	13.80
Cash flow from operating activities per share, SEK	2.10	3.79	7.19	7.85	10.55
Earnings per share, basic, SEK**	1.04	1.02	7.38	1.94	-16.84
Earnings per share, diluted, SEK**	1.02	1.01	7.22	1.92	-16.84

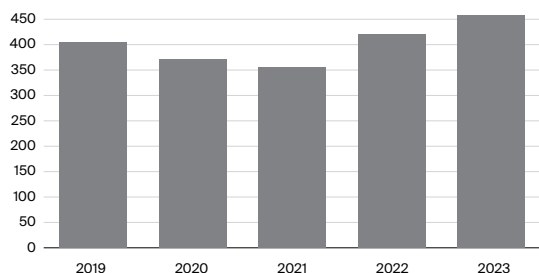
* No dilution was taken into account when calculating earnings per share due to the negative earnings for full-year 2023.

**Definition in accordance with IFRS. Refer also to definitions on pages 17 and 18.

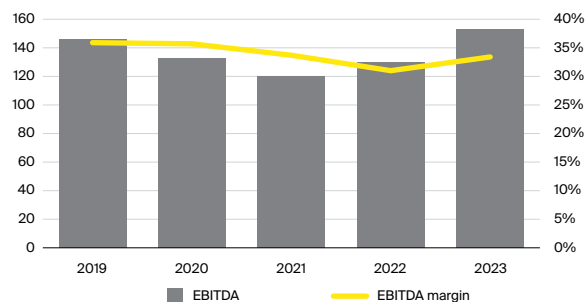
Multi-year overview

	Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK***	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2023	458.1	143.6	31.3	96.1**	21.0**	-16.84	-42.0	10.55	31.00	123.80	1,691
2022	419.9	129.0	30.7	75.7	18.0	4.23	9.2	9.36	48.81	150.40	2,054
2021	355.9	119.9*	33.7*	65.7*	18.5*	-4.94	-11.2	9.65	42.88	117.80	1,608
2020	372.0	132.7	35.7	83.8	22.5	4.35	9.9	8.69	44.97	139.80	1,906
2019	405.6	145.8	35.9	108.4	26.7	5.96	14.2	7.78	43.43	186.00	2,535

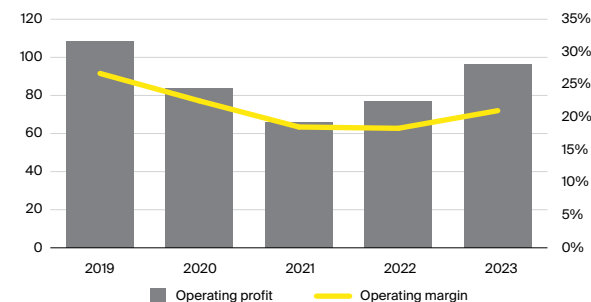
Net sales, SEK m



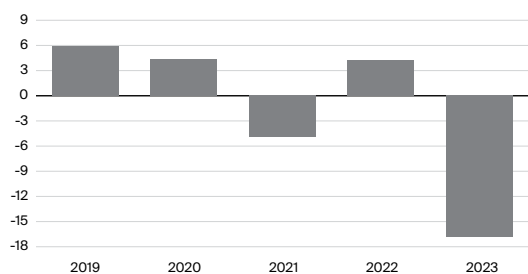
EBITDA and EBITDA margin*



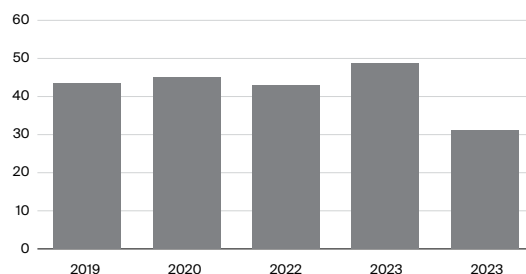
Operating profit and operating margin*



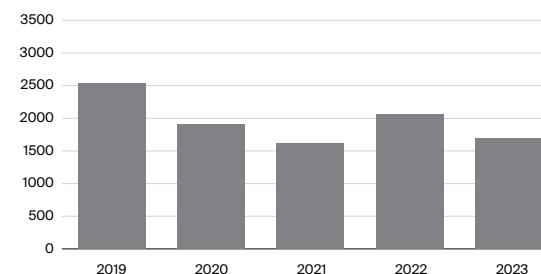
Earnings per share, SEK



Equity per share, SEK



Market capitalization, SEK m



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

** Adjusted for non-recurring items, refer to Reconciliations on pages 19-20 of this report.

*** Definition in accordance with IFRS.

Quarterly overview

		Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK***	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2024	Q3	112.3	39.9	35.5	26.3	23.5	1.04	3.1	2.10	32.65	163.00	2,227
	Q2	123.2	40.7	33.0	27.3	22.2	1.19	3.5	2.65	32.28	168.50	2,302
	Q1	119.7	46.9	39.2	32.1	26.8	5.12	15.4	2.43	34.60	138.80	1,896
2023	Q4	125.9	44.5	35.3	32.1**	25.5**	-18.79	-45.9	2.70	31.00	123.80	1,691
	Q3	116.3	43.4	37.3	28.9	24.8	1.02	2.0	3.79	50.53	82.30	1,124
	Q2	108.2	30.5	28.2	11.2	10.4	0.45	0.9	2.15	50.01	84.90	1,160
	Q1	107.7	25.3	23.5	11.4	10.6	0.47	1.0	1.91	49.63	126.80	1,732
2022	Q4	108.8	32.4	29.8	16.5	15.2	1.07	2.2	1.89	48.81	150.40	2,054
	Q3	106.1	34.2	32.2	22.1	20.8	1.04	2.6	3.48	47.73	140.00	1,909
	Q2	107.6	31.9	29.6	19.6	18.2	1.05	2.3	1.91	46.00	114.00	1,556
	Q1	97.4	30.3	31.1	17.3	17.8	0.88	2.0	2.11	43.85	132.00	1,802
2021	Q4	91.6	29.2*	31.9*	15.2*	16.6*	-7.72	-16.7	2.97	42.88	117.80	1,608
	Q3	87.9	35.0	39.8	20.9	23.8	1.17	2.4	3.04	49.89	100.00	1,364
	Q2	87.4	25.9	29.6	12.6	14.4	0.68	1.4	2.02	48.39	140.20	1,913
	Q1	88.9	29.8	33.5	17.0	19.1	0.94	2.0	1.61	48.38	132.40	1,806
2020	Q4	90.7	32.5	35.8	19.0	20.9	0.88	1.9	2.04	44.97	139.80	1,906
	Q3	88.9	36.8	41.4	25.4	28.6	1.37	3.1	2.40	45.43	161.00	2,195
	Q2	100.1	36.8	36.8	25.0	25.0	1.29	2.9	3.15	44.10	114.80	1,565
	Q1	92.3	26.6	28.8	14.4	15.6	0.81	1.8	1.10	45.14	116.40	1,587
2019	Q4	106.8	37.0	34.6	27.1	25.4	1.47	3.4	2.27	43.43	186.00	2,535
	Q3	100.0	37.5	37.5	28.1	28.1	1.58	3.9	2.00	42.11	234.50	3,196
	Q2	99.0	32.9	33.2	23.8	24.0	1.23	2.9	2.11	39.63	269.50	3,673
	Q1	99.8	38.4	38.5	29.4	29.5	1.68	4.0	1.40	43.58	260.00	3,542

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

** Adjusted for non-recurring items, refer to Reconciliations on pages 18-19 in I.A.R. Systems Group's Year-end report 2023.

*** Definition in accordance with IFRS.

Parent Company

Condensed income statement

SEK m	9 months Jan-Sep		Full-year
	2024	2023	2023
Net sales	9.8	9.8	13.1
Operating expenses	-11.6	-10.1	-14.1
Operating loss	-1.8	-0.3	-1.0
Profit/loss from financial items	12.4	12.6	-336.3
Profit/loss before tax	10.6	12.3	-337.3
Tax	-2.2	-2.5	-24.2
Profit/loss for the period	8.5	9.8	-361.6

Statement of comprehensive income

SEK m	9 months Jan-Sep		Full-year
	2024	2023	2023
Profit/loss for the period	8.5	9.8	-361.6
Other comprehensive income for the period			
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	8.5	9.8	-361.6

Condensed balance sheet

SEK m	Note	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
ASSETS				
Non-current assets				
Property, plant and equipment		0.0	0.0	0.0
Shares in subsidiaries		235.2	459.0	218.7
Other financial assets		0.4	0.1	0.2
Receivables from subsidiaries		24.8	287.7	83.8
Total non-current assets		260.4	746.8	302.7
Current assets				
Receivables from subsidiaries		-	0.3	-
Other current assets		15.0	14.1	0.8
Cash and cash equivalents		53.9	24.9	57.3
Total current assets		68.9	39.3	58.1
Total assets		329.3	786.1	360.8
Equity and liabilities				
Restricted equity		139.7	139.7	139.7
Non-restricted equity		103.5	548.8	170.0
Total equity		243.2	688.5	309.7
Current liabilities				
Trade payables		0.6	0.9	0.9
Liabilities to subsidiaries		81.0	95.2	42.7
Other current liabilities		4.6	1.5	7.5
Total current liabilities		86.1	97.6	51.1
Total equity and liabilities		329.3	786.1	360.8

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, 2024 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 Jul-Sep		9 months Jan-Sep		Full- year
	2024	2023	2024	2023	2023
License-based revenue	44.1	43.7	139.4	148.5	208.2
Subscription	7.0	12.1	37.3	13.5	21.2
Support and software updates	58.2	55.2	168.8	155.6	210.6
Other	3.0	5.3	9.7	14.5	18.1
Net sales	112.3	116.3	355.2	332.2	458.1
At a point in time	54.1	61.1	186.4	176.6	247.5
Over time	58.2	55.2	168.8	155.6	210.6
Net sales	112.3	116.3	355.2	332.2	458.1

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full- year
	2024	2023	2024	2023	2023
Americas	35.7	43.8	114.4	113.5	154.9
Asia	39.6	35.4	115.6	112.3	152.7
Europe	36.6	36.9	124.2	105.1	148.6
Not allocated by region	0.3	0.2	1.1	1.3	1.9
Net sales	112.3	116.3	355.2	332.2	458.1

3. Goodwill

Goodwill for the Group at September 30, 2024 amounted to SEK 117.5m (380.3). Recognized goodwill is unchanged since December 31, 2023. Goodwill is recognized at cost less accumulated impairment. Goodwill is tested annually or when a requirement for impairment is indicated. Impairment testing carried out on December 31, 2023 indicated that there was an impairment need for goodwill pertaining to one of the Group's cash-generating units, which resulted in impairment of SEK 261.3m as of December 31, 2023. More information about this is presented on pages 65–66 in IAR Systems Group's 2023 Annual Report.

4. Other intangible assets

During January–September 2024, other intangible assets increased by SEK 15.7m and amounted to SEK 197.4m (209.5) on September 30, 2024. Operating expenses were reduced by SEK 35.9m (27.0) during January–September 2024 as a result of the capitalization of development costs for software. Of the internally generated costs that were capitalized during the period, SEK 30.1m (22.4) pertained to personnel costs.

5. Deferred tax

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of September 30, 2024, the Group had accumulated loss carryforwards outside Sweden of SEK 197.4m (213.9), of which the tax effect, corresponding to 25%, from SEK 80.0m of these loss carryforwards is recognized as deferred tax assets in the consolidated balance sheet. The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount when they are connected to the same tax subject.

Deferred tax assets are recognized in the balance sheet in an amount of SEK 28.7m (4.7), and deferred tax liabilities are recognized in an amount of SEK 26.5m (49.4). The increase in deferred tax asset and decrease in deferred tax liability are largely due to management's revised assessment concerning the Group's subsidiary in the UK, which they believe can utilize the historic tax loss carryforwards against future taxable profits. This was the result of the new transfer pricing model related to the English subsidiary. As a result, the Group recognized deferred tax income of SEK 41m in the first quarter of 2024, which comprised a decrease of SEK 21m in deferred tax liabilities and an increase of SEK 20m in deferred tax assets in the first quarter of 2024.

On September 30, 2024, SEK 6.6m was recognized as estimated tax relief related to research and development costs in the UK for 2023, which was paid out in October 2024. This estimated 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.

Notes, cont.

6. Pledged assets

SEK m	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
To secure pensions	19.9	20.7	20.4
To secure liabilities to credit institutions	2.7	1.9	1.7
Total pledged assets	22.6	22.6	22.1

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. Incentive programs

As of September 30, 2024, the Group has two categories of incentive programs outstanding. There are three long-term incentive programs for key IAR Systems Group employees (LTI 2022, LTI 2023 and LTI 2024) and one program that pertains to the portion of the remuneration for the acquisition of Secure Thingz that entails the exchange of an existing stock option program for employees in Secure Thingz (Exchange Allotment 2018).

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

These three programs include restricted stock units (RSUs) that were allotted to employees at four different levels within the Group. At the end of the programs, if the performance conditions for each period in each program have been met,

the allotted RSUs can be exchanged for shares in IAR Systems Group AB, free of charge. The performance conditions for each program are presented in the table below. RSUs are vested equally over the duration of each program. One third of the allotted RSUs are vested annually according to the vesting periods for each program listed in the following table. The total costs for all of the LTI programs, including social security expenses, amounted to SEK 4.3m (1.8) for the quarter and to SEK 8.9m (5.0) for January-September. Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the performance conditions for the respective program have been fulfilled, which is expected to take place in the quarter after the end of each program. For more information about each program and the resolutions passed regarding them, refer to the company's website: iar.com.

Exchange Allotment 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in accordance with the approval from the EGM held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program continued until October 2022 and the program extends until 2027. Vested stock options can be exercised on an ongoing basis until 2027 at the latest. A total of 45,077 stock options were exercised and 23,822 stock options were forfeited.

RSUs

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

Incentive programs

	Total	Subscribed/Allotted	Exercised Sep 30, 2024	Forfeited Sep 30, 2024	Qualified Sep 30, 2024	Qualified after Sep 30, 2024
LTI 2024						
RSUs	144,500	144,500	0	0	0	144,500
LTI 2023						
RSUs	145,000	141,000	0	13,667	44,667	82,666
LTI 2022						
RSUs	140,000	140,000	0	20,300	83,175	36,525
Exchange allotment 2018						
Stock options	73,413	73,413	45,077	23,822	4,515	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 reconcil-

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 outstanding during the period.	Measures the company's cash generation in relation to the number of shares outstanding in the company.
Net cash	Cash and cash equivalents less interest-bearing liabilities.	A measure of the ability to use available cash and cash equivalents to pay off all liabilities if they were due for payment on the date of the calculation and thereby a measure of the risk in relation to the company's capital structure.
Net interest-bearing liabilities	Interest-bearing liabilities less cash and cash equivalents.	A measure used to follow the liability trend and see the size of the need for refinancing. This measure is one component in calculating net cash and the net debt/equity ratio.

Definitions, cont.

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

* Definition in accordance with IFRS.

Reconciliations

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Net sales	112.3	116.3	355.2	332.2	458.1
Goods for resale	-2.6	-3.1	-8.6	-9.2	-13.4
Gross profit	109.7	113.2	346.6	323.1	444.7
Gross margin, %	97.7	97.3	97.6	97.3	97.1

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Operating profit/loss	26.3	28.9	85.6	51.7	-204.1
Depreciation of property, plant and equipment	1.3	1.6	4.2	4.6	5.7
Depreciation of right-of-use assets	5.4	5.2	15.4	15.3	20.7
Amortization of intangible assets	6.9	7.7	22.2	22.8	30.6
Impairment of intangible assets	-	-	-	4.7	29.4
Impairment of goodwill	-	-	-	-	261.3
EBITDA	39.9	43.4	127.4	99.1	143.6

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Net sales	112.3	116.3	355.2	332.2	458.1
EBITDA	39.9	43.4	127.4	99.1	143.6
EBITDA margin, %	35.5	37.3	35.9	29.8	31.3

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 Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Operating profit/loss	26.3	28.9	85.6	51.7	-204.1
Depreciation of property, plant and equipment	1.3	1.6	4.2	4.6	5.7
Depreciation of right-of-use assets	5.4	5.2	15.4	15.3	20.7
Amortization of intangible assets	6.9	7.7	22.2	22.8	30.6
Impairment of intangible assets	-	-	-	4.7	29.4
Impairment of goodwill	-	-	-	-	261.3
Costs for the long-term incentive program	4.3	1.7	8.9	5.1	7.3
Restructuring expenses	1.0	2.2	1.0	2.2	2.2
Adjusted EBITDA	45.1	47.3	137.3	106.4	153.1

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Net sales	112.3	116.3	355.2	332.2	458.1
Adjusted EBITDA	45.1	47.3	137.3	106.4	153.1
Adjusted EBITDA margin, %	40.2	40.7	38.6	32.0	33.4

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Net sales	112.3	116.3	355.2	332.2	458.1
Operating profit/loss	26.3	28.9	85.6	51.7	-204.1
Operating margin, %	23.5	24.8	24.1	15.6	-44.6

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Operating profit/loss	26.3	28.9	85.6	51.7	-204.1
Impairment of intangible assets	-	-	-	4.7	29.4
Impairment of goodwill	-	-	-	-	261.3
Costs for the long-term incentive program	4.3	1.7	8.9	5.1	7.3
Restructuring expenses	1.0	2.2	1.0	2.2	2.2
Adjusted operating profit	31.6	32.8	95.5	63.7	96.1

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Net sales	112.3	116.3	355.2	332.2	458.1
Adjusted operating profit	31.6	32.8	95.5	63.7	96.1
Adjusted operating margin, %	28.1	28.2	26.9	19.2	21.0

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Net sales	112.3	116.3	355.2	332.2	458.1
Profit/loss before tax	28.5	24.9	90.1	50.6	-203.4
Profit margin, %	25.4	21.4	25.4	15.2	-44.4

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Net sales	112.3	116.3	355.2	332.2	458.1
Cash flow from operating activities	27.7	51.8	96.1	107.2	144.1
Cash flow, %	24.6	44.5	27.0	32.3	31.5

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

SEK m	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
	Equity	445.9	690.2
Total assets	690.9	967.3	700.0
Equity/assets ratio	64.5	71.4	60.5

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	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023
Equity	445.9	440.9	472.6	423.4	690.2
	3 months Jul-Sep		9 months Jan-Sep		Full-year
SEK m	2024	2023	2024	2023	2023
Average equity	443.4	684.1	434.7	659.1	545.1

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Profit/loss after tax	13.8	14.0	98.5	26.5	-229.0
Average equity	443.4	684.1	434.7	659.1	545.1
Return on equity, %	3.1	2.0	22.7	4.0	-42.0

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

SEK m	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023
Interest-bearing liabilities	42.3	46.8	51.9	57.1	58.2
Cash and cash equivalents	-156.9	-160.5	-195.8	-197.4	-186.0
Net interest-bearing liabilities	-114.7	-113.7	-143.9	-145.7	-127.8
Net debt/equity ratio, multiple	-0.3	-0.3	-0.3	-0.3	-0.2

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Profit/loss before tax	28.5	24.9	90.1	50.6	-203.4
Financial expenses	0.4	4.1	2.0	2.0	0.9
Profit/loss before tax plus financial expenses	28.8	29.0	92.1	52.6	-202.5
Return on capital employed, %	5.9	3.9	19.1	7.1	-33.4

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

SEK m	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
Cash and cash equivalents	156.9	186.0	197.4
Interest-bearing liabilities	-42.3	-58.2	-51.7
Net cash	114.7	127.8	145.7

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	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023
Total assets	690.9	707.4	737.7	700.0	967.3
Non-interest-bearing liabilities	-202.7	-219.9	-213.2	-224.9	-218.9
Capital employed	488.2	487.7	524.5	475.1	748.4

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Average capital employed	487.9	745.3	481.7	742.3	605.6

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

SEK m	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
Equity	445.9	690.2	423.4
No. of shares at end of period, million	13.66	13.66	13.66
Equity per share	32.65	50.53	31.00

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Cash flow from operating activities	27.7	51.8	96.1	107.2	144.1
Average no. of shares outstanding, million	13.18	13.65	13.35	13.65	13.66
Cash flow from operating activities per share	2.10	3.79	7.19	7.85	10.55

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

SEK m	3 months Jul-Sep		9 months Jan-Sep		Full-year
	2024	2023	2024	2023	2023
Cash flow from operating activities	27.7	51.9	96.1	107.2	144.1
Adjusted EBITDA	45.1	47.3	137.3	106.4	153.1
Cash conversion rate, multiple	0.61	1.10	0.70	1.01	0.94

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 2024, the share price varied from a low of SEK 126.2 (73.0) to a high of SEK 183.0 (91.7). I.A.R. Systems Group's market capitalization on September 30, 2024 was SEK 2,227m (1,124). The number of shareholders in I.A.R. Systems Group on September 30, 2024 was 6,480 (6,752). Of these shareholders, 344 (390) held more than 1,000 shares each. Foreign shareholders held approximately 26.4% (26.2) of the share capital.

I.A.R. Systems Group AB's share capital at September 30, 2024 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,660,291 are class B shares and 308,042 are class C shares. All of the class C shares and 516,362 class B shares are held in treasury, of which 412,675 class B shares were acquired during the current year under the buyback program that the Board approved on August 29, 2023. Class C shares are not included in the

information submitted regarding the I.A.R. Systems Group AB share and these shares do not entitle the holder to dividends.

The aim of the company's treasury holding is to ensure the delivery of shares to employees through the exercise of stock options and RSUs according to the Group's incentive programs (and, in terms of cash flow, to ensure payment of future social security expenses attributable to these programs), and to provide the Board with greater freedom when it comes to the Group's capital structure. As for the incentive programs, prior to any delivery of shares according to the Group's employee ownership program, the company converts the class C shares into class B shares. A total of 51,646 class C shares have been converted into class B shares to be delivered under an incentive program since the original buyback of 359,688 class C shares.

Refer to Note 9 for information about the Group's current incentive programs on the reporting date.

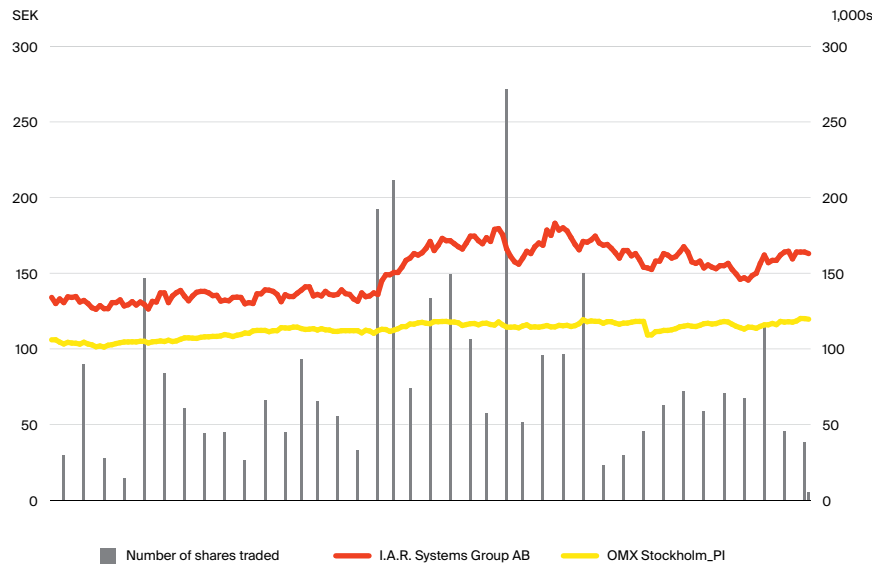
Nominating committee

In accordance with the resolution of the AGM in April 2024, a nominating committee has been appointed ahead of the 2025 AGM consisting of Jonas Eixmann (appointed by Andra AP-fonden), Petter Mattsson Hamilton (appointed by Alcur Fonder), Markus Lindqvist (appointed by Aktia) and Lovisa Runge (appointed by Fjärde AP-fonden). Jonas Eixmann was appointed Chairman of the nominating committee.

2025 AGM

The AGM of I.A.R. Systems Group AB will be held on April 28, 2025. From the beginning of April 2024, I.A.R. Systems Group AB's 2024 Annual Report will be available on the company's website www.iar.com and at the company's premises on Strandbodgatan in Uppsala.

IAR Systems Group AB, January–September 2024



The share

Shareholder type

	No. of shares	No. of shareholders	Share of capital, %	Share of votes, %
Funds	4,563,785	28	30.7	30.7
Private individuals	3,663,936	6,189	29.3	29.3
Pension and insurance companies	3,102,580	11	22.4	22.4
Other	2,329,990	252	17.6	17.6
Total *	13,660,291	6,480	100.0	100.0

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

Geographical distribution

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	6,281	96.9	73.6	73.6
Finland	37	0.6	9.6	9.6
UK	13	0.2	5.3	5.3
Denmark	29	0.4	4.3	4.3
Germany	14	0.2	2.2	2.2
Other countries	106	1.6	5.1	5.1
Total *	6,480	100.0	100.0	100.0

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

Breakdown of shareholdings

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
1-500	5,829	90.0	3.4	3.4
501-1,000	307	4.7	1.8	1.8
1,001-10,000	279	4.3	6.0	6.0
10,001-	65	1.0	88.8	88.8
Total *	6,480	100.0	100.0	100.0

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

Largest individual shareholders

	No. of shares	Share of capital, %	Share of votes, %
1. Alcur Fonder	1,394,380	10.2	10.2
2. Andra AP-fonden	1,295,415	9.5	9.5
3. Avanza Pension	934,340	6.8	6.8
4. Aktia Asset Management	827,758	6.0	6.0
5. Fjärde AP-fonden	590,000	4.3	4.3
6. Arbetsmarknadets Tillægspension	580,320	4.3	4.3
7. I.A.R. Systems Group AB	516,362	3.8	3.8
8. Tredje AP-fonden	500,000	3.7	3.7
9. Ribbskottet	500,000	3.7	3.7
10. Highclere International Investors LLP	348,294	2.5	2.5
Other	6,173,422	45.2	45.2
Total *	13,660,291	100.0	100.0

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



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

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