



I.A.R. SYSTEMS GROUP AB
INTERIM REPORT JANUARY–SEPTEMBER 2022

Q3

Continued strong growth in the third quarter

Q3
20
22

SUMMARY OF THE PERIOD

The Group continued to post strong growth for the third quarter of 2022. Sales in the third quarter amounted to SEK 106.1m, with 10.8% growth in local currency and 20.6% at current rates compared with the preceding year. In the January to September period, year-on-year growth amounted to 9.2% in local currency and 17.7% at current rates, with SEK 311.1m in sales. Growth was primarily attributable to APAC (23.1% in local currency), but we also saw growth of 5.5% in EMEA. Sales volumes in North America were on a par with the preceding year in local currency. The margin is weaker than last year mainly from less share of total cost being capitalized as work on own account.

THIRD QUARTER JULY–SEPTEMBER 2022

- Net sales growth of 20.6%, and 10.8% adjusted for foreign exchange effects.
- EBITDA of SEK 34.2m (35.0), corresponding to an EBITDA margin of 32.2% (39.8).
- Operating profit of SEK 22.1m (20.9), corresponding to an operating margin of 20.8% (23.8).
- Capitalized work on own account was SEK 11.3 m (13.7).
- In a year-on-year comparison, currency translation had a positive impact of SEK 8.6m on net sales and a positive impact of SEK 5.1m on operating profit for the quarter.
- Cash flow from operating activities amounted to SEK 47.4m (41.4).

JANUARY–SEPTEMBER 2022

- Net sales of 17.7%, and 9.2% adjusted for foreign exchange effects.
- EBITDA of SEK 96.6m (90.7), corresponding to an EBITDA margin of 31.1% (34.3).
- Operating profit of SEK 59.1m (50.5), corresponding to an operating margin of 19.0% (19.1).
- Capitalized work on own account was SEK 34.0m (50.3).
- In a year-on-year comparison, currency translation had a positive impact of SEK 22.5m on net sales and a positive impact of SEK 12.1m on operating profit for the period.
- Cash flow from operating activities amounted to SEK 102.0m (91.1).

GROUP SUMMARY

	Q3		Q1–3		Full-year
	2022	2021	2022	2021	2021
Net sales, SEK m	106.1	87.9	311.1	264.2	355.9
EBITDA, SEK m	34.2	35.0	96.6	90.7	119.9*
Operating profit/loss, SEK m	22.1	20.9	59.1	50.5	-68.5
Basic earnings per share, SEK	1.04	1.17	2.72	2.79	-4.94
Earnings per share, diluted, SEK	1.04	1.17	2.71	2.78	-4.94
Cash flow, SEK m	31.5	17.7	36.7	21.6	42.4
Net cash, SEK m	131.0	36.4	131.0	36.4	57.4
Gross margin, %	97,1	96.8	97,1	96.6	96.6

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

KEY EVENTS DURING THE THIRD QUARTER

- No key events during the period

Comments from the CEO – Q3 2022

Q3
20
22



President and CEO Richard Lind

The Group continued to post strong growth for the third quarter of 2022. Sales in the third quarter amounted to SEK 106m, with 10.8% growth in constant currency and 20.6% at current rates compared with the preceding year. In the January to September period, year-on-year growth amounted to 9.2% in constant currency and 17.7% at current rates, with SEK 311m in sales.

Growth was primarily attributable to APAC (23.1% in local currency), but we also saw growth of 5.5% in EMEA. Sales volumes in North America were on a par with the preceding year in local currency. Asia continues to be a strong region with robust growth, and we are confident that the market will remain strong. EMEA has recovered and has a balanced market with challenges related to inflation and energy problems, but there is an underlying investment need within health, energy and the automotive industry. The USA is facing challenges in the form of salary inflation and declining demand in certain sectors, where investor appetite is being limited by a combination of interest rate

hikes and the aforementioned salary inflation. Hopefully, this situation is only temporary.

We continued to have good cost control in Q3, for example by embracing a hybrid approach to work, allowing us to renegotiate or move our offices to smaller spaces. We are already seeing cost savings in the USA and China as well as in Uppsala. The savings on premises area in the USA, for example, amounts to approximately to SEK 1.1m annually. We moved development and production from Camarillo in the USA to Sweden, a process that will be completed according to plan in Q4. As previously announced, this will lead to annual cost savings of between SEK 4 and 5m. We will remain cost-aware in order to more quickly identify where and how we can improve our cost efficiency. We are also seeing recruitment gains by offering a hybrid work approach, which is enabling us to expand our search areas and attract more potential candidates in our regions.

There has been an acronym in the IT world since the 90s, FUD, which stands for Fear, Uncertainty and Doubt. I wish I had one of Tolkien's Silmarils from Lord of the Rings – a crystal ball that would allow me to predict the future. Right now, for example, there is fear surrounding developments in the war in Ukraine and uncertainty about inflation and its negative effects on consumer behavior, which affects everything from expensive one-off purchases to spontaneous impulse purchases. The B2C (business to consumer) segment is under a great deal of pressure and will not, according to doubt that we share with many analysts, see increased growth in the near future.

Our opinion is a little more positive, however, when it comes to B2B (business to business). For example, there is a significant need for our Embedded Development and Embedded Security solutions when it comes to electrification in areas like healthcare, smart buildings, clean-tech and automotive. There is also a massive need for updated security on the technological platforms used in healthcare,

from insulin pumps and incubators to respirators. Internet-connected wind and solar farms are also a growing market with modern control solutions based on new, powerful chips and new code. Improving energy efficiency in buildings, particularly in Europe, is a priority that requires new technology and solutions, which is an advantage for us. Salary inflation means that our customers will be interested in increasing productivity and efficiency and selling automation. Put bluntly, a chip with code is a cheaper employee than a physical person. This means we see growth opportunities in several B2B verticals where we are now increasing our presence in both security and traditional solutions for embedded software developers.

We remain well positioned with our solutions for ARM's architecture, and RISC-V continues to mature. For example, Google and Apple have both chosen to use the RISC-V chip architecture going forward in the support systems in their product offerings. Intel has also started a RISC-V initiative called Pathfinder, which we have been invited to participate in.

Our momentum in security transactions in the USA continues and knowledge sharing has allowed us to implement the same sales methodology in EMEA and APAC to meet increased demand. Gratifyingly, we also started to see more security transactions in EMEA during the quarter and expect the same effect in APAC. We have recruited relevant experts in the area, primarily in China, and look forward to the acceleration our new colleagues will help provide.

Without a Silmaril, it is complicated to predict the future, but despite uncertainty in the world, we remain hopeful and filled with energy ahead of an exciting journey.

Richard

Financial information

Q3
20
22

Sales

Sales for the year to date amounted to SEK 311.1m (264.2). Growth was 17.7%, or 9.2% after adjusting for a foreign exchange effect of SEK 22.5m. Sales for the quarter amounted to SEK 106.1m (87.9), with growth of 20.6%. Growth was 10.8% after adjusting for a foreign exchange effect of SEK 8.6m.

The previous quarter's trend continued, and Asia and Europe continued to grow during the third quarter, while the Americas were on a par with the year-earlier period. One of our major strengths is that 95% of our existing customers become returning customers over the years. Focusing on new customers is important, as is reviewing the price structure and prices to follow inflation and create sales growth. A price adjustment was carried out in 2022. It took effect in the USA during the second quarter, while it affected sales in the EMEA and APAC regions starting in the third quarter.

Markets and products

APAC contributed 33% of net sales, or SEK 102.8m (80.9). Foreign exchange effects had a positive effect of SEK 3.2m on sales, and if foreign exchange effects are excluded, APAC contributed strong growth of 23.1% in local currency

during the period. All markets in APAC are growing: 90% in China, 83% in Taiwan, 23% in Korea and 9% in Japan. EMEA contributed 33% of sales, or SEK 101.5m (92.3). Net sales in EMEA increased 5.5%, adjusted for foreign exchange effects of SEK 4.0m. France/Benelux and southern Europe experienced weaker growth, while the Nordic and central parts of EMEA, such as Germany, were stronger. The USA contributed 34% of the Group's income, or SEK 105.6m (89.9). Net sales increased 0.5% in the USA, adjusted for foreign exchange effects of SEK 15.2m.

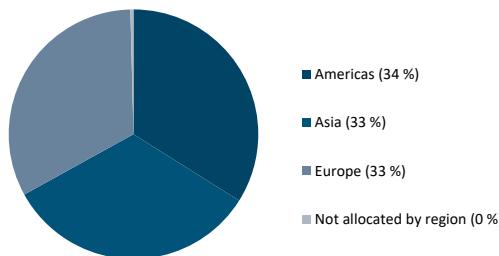
Demand for development solutions continues to increase. IAR has a unique position in the development solutions segment for embedded development – we can offer opportunities that no one else can, namely the ability to work with the same tool regardless of architecture or product. Our products in IAR Embedded Workbench for Arm account for approximately 80% of sales. The 64-bit offering has been well received, and we see great potential there and in RISC-V. These technologies and Security are areas for future growth. We are not satisfied with the sales performance in Security. We have modified our business model and are adding new sales representatives. It was encouraging to see sales within security in the USA began to pick up speed in 2022.

Effects of the pandemic, the war in Ukraine and the semiconductor shortage

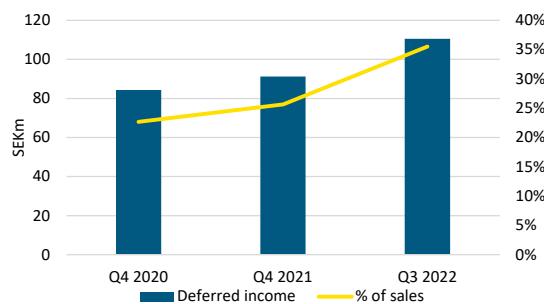
During the pandemic, we saw a growing share of projects that were postponed or terminated. We also saw many projects where the choice of chip architecture was modified due to the semiconductor shortage. We saw a clear trend towards a higher willingness to invest in countries with high vaccination coverage. The Asian markets that have been the most affected by the pandemic, particularly China, have now opened up. This is undoubtedly a part of the increase in sales we saw in APAC.

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

BREAKDOWN OF REVENUE Q1-Q3 2022



DEFERRED INCOME



NET SALES

Net sales for the third quarter of 2022

Net sales for the quarter increased year-on-year and amounted to SEK 106.1m (87.9). Currency translation had a positive impact of SEK 8.6m on net sales for the period.

Other income

During the third quarter of 2021, we received a payment of SEK 2.1m in connection with a judgment against the previous CEO of IAR Systems' US subsidiary IAR Systems Software Inc., Nadim Shehayed, which was recognized as other income. In the third quarter of 2022, we received a payment of SEK 1.0m for the same matter.

Net sales January–September 2022

Net sales for the period amounted to SEK 311.1m (264.2). Currency translation had a positive impact of SEK 22.5m on net sales for the period.

Deferred income September 30, 2022

Deferred income in the form of accrued support agreements increased SEK 5.0m during the period and amounted to SEK 110.5m (86.6) on September 30, 2022.

EARNINGS

Earnings for the third quarter of 2022

EBITDA for the quarter totaled SEK 34.2m (35.0), corresponding to an EBITDA margin of 32.2% (39.8). Operating profit for the quarter amounted to SEK 22.1m (20.9), which was a margin of 20.8% (23.8).

The gross margin for the period was 97.1% (96.8).

Operating expenses were reduced by SEK 11.3m (13.7) for the capitalization of development costs for software during the quarter. Of the internally generated costs that were capitalized, SEK 9.2m (11.7) pertained to personnel costs.

In a year-on-year comparison, currency translation had a positive impact of SEK 5.1m on operating profit.

Earnings January–September 2022

EBITDA for the period totaled SEK 96.6m (90.7), corresponding to an EBITDA margin of 31.1% (34.3). Operating profit for the period amounted to SEK 59.1m (50.5), which was a margin of 19.0% (19.1).

The gross margin for the period was 97.1% (96.6).

Operating expenses were reduced by SEK 34.0m (50.3) for the capitalization of development costs for software during the period. Of the internally generated costs that were capitalized, SEK 28.0m (42.4) pertained to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 12.1m on operating profit for the period.

INVESTMENTS AND FINANCING

During the year, we focused on investments in our major product areas. Software investments for the period totaled SEK 34.0m (50.3), of which SEK 11.3m (13.7) was attributable to the third quarter. A large portion of the investments was in foreign currencies, which entailed foreign exchange effects upon conversion to SEK.

Investments in property, plant and equipment for the period totaled SEK 3.1m (6.9), of which SEK 0.0m (6.1) was attributable to the third quarter.

The Group has chosen not to renew the previous credit limit at this time, but has an offer for an overdraft facility of SEK 50m, which it intends to exercise. The unutilized credit margin at September 30, 2022 amounted to SEK 0.0m (207.0). Utilized credit is reported as a liability to credit institutions in the balance sheet.

Other interest-bearing liabilities in the balance sheet pertain to current and non-current lease liabilities and amounted to SEK 27.7m (36.9) at September 30, 2022. Lease liabilities recognized in the balance sheet pertain

to commitments for leases and the largest portion is connected to leases for our offices.

The equity/assets ratio as of September 30, 2022 was 74% (76).

CASH FLOW AND LIQUIDITY

Cash flow from operating activities amounted to SEK 102.0m (91.1), of which SEK 47.4m (41.4) pertained to the third quarter. During the third quarter, the Group received SEK 11.2m in tax relief related to research and development costs in the UK, which affected the cash flow from operating activities but not profit or loss. The corresponding item for the previous year provided the Group with SEK 11.8m. Our customers' ability to pay remained adequate during the first nine months of 2022, and we have not noted any increased negative effects on cash flow.

Cash flow from investing activities for the period totaled SEK -37.1m (-57.0), of which SEK -14.2m (-19.7) was attributable to the third quarter. Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities for the period totaled SEK -28.3m (-12.4), of which SEK -1.6m (-3.9) was attributable to the third quarter. Cash flow from financing activities during the period comprised the net of the utilization of the bank overdraft facility and amortization of lease liabilities.

Cash and cash equivalents

Cash and cash equivalents at the end of the quarter totaled SEK 158.8m (91.3). In addition, the Group had unutilized bank overdraft facilities of SEK 0.0m (207.0). The Group's total available cash and cash equivalents thus amounted to SEK 158.8m (298.3). The Group has an offer for an overdraft facility of SEK 50m, which it intends to exercise. As of September 30, 2022, the Group had net cash of SEK 131.0m (36.4).

EMPLOYEES

The number of employees at IAR Systems at the end of the period was 216 (210). The average number of employees during the period was 212 (192).

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 period amounted to SEK 9.8m (9.8). Profit after financial items amounted to SEK 2.8m (-0.6).

Net investments in property, plant and equipment amounted to SEK 0.0m (0.0). Cash and cash equivalents at September 30, 2022 totaled SEK 11.0m (0.8). The number of employees in the Parent Company at the end of the period was two (four).

SIGNIFICANT RISKS AND UNCERTAINTIES

The market for IAR Systems' software is evolving rapidly and forecasts about future developments are thus uncertain.

I.A.R. Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the 2021 annual report under "Administration report" on pages 48-49 and in Note 2 on pages 65-67, except for the risks and uncertainties caused by Russia's war against Ukraine.

FUTURE OUTLOOK

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

FINANCIAL CALENDAR

Year-end report 2022, February 9, 2023

Interim report January–March 2023, April 26, 2023

2023 AGM, April 26, 2023

Interim report January–June 2023, August 16, 2023

Interim report January–September 2023, October 25, 2023

This information is inside information that I.A.R. Systems Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on October 27, 2022, 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 BY THE BOARD OF DIRECTORS

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

Nicolas Hassbjer
Chairman of the Board

Cecilia Wachtmeister
Member of the Board

Fred Wikström
Member of the Board

Michael Ingelög
Member of the Board

Sabina Lindén
Member of the Board

REVIEW

Introduction

We have reviewed the interim report for IAR Systems Group AB (publ) for the period from January 1, 2022 to September 30, 2022. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope and focus of the review

We conducted our review in accordance with the International Standard on Review Engagements Performed by the Independent Auditor of the Entity (ISRE 2410).

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 a substantially more limited scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing 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 circumstances that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not, in all material aspects, been compiled in accordance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act, and for the Parent Company, in accordance with the Swedish Annual Accounts Act.

Stockholm, October 27, 2022

Deloitte AB

Andreas Frountzos

Income statement

Q3
20
22

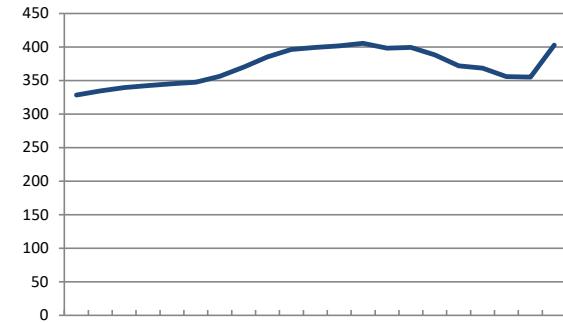
CONDENSED CONSOLIDATED INCOME STATEMENT

SEK m	Note	Q3		Q1-3		Full-year
		2022	2021	2022	2021	
Net sales	1, 2	106.1	87.9	311.1	264.2	355.9
Capitalized work on own account		11.3	13.7	34.0	50.3	64.4
Other income		0.0	2.1	1.0	2.1	2.1
Goods for resale		-3.1	-2.8	-9.0	-8.9	-12.0
Other external expenses		-18.8	-10.3	-42.0	-34.2	-48.3
Personnel costs		-61.3	-55.6	-198.5	-182.8	-258.2
Depreciation of property, plant and equipment		-1.2	-1.0	-4.0	-2.6	-3.7
Depreciation of right-of-use assets		-4.2	-4.1	-12.9	-12.6	-16.7
Amortization of intangible assets		-6.7	-9.0	-20.6	-25.0	-33.8
Impairment of intangible assets		0.0	0.0	0.0	0.0	-118.2
Operating profit/loss		22.1	20.9	59.1	50.5	-68.5
Financial income		1.1	0.0	0.5	0.0	1.5
Financial expenses		0.0	-0.3	-0.8	-2.0	-1.6
Profit/loss before tax		23.2	20.6	58.8	48.5	-68.6
Tax		-6.4	-4.7	-15.6	-10.5	1.2
Profit/loss for the period		16.8	15.9	43.2	38.0	-67.4
Comprehensive income for the period attributable to owners of the Parent Company		16.8	15.9	43.2	38.0	-67.4
Earnings per share for the period, basic, SEK		1.04	1.17	2.72	2.79	-4.94
Earnings per share, diluted, SEK		1.04	1.17	2.72	2.78	-4.94

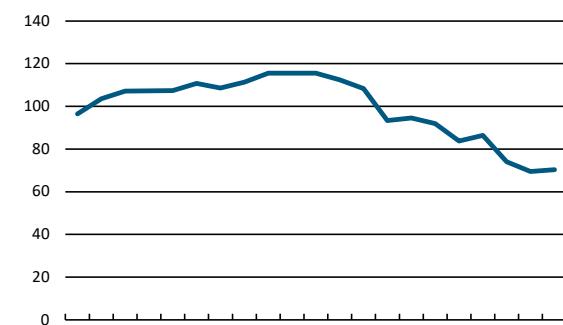
STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	
Profit/loss for the period	16.8	15.9	43.2	38.0	-67.4
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences	6.4	4.3	23.3	29.9	41.2
Tax effect, items reported in comprehensive income	0.0	-0.2	-0.7	-1.6	-2.3
Total other comprehensive income	6.4	4.1	22.6	28.2	38.9
Comprehensive income for the period	23.2	20.0	65.8	66.3	-28.5
Comprehensive income for the period attributable to owners of the Parent Company	23.2	20.0	65.8	66.3	-28.5

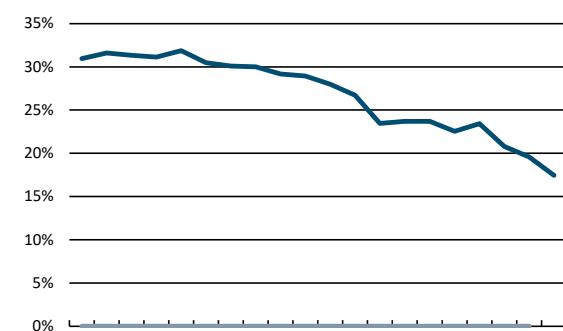
NET SALES ROLLING 12 MONTHS Q4 2016 - Q3 2022



OPERATING PROFIT ROLLING 12 MONTHS Q4 2016 - Q3 2022



OPERATING MARGIN ROLLING 12 MONTHS Q4 2016 - Q3 2022



Balance sheet

Q3
20
22

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Note	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
ASSETS				
Non-current assets				
Goodwill	3	364.4	348.1	355.9
Other intangible assets	4	196.1	283.2	175.5
Property, plant and equipment		15.5	14.3	14.6
Right-of-use assets		26.7	34.7	35.6
Financial assets	7	3.2	2.9	3.0
Deferred tax assets	5	4.1	3.5	2.5
Total non-current assets		610.0	686.8	587.1
Current assets				
Inventories		12.1	8.7	9.5
Other current assets	7	36.0	59.0	43.8
Trade receivables	7	62.1	55.6	58.9
Cash and cash equivalents	7	158.8	91.3	113.4
Total current assets		268.9	214.6	225.7
TOTAL ASSETS		878.9	901.4	812.8
EQUITY AND LIABILITIES				
Total equity		651,1	680.5	585.3
Non-current liabilities				
Lease liabilities	7	14.1	19.4	19.5
Other non-current liabilities		1.3	1.0	1.1
Deferred tax liabilities		35.8	43.0	28.4
Total non-current liabilities		51.2	63.3	49.0
Current liabilities				
Trade payables	7	7.2	7.2	9.2
Liabilities to credit institutions	7	0.0	18.0	18.0
Lease liabilities	7	13.6	17.5	18.5
Deferred income		110.5	86.6	91.2
Other current liabilities	7	45.1	28.2	41.6
Total current liabilities		176.4	157.5	178.5
TOTAL EQUITY AND LIABILITIES		878,9	901.4	812.8

CHANGES IN EQUITY, GROUP

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Equity at beginning of period	627.9	660.0	585.3	613.4	613.4
Share buybacks	-	-	-	-	-
Warrants, after deductions for transaction costs and tax	-	-	-	0.1	0.2
Value of share-based remuneration	0.0	0.5	0.0	0.7	0.2
Dividend	-	-	-	-	-
Comprehensive income for the period	23,2	20.0	65,8	66.3	-28.5
Equity at end of period	651,1	680.5	651,1	680.5	585.3
Of which, attributable to owners of the Parent Company	651,1	680.5	651,1	680.5	585.3

Cash flows

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Incoming payments from customers and other incoming payments	126.6	97.4	307.9	270.1	359.4
Outgoing payments to suppliers and employees	-82.8	-61.7	-197.1	-170.3	-222.6
Interest received	0.0	0.0	0.0	0.0	0.0
Interest paid	0.0	-0.4	-0.8	-1.2	-1.6
Tax relief received	11.2	11.8	11.2	11.8	11.8
Income taxes paid	-7.6	-5.7	-19.2	-19.3	-15.4
Cash flow from operating activities	47.4	41.4	102.0	91.1	131.6
Investments in property, plant and equipment	-0.0	-6.1	-3.1	-6.9	-9.9
Investments in intangible assets	-14.2	-13.6	-34.0	-50.1	-64.2
Cash flow from investing activities	-14.2	-19.7	-37.1	-57.0	-74.1
Warrants, after deductions for transaction costs	0.0	-	0.0	0.2	0.2
Amortization of financial liabilities	-2.0	-4.0	-28.3	-13.5	-16.2
Borrowings	0.4	0.1	-0.0	0.9	0.9
Cash flow from financing activities	-1.6	-3.9	-28.3	-12.4	-15.1
Cash flow for the period	31.5	17.7	36.7	21.6	42.4
Cash and cash equivalents at beginning of period	117.9	72.2	113.4	67.8	67.8
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of period	9.4	1.2	8.7	1.8	2.7
- attributable to cash flow for the period	0.0	0.2	0.0	0.1	0.5
Cash and cash equivalents at end of period	158.8	91.3	158.8	91.3	113.4

CASH AND CASH EQUIVALENTS, GROUP

SEK m	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Cash and cash equivalents at end of period	158.8	91.3	113.4
Unutilized overdraft facilities	0.0	207.0	207.0
Total available cash and cash equivalents	158.8	298.3	320.4

Key performance measures

Q3
20
22

GROUP

	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Gross margin, %	97,1	96,8	97,1	96,6	96,6
EBITDA, %	32,2	39,8	31,0	34,3	33,7
Operating margin, %	20,8	23,8	19,0	19,1	18,5
Profit margin, %	21,9	23,4	18,9	18,4	18,4
Cash flow, %	44,7	47,1	32,8	34,5	37,0
Equity/assets ratio, %			74,1	75,5	72,0
Return on equity, %	2,6	2,4	7,0	5,9	-11,2
Return on capital employed, %	3,5	2,9	9,0	7,1	-10,1
Capital employed, SEK m			678,8	735,5	641,3
Net cash, SEK m			131,0	36,4	57,4
Net debt/equity ratio, multiple			-0,2	-0,1	-0,1
No. of employees at end of period	216		216	210	214
Average no. of employees	214	197	212	192	203
Sales per employee, SEK m	0,5	0,4	1,5	1,4	1,8

SHARE DATA

	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Equity per share, SEK			47,73	49,89	42,88
No. of shares at end of period, million			13,64	13,64	13,64
Average no. of shares, million	13,64	13,64	13,64	13,64	13,64
Average no. of shares, diluted, million	13,66	13,66	13,65	13,65	13,65
Cash flow from operating activities per share, SEK	3,48	3,04	7,48	6,68	9,65
Earnings per share, SEK*	1,04	1,17	2,72	2,79	-4,94
Earnings per share, diluted, SEK*	1,04	1,17	2,71	2,78	-4,94

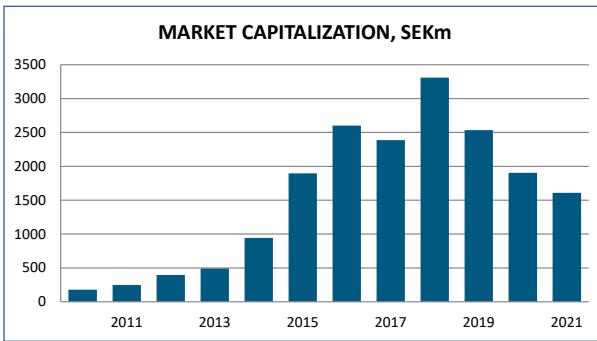
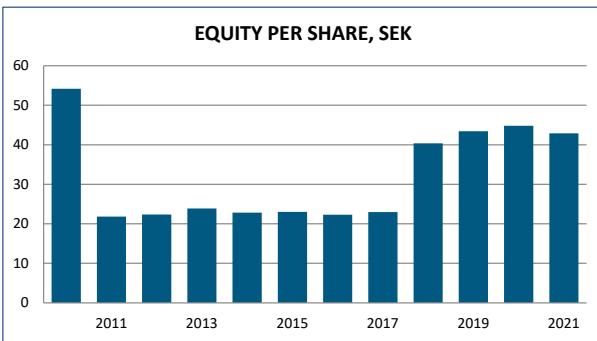
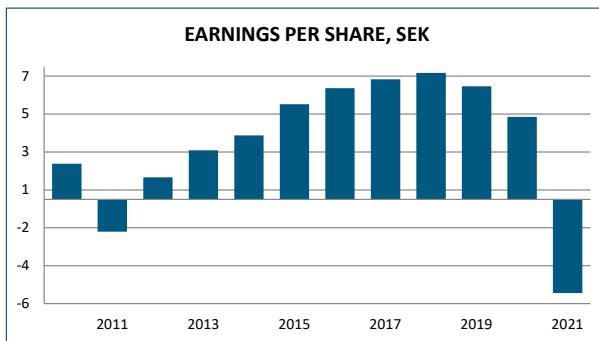
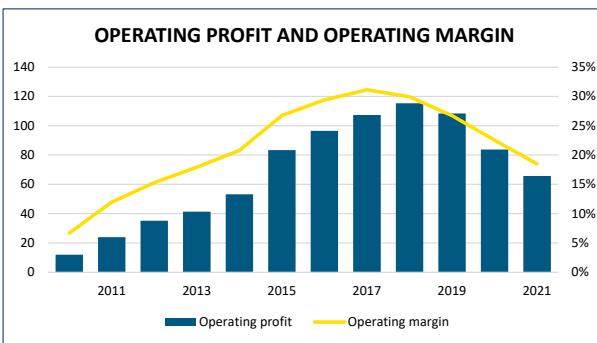
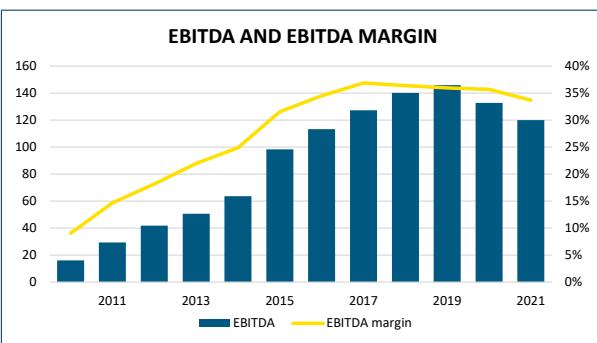
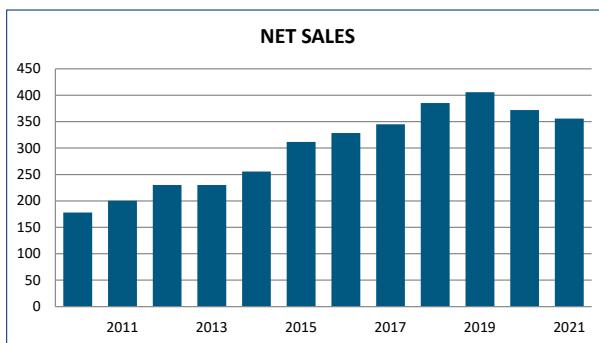
*Definition in accordance with IFRS. Refer also to definitions on page 20.

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
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
2016	328.4	113.2	34.5	96.5	29.4	5.86	25.9	9.04	22.13	206.00	2,602
2015	311.7	98.3	31.5	83.4	26.8	5.02	21.9	7.81	23.03	150.00	1,895
2014	255.7	63.6	24.9	53.2	20.8	3.37	14.5	5.61	22.85	74.75	944
2013	230.2	50.6	22.0	41.3	17.9	2.59	10.9	3.53	23.90	39.77	491
2012	230.1	41.8	18.2	35.2	15.3	1.16	5.3	3.41	22.34	35.24	397
2011	200.4	29.4	14.7	24.0	12.0	-1.70	6.4	3.09	21.82	22.66	248
2010	177.9	16.1	9.1	11.9	6.7	1.88	3.5	1.25	54.16	16.41	180

**Definition in accordance with IFRS.

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



Quarterly overview

Q3
20
22

		Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK**	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2022	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
2016	Q4	85.0	31.2	36.7	26.7	31.4	1.59	7.5	3.13	22.13	206.00	2,602
	Q3	81.1	32.9	40.6	28.5	35.1	1.73	8.8	2.54	20.44	190.00	2,400
	Q2	81.8	26.0	31.8	22.1	27.0	1.34	6.2	1.63	18.64	157.00	1,983
	Q1	80.5	23.1	28.7	19.2	23.9	1.20	5.1	1.74	24.20	172.50	2,179
2015	Q4	75.9	22.2	29.2	18.4	24.2	1.09	4.9	2.22	23.03	150.00	1,895
	Q3	79.8	28.9	36.2	25.0	31.3	1.49	7.0	1.63	21.96	103.25	1,304
	Q2	79.1	23.5	29.7	19.7	24.9	1.21	5.4	2.51	20.43	99.75	1,260
	Q1	76.9	23.7	30.8	20.3	26.4	1.23	5.2	1.45	24.36	104.00	1,314
2014	Q4	66.1	16.3	24.7	13.5	20.4	0.84	3.8	1.27	22.85	74.75	944
	Q3	64.9	18.4	28.4	15.6	24.0	1.06	5.0	1.89	21.83	68.25	862
	Q2	62.7	15.2	24.2	12.7	20.3	0.78	3.4	1.33	20.72	68.50	861
	Q1	62.0	13.7	22.1	11.4	18.4	0.68	2.8	1.12	24.68	57.57	780
2013	Q4	61.5	12.6	20.5	10.1	16.4	0.58	2.5	0.84	23.90	39.77	491
	Q3	54.9	17.9	32.6	15.4	28.1	0.96	4.3	1.56	22.77	38.93	453
	Q2	56.1	9.7	17.3	7.7	13.7	0.53	2.4	0.97	21.42	34.40	388
	Q1	57.7	10.4	18.0	8.1	14.0	0.53	2.3	0.17	22.87	36.07	407
2012	Q4	59.5	11.7	19.7	9.8	16.5	-0.48	-2.1	1.34	22.34	35.24	397
	Q3	56.2	12.0	21.4	10.1	18.0	0.75	3.3	0.68	22.84	37.82	426
	Q2	56.4	8.8	15.6	7.3	12.9	0.42	1.9	1.27	22.15	39.77	448
	Q1	58.0	9.3	16.0	8.0	13.8	0.48	2.2	0.12	22.22	32.37	355

** Definition in accordance with IFRS.

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

CONDENSED INCOME STATEMENT

SEK m	Q1-3		Full-year
	2022	2021	2021
Net sales	9.8	9.8	13.1
Operating expenses	-10.6	-17.6	-37.5
Operating loss	-0.9	-7.8	-24.4
Profit from financial items	3.8	7.2	108.4
Profit/loss before tax	2.8	-0.6	84.0
Tax	-0.6	-0.4	-17.8
Profit/loss for the period	2.2	-1.0	66.2

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q1-3		Full-year
	2022	2021	2021
Profit/loss for the period	2.2	-1.0	66.2
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	2.2	-1.0	66.2

CONDENSED BALANCE SHEET

SEK m	Note	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
		2022	2021	2021
ASSETS				
Non-current assets				
Property, plant and equipment		0.2	0.2	0.2
Shares in subsidiaries		481.5	481.2	481.4
Other financial assets		0.0	0.1	0.1
Receivables from subsidiaries	9	221.2	0.0	0.0
Total non-current assets		702.9	481.5	481.7
Current assets				
Receivables from subsidiaries	9	0.0	153.2	172.7
Other current assets		16.4	28.3	0.5
Cash and cash equivalents		11.0	0.8	4.5
Total current assets		27.3	182.3	177.7
TOTAL ASSETS		730.3	663.8	659.4
EQUITY AND LIABILITIES				
Total equity		626.6	556.1	623.7
Current liabilities				
Trade payables		0.9	0.7	0.5
Liabilities to credit institutions		0.0	18.0	18.0
Liabilities to subsidiaries		92.0	82.1	1.4
Other current liabilities		10.8	6.9	15.8
Total current liabilities		103.7	107.7	35.7
TOTAL EQUITY AND LIABILITIES		730.3	663.8	659.4

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, 2021 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	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Development solutions	103.3	87.8	306.5	263.6	355.2
Security solutions	2.8	0.1	4.6	0.6	0.7
Net sales	106.1	87.9	311.1	264.2	355.9
SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
License-based revenue	56.2	46.2	176.0	146.7	196.1
Support and software updates	44.4	36.9	122.5	105.5	141.7
Other	5.5	4.8	12.6	12.0	18.1
Net sales	106.1	87.9	311.1	264.2	355.9
At a point in time	61.7	51.0	188.6	158.7	214.2
Over time	44.4	36.9	122.5	105.5	141.7
Net sales	106.1	87.9	311.1	264.2	355.9

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Americas			36.1	29.6	105.6
Asia			36.2	27.3	102.8
Europe			33.1	30.6	101.5
Not allocated by region			0.5	0.4	1.2
Net sales	106.1	87.9	311.1	264.2	355.9

3. GOODWILL

Goodwill increased SEK 8.6m during the January to September 2022 period 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 September 30, 2022 amounted to SEK 364.5m (348.1).

4. OTHER INTANGIBLE ASSETS

Other intangible assets increased SEK 20.6m from January to September 2022 and amounted to SEK 196.1m (283.2) on September 30, 2022. Operating expenses were reduced by SEK 34.0m (50.3) for the capitalization of development costs for software during the period. Of the internally generated costs that were capitalized, SEK 28.0m (42.4) 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 September 30, 2022, the Group had accumulated loss carryforwards outside Sweden of SEK 221m, of which SEK 48m (66) are recognized in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 4.1m (3.5), and the deferred tax liability is recognized in an amount of SEK 35.8m (43.0), of which SEK 8.3m (12.6) pertains to loss carryforwards. The items deferred tax assets and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount since they are connected to the same tax subject. The tax relief payment in the UK for 2022 connected to research and development costs was made during the quarter and amounted to approximately SEK 11.2m (11.8). The payment reduced aggregate loss carryforwards by an equivalent amount.

Notes, cont.

6. PLEDGED ASSETS

SEK m	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
To secure pensions	20.6	16.8	17.7
To secure liabilities to credit institutions	2.5	1.9	2.7
Total pledged assets	23.1	18.7	20.5

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.

8. RELATED PARTY TRANSACTIONS

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

9. PARENT COMPANY'S RECEIVABLES FROM SUBSIDIARIES

The Parent Company's receivables from subsidiaries are not expected to be repaid within 12 months and have thus been reclassified as non-current.

Certain financial performance measures are presented in this interim report that are not defined in accordance with IFRS. The company believes that these performance measures provide valuable supplementary information to investors and the company's management since they facilitate evaluations of the company's earnings trend and financial position. These financial performance measures are not always comparable with the measures used by other companies since not all companies calculate financial performance measures in the same way. Accordingly, these financial performance measures must not be regarded as a replacement for the measures defined in accordance with IFRS. The tables below present performance measures that are not defined in accordance with IFRS, unless otherwise stated. The following section "Reconciliations" presents reconciliations and accounts for the components included in the alternative performance measures used in the company's financial reporting.

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

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

* Definition in accordance with IFRS.

Reconciliations

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Net sales	106.1	87.9	311.1	264.2	355.9
Goods for resale	-3.1	-2.8	-9.0	-8.9	-12.0
Gross profit	103	85.1	302.1	255.3	343.9
Gross margin, %	97,1	96.8	97,1	96.6	96.6

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Operating profit	22,1	20.9	59,1	50.5	65.7
Depreciation of property, plant and equipment	1.2	1.0	4.0	2.6	3.7
Depreciation of right-of-use assets	4.2	4.1	12.9	12.6	16.7
Amortization of intangible assets	6.7	9.0	20.6	25.0	33.8
EBITDA	34.2	35.0	96.6	90.7	119.9

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Net sales	106.1	87.9	311.1	264.2	355.9
EBITDA	34,2	35	96,6	90.7	119.9
EBITDA margin, %	32,2	39.8	31.1	34.3	33.7

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Net sales	106.1	87.9	311.1	264.2	355.9
Operating profit	22,1	20.9	59,1	50.5	65.7
Operating margin, %	20,8	23.8	19.0	19.1	18.5

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Net sales	106.1	87.9	311.1	264.2	355.9
Profit before tax	23,2	20.6	58,8	48.5	65.6
Profit margin, %	21,9	23.4	18,9	18.4	18.4

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Profit/loss after tax	16,8	15.9	43,2	38.0	-67.4
Average equity	639,5	670.3	618,2	647.0	599.4
Return on equity, %	2,6	2.4	7,0	5.9	-11.2

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Net sales	106.1	87.9	311.1	264.2	355.9
Cash flow from operating activities	47,4	41.4	102.0	91.1	131.6
Cash flow, %	44,7	47.1	32.8	34.5	37.0

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

SEK m	Sep 30, 2022		Sep 30, 2021		Dec 31, 2021
	2022	2021	2022	2021	2021
Equity	651,1	680,5	585,5		
Total assets	878,9	901,4	812,8		
Equity/assets ratio	74,1%	75,5%	72,0%		

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

SEK m	Sep 30, 2022		Jun 30, 2022		Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
	2022	2021	2022	2021	2021	2021	2021
Equity	651,1	627,9	598,6	585,3	680,5		
Average equity	639,5	670,3	618,2	647,0	599,4		

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Profit/loss before tax	23,2	20.6	58,8	48.5	-68.6
Financial expenses	0,0	0,3	0,8	2,0	1,6
Profit/loss before tax plus financial expenses	23,2	20.9	59,6	50.5	-67.0
Return on capital employed, %	3,5	2,9	9,0	7,1	-10,1

Reconciliations, cont.

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

SEK m	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Cash and cash equivalents	158.8	91.3	113.4
Interest-bearing liabilities	-27.7	-54.9	-56.0
Net cash	131.0	36.4	57.4

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

SEK m	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Equity	651,1	680.5	585.3
No. of shares at end of period, million	13.64	13.64	13.65
Equity per share	47,73	49.89	42.88

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, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Total assets	878,9	851.2	822.9	812.8	901.4
Non-interest-bearing liabilities	-200,1	-191.3	-171.3	-171.5	-165.9
Capital employed	678,8	659.9	651.6	641.3	735.5
	Q3	Q1-3	Full-year		
SEK m	2022	2021	2022	2021	2021
Average capital employed	669,4	727.0	660,1	707.6	660.5

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

SEK m	Q3		Q1-3		Full-year
	2022	2021	2022	2021	2021
Cash flow from operating activities	47.4	41.4	102	91.1	131.6
Average no. of shares, million	13.64	13.64	13.64	13.64	13.64
Cash flow from operating activities per share	3.48	3.04	7.48	6.68	9.65

The IAR Systems share

Q3
20
22

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 103.6 (100.0) to a high of SEK 168.8 (166.0). I.A.R. Systems Group's market capitalization on the same date was SEK 1,909m (1,364). The number of shareholders in I.A.R. Systems Group as of September 30, 2022 was 7,112 (7,431). Of these shareholders, 420 (465) held more than 1,000 shares each. Foreign shareholders held approximately 28% (27) of the share capital and 28% (27) of the votes.

I.A.R. Systems Group's share capital as of September 30, 2022 amounted to SEK 139,683,334, divided between 13,968,333 shares, of which 13,649,445 are class B shares and 318,888 are class C shares. All of the class C shares are held in treasury. These are not included in the information submitted regarding the IAR Systems share. Class C shares do not entitle the holder to dividends.

The aim of the company's treasury holding of class C shares is to ensure the delivery of shares to employees through the exercise of stock options according to the Group's incentive program and, in terms of cash flow, to ensure payment of future social security expenses attributable to this program. Prior to any delivery of shares according to the Group's employee ownership program, the company will convert the class C shares into class B shares. No class C shares were converted into class B shares and delivered under an incentive program during the quarter. A total of 41,963 class C shares have been converted into class B shares and delivered under an incentive program since the original buyback of 359,688 class C shares.

INCENTIVE PROGRAMS

In accordance with the decision of the Extraordinary General Meeting on June 13, 2022, a three-year long-term incentive program for key IAR Systems Group employees has been introduced. The program includes restricted stock units (RSUs) and covers a maximum of 140,000 shares in IAR Systems Group AB, to be allocated to a maximum of 140 people at four different levels. Share allocation to key individuals will be completed during the fourth quarter of 2022.

The shares will be transferred to individuals free of charge after three years, provided that the goals and limitations established during the period, such as for sales growth and profitability, have been achieved. 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 Extraordinary General Meeting held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program 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 44,970 stock options were exercised and 21,774 stock options were forfeited.

INCENTIVE PROGRAMS

EXCHANGE ALLOTMENT 2018	Total	Subscribed/ Allocated	Exercised Sep 30, 2022	Forfeited Sep 30, 2022	Qualified Sep 30, 2022	Qualified after Sep 30, 2022
Stock options	73,413	73,413	44,970	21,774	6,642	27

2022 AGM

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

BREAKDOWN OF SHAREHOLDINGS

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
1-500	6,348	89	4	4
501-1,000	344	5	2	2
1,001-10,000	332	5	7	7
10,001+	88	1	88	88
Total *	7,112	100	100	100

* excluding 318,888 class C shares held in treasury

GEOGRAPHICAL DISTRIBUTION

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	6,873	97	72	72
Europe excl. Sweden	196	3	27	27
Other countries	43	0	1	1
Total *	7,112	100	100	100

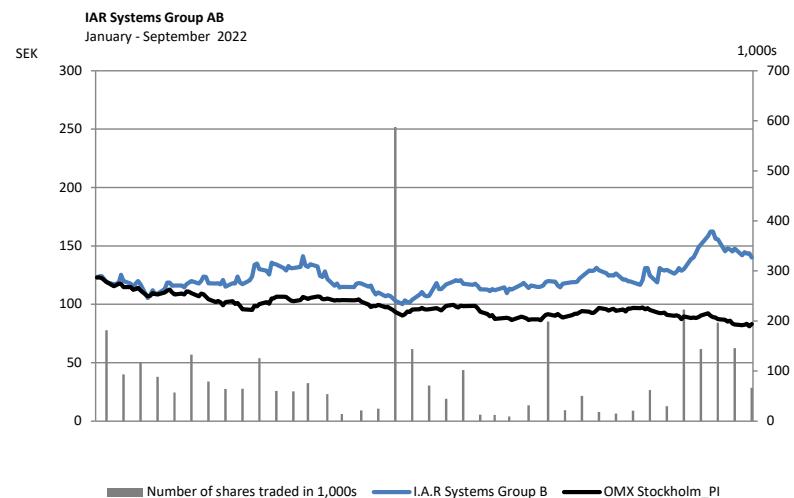
* excluding 318,888 class C shares held in treasury

LARGEST SHAREHOLDERS (VOTES)

	No. of shares	Share of capital, %	Share of votes, %
1. Andra AP-fonden	1,295,415	9	9
2. Första AP-fonden	1,004,304	7	7
3. Tredje AP-Fonden	728,930	5	5
4. Northern Trust Company London	700,428	5	5
5. Fjärde AP-fonden	690,000	5	5
6. Arbejdsmarkedets Tillaegspension	580,283	4	4
7. Sijoitusrahasto Aktia Nordic Mid	550,000	4	4
8. Ribbskottet Aktiebolag	520,000	4	4
9. Alcur Select	445,449	3	3
10. Sijoitusrahasto Aktia Nordic	432,279	3	3
11. Enter Småbolagsfond	385,629	3	3
12. Säästöpankki Itämeri- Sijoitusrahasto	295,556	2	2
13. Fondita Nordic Small Cap Investment Fund	270,000	2	2
14. Avanza Pension	263,107	2	2
15. Säästöpankki Pienyhtiöt-Sijoitusra Hasto	242,010	2	2
Other	5,246,055	38	38
Total *	13,649,445	100	100

* excluding 318,888 class C shares held in treasury

SHARE PRICE PERFORMANCE





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

Corporate identification number 556400-7200

Kungsgatan 33, SE-111 56 Stockholm Tel +46 8 410 920 00

www.iar.com

Richard Lind, CEO, richard.lind@iar.com
Ann Zetterberg, CFO, ann.zetterberg@iar.com