



I.A.R. SYSTEMS GROUP AB
INTERIM REPORT JANUARI - JUNE 2022



Q2

Q2 2022

Growth in local currency increases to 14%

PROFIT SUMMARY

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year
	2022	2021	2022	2021	2021
Net sales	205.0	176.3	107.6	87.4	355.9
Capitalized work on own account	22.7	36.7	10.5	16.4	64.4
Other income	0.9	-	0.0	-	2.1
Operating expenses	-191.7	-183.4	-98.5	-91.2	-490.9
Operating profit/loss	36.9	29.6	19.6	12.6	-68.5
Loss from financial items	-1.4	-1.7	-0.5	-1.2	-0.1
Profit before tax	35.5	27.9	19.1	11.4	68.6
Tax	-9.2	-5.8	-4.8	-2.2	-17.4
Profit/loss for the period	26.3	22.1	14.3	9.2	-67.4

KEY PERFORMANCE MEASURES

	6 months Jan-Jun		3 months Apr-Jun		Full-year
	2022	2021	2022	2021	2021
Gross margin, %	97.1	96.5	97.1	96.9	96.6
EBITDA margin, %	30.3	31.6	29.6	29.6	33.7
Operating margin, %	18.0	16.8	18.2	14.4	18.5
Cash flow, %	17.3	28.2	17.8	31.6	37.0
Net cash, SEK m	85.9	13.8	85.9	13.8	57.4
No. of employees at end of period	213	205	213	205	214

JANUARY-JUNE 2022

- › Growth in net sales was 16.3% and 8.4%, adjusted for foreign exchange effects.
- › EBITDA of SEK 62.1m (55.7), corresponding to an EBITDA margin of 30.3% (31.6)
- › Operating profit of SEK 36.9m (29.6), corresponding to an operating margin of 18.0% (16.8)
- › Profit before tax of SEK 35.5m (27.9)
- › Basic earnings per share of SEK 1.93 (1.62) and diluted earnings per share of SEK 1.93 (1.62)
- › In a year-on-year comparison, currency translation had a positive impact of SEK 13.9m on net sales and a positive impact of SEK 7.0m on operating profit for the period.
- › Cash flow from operating activities amounted to SEK 54.6m (49.7)
- › Net cash of SEK 85.9m (13.8) at the end of the period

APRIL-JUNE 2022

- › Growth in net sales was 23.2% and 14.0%, adjusted for foreign exchange effects.
- › EBITDA of SEK 31.9m (25.9), corresponding to an EBITDA margin of 29.6% (29.6)
- › Operating profit of SEK 19.6m (12.6), corresponding to an operating margin of 18.2% (14.4)
- › Profit before tax of SEK 19.1m (11.4)
- › Basic earnings per share of SEK 1.05 (0.68) and diluted earnings per share of SEK 1.05 (0.68)
- › In a year-on-year comparison, currency translation had a positive impact of SEK 8.1m on net sales and a positive impact of SEK 4.4m on operating profit for the quarter.
- › Cash flow from operating activities amounted to SEK 26.0m (27.6)

KEY EVENTS DURING THE PERIOD

- › New Board elected at the Annual General Meeting on April 26. Sabina Lindén was elected as a new member and Kent Sander stepped down.
- › Long Term Incentive (LTI) 2022 was approved at the Extraordinary General Meeting on June 13.

KEY EVENTS AFTER THE END OF THE PERIOD

- › No key events.

Comments from the CEO – Q2 2022

Earnings

IAR Systems is continuing on its journey, now even physically. During the second quarter of 2022, it was possible to travel and meet again in the USA and Europe, while China was essentially closed to international travel. We noted a slight uptick in April and May, and in June business started to resume. These included an agreement that had been postponed from the first quarter as well as many new agreements and customers in all regions, including Asia, where our team continues to deliver.

Net sales for the second quarter were SEK 107.6m (87.4). Growth was 14.0% compared with the preceding year in local currency and 23.2% in current rates. Net sales for the first half of the year were SEK 205.0m (176.2), corresponding to growth of 8.4% in local currency and 16.3% at current rates. We saw growth in all regions and both the quarter and the first half of the year were the best in the company's history in terms of recognized net sales. We have seen new transactions and new customers. Momentum also continues in our security deals, several of which we have signed with customers including one of the Federal Departments in the USA.

Overview

The quarter was intense, with traveling, new product launches and partnerships as well as participating in various forums and meetings. In April, the new management group could also meet physically for the first time. IAR Systems was physically at the Davos World Economic Forum, where out of 19 initiatives we moderated one about digital security, including an interview with the media company CBS. I personally had the opportunity to travel to the USA and meet all of our teams there and

have several interesting meetings with various companies. We also participated in the Embedded World trade fair in Nuremburg in the end of June and had the opportunity to physically meet old and new partners, where we could continue previous conversations and start new ones about joint opportunities. The trade fair had fewer visitors than 2019, which shows that the pandemic has created new, digital meeting spaces and places that have partially replaced traditional industry trade fairs.

In the future, we will also continue to focus on increasing our digital presence during the entire year rather than a few major physical events, which we believe will be more effective in terms of cost as well as reach.

We have seen a natural level of employee turnover in our marketing department and have recruited a new Director of Marketing with a sterling background from software companies like Microsoft, as well as a new Head of IR who will begin in the third quarter.

Significant events

Since 2012, the company has had hardware and related software development and production in Camarillo in the USA as a result of an acquisition. During late autumn and into the winter, we analyzed the costs and efficiency within this part of our development department and decided to move development and production to Sweden, closing this portion of operations in the USA.

We noticed that the rate of innovation, quality control and development and production costs create better synergies together in Sweden for a lower overall cost and allow us to avoid certain specific export restrictions. The process started in Q2 and will be completed by the end of the year.

Annual cost savings will be within a framework of SEK 4 to 5m. Our development department has released several new versions of our solutions to market that support new processors, security models and functions from our hardware partners, including Renesas, ST Microelectronics, NXP and Microchip.

In a partnership with Microsoft, we also launched an alternative editor for our Embedded Workbench in the form of Microsoft Visual Studio Code. An editor that millions of developers are familiar with and use. This will allow more developers to familiarize themselves with embedded development and creates a larger recruitment pool of developers for our customers, partners and ourselves.

During the quarter, we also revised our price model and increased our prices by an average of 5%. The price increase applies as of Q2 in the USA and Q3 in the EMEA and APAC regions. We also had the opportunity to launch a long-term incentive program (LTI) that will be important for us to retain as well as recruit key competencies.

Summary

We are continuing our journey. Sometimes change takes time, sometimes it goes quickly. I am especially proud of what the team has accomplished - and will continue to accomplish - in such a short time. The journey continues with humility, curiosity and dedication as our keywords. Here in Uppsala, we have a saying: "To think freely is great, but to think rightly is greater." My own version of this academic philosophy is "Doing things right is great, but doing the right thing is greater." We will continue doing the right things the right way.

Richard

Financial information

Sales

The second quarter was the best quarter in IAR history for net sales, reaching SEK 107.6m (87.4) or an increase of 23.2%, including a foreign exchange effect of SEK 8.1m, which also had an impact of SEK 4.4m on earnings. Net sales during the first half of the year amounted to SEK 205.0m (176.3), an increase of 16.3%, including a foreign exchange effect of SEK 13.9m, which also had an impact of SEK 7.0m on earnings.

Reported net sales were affected by the change we started in 2021 regarding how we manage strategic multi-year contracts. The result was that income from these contracts is delivered and invoiced annually. Previously, we reported a large income in the year we signed that kind of multi-year contract, which then did not recur until the next renewal (often within three to five years). The effect from these previously recognized multi-year strategic agreements during the first half of the year was SEK 8.3m (8.1). The balance sheet includes SEK 14.7m in net receivables as of June 30. These will be invoiced over the next few years. This structure for strategic transactions makes it difficult to compare financial figures between periods and the ongoing restructuring means that the overview given for the sales trend is unduly negative.

The table below illustrates what sales and growth would have been if strategic contracts had instead been invoiced annually, with corrections for foreign exchange effects. One of our major strengths is that 95% of our existing customers become return-

ing 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 and took effect in the USA during the second quarter, while it will affect sales in the EMEA and APAC regions starting in the third quarter.

Markets and products

APAC contributed 31% of net sales, or SEK 33.4m (27.0). Foreign exchange effects had a positive effect of SEK 1.4m on sales, and if foreign exchange effects are excluded, APAC contributed strong growth of 19% in local currency during the period. All markets in APAC are growing: growth amounted to 72% in China, 122% in Taiwan, 19% in Korea and 7% in Japan. EMEA contributed 33% of sales, or SEK 36.3m (29.3). Net sales in EMEA increased 19%, adjusted for foreign exchange effects of SEK 1.3m. France/Benelux and southern Europe experienced weaker growth, while the Nordic and central parts of EMEA, such as Germany, were stronger. The USA contributed 35% of income, or SEK 37.7m (30.4). Net sales increased by 6.5% in the USA, adjusted for SEK 5.3m in foreign exchange effects.

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. However, sales in the first half of the year were still slow.

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

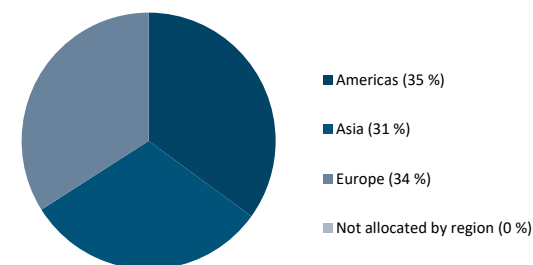
During the second and third waves of the pandemic, we saw a growing share of projects that were postponed or terminated. We also saw many projects where the choice of chip architecture was modified due to the semiconductor shortage. We saw a clear trend towards a higher willingness to invest in countries 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.

ADJUSTED SALES

SEK m	2021	2020	2019	2018	2022 H1	2021 H1
Net sales	355.9	372.0	405.6	385.2	205.0	176.3
Adjusted multi-year contracts	16.8	-17.2	-2.7	-16.3	8.3	8.1
Adjusted net sales	372.6	354.8	402.9	368.9	213.3	184.4
Foreign exchange effects (compared with previ-)	-20.5	-4.6	23.5	14.4	13.9	
Adjusted net sales	393.1	359.4	379.4	354.5	199.5	184.4
Adjusted growth	10.8%	-10.8%	2.9%	0.7%	8.1%	

BREAKDOWN OF REVENUE Q2 2022



Financial information

NET SALES

Net sales for the second quarter of 2022

Net sales for the quarter increased year-on-year and amounted to SEK 107.6m (87.4). Currency translation had a positive impact of SEK 8.1m on net sales for the period.

All regions posted continued growth. Asia had the strongest growth, but Europe and America had good growth as well.

Net sales January–June 2022

Net sales for the period amounted to SEK 205.0m (176.3). Currency translation had a positive impact of SEK 13.9m on net sales for the period.

Deferred income June 30, 2022

Deferred income in the form of accrued support agreements increased during the period by SEK 12.6m and amounted to SEK 105.5m on June 30, 2022. During this half of the year, the increase was SEK 14.6m.

EARNINGS

Earnings for the second quarter of 2022

Earnings in the second quarter of the year increased compared with the corresponding quarter in the preceding year. EBITDA for the quarter totaled SEK 31.9m (25.9), corresponding to an EBITDA margin of 29.6% (29.6). Operating profit for the quarter amounted to SEK 19.6m (12.6).

The gross margin for the period amounted to 97.1% (96.9).

Operating expenses were reduced by SEK 10.5m (16.4) for the capitalization of development costs for software during the second quarter. During the second quarter of 2022, the development organization in Uppsala focused on working more with maintaining the current offering. We also logged time on fewer projects after the impairment of assets carried out in the end of 2021. Of the internally generated costs that were capitalized, SEK 8.6m (13.9) pertained to personnel costs.

In a year-on-year comparison, currency translation had a positive impact of SEK 4.34m on operating profit.

Earnings January–June 2022

EBITDA for the period totaled SEK 62.1m (55.7), corresponding to an EBITDA margin of 30.3% (31.6). Operating profit for the period amounted to SEK 36.9m (29.6).

The gross margin for the period amounted to 97.1% (96.5).

Operating expenses were reduced by SEK 22.7m (36.7) during the period through the capitalization of development costs for software. Of the internally generated costs that were capitalized, SEK 18.8m (30.7) pertained to personnel costs. In a year-on-year comparison, currency translation had a positive impact of SEK 7.0m on operating profit for the period.

INVESTMENTS AND FINANCING

During the period, we focused on investments in our major product areas. Software investments for the first half of the year totaled SEK 22.7m (30.7), of which SEK 10.5m (16.4) was attributable to the second 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 1.3m (0.8), of which SEK 0.1m (0.4) was attributable to the second quarter.

The bank overdraft facility is recognized in the consolidated balance sheet as liabilities to credit institutions and amounted to SEK 0.0m (17.9) on June 30, 2022. The bank overdraft facility is issued in SEK. The unutilized credit margin as of June 30, 2022 amounted to SEK 0.0m (207.1). The Group has chosen not to renew the previous credit limit at this time.

Other interest-bearing liabilities in the balance sheet pertain to current and non-current lease liabilities and amounted to SEK 32.0m (40.5) as of June 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 June 30, 2021 was 74% (75).

CASH FLOW AND LIQUIDITY

Cash flow from operating activities for the first half of the year amounted to SEK 54.6m [49.7], of which SEK 26.0m [27.6] pertained to the second quarter. Our customers' ability to pay remained adequate during the first half of 2022, and we have not noted any significant negative effects on cash flow as a result of the pandemic or other economic factors in the operating environment.

Cash flow from investing activities for the first half of the year totaled SEK -23.0m [-37.3], of which SEK -9.5m [-16.7] pertained to the second quarter. Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities for the first half of the year amounted to SEK -26.5m [-8.5], of which SEK -22.5m [-4.5] was attributable to the second quarter. During the quarter a payment of SEK 18.4m was made on the overdraft facility. 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 117.9m [72.2]. In addition, the Group had unutilized bank overdraft facilities of SEK 0.0m [207.1]. The Group's total available cash and cash equivalents thus amounted to SEK 117.9m [279.3]. At the end of the period, the company had no credit limit but had the option to implement a credit limit of SEK 50m, which will be carried out in the third quarter. As of June 30, 2022, the Group had net cash of SEK 85.9m [13.8].

EMPLOYEES

The number of employees at IAR Systems at the end of the period was 213 [205]. The average number of employees during the first half of the year was 214 [201].

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 4.1m [6.5]. Profit after financial items amounted to SEK 2.4m [-0.2].

Net investments in property, plant and equipment amounted to SEK 0.0m [0.0]. Cash and cash equivalents as of June 30, 2022 totaled SEK 1.7m [0.6]. The number of employees in the Parent Company at the end of the period was three (three).

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.

REVIEW

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

FINANCIAL CALENDAR 2022

Interim report January-September 2022, October 27, 2022

This information is inside information that I.A.R. Systems Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on August 17, 2022, at 1:00 p.m. CEST.

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

Income statement

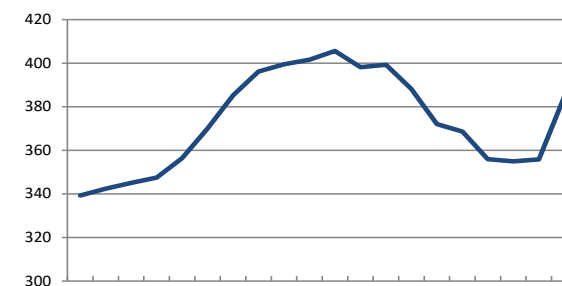
CONDENSED CONSOLIDATED INCOME STATEMENT

SEK m	Note	6 months Jan-Jun		3 months Apr-Jun		Full-year
		2022	2021	2022	2021	2021
Net sales	1, 2	205.0	176.3	107.6	87.4	355.9
Capitalized work on own account		22.7	36.7	10.5	16.4	64.4
Other income		0.9	-	0.0	0.0	2.1
Goods for resale		-5.9	-6.2	-3.1	-2.7	-12.0
Other external expenses		-23.5	-23.8	-11.9	-12.9	-48.3
Personnel costs		-137.1	-127.3	-71.2	-62.2	-258.2
Depreciation of property, plant and equipment		-2.8	-1.6	-1.6	-1.0	-3.7
Depreciation of right-of-use assets		-8.6	-8.5	-4.1	-4.2	-16.7
Amortization of intangible assets		-13.9	-16.0	-6.6	-8.1	-118.2
Operating profit/loss		36.9	29.6	19.6	12.6	-68.5
Financial income		0.0	0.0	0.0	0.0	1.5
Financial expenses		-1.4	-1.7	-0.5	-1.2	-1.6
Profit/loss before tax		35.5	27.9	19.1	11.4	-68.6
Tax		-9.2	-5.8	-4.8	-2.2	1.2
Profit/loss for the period		26.3	22.1	14.3	9.2	-67.4
Comprehensive income for the period attributable to owners of the Parent Company		26.3	22.1	14.3	9.2	-67.4
Earnings per share for the period, diluted, SEK		1.93	1.62	1.05	0.68	-4.94

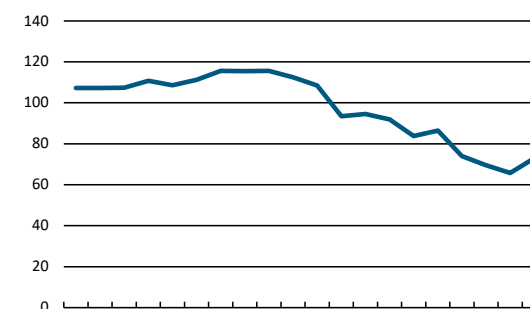
STATEMENT OF COMPREHENSIVE INCOME

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year
	2022	2021	2022	2021	2021
Profit/loss for the period	26.3	22.1	14.3	9.2	-67.4
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences	16.9	25.6	15.6	-9.8	41.2
Tax effect, items reported in comprehensive income	-0.7	-1.4	-0.8	0.6	-2.3
Total other comprehensive income	16.2	24.2	14.8	-9.2	38.9
Comprehensive income for the period	42.5	46.3	29.1	0.0	-28.5

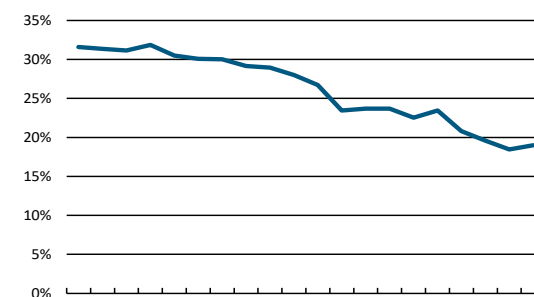
NET SALES ROLLING 12 MONTHS
Q2 2017 - Q2
2022



OPERATING PROFIT* ROLLING 12 MONTHS
Q2 2017 - Q2 2022



OPERATING MARGIN* ROLLING 12 MONTHS
Q2 2017 - Q2 2022



Balance sheet

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Note	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
ASSETS				
Non-current assets				
Goodwill	3	362.8	346.7	355.9
Other intangible assets	4	188.8	276.4	175.5
Property, plant and equipment		14.0	8.9	14.6
Right-of-use assets		30.7	38.5	35.6
Financial assets	7	3.0	2.9	3.0
Deferred tax assets	5	4.3	4.1	2.5
Total non-current assets		603.6	677.5	587.1
Current assets				
Inventories		12.1	7.5	9.5
Other current assets	7	35.3	59.7	43.8
Trade receivables	7	82.3	62.3	58.9
Cash and cash equivalents	7	117.9	72.2	113.4
Total current assets		247.6	201.7	225.7
TOTAL ASSETS		851.2	879.2	812.8
EQUITY AND LIABILITIES				
Total equity				
		627.9	660.0	585.3
Non-current liabilities				
Lease liabilities	7	16.1	23.0	19.5
Other non-current liabilities		1.2	1.2	1.1
Deferred tax liabilities		25.7	33.9	28.4
Total non-current liabilities		43.0	58.1	49.0
Current liabilities				
Trade payables	7	9.0	7.2	9.2
Liabilities to credit institutions	7	0.0	17.9	18.0
Lease liabilities	7	15.9	17.5	18.5
Deferred income		105.5	88.9	91.6
Other current liabilities	7	50.0	29.6	41.6
Total current liabilities		180.3	161.1	178.5
TOTAL EQUITY AND LIABILITIES		851.2	879.2	812.8

CHANGES IN EQUITY, GROUP

SEK m	6 months Jan-		3 months Apr-		Full-
	2022	2021	2022	2021	
Equity at beginning of period	585.3	613.4	598.6	659.9	613.4
Share buybacks	-	-	-	-	-
Warrants, after deductions for transaction costs and tax	-	0.2	-	0.1	0.2
Value of share-based remuneration	-	0.1	-	-	0.2
Dividend	-	-	-	-	-
Comprehensive income for the period	42.5	46.3	29.1	-	-28.5
Equity at end of period	627.9	660.0	627.9	660.0	585.3
Of which, attributable to owners of the Parent Company	627.9	660.0	627.9	660.0	585.3

Cash flows

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year
	2022	2021	2022	2021	2021
Incoming payments from customers	181.3	172.8	77.8	87.5	359.4
Outgoing payments to suppliers and employees	-114.5	-108.7	-44.6	-53.6	-222.6
Interest received	0.0	0.0	0.0	0.0	0.0
Interest paid	-0.6	-0.8	-0.2	-0.4	-1.6
Tax relief received	-	-	-	-	11.8
Income taxes paid	-11.6	-13.6	-7.6	-5.8	-15.4
Cash flow from operating activities	54.6	49.7	26.0	27.6	131.6
Investments in property, plant and equipment	-3.1	-0.8	-1.9	-0.4	-9.9
Investments in intangible assets	-19.9	-36.5	-7.6	-16.3	-64.2
Cash flow from investing activities	-23.0	-37.3	-9.5	-16.7	-74.1
Warrants, after deductions for transaction costs	0.0	0.2	0.0	0.1	0.2
Amortization of financial liabilities	-26.9	-9.5	-22.5	-5.0	-16.2
Borrowings	0.4	0.8	0.0	0.4	0.9
Cash flow from financing activities	-26.5	-8.5	-22.5	-4.5	-15.1
Cash flow for the period	5.2	3.9	-6.1	6.6	42.4
Cash and cash equivalents at beginning of period	113.4	67.8	125.0	66.8	67.8
Exchange difference in cash and cash equivalents					
- attributable to cash and cash equivalents at beginning of	0.8	0.6	0.0	-1.2	2.7
- attributable to cash flow for the period	0.0	-0.1	-1.0	0.0	0.5
Cash and cash equivalents at end of period	117.9	72.2	117.9	72.2	113.4

CASH AND CASH EQUIVALENTS, GROUP

SEK m	220,630	210,630	211,231
Cash and cash equivalents at end of period	117.9	72.2	113.4
Unutilized overdraft facilities	0.0	207.1	207.0
Total available cash and cash equivalents	117.9	279.3	320.4

Key performance measures

GROUP

	6 months Jan-Jun		3 months Apr-Jun		Full-year
	2022	2021	2022	2021	2021
Gross margin, %	97.1	96.5	97.1	96.9	96.2
EBITDA, %	30.3	31.6	29.6	29.6	33.7*
Operating margin, %	18.0	16.8	18.2	14.4	18.5*
Profit margin, %	17.3	15.8	17.8	13.0	18.4*
Cash flow, %	26.6	28.2	24.2	31.6	37.0
Equity/assets ratio, %	73.8	75.1			72.0
Return on equity, %	4.3	3.5	2.3	1.4	-11.2
Return on capital employed, %	5.7	4.2	3.0	1.7	-10.2
Capital employed, SEK m	659.9	718.4			641.3
Net cash, SEK m	85.9	13.8			57.4
Net debt/equity ratio, multiple	-0.1	-0.0			-0.1
No. of employees at end of period	213	205			214
Average no. of employees	214	201	213	201	203
Sales per employee, SEK m	1.0	0.9	0.5	0.4	1.8

* Adjusted for non-recurring items, refer to Note 8

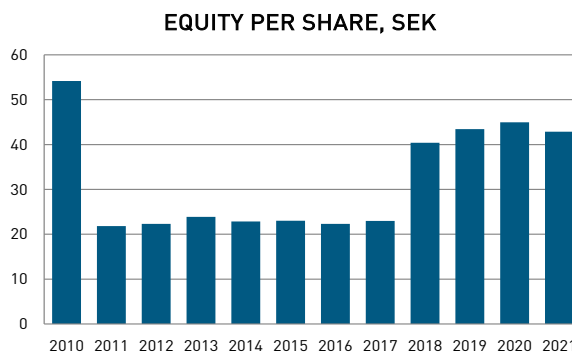
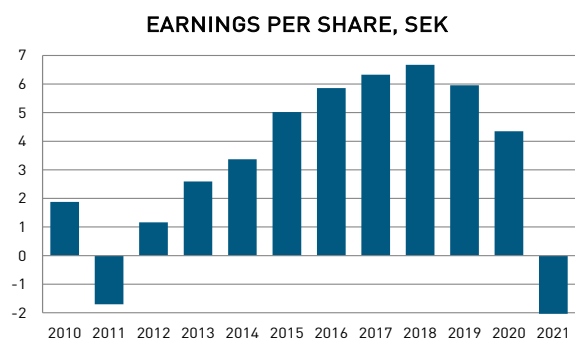
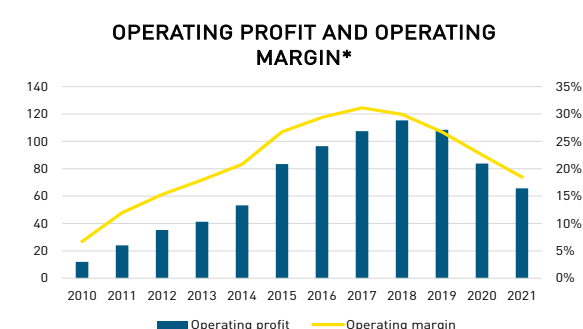
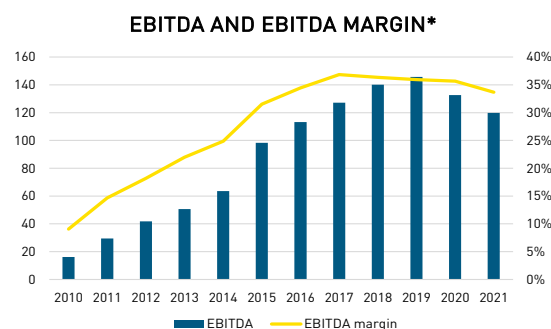
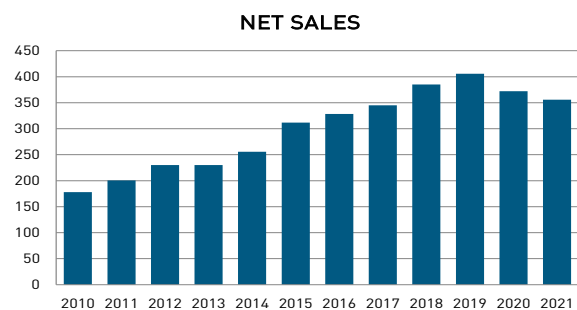
SHARE DATA

	6 months Jan-Jun		3 months Apr-Jun		Full-year
	2022	2021	2022	2021	2021
Equity per share, SEK	46.0	48.4			42.9
No. of shares at end of period, million	13.65	13.64			13.64
Average no. of shares, million	13.64	13.64	13.64	13.65	13.64
Average no. of shares, diluted, million	13.65	13.65	13.65	13.66	13.65
Cash flow from operating activities per share, SEK	4.0	3.6	1.9	2.0	9.65
Earnings per share, SEK*	1.93	1.62	1.05	0.68	-4.94
Earnings per share, diluted, SEK*	1.93	1.62	1.05	0.68	-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, % profit	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



* Adjusted for non-recurring items, refer to Note 8

** 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	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2022	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
2020	Q1	88.9	29.8	33.5	17.0	19.1	0.94	2.0	1.61	48.38	132.40	1,806
	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
2019	Q1	92.3	26.6	28.8	14.4	15.6	0.81	1.8	1.10	45.14	116.40	1,587
	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
2018	Q1	99.8	38.4	38.5	29.4	29.5	1.68	4.0	1.40	43.58	260.00	3,542
	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
2017	Q1	88.9	34.7	39.0	29.5	33.2	1.81	5.7	1.51	32.76	230.00	2,905
	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
2016	Q1	86.4	30.6	35.4	26.2	30.3	1.49	6.5	2.10	23.58	200.00	2,526
	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
2015	Q1	80.5	23.1	28.7	19.2	23.9	1.20	5.1	1.74	24.20	172.50	2,179
	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
2014	Q1	76.9	23.7	30.8	20.3	26.4	1.23	5.2	1.45	24.36	104.00	1,314
	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
2013	Q1	62.0	13.7	22.1	11.4	18.4	0.68	2.8	1.12	24.68	57.57	780
	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
2012	Q1	57.7	10.4	18.0	8.1	14.0	0.53	2.3	0.17	22.87	36.07	407
	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

* Adjusted for non-recurring items, refer to Note 8

** Definition in accordance with IFRS.

Parent Company

CONDENSED INCOME STATEMENT

SEK m	6 months Jan-Jun		Full-year
	2022	2021	2021
Net sales	6.5	6.5	13.0
Operating expenses	-7.8	-13.4	-37.5
Depreciation of property, plant and equipment	-0.0	-0.0	-0.0
Operating loss	-1.3	-6.9	-24.4
Profit from financial items	3.6	6.7	108.4
Profit/loss before tax	2.4	-0.2	84.0
Tax	-0.5	0.0	-17.8
Profit/loss for the period	1.9	-0.2	66.2

STATEMENT OF COMPREHENSIVE INCOME

SEK m	6 months Jan-Jun		Full-year
	2022	2021	2021
Profit/loss for the period	1.9	-0.2	66.2
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or			
Change in value of non-current securities	-	-	-
Total other comprehensive income	-	-	-
Comprehensive income for the period	1.9	-0.2	66.2

CONDENSED BALANCE SHEET

SEK m	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	0.2	0.1	0.2
Shares in subsidiaries	481.5	481.2	481.4
Other financial assets	0.1	0.1	0.1
Deferred tax assets	0.0	0.0	0.0
Total non-current assets	481.7	481.4	481.7
Current assets			
Receivables from subsidiaries	205.9	149.6	172.6
Other current assets	0.8	19.5	0.5
Cash and cash equivalents	1.7	0.6	4.5
Total current assets	208.4	169.7	177.7
TOTAL ASSETS	691.1	651.1	659.4
EQUITY AND LIABILITIES			
Total equity	624.5	556.9	623.7
Current liabilities			
Trade payables	0.6	0.8	0.5
Liabilities to credit institutions	0.0	17.9	18.0
Liabilities to subsidiaries	61.4	73.3	1.4
Other current liabilities	3.6	2.2	15.8
Total current liabilities	65.6	94.2	35.7
TOTAL EQUITY AND LIABILITIES	691.1	651.1	659.4

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, 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	6 months Jan-Jun		3 months Apr-		Full-
	2022	2021	2022	2021	2021
Development solutions	204.2	175.8	107.2	87.2	355.2
Security solutions	0.8	0.5	0.4	0.2	0.7
Net sales	205.0	176.3	107.6	87.4	355.9

SEK m	6 months Jan-Jun		3 months Apr-		Full-
	2022	2021	2022	2021	2021
License-based revenue	119.8	100.5	67.8	50.4	196.1
Support and software updates	78.1	68.6	36.9	33.9	141.7
Other	7.1	7.2	2.9	3.1	18.1
Net sales	205.0	176.3	107.6	87.4	355.9

SEK m	6 months Jan-Jun		3 months Apr-		Full-
	2022	2021	2022	2021	2021
At a point in time	126.9	107.7	70.7	53.5	214.2
Over time	78.1	68.6	36.9	33.9	141.7
Net sales	205.0	176.3	107.6	87.4	355.9

SEK m	6 months Jan-Jun		3 months Apr-		Full-year
	2022	2021	2022	2021	2021
Americas	69.5	60.3	37.7	30.6	119.1
Asia	66.6	53.6	33.4	27.1	110.4
Europe	68.3	61.7	36.3	29.4	124.7
Not allocated by region	0.6	0.7	0.2	0.3	1.7
Net sales	205.0	176.3	107.6	87.4	355.9

3. GOODWILL

Goodwill increased SEK 6.6m during the 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 as of June 30, 2022 amounted to SEK 362.8m (346.7).

4. OTHER INTANGIBLE ASSETS

Other intangible assets increased SEK 13.3m during the year from SEK 175.3m and amounted to SEK 188.6m on June 30, 2022. Operating expenses were reduced by SEK 22.7m (36.7) for the capitalization of development costs for software during the period. Of the internally generated costs that were capitalized, SEK 18.8m (30.7) pertained to personnel costs.

5. DEFERRED TAX ASSETS

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of June 30, 2022, the Group had accumulated loss carryforwards outside Sweden of SEK 221m, of which SEK 88m (110) are recognized in the consolidated balance sheet. The deferred tax asset is recognized in the balance sheet in an amount of SEK 4.3m (4.1), and the deferred tax liability is recognized in an amount of SEK 25.7m (33.9), of which SEK 16.7m (18.6) 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 is estimated at approximately SEK 11.2m (11.8). The payment reduced aggregate loss carryforwards by an equivalent amount.

Notes, cont.

6. PLEDGED ASSETS

SEK m	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
To secure pensions	18.4	15.8	17.7
To secure liabilities to credit institutions	3.0	2.8	2.7
Total pledged assets	21.4	18.6	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. ADJUSTMENT OF PERFORMANCE MEASURES FOR NON-RECURRING ITEMS

During the fourth quarter of 2021, earnings were charged with non-recurring items. To simplify the comparison with earlier periods, some performance measures are stated with these items excluded. Adjustments have been made for impairment of intangible assets of SEK 118.2m and costs of SEK 16.0m related to the dismissal of the CEO, which are non-recurring items.

The following table presents the effect of adjustments on the condensed income statement and operating profit for the full year.

SEK m	Full-year		
	2021	Adjust- ment	2021 adjusted
Net sales	355.9		355.9
Other income	2.1		2.1
Goods for resale	-12.0		-12.0
Other external expenses	-38.3		-38.3
Personnel costs	-203.8	16.0	-187.8
Depreciation of property, plant and equipment	-3.7		-3.7
Depreciation of right-of-use assets	-16.7		-16.7
Amortization of intangible assets	-33.8		-33.8
Impairment of intangible assets	-118.2	118.2	-

9. 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.

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 rec-

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.

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.
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	6 months Jan-Jun		3 months Apr-Jun		Full- 2021
	2022	2021	2022	2021	
Net sales	205.0	176.3	107.6	87.4	355.9
Goods for resale	-5.9	-6.2	-3.1	-2.7	-12.0
Gross profit	199.1	170.1	104.5	84.7	343.99
Gross margin	97.13%	96.5%	97.12%	96.9%	96.6%

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

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full- 2021
	2022	2021	2022	2021	
Operating profit	36.9	29.6	19.6	12.6	65.7
Depreciation of property, plant and equipment	2.8	1.6	1.6	1.0	3.7
Depreciation of right-of-use assets	8.6	8.5	4.1	4.2	16.7
Amortization of intangible assets	13.9	16.0	6.6	8.1	33.8
EBITDA	62.1	55.7	31.9	25.9	119.9

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

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year 2021
	2022	2021	2022	2021	
Net sales	205.0	176.3	107.6	87.4	355.9
EBITDA	62.1	55.7	31.9	25.9	119.9
EBITDA margin	30.3%	31.6%	29.6%	29.6%	33.7%

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

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year 2021
	2022	2021	2022	2021	
Net sales	205.0	176.3	107.6	87.4	355.9
Operating profit	36.9	29.6	19.6	12.6	65.7
Operating margin	18.0%	16.8%	18.2%	14.4%	18.5%

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

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year 2021
	2022	2021	2022	2021	
Net sales	205.0	176.3	107.6	87.4	355.9
Profit/loss before tax	35.5	27.9	19.1	11.4	65.6
Profit margin	17.3%	15.8%	17.8%	13.0%	18.4%

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

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year 2021
	2022	2021	2022	2021	
Net sales	205.0	176.3	107.6	87.4	355.9
Cash flow from operating activities	54.6	19.7	26.0	27.6	131.6
Cash flow	26.6%	28.2%	24.2%	31.6%	37.0%

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

SEK m	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Equity	627.9	660.0	585.3
Total assets	851.2	879.2	812.3
Equity/assets ratio	73.8%	76.1%	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	Jun 30	Mar 31	Dec 31	Jun 30	Mar 31	Dec 31
	Equity	627.9	598.6	585.3	660.0	659.9
Average equity	606.6	636.7	613.3	660.0	599.4	

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

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year 2021
	2022	2021	2022	2021	
Profit/loss after tax	26.3	22.1	14.3	9.2	67.4
Average equity	606.6	636.7	613.3	660.0	599.4
Return on equity	4.3%	3.5%	2.3%	1.4%	-11.2%

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

SEK m	Jun 30,	Mar 31,	Dec 31	Jun 30	Mar 31	Dec 31
	Interest-bearing	32.0	53.0	56.0	58.4	63.8
Cash and cash equiv-	-117.9	-125.0	-113.4	-72.2	-66.8	-67.8
Net interest-bearing liabilities	-85.9	-72.0	-57.4	-13.8	-3.0	-1.5
Net debt/equity ratio	-0.1	-0.1	-0.1	0.0	0.0	-0.0

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

SEK m	6 months Jan-Jun		3 months Apr-Jun		Full-year 2021
	2022	2021	2022	2021	
Profit before tax	35.5	27.1	19.1	11.4	-68.6
Financial expenses	1.4	1.7	0.5	1.2	1.6
Profit before tax plus financial expenses	36.9	29.6	19.6	12.6	-67.0
Return on capital employed	5.7%	4.2%	3.0%	1.7%	-10.1%

Reconciliations, cont.

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

SEK m	Jun 30	Jun 30	Dec 31
Cash and cash equivalents	117.9	72.2	113.4
Interest-bearing liabilities	-31.9	-58.4	-56.0
Net cash	86.0	-13.8	57.4

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

SEK m	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Equity	627.9	660.0	585.3
No. of shares at end of period, million	13.7	13.64	13.65
Equity per share	46.0	48.4	42.9

CAPITAL EMPLOYED is calculated as total assets less non-interest-bearing liabilities.

Average capital employed is calculated as capital employed at the beginning of the period plus capital employed at the end of the period divided by two.

SEK m	Jun 30,	Mar 31	Dec 31	Jun 30	Mar 31	Dec 31
Total assets	851.2	822.9	812.8	879.2	884.4	835.5
Non-interest-bearing liabilities	-191.3	-171.3	-171.5	-160.8	-160.7	-153.8
Capital employed	659.9	651.6	641.3	718.4	723.7	679.7

SEK m	6 months Jan-Jun	2021	3 months Apr-Jun	2021	Full-year	2021
Average capital employed	650.6	699.1	654.6	721.1	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	6 months Jan-Jun	2021	3 months Apr-Jun	2021	Full-year	2021
Cash flow from operating activities	54.6	49.7	26.0	27.6	131.6	
Average no. of shares, million	13.64	13.64	13.64	13.64	13.44	
Cash flow from operating activities per share	4.0	3.6	1.9	2.0	9.7	

The IAR Systems share

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. During the period, the share price varied from a low of SEK 125.00 (123.00) to a high of SEK 132.00 (166.00). The share price as of June 30, 2022 was SEK 114.00 (140.20). I.A.R. Systems Group's market capitalization on the same date was SEK 1,556m (1,913). The number of shareholders in I.A.R. Systems Group as of June 30, 2022 was 7,037 (7,584). Of these shareholders, 430 (449) held more than 1,000 shares each. Foreign shareholders held approximately 28% (26) of the share capital and 28% (26) of the votes.

I.A.R. Systems Group's share capital as of June 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. Shares will primarily be allocated to key individuals during the third 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: www.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.

INCENTIVE PROGRAMS

	Total	Subscribed/ Allocated	Exercised Jun 30, 2022	Forfeited Jun 30, 2022	Qualified Jun 30, 2022	Qualified after Jun 30, 2022
EXCHANGE ALLOTMENT 2018						
Stock options	73,413	73,413	41,963	21,774	9,531	145

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 shareholder	No. of sharehold	Share of capital, %	Share of votes, %
1-500	6,267	89	4	4
501-1,000	340	5	2	2
1,001-10,000	346	5	7	7
10,001-	84	1	87	87
Total *	7,037	100	100	100

* excluding 318,888 class C shares held in treasury

GEOGRAPHICAL DISTRIBUTION

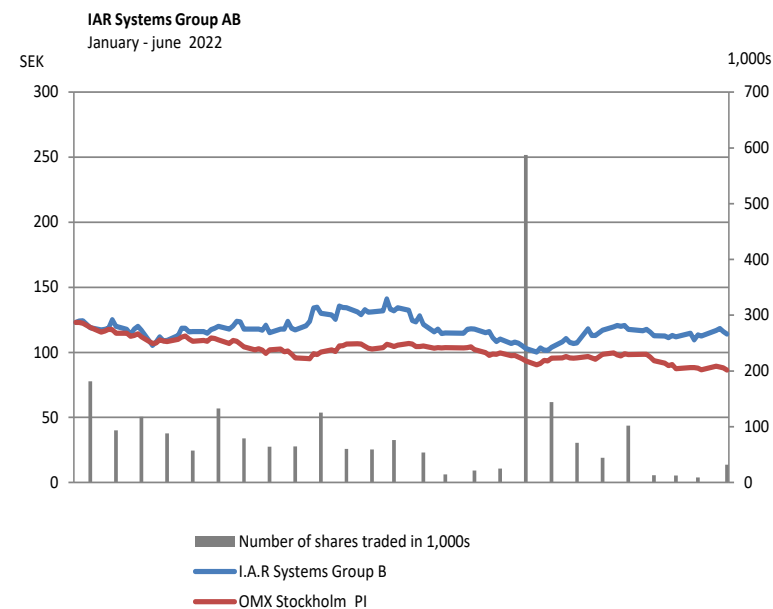
	No. of share	No. of shareholder	Share of capital, %	Share of votes, %
Sweden	6,794	97	72	72
Europe excl. Sweden	222	3	28	28
Other countries	18	0	0	0
Total *	7,037	100	100	100

* 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	1,176,506	8	8
3. Tredje AP-Fonden	728,930	5	5
4. Northern Trust Company London	710,000	5	5
5. Fjärde AP-fonden	690,000	5	5
6. Alcur Select	661,074	5	5
7. Sijoitusrahasto Aktia Nordic Mid	581,500	5	5
8. Arbejdsmarkedets Tillaegspension	580,283	4	4
9. Ribbskottet Aktiebolag	540,167	4	4
10. Sijoitusrahasto Aktia Nordic	432,279	3	3
11. Säästöpankki Itämeri- Sijoitusrahasto	295,556	2	2
12. Avanza Pension	275,402	2	2
13. Fondita Nordic Small Cap Investment	270,000	2	2
14. Säästöpankki Pieniyhtiöt-Sijoitusrahasto	242,010	2	2
15. Tequity Invest AB	227,605	2	2
Other	5,267,507	39	39
Total *	13,649,445	100	100

* excluding 318,888 class C shares held in treasury





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