



Q2

I.A.R. Systems Group AB

Interim report January–June 2025

Summary

Increased demand for subscription offering in currency headwinds

Summary of the period

While the deals completed during the period showed a solid positive trend and the share of sales under the subscription offering progressed according to plan, exchange rates had a greater impact than normal. Sales in the quarter amounted to SEK 109.4m (123.2), corresponding to growth of -11.2%, or -4.5% in local currency. Foreign exchange effects had a negative impact of a full SEK 8.3m on net sales. As a result of the change in business model from perpetual license to subscriptions, which shifts a large share of income forward in time, income decreased SEK 10.1m. Adjusted for foreign exchange effects, growth was -2.4% in EMEA, -2.9% in APAC and -8.2% in North America. Sales in the first half-year amounted to SEK 233.5m (243.0), corresponding to growth of -3.9%, or -0.8% in local currency. Foreign exchange effects had a negative impact of SEK 7.5m on net sales, and the impact of the change in business model was the same as in the quarter. Adjusted for foreign exchange effects, growth was -6.8% in EMEA, +20.6% in APAC and -14.6% in North America.

An adjusted EBITDA margin of 28.8% (38.0) and an adjusted operating margin of 17.7% (26.4) were posted for the first half-year. The lower margin was attributable to foreign exchange effects, increased personnel costs and the impact on income from the change in business model from perpetual to subscriptions.

In early July, the Finnish software company Qt made an offer for IAR of SEK 180 per share. The EBIT and EBITDA margins were impacted by certain costs related to this process.

Second quarter, April–June 2025

- Net sales were SEK 109.4m (123.2), with growth of -11.2%, or -4.5% in local currency.
- EBITDA of SEK 17.3m (40.7), corresponding to an EBITDA margin of 15.8% (33.0).
- Adjusted EBITDA of SEK 25.5m (43.2), corresponding to an adjusted EBITDA margin of 23.3% (35.1).
- Operating profit of SEK 4.6m (27.3), corresponding to an operating margin of 4.2% (22.2).
- Adjusted operating profit of SEK 12.7m (29.8), corresponding to an adjusted operating margin of 11.7% (24.2).
- Capitalized work on own account amounted to SEK 9.9m (10.8).
- In a year-on-year comparison, currency translation had a negative impact of SEK 8.3m on net sales and a negative impact of SEK 6.3m on operating profit for the period, based on income and costs in local subsidiaries.
- Cash flow from operating activities amounted to SEK 41.9m (35.7).

The January–June 2025 period

- Net sales were SEK 233.5m (243.0), with growth of -3.9% and -0.8% in local currency.
- EBITDA of SEK 55.9m (87.7), corresponding to an EBITDA margin of 23.9% (36.1).
- Adjusted EBITDA of SEK 67.2m (92.3), corresponding to an adjusted EBITDA margin of 28.8% (38.0).
- Operating profit of SEK 30.1m (59.5), corresponding to an operating margin of 12.9% (24.5).
- Adjusted operating profit of SEK 41.4m (64.1), corresponding to an adjusted operating margin of 17.7% (26.4).
- Capitalized work on own account amounted to SEK 22.7m (21.1).
- In a year-on-year comparison, currency translation had a negative impact of SEK 7.5m on net sales and a negative impact of SEK 6.4m on operating profit for the period, based on income and costs in local subsidiaries.
- Cash flow from operating activities amounted to SEK 65.6m (68.4).

“The company ended the quarter with a stable and growing order book and expanding pipeline, driven by opportunities related to the subscription offering.

Cecilia Wachtmeister, CEO

Q2 in brief:

- **Full launch of our modernized cloud-based product portfolio**
- **Cancellation of 600,000 class B treasury shares**

Group summary

	3 months Apr–Jun		6 months Jan–Jun		Full-year
	2025	2024	2025	2024	2024
Net sales, SEK m	109.4	123.2	233.5	243.0	487.2
EBITDA, SEK m*	17.3	40.7	55.9	87.7	174.3
Adjusted EBITDA, SEK m*	25.5	43.2	67.2	92.3	186.7
Operating profit, SEK m*	4.6	27.3	30.1	59.5	119.1
Adjusted operating profit, SEK m*	12.7	29.8	41.4	64.1	131.5
Earnings per share, basic, SEK**	0.16	1.19	1.65	6.34	10.20
Earnings per share, diluted, SEK**	0.15	1.17	1.62	6.23	9.98
Cash flow from operating activities, SEK m*	41.9	35.7	65.6	68.4	135.4
Net cash, SEK m*	100.4	113.7	100.4	113.7	110.5
Gross margin, %*	94.0	97.6	96.2	97.5	97.3

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

** Definition in accordance with IFRS.

CEO Statement

Comments from the CEO

The second quarter marked an important milestone in IAR's ongoing transformation journey. With our new platform now widely available, we are continuing to transition to a modern subscription-based business model. We have seen early indications that the change has been well received by existing and new customers alike. During the quarter, 21% of the value of completed deals came from subscription, with nearly a quarter of subscription income attributable to new customers – a clear sign that our updated platform and packaging are attractive.

We welcomed approximately 80 new customers during the quarter, 55 more than in the same period last year, with a particularly strong trend in the APAC region. A total of 17 new subscription contracts were signed under our new offering.

Several customers who commenced their subscriptions in Q1 or Q2 have already chosen to extend their contracts, adding more users and increasing their capacity. These early additional sales demonstrate that the subscription model not only meets customer needs, but also offers greater income potential over time.

As expected, income recognition for subscriptions, combined with foreign exchange losses due to a stronger SEK, impacted reported income. Income decreased 11.2% in Q2 and 3.9% in H1 compared with 2024. However, sales activity remained strong. Adjusted for foreign exchange effects (SEK 8.3m) and lower income as a result of delayed recognition due to the change in business model (SEK 10.1m), we achieved growth of 3.7% compared with Q2 2024, despite the comparison against a record-breaking quarter.

Broader market presence and growing opportunities

One of our strategic cornerstones for 2025 is to expand IAR's global presence. In Q2, we intensified our efforts to establish commercial channel partnerships, particularly with key players in the ecosystem, in order to better match the purchasing processes and workflows of future customers. We broadened our presence by connecting several technically competent regional partners and increased our visibility in strategic digital marketplaces. We also launched



Several subscription customers have already chosen to extend their contracts, reflecting growing demand during the customer journey.

two digital e-commerce channels through partnerships with Digi-Key and Mouser during the period.

The company ended the quarter with a stable and growing order book (+6%, SEK 138.7m compared with SEK 131.3 in Q2 2024) and expanding pipeline, increasingly driven by opportunities related to the subscription offering. Given the increased interest in Zephyr, RISC-V and new support for Arm technology, along with growing numbers of evaluation licenses and price inquiries, we have good growth prospects for the second half of the year.

North America: Signs of stabilization in an uncertain climate

Macroeconomic and political uncertainty continue to delay decision-making, thereby prolonging sales cycles. While customers remain cautious, they prioritize tools that deliver clear returns and help to ensure compliance. Combined with the postponement of several major deals until Q3, the transition to a subscription-based business model contributed to a decline in reported income in local currency of 8%, despite an increase in the value of deals completed of 2%.

On a positive note, we landed a major five-year renewal with one of our largest customers and noted increased activity in the US West Coast. We have a strong pipeline for Q3, which we interpret as an early signal of recovery.

EMEA: Strategic progress and growing pipeline

EMEA delivered a varied, but promising quarter. The highlights included a five-year subscription contract with a leading

Swedish industrial company transitioning from traditional licensing, driven by CI/CD and security needs. A strong performance in DACH as well as Northern and Central Europe was underpinned by important contract renewals and extensions related to security tools.

One particularly important deal involved a Dutch subcontractor to the automotive industry that significantly expanded its use of certified tools. Deals completed increased 13%, while reported income decreased 2% in local currency, primarily as a result of delayed recognition of subscription income. The Q3 pipeline remains solid, with growing demand.

APAC: Record-breaking growth and market expansion

APAC reported a year-on-year increase in deals completed of 3%, while reported income decreased 3% in local currency due to delayed income recognition. Three subscription contracts were signed in the region, marking an important milestone for this traditionally cautious market.

More than 50 new customers were added, driven by the company's major success in China and new business in South-East Asia, including Thailand and Indonesia. The performance in Japan was unchanged, and Korea and Taiwan continued to face trade-related headwinds.

Outlook

On July 4, the Finnish company Qt published an offer to acquire IAR. The bidding process will continue for most of Q3, which means that IAR will continue to operate as usual. Information regarding the offer is available on IAR's website under Corporate governance. As we enter the second half of 2025, our focus is on accelerating the transition to a subscription-based business model, expanding our customer base and increasing use of our platform.

We noted several strong signals during the quarter: positive customer feedback, a growing global pipeline and momentum in all regions. We are seeing signs of recovery in the US, China is continuing to exceed our expectations, and although EMEA may slow due to seasonal patterns, the fundamentals in the region remain strong.

A warm thank you to the entire IAR team – your dedication and flexibility have been crucial to the progress we have achieved and to our ability to adapt and our long-term strength.

Cecilia Wachtmeister, CEO

Financial information

Financial information

Net sales

Sales in the quarter amounted to SEK 109.4m (123.2), corresponding to growth of -11.2%, or -4.5% in local currency. Foreign exchange effects had a negative impact of a full SEK 8.3m on net sales, and as a result of the change in business model from perpetual licenses to subscriptions, which shifts a large share of income forward in time, income decreased SEK 10.1m. This affects the total order book, which as of June 30, 2025 amounts to SEK 138.7m (131.3). 68% of the order book will be recognized as income in 2025, 25% in 2026 and the remainder by 2029. APAC accounted for 32.0% of net sales for the quarter, corresponding to SEK 35.0m (39.3) and growth of -10.8%. Foreign exchange effects had an impact of SEK -3.1m on sales, and growth in APAC was -2.9% in local currency. Net sales for the quarter declined -1.7% in Japan, -12.7% in Korea and -54.1% in Taiwan, while China increased 4.5%. China and Japan accounted for the majority of sales in APAC. EMEA accounted for 36.9% of net sales for the quarter, or SEK 40.3m (43.5), and posted negative growth of -7.3%. Adjusted for foreign exchange effects of SEK -2.2m, net sales in EMEA decreased -2.4% during the quarter. The EMEA markets declined overall during the quarter, except for DACH which displayed positive growth. North America accounted for 30.8% of net sales for the quarter, or SEK 33.7m (40.1), and posted negative growth of -15.9%. Adjusted for foreign exchange effects of SEK -3.1m, net sales in the US decreased -8.2% during the quarter.

IAR's strategy for increased growth

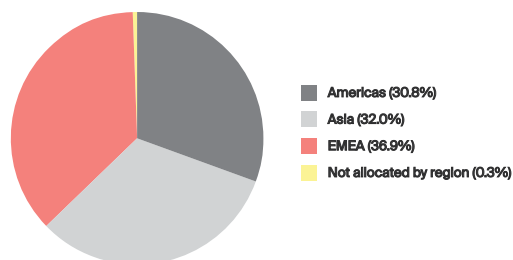
In December, IAR introduced a new strategy for driving long-term growth with the goal of achieving 20% growth in sales (in local currency) annually and an operating margin of at least 20% in the next three to five years. To reach these targets, we are focusing on increasing our addressable market and our market reach via three strategic pillars:

1. Technological expansion through open source
By promoting interoperability through open source, we can address the portion of the market using more powerful microprocessor chips (MPUs), opening up new markets and business opportunities.
2. Commercial expansion
We are strengthening our focus on verticals where we already have a strong position and a competitive offering: the automotive industry, medical technology and industrial automation. These segments are characterized by high security and compliance requirements, which gives us a natural competitive edge. At the same time, we are investing in our sales organization, internally as well as by expanding our network of distributors.
3. Transformation of the business model
We are transitioning from selling individual products with perpetual ownership to offering our entire toolbox as a subscription service. This will alter our income structure as well as customer value.

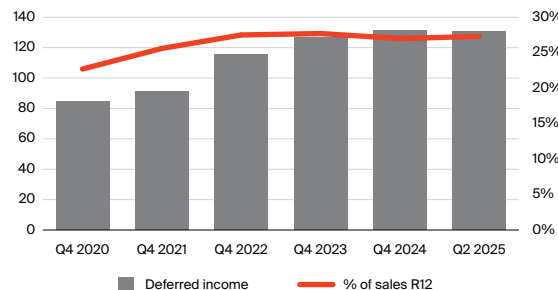
Effects of the transformed business model

The subscription offering is priced in an entirely new way, primarily based on the number of automated workflows in simultaneous use. The transformation from selling perpetual licenses to selling a subscription offering is impacting sales in multiple ways across different time perspectives. In the short term, sales may decrease or level off, but in the long term we will see growth. Since we are not only switching our business model, but adding entirely new customer value to our offering, we will not experience a significant decline in income in the short term. The new subscription service offers clear added value for customers in the form of Support and upgrades (SUA). Customers that currently pay for SUA separately are therefore likely to pay more per year when moving to a cloud-based subscription. This is expected to have a positive impact on the income trend. Realized income will be shifted forward in time, since 85% of a perpetual license sold is recognized at the time of the sale, while income from a subscription in the cloud is distributed evenly over the term of the contract. The price of a subscription for the first year will be lower than a perpetual license, but it is recurring income and, over time, will generate greater income. The transformation has good potential to gradually increase sales as well as the share of recurring income, which is already over 50%.

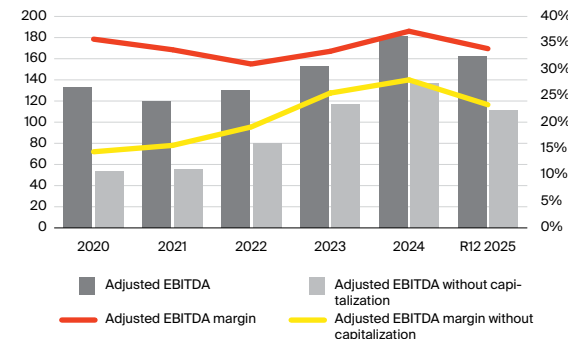
Breakdown of income Q2 2025



Deferred income, SEKm



Adjusted EBITDA and Adjusted EBITDA margin*



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

Financial information

Business model

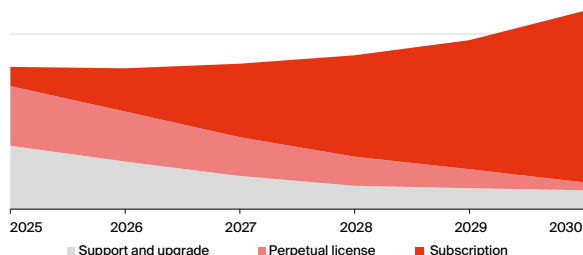
Through a perpetual license, the customer makes a one-time purchase of an IAR solution, giving them full ownership of the software license. The subscription-based model enables an ongoing customer dialogue throughout the entire journey, which strengthens customer loyalty and increases customer retention. The model offers a lower initial cost for the customer and a high degree of flexibility and customization. For IAR, this model provides predictable income over the term of the contract and creates an opportunity to grow in existing customer organizations as well as towards their third-party partners and end customers. This will expand IAR's addressable market within previously established customer relationships, which will accelerate growth compared with only acquiring new customers.

This is assuming a tentative transformation from perpetual licenses to subscriptions in the cloud. It is not a forecast and does not include all of IAR's income streams, but rather illustrates what a gradual transformation could look like. Income could decline in the short term in the case of a faster transformation.

Sale of the subscription offering

Our new cloud-enabled subscription offering was launched at Embedded World in Nuremberg in March, and 21% of deals completed in Q2 pertained to subscription business. Having received many questions from investors about our financial transformation and the company's future growth, we decided to provide a customer example. While this example should not be regarded as an average customer, after Q2 we can see that the increase in income presented below for a customer switching to the subscription offering is not a one-off exception. As a cloud-based subscription customer, this example customer will pay around 2.5 times what they paid in average annual fees for the past three years for support and upgrades, or 1.5 times their total average payments for the last three years for support, upgrades and perpetual licenses.

Tentative license migration



	Perpetual license	Cloud-based subscription
Contractual terms and conditions	<ul style="list-style-type: none"> One-time payment for the purchase of a license customized for a specific chip Price per license IAR sells a license that the customer owns 	<ul style="list-style-type: none"> Agreement for a certain period of time, often several years, that includes the entire toolbox of licenses regardless of chip type Price per user and simultaneous workflows IAR sells a service connected to the cloud
Effects for customers	<ul style="list-style-type: none"> One-time cost, no hidden fees Investment cost (CapEx) 	<ul style="list-style-type: none"> Flexibility for changing needs Access to Functional Safety & Security Access to new products and services Operating cost (OpEx)
Effects for IAR	<ul style="list-style-type: none"> Weaker long-term customer loyalty Risk of unauthorized license use Poor insight into how customers are using the licenses and which licenses are still being used One-time transaction with possibility of income from additional services (support and upgrades) 85% of income recognized at the time of the sale and the rest spread evenly over the remaining 11 months 	<ul style="list-style-type: none"> Stronger long-term customer loyalty through subscriptions Higher share of recurring income More complex sales process Better customer data and insight into what customers are using Income distributed evenly throughout the term of the contract
Segment	<ul style="list-style-type: none"> All segments 	<ul style="list-style-type: none"> Focus on medium and large enterprises

Long-term targets, 3–5 years

20%
Annual growth in local currency

20%
Operating margin

Financial information

Net sales

Net sales for the second quarter of 2025

Net sales for the second quarter decreased compared with the same quarter last year and amounted to SEK 109.4m (123.2). Currency translation had a negative impact of a full SEK 8.3m on net sales for the quarter, and as a result of the change in business model from perpetual licenses to subscriptions, which shifts a large share of income forward in time, income decreased SEK 10.1m.

Net sales for the January–June 2025 period

Net sales for the first half-year decreased compared with the same period last year and amounted to SEK 233.5m (243.0). Currency translation had a negative impact of a full SEK 7.5m on net sales for the period, and as a result of the change in business model from perpetual licenses to subscriptions, which shifts a large share of income forward in time, income decreased SEK 10.1m.

Deferred income June 30, 2025

Deferred income in the form of accrued support agreements decreased SEK 0.8m during the first half-year and amounted to SEK 130.6m (133.2) on June 30, 2025. The total order book for the Group as of June 30, 2025 amounts to SEK 138.7m (131.3).

Earnings

Earnings for the second quarter of 2025

The gross margin for the quarter was 94.0% (97.6). The lower gross margin was due to commission related to a major deal in China.

EBITDA for the quarter amounted to SEK 17.3m (40.7), corresponding to an EBITDA margin of 15.8% (33.0). Adjusted EBITDA for the quarter amounted to SEK 25.5m (43.2), corresponding to an adjusted EBITDA margin of 23.3% (35.1). An adjustment was made for non-recurring items (including restructuring costs and impairment of intangible assets) and the recognized costs for the LTI 2022, LTI 2023 and LTI 2024 incentive programs. If the performance conditions for these programs are not met and thus no shares are allotted to the holders of these restricted stock units (RSUs), these RSU costs will nevertheless be recognized in pace with expected earnings. This will have no impact on cash flow besides potential social security expenses.

Operating profit for the quarter amounted to SEK 4.6m

(27.3), corresponding to an operating margin of 4.2% (22.2).

The decline in operating profit was attributable to foreign exchange losses of SEK 6.3m, increased personnel costs and the impact on income due to the change to a subscription-based business model, which entails that a larger share of income, SEK 10.1m, was shifted forward in time compared with the previous model.

Adjusted operating profit for the quarter amounted to SEK 12.7m (29.8), corresponding to an adjusted operating margin of 11.7% (24.2).

A total of SEK 9.9m (10.8) was capitalized for software development costs during the quarter. Of the internally generated costs that were capitalized, SEK 7.9m (9.0) pertained to personnel costs.

Net financial items for the quarter amounted to SEK -0.2m (-3.0). The decrease noted compared with the year-earlier quarter was primarily due to minor foreign exchange effects and to lower interest rates.

Tax cost for the quarter was SEK -2.4m (-8.5) and the effective tax rate for the quarter was -54.8% (-35.0). The increase in the effective tax rate was mainly attributable to the adjustment of deferred tax assets related to tax loss carryforwards in the UK subsidiary.

Earnings for the January–June 2025 period

The gross margin for the first half-year amounted to 96.2% (97.5).

EBITDA for the first half-year amounted to SEK 55.9m (87.7), corresponding to an EBITDA margin of 23.9% (36.1). Adjusted EBITDA for the period amounted to SEK 67.2m (92.3), corresponding to an adjusted EBITDA margin of 28.8% (38.0).

Operating profit for the period amounted to SEK 30.1m (59.5), corresponding to an operating margin of 12.9% (24.5). The decline in operating profit was partly attributable to higher foreign exchange losses in the operations of SEK -6.4m, increased personnel costs and the impact on income due to the change to a subscription-based business model, which entails that a larger share of income, SEK 10.1m, was shifted forward in time compared with the previous model. Adjusted operating profit for the quarter amounted to SEK 41.4m (64.1), corresponding to an adjusted operating margin of 17.7% (26.4).

A total of SEK 22.7m (21.1) was capitalized for software development costs during the period. Of the internally generated costs that were capitalized, SEK 18.7m (17.6) pertained to

personnel costs.

Net financial items for the first half-year amounted to SEK 0.0m (2.3). The decrease noted compared with the year-earlier period was primarily due to minor foreign exchange effects and to lower interest rates.

Tax cost for the first half-year was SEK -8.9m (+23.1) and the effective tax rate for the period was -29.7% (37.4). The increased tax cost/decreased tax income for the period compared with the year-earlier period was primarily due to the company's revised assessment in the first quarter of 2024 concerning the historical tax loss carryforwards for the UK subsidiary.

Financial position

During the year, we continued to focus on investments in our major product areas. Investments in software during the first half-year totaled SEK 23.5m (22.1). Investments in property, plant and equipment for the first half-year totaled SEK 1.3m (1.7).

The Group had unutilized bank overdraft facilities of SEK 50.0m as of June 30, 2025. 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 30.6m (46.8) as of June 30, 2025. Lease liabilities recognized in the balance sheet pertain to commitments for leases and the largest portion is connected to leases for our offices.

The equity/assets ratio at June 30, 2025 was 63.7% (62.3). Repurchases of own shares totaling SEK 29.3m (51.8) in 2025 had a negative impact on the equity/assets ratio for the Group.

Cash flow and liquidity

Cash flow from operating activities amounted to SEK 41.9m (35.7) for the second quarter and SEK 65.6m (68.4) for the first half-year. Our customers' ability to pay remained adequate during 2025, and we did not note any indications of payment problems at our customers or increased bad debt losses during the period.

Cash flow from investing activities totaled SEK -10.7m (-12.1) for the second quarter and SEK -24.9m (-23.9) for the first half-year. Most of these investments pertain to the capitalization of development costs for software.

Cash flow from financing activities totaled SEK -29.9m

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(-56.9) for the second quarter and SEK -58.4m (-81.4) for the first half-year. Cash flow from financing activities primarily comprised the repurchase of own shares but to some extent also the amortization of lease liabilities related to IFRS 16 and right-of-use assets, which was mainly attributable to IAR's office premises.

Cash and cash equivalents

Cash and cash equivalents at the end of the period totaled SEK 131.1m (160.5). The Group's total available cash and cash equivalents at the end of the period amounted to SEK 181.1m (210.5). As of June 30, 2025, the Group had net cash of SEK 100.4m (113.7). The company's interest-bearing liabilities consist exclusively of lease liabilities, the majority of which is linked to rented offices.

Employees

The number of employees at IAR at the end of the period was 227 (215). The average number of employees during the year was 211 (204).

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 first half-year amounted to SEK 6.5m (6.5). Earnings after financial items amounted to a loss of SEK -1.4m (9.8). The decrease in earnings was primarily due to lower foreign exchange gains than in the year-earlier period.

Investments in property, plant and equipment amounted to SEK 0.0m (0.0) for the year. Cash and cash equivalents at June 30, 2025 totaled SEK 23.0m (52.4). The number of employees in the Parent Company at the end of the quarter was two (two).

Key events during the second quarter

No key events.

Key events after the end of the second quarter

The Finnish software company Qt made an offer for IAR of SEK 180 per share.

Significant risks and uncertainties

The market for IAR's software is evolving rapidly and forecasts

about future developments are thus uncertain. I.A.R. Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the 2024 Annual Report under "Administration report" on pages 35–42 and in Note 2 on pages 64–66.

Future outlook

During the fourth quarter of 2024, the Board revised IAR's long-term financial targets. The revised targets for the Group are for sales to grow by 20% annually in local currency in the next three to five years and for the operating margin to exceed 20%.

Review

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

Financial calendar

Interim report July–September 2025, October 23, 2025
Year-end report January–December 2025, February 11, 2026

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 14, 2025, at 1:00 p.m. CEST.

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

Submission of the report

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

Nicolas Hassbjer
Board Chairman

Michael Ingelög
Board member

Fred Wikström
Board member

Sabina Lindén
Board member

Sofia Persson Björk
Board member

Cecilia Wachtmeister
CEO

Income statement

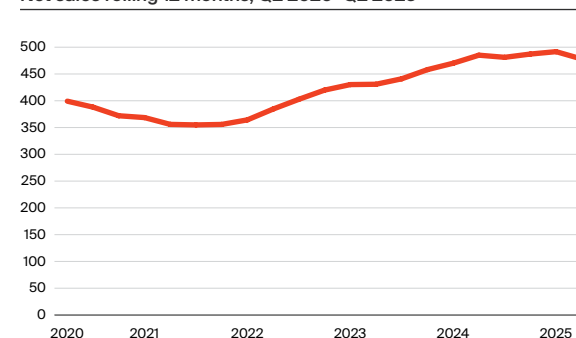
Condensed consolidated income statement

SEK m	Note	3 months Apr-Jun		6 months Jan-Jun		Full-year
		2025	2024	2025	2024	2024
Net sales	1, 2	109.4	123.2	233.5	243.0	487.2
Other income		0.0	0.0	0.0	0.0	0.1
Capitalized work on own account		9.9	10.8	22.7	21.1	49.2
Goods for resale		-6.5	-2.9	-9.0	-6.0	-13.4
Other external expenses		-17.8	-16.8	-35.7	-27.6	-58.1
Personnel costs		-77.7	-73.6	-155.6	-142.8	-290.9
Depreciation of property, plant and equipment		-1.4	-1.5	-2.8	-2.9	-5.8
Depreciation of right-of-use assets		-4.9	-5.0	-10.0	-10.0	-20.5
Amortization of intangible assets		-6.4	-6.9	-13.0	-15.3	-29.0
Operating profit		4.6	27.3	30.1	59.5	119.1
Financial income		0.3	1.0	0.9	3.9	8.0
Financial expenses		-0.5	-4.0	-0.9	-1.6	-2.7
Profit before tax		4.4	24.3	30.1	61.8	124.4
Tax		-2.4	-8.5	-8.9	23.1	10.8
Profit for the period		2.0	15.8	21.1	84.9	135.2
Comprehensive income for the period attributable to owners of the Parent Company		2.0	15.8	21.1	84.9	135.2
Earnings per share for the period, basic, SEK		0.16	1.19	1.65	6.34	10.20
Earnings per share for the period, diluted, SEK		0.15	1.17	1.62	6.23	9.98

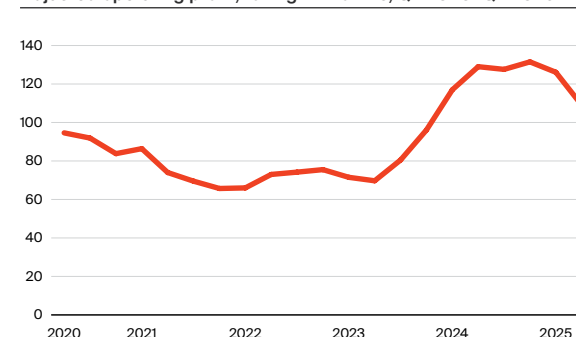
Statement of comprehensive income

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Profit for the period	2.0	15.8	21.1	84.9	135.2
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
Translation differences	-0.3	3.4	-5.2	1.8	1.5
Total other comprehensive income	-0.3	3.4	-5.2	1.8	1.5
Comprehensive income for the period	1.7	19.2	15.9	86.7	136.7
Comprehensive income for the period attributable to owners of the Parent Company	1.7	19.2	15.9	86.7	136.7

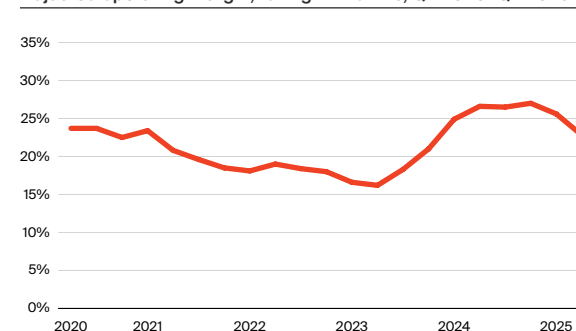
Net sales rolling 12 months, Q2 2020-Q2 2025



Adjusted operating profit, rolling 12 months, Q2 2020-Q2 2025



Adjusted operating margin, rolling 12 months, Q2 2020-Q2 2025



Balance sheet

Condensed consolidated balance sheet

SEK m	Note	Jun 30, 2025	Jun 30, 2024	Dec 31, 2024
Assets				
Non-current assets				
Goodwill	3	117.5	117.5	117.5
Other intangible assets	4	214.7	189.3	205.3
Property, plant and equipment		11.5	14.8	13.2
Right-of-use assets		31.4	44.0	41.8
Financial assets	7	3.2	3.1	3.3
Deferred tax assets	5	29.5	28.5	30.7
Total non-current assets		407.8	397.2	411.7
Current assets				
Inventories		10.6	9.3	8.5
Other current assets	7	57.3	60.4	46.7
Trade receivables	7	77.2	80.0	101.9
Cash and cash equivalents	7	131.1	160.5	155.4
Total current assets		276.2	310.2	312.5
Total assets		683.9	707.4	724.2
Equity and liabilities				
Total equity		435.9	440.9	462.5
Non-current liabilities				
Lease liabilities	7	15.7	27.5	24.8
Other non-current liabilities		6.8	1.7	2.0
Deferred tax liabilities	5	32.4	24.6	28.4
Total non-current liabilities		54.9	53.8	55.1
Current liabilities				
Trade payables	7	8.4	6.8	8.2
Lease liabilities	7	14.9	19.3	20.1
Deferred income		130.6	133.2	131.4
Other current liabilities	7	39.3	53.4	46.9
Total current liabilities		193.1	212.7	206.6
Total equity and liabilities		683.9	707.4	724.2

Changes in equity, Group

SEK m	Share capital	Other contributed capital	Translation reserves	Retained earnings	Total equity
Opening balance, January 1, 2024	139.7	228.1	70.5	-14.9	423.4
Comprehensive income for the period			1.5	135.2	136.7
Transactions with owners					
Share-based remuneration				9.1	9.1
Share buybacks				-86.6	-86.6
Dividend				-20.0	-20.0
Total transactions with owners				-97.6	-97.6
Opening balance, January 1, 2025	139.7	228.1	72.0	22.7	462.5
Comprehensive income for the period			-5.2	21.1	15.9
Transactions with owners					
Share-based remuneration				5.9	5.9
Share buybacks				-29.3	-29.3
Cancellation of shares	-6.0			6.0	0.0
Bonus issue	6.0			-6.0	0.0
Dividend				-19.1	-19.1
Total transactions with owners				-42.5	-42.5
Closing balance, June 30, 2025	139.7	228.1	66.8	1.3	435.9

Cash flows

Condensed consolidated cash flow statement

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Incoming payments from customers and other incoming payments	139.1	115.9	268.8	238.4	469.2
Outgoing payments to suppliers and employees	-84.5	-72.8	-170.9	-152.0	-300.5
Interest received	0.3	1.0	0.9	2.3	4.0
Interest paid	-0.5	-0.8	-0.9	-1.4	-2.7
Tax relief received	-	-	-	-	6.9
Income taxes paid	-12.4	-7.7	-32.2	-19.0	-41.5
Cash flow from operating activities	41.9	35.7	65.6	68.4	135.4
Investments in property, plant and equipment	-0.5	-1.0	-1.3	-1.7	-3.0
Investments in intangible assets	-10.2	-11.1	-23.5	-22.1	-51.5
Cash flow from investing activities	-10.7	-12.1	-24.9	-23.9	-54.5
Amortization of financial liabilities	-4.8	-4.6	-10.0	-9.6	-18.7
Share buybacks	-6.0	-32.2	-29.3	-51.8	-86.6
Dividend	-19.1	-20.0	-19.1	-20.0	-20.0
Cash flow from financing activities	-29.9	-56.9	-58.4	-81.4	-125.4
Cash flow for the period	1.4	-33.2	-17.6	-37.0	-44.5
Cash and cash equivalents at beginning of period	132.1	195.8	155.4	197.4	197.4
Exchange difference in cash and cash equivalents	-2.4	-2.1	-6.7	0.1	2.5
Cash and cash equivalents at end of period	131.1	160.5	131.1	160.5	155.4

Cash and cash equivalents, Group

SEK m	Jun 30, 2025	Jun 30, 2024	Dec 31, 2024
Cash and cash equivalents at end of period	131.1	160.5	155.4
Unutilized overdraft facilities	50.0	50.0	50.0
Total available cash and cash equivalents	181.1	210.5	205.4

Key performance measures

Group

	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Gross margin, %	94.0	97.6	96.2	97.5	97.3
EBITDA, %	15.8	33.0	23.9	36.1	35.8
Adjusted EBITDA, %	23.3	35.1	28.8	38.0	38.3
Operating margin, %	4.2	22.2	12.9	24.5	24.4
Adjusted operating margin, %	11.7	24.2	17.7	26.4	27.0
ARR in relation to net sales, %	71.1	62.5	64.8	63.4	62.1
Profit margin, %	4.0	19.7	12.9	25.4	25.5
Cash flow ratio, %	38.4	29.0	28.1	28.1	27.8
Cash conversion rate, multiple	1.65	0.83	0.98	0.74	0.73
Equity/assets ratio, %			63.7	62.3	63.9
Return on equity, %	0.4	3.5	4.7	19.6	30.5
Return on capital employed, %	1.0	5.6	6.4	13.2	25.9
Capital employed, SEK m			466.5	487.7	507.3
Net cash, SEK m			100.4	113.7	110.5
Net debt/equity ratio, multiple			-0.2	-0.3	-0.2
No. of employees at end of period			227	215	223
Average no. of employees	211	202	211	204	206
Sales per employee, SEK m	0.5	0.6	1.1	1.2	2.4

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

Share data

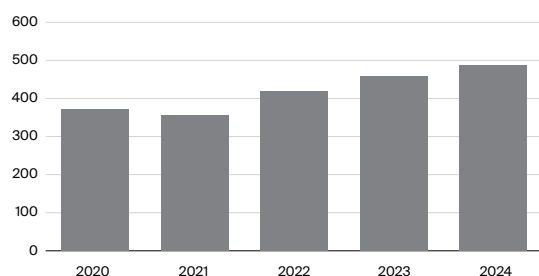
	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Equity per share, SEK			33.38	32.28	33.86
No. of shares at end of period, million			13.06	13.66	13.66
Average no. of shares outstanding, million	12.76	13.31	12.85	13.38	13.26
Average number of shares outstanding, diluted, million	12.97	13.54	13.06	13.62	13.55
Cash flow from operating activities per share, SEK	3.29	2.68	5.11	5.11	10.21
Earnings per share, basic, SEK*	0.16	1.19	1.65	6.34	10.20
Earnings per share, diluted, SEK*	0.15	1.17	1.62	6.23	9.98

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

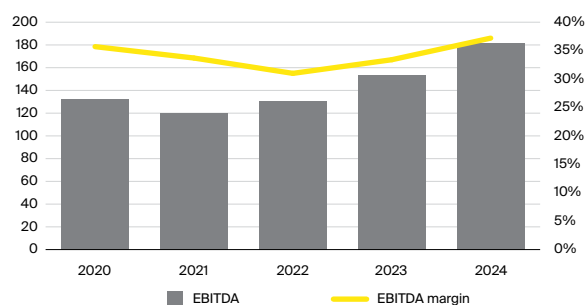
Multi-year overview

	Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK***	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2024	487.2	174.3	35.8	119.1	24.4	10.20	30.5	10.21	33.86	126.50	1,728
2023	458.1	143.6	31.3	96,1*	21,0*	-16.84	-42.0	10.55	31.00	123.80	1,691
2022	419.9	129.0	30.7	75.7	18.0	4.23	9.2	9.36	48.81	150.40	2,054
2021	355.9	119,9*	33,7*	65,7**	18,5**	-4.94	-11.2	9.65	42.88	117.80	1,608
2020	372.0	132.7	35.7	83.8	22.5	4.35	9.9	8.69	44.97	139.80	1,906

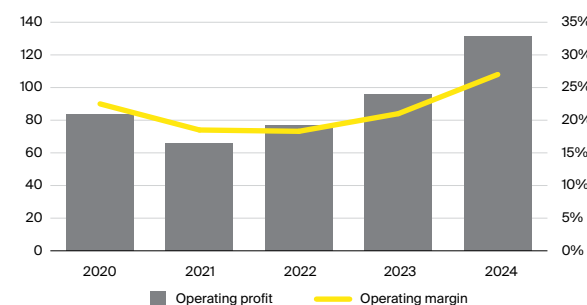
Net sales, SEK m



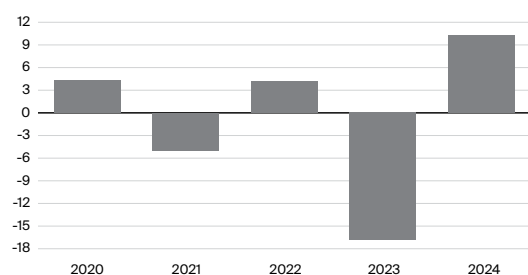
EBITDA and EBITDA margin*



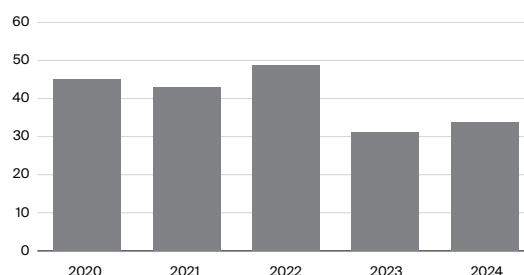
Operating profit and operating margin*



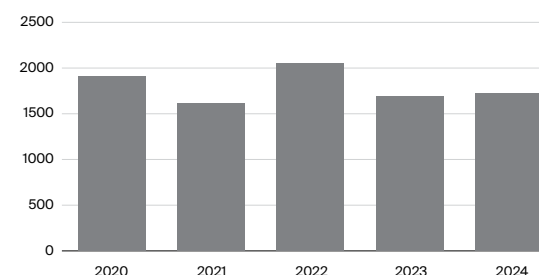
Earnings per share, SEK



Equity per share, SEK



Market capitalization, SEK m



* Adjusted for non-recurring items, refer to Reconciliations on page 92 of I.A.R. Systems Group AB's 2023 Annual Report.

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

*** Definition in accordance with IFRS.

Quarterly overview

		Net sales, SEK m	EBITDA, SEK m	EBITDA margin, %	Operating profit, SEK m	Operating margin, %	Earnings per share, SEK***	Return on equity, %	Cash flow from operating activities per share, SEK	Equity per share, SEK	Share price, SEK	Market capitalization, SEK m
2025	Q2	109.4	17.3	15.8	4.6	4.2	0.16	0.4	3.29	33.38	110.60	1,444
	Q1	124.2	38.6	31.1	25.5	20.5	1.49	4.2	1.84	33.41	116.00	1,585
2024	Q4	132.0	46.9	35.5	33.4	25.3	2.81	8.1	3.01	33.86	126.50	1,728
	Q3	112.3	39.9	35.5	26.3	23.5	1.04	3.1	2.10	32.65	163.00	2,227
	Q2	123.2	40.7	33.0	27.3	22.2	1.19	3.5	2.65	32.28	168.50	2,302
	Q1	119.7	46.9	39.2	32.1	26.8	5.12	15.4	2.43	34.60	138.80	1,896
2023	Q4	125.9	44.5	35.3	32.1*	25.5*	-18.79	-45.9	2.70	31.00	123.80	1,691
	Q3	116.3	43.4	37.3	28.9	24.8	1.02	2.0	3.79	50.53	82.30	1,124
	Q2	108.2	30.5	28.2	11.2	10.4	0.45	0.9	2.15	50.01	84.90	1,160
	Q1	107.7	25.3	23.5	11.4	10.6	0.47	1.0	1.91	49.63	126.80	1,732
2022	Q4	108.8	32.4	29.8	16.5	15.2	1.07	2.2	1.89	48.81	150.40	2,054
	Q3	106.1	34.2	32.2	22.1	20.8	1.04	2.6	3.48	47.73	140.00	1,909
	Q2	107.6	31.9	29.6	19.6	18.2	1.05	2.3	1.91	46.00	114.00	1,556
	Q1	97.4	30.3	31.1	17.3	17.8	0.88	2.0	2.11	43.85	132.00	1,802
2021	Q4	91.6	29,2*	31,9*	15,2**	16,6**	-7.72	-16.7	2.97	42.88	117.80	1,608
	Q3	87.9	35.0	39.8	20.9	23.8	1.17	2.4	3.04	49.89	100.00	1,364
	Q2	87.4	25.9	29.6	12.6	14.4	0.68	1.4	2.02	48.39	140.20	1,913
	Q1	88.9	29.8	33.5	17.0	19.1	0.94	2.0	1.61	48.38	132.40	1,806
2020	Q4	90.7	32.5	35.8	19.0	20.9	0.88	1.9	2.04	44.97	139.80	1,906
	Q3	88.9	36.8	41.4	25.4	28.6	1.37	3.1	2.40	45.43	161.00	2,195
	Q2	100.1	36.8	36.8	25.0	25.0	1.29	2.9	3.15	44.10	114.80	1,565
	Q1	92.3	26.6	28.8	14.4	15.6	0.81	1.8	1.10	45.14	116.40	1,587

* Adjusted for non-recurring items, refer to Reconciliations on page 92 of I.A.R. Systems Group AB's 2023 Annual Report.

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

*** Definition in accordance with IFRS.

Parent Company

Condensed income statement

	6 months Jan-Jun		Full-year
SEK m	2025	2024	2024
Net sales	6.5	6.5	13.1
Operating expenses	-8.3	-7.7	-15.6
Operating loss	-1.8	-1.2	-2.5
Profit from financial items	0.4	11.0	83.8
Profit/loss before tax	-1.4	9.8	81.3
Tax	0.1	-2.0	-16.8
Profit/loss for the period	-1.2	7.8	64.5

Statement of comprehensive income

	6 months Jan-Jun		Full-year
SEK m	2025	2024	2024
Profit/loss for the period	-1.2	7.8	64.5
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Total other comprehensive income	-	-	-
Comprehensive income for the period	-1.2	7.8	64.5

Condensed balance sheet

SEK m	Note	Jun 30, 2025	Jun 30, 2024	Dec 31, 2024
ASSETS				
Non-current assets				
Shares in subsidiaries		243.1	177.3	237.8
Other financial assets		0.6	0.3	0.4
Receivables from subsidiaries		0.0	68.5	0.0
Total non-current assets		243.7	246.1	238.2
Current assets				
Other current assets		16.9	7.5	4.0
Cash and cash equivalents		23.0	52.4	53.7
Total current assets		39.9	59.9	57.7
Total assets		283.7	306.0	295.9
Equity and liabilities				
Restricted equity		139.7	139.7	139.7
Non-restricted equity		93.3	108.7	137.0
Total equity		233.0	248.4	276.6
Current liabilities				
Trade payables		0.4	0.6	1.1
Liabilities to subsidiaries		48.2	55.0	16.1
Other current liabilities		2.1	2.0	2.0
Total current liabilities		50.7	57.6	19.3
Total equity and liabilities		283.7	306.0	295.9

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, 2025 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:

	3 months Jan–Mar		6 months Jan–Jun		Full-year
SEK m	2025	2024	2025	2024	2024
License-based revenue	28.4	42.6	76.1	82.3	168.6
Subscription	16.6	12.3	19.3	27.4	45.1
Support and software updates	61.1	64.7	131.9	126.5	257.6
Other	3.2	3.7	6.2	6.7	15.8
Net sales	109.4	123.2	233.5	243.0	487.2
At a point in time	47.9	58.5	101.2	116.5	229.6
Over time	61.5	64.7	132.3	126.5	257.6
Net sales	109.4	123.2	233.5	243.0	487.2

The distribution of income for historical periods in the tables to the left has been adjusted in accordance with the press release published on June 18, 2025 to ensure accurate and transparent financial reporting of historical periods.

	3 months Apr–Jun		6 months Jan–Jun		Full-year
SEK m	2025	2024	2025	2024	2024
Americas	33.7	39.3	65.0	78.7	156.5
Asia	35.0	43.5	88.7	75.9	162.3
Europe	40.3	40.1	79.2	87.6	165.8
Not allocated by region	0.3	0.4	0.6	0.7	2.6
Net sales	109.4	123.2	233.5	243.0	487.2

3. Goodwill

Goodwill for the Group at June 30, 2025 amounted to SEK 117.5m (117.5). Goodwill is recognized at cost less accumulated impairment. Goodwill is tested annually or when a requirement for impairment is indicated. Impairment testing carried out on December 31, 2024 did not indicate any impairment requirement.

4. Other intangible assets

Other intangible assets for 2025 increased SEK 9.4m and amounted to SEK 214.7m (189.3) on June 30, 2025. A total of SEK 9.9m (10.8) was capitalized for software development costs during the quarter and SEK 22.7m (21.1) during the first half-year. Of the internally generated costs that were capitalized during the quarter, SEK 7.9m (9.0) pertained to personnel costs, and the corresponding figure for the first half-year was SEK 18.7m (17.6).

5. Deferred tax

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. As of June 30, 2025, the Group had accumulated loss carryforwards outside Sweden of SEK 191.9m (197.7), of which the tax effect, corresponding to 25%, from SEK 72.0m of these loss carryforwards is recognized as deferred tax assets in the consolidated balance sheet. The items deferred tax assets

and deferred tax liabilities also include deferred tax assets or liabilities that will be recognized in a net amount when they are connected to the same tax subject.

Deferred tax assets are recognized in the balance sheet in an amount of SEK 29.5m (28.5), and deferred tax liabilities are recognized in an amount of SEK 32.4m (24.6). On June 30, 2025, SEK 3.5m (6.7) was recognized as estimated tax relief related to research and development costs in the UK for 2024. This is expected to increase the loss carryforwards by the same amount linked to the UK subsidiary when the final decision is made about tax relief, which is expected to take place in the second half of 2025.

6. Pledged assets

SEK m	Jun 30, 2025	Jun 30, 2024	Dec 31, 2024
To secure pensions	18.2	20.2	19.7
To secure liabilities to credit institutions	1.5	1.4	2.4
Total pledged assets	19.7	21.6	22.1

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

7. Information about measurement at fair value

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

Notes, cont.

8. Related party transactions

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

9. Incentive programs

As of June 30, 2025, the Group has two categories of incentive programs outstanding. There are three long-term incentive programs for key IAR Systems Group employees (LTI 2022, LTI 2023 and LTI 2024) and one program that pertains to the portion of the remuneration for the acquisition of Secure Thingz that entails the exchange of an existing stock option program for employees in Secure Thingz (Exchange Allotment 2018). LTI 2025 was distributed in Q3 2025.

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

These three programs include restricted stock units (RSUs) that were allotted to employees at four different levels within the Group. At the end of the programs, if the performance conditions for each period in each program have been met, the allotted RSUs can be exchanged for shares in IAR Systems Group AB, free of charge. The performance conditions for each program are presented in the table below.

RSUs are vested equally over the duration of each program. One third of the allotted RSUs are vested annually according to the vesting periods for each program listed in the following table. The total costs for all of the LTI programs, including social security expenses, amounted to SEK 3.3m (2.5) for the current quarter and to SEK 6.5m (4.6) for the first half-year.

Vested RSUs can be exercised after the end of the final vesting period and after the Board has determined that the performance conditions for the respective program have been fulfilled, which is expected to take place in the quarter after the end of each program. For more information about each program and the resolutions passed regarding them, refer to the company's website: iar.com.

Exchange Allotment 2018

This pertains to the part of remuneration for the acquisition that entails the exchange of an existing stock option program for employees in Secure Thingz. Stock option holders exchange their stock options in Secure Thingz for new stock options in I.A.R. Systems Group AB. The economic value of the new stock options is to correspond to the value of the existing stock options. A total of 575,000 stock options in Secure Thingz have been exchanged for 73,413 stock options in I.A.R. Systems Group AB in accordance with the approval from the EGM held on June 15, 2018. Of the 73,413 stock options, 27,450 have an exercise price of SEK 6.50 and 45,963 have an exercise price of SEK 26.00. The vesting of the stock options in the stock option program continued until October 2022 and the program extends until 2027. Vested stock options can be exercised on an ongoing basis until 2027 at the latest. A total of 47,038 stock options were exercised and 23,822 stock options were forfeited.

RSUs

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

Incentive programs

	Total	Subscribed/Allotted	Exercised Jun 30, 2025	Forfeited Jun 30, 2025	Qualified Jun 30, 2025	Qualified after Jun 30, 2025
LTI 2024						
RSUs	144,500	144,500	0	8,062	0	136,438
LTI 2023						
RSUs	145,000	141,000	0	21,395	44,667	74,938
LTI 2022						
RSUs	140,000	140,000	0	19,604	83,916	36,480
Exchange allotment 2018						
Stock options	73,413	73,413	47,038	23,822	2,553	0

Definitions

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

of the company's earnings trend and financial position. These financial performance measures are not always comparable with the measures used by other companies since not all companies calculate financial performance measures in the same way. Accordingly, these financial performance

measures must not be regarded as a replacement for the measures defined in accordance with IFRS. The tables below present performance measures that are not defined in accordance with IFRS, unless otherwise stated. The following section "Reconciliations" presents reconcil-

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

Definitions, cont.

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

* Definition in accordance with IFRS.

Reconciliations

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Net sales	109.4	123.2	233.5	243.0	487.2
Goods for resale	-6.5	-2.9	-9.0	-6.0	-13.2
Gross profit	102.9	120.3	224.6	237.0	474.0
Gross margin, %	94.0	97.6	96.2	97.5	97.3

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Operating profit	4.6	27.3	30.1	59.5	119.1
Depreciation of property, plant and equipment	1.4	1.5	2.8	2.9	5.8
Depreciation of right-of-use assets	4.9	5.0	10.0	10.0	20.5
Amortization of intangible assets	6.4	6.9	13.0	15.3	29.0
EBITDA	17.3	40.7	55.9	87.7	174.3

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Net sales	109.4	123.2	233.5	243.0	487.2
EBITDA	17.3	40.7	55.9	87.7	174.3
EBITDA margin, %	15.8	33.0	23.9	36.1	35.8

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Operating profit	4.6	27.3	30.1	59.5	119.1
Depreciation of property, plant and equipment	1.4	1.5	2.8	2.9	5.8
Depreciation of right-of-use assets	4.9	5.0	10.0	10.0	20.5
Amortization of intangible assets	6.4	6.9	13.0	15.3	29.0
Due diligence expenses	2.0	-	2.0	-	-
Costs for the long-term incentive program	3.3	2.5	6.5	4.6	11.4
Restructuring expenses	2.9	-	2.9	-	1.0
Adjusted EBITDA	25.5	43.2	67.2	92.3	186.7

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Net sales	109.4	123.2	233.5	243.0	487.2
Adjusted EBITDA	25.5	43.2	67.2	92.3	186.7
Adjusted EBITDA margin, %	23.3	35.1	28.8	38.0	38.3

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Net sales	109.4	123.2	233.5	243.0	487.2
Operating profit	4.6	27.3	30.1	59.5	119.1
Operating margin, %	4.2	22.2	12.9	24.5	24.4

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Operating profit	4.6	27.3	30.1	59.5	119.1
Due diligence expenses	2.0	-	2.0	-	-
Costs for the long-term incentive program	3.3	2.5	6.5	4.6	11.4
Restructuring costs	2.9	-	2.9	-	1.0
Adjusted operating profit	12.7	29.8	41.4	64.1	131.5

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Net sales	109.4	123.2	233.5	243.0	487.2
Adjusted operating profit	12.7	29.8	41.4	64.1	131.5
Adjusted operating margin, %	11.7	24.2	17.7	26.4	27.0

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Net sales	109.4	123.2	233.5	243.0	487.2
Profit before tax	4.4	24.3	30.1	61.8	124.4
Profit margin, %	4.0	19.7	12.9	25.4	25.5

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

SEK m	3 months Apr-Jun		6 months Jan-Jun		Full-year
	2025	2024	2025	2024	2024
Net sales	109.4	123.2	233.5	243.0	487.2
Cash flow from operating activities	41.9	35.7	65.6	68.4	135.4
Cash flow ratio, %	38.4	29.0	28.1	28.1	27.8

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

SEK m	Jun 30, 2025		Jun 30, 2024		Dec 31, 2024
	2025	2024	2025	2024	2024
Equity	435.9	440.9	435.9	440.9	462.5
Total assets	683.9	707.4	683.9	707.4	724.2
Equity/assets ratio	63.7	62.3	63.7	62.3	63.9

Reconciliations, cont.

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

	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
SEK m						
Equity	435.9	456.4	462.5	440.9	472.6	423.4
	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2025	2024	2025	2024	2024	
Average equity	446.2	456.8	449.2	432.2	442.9	

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

	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2025	2024	2025	2024	2024	
SEK m						
Profit after tax	2.0	15.8	21.1	84.9	135.2	
Average equity	446.2	456.8	449.2	432.2	442.9	
Return on equity, %	0.4	3.5	4.7	19.6	30.5	

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

	Mar 31, 2025	Mar 31, 2025	Dec 31, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
SEK m						
Interest-bearing liabilities	30.6	34.9	44.8	46.8	51.9	51.7
Cash and cash equivalents	-131.1	-132.1	-155.4	-160.5	-195.8	-197.4
Net interest-bearing liabilities	-100.4	-97.2	-110.5	-113.7	-143.9	-145.7
Net debt/equity ratio, multiple	-0.23	-0.2	-0.2	-0.3	-0.3	-0.3

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

	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2025	2024	2025	2024	2024	
SEK m						
Profit before tax	4.4	24.3	30.1	61.8	124.4	
Financial expenses	0.5	4.0	0.9	1.6	2.7	
Profit before tax plus financial expenses	4.9	28.3	31.0	63.4	127.1	
Return on capital employed, %	1.0	5.6	6.4	13.2	25.9	

ARR in relation to net sales is calculated as recurring revenue in relation to total net sales.

	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2025	2024	2025	2024	2024	
SEK m						
ARR	77.7	77.0	151.2	154.0	302.7	
Net sales	109.4	123.2	233.5	243.0	487.2	
ARR in relation to net sales, %	71.1	62.5	64.8	63.4	62.1	

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

	Jun 30, 2025	Jun 30, 2024	Dec 31, 2024
SEK m			
Cash and cash equivalents	131.1	160.5	155.4
Interest-bearing liabilities	-30.6	-46.8	-44.8
Net cash	100.4	113.7	110.5

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.

	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
SEK m						
Total assets	683.9	690.5	724.2	707.4	737.7	700.0
Non-interest-bearing liabilities	-217.4	-199.2	-216.9	-219.9	-213.2	-224.9
Capital employed	466.5	491.3	507.3	487.7	524.5	475.1

	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2025	2024	2025	2024	2024	
SEK m						
Average capital employed	478.9	506.1	486.9	481.4	491.2	

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

	Jun 30, 2025	Jun 30, 2024	Dec 31, 2024
SEK m			
Equity	435.9	440.9	462.5
No. of shares at end of period, million	13.06	13.66	13.66

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

	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2025	2024	2025	2024	2024	
SEK m						
Cash flow from operating activities	41.9	35.7	65.6	68.4	135.4	
Average no. of shares outstanding, million	12.76	13.31	12.85	13.38	13.26	
Cash flow from operating activities per share	3.29	2.68	5.11	5.11	10.21	

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

	3 months Apr–Jun		6 months Jan–Jun		Full-year	
	2025	2024	2025	2024	2024	
SEK m						
Cash flow from operating activities	41.9	35.7	65.6	68.4	135.4	
Adjusted EBITDA	25.5	43.2	67.2	92.3	186.7	
Cash conversion rate, multiple	1.65	0.83	0.98	0.74	0.73	

The share

The IAR Systems Group Share

I.A.R. Systems Group's class B share is quoted on the Mid Cap list of Nasdaq Stockholm. During 2025, the share price varied from a low of SEK 100.4 (126.2) to a high of SEK 143.5 (179.5). I.A.R. Systems Group's market capitalization on June 30, 2025 was SEK 1,444m (2,302). The number of shareholders in I.A.R. Systems Group on June 30, 2025 was 6,228 (6,689). Of these shareholders, 358 (347) held more than 1,000 shares each. Foreign shareholders held approximately 27.6% (26.4) of the share capital and votes.

I.A.R. Systems Group AB's share capital at June 30, 2025 amounted to SEK 139,683,334, divided between 13,368,333 shares, of which 13,060,291 are class B shares and 308,042 are class C shares. All of the class C shares and 320,994 class B shares are held in treasury, of which 227,986 class B shares were acquired during the current year under the buyback program that the Board approved on August 29,

2023. In the second quarter of 2025, following the resolution of the 2025 Annual General Meeting (AGM), 600,000 class B treasury shares were also canceled.

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

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

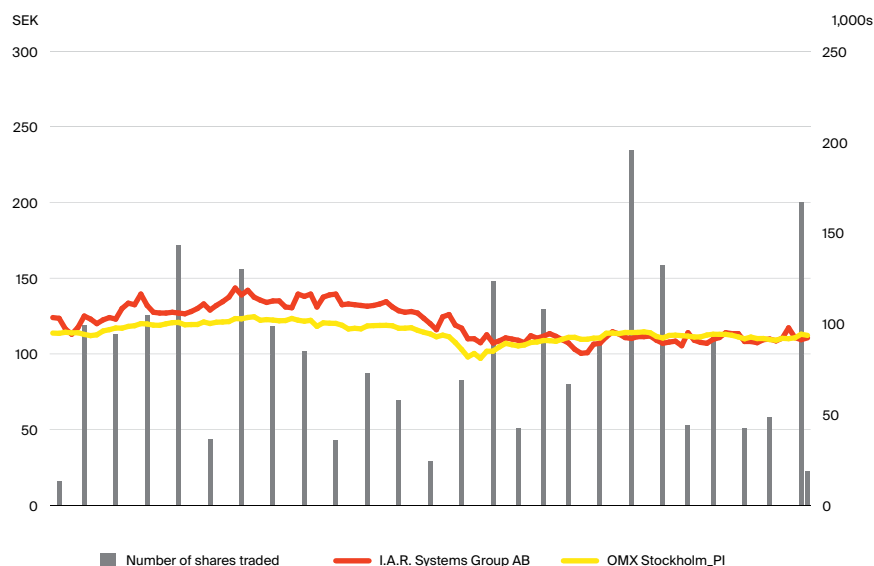
shares have been converted into class B shares to be delivered under an incentive program since the original buyback of 359,688 class C shares.

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

2025 AGM

The AGM of I.A.R. Systems Group AB was held on April 28, 2025. For more information about the AGM and the resolutions passed, refer to the company's website: www.iar.com.

IAR Systems Group AB, January-June 2025



The share

Shareholder type

	No. of shares	No. of shareholders	Share of capital, %	Share of votes, %
Funds	4,087,085	22	31.3	31.3
Pension and insurance companies	3,401,839	12	26.0	26.0
Private individuals	3,320,450	5,951	25.4	25.4
Other	2,250,917	243	17.2	17.2
Total *	13,060,291	6,228	100.0	100.0

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

Geographical distribution

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
Sweden	6,032	96.9	72.4	72.4
Finland	31	0.5	10.3	10.3
UK	12	0.2	4.6	4.6
Denmark	29	0.5	4.4	4.4
Germany	17	0.3	2.1	2.1
Other countries	107	1.7	6.3	6.3
Total *	6,228	100.0	100.0	100.0

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

Breakdown of shareholdings

	No. of shareholders	No. of shareholders, %	Share of capital, %	Share of votes, %
1-500	5,568	89.4	3.2	32
501-1,000	302	4.9	1.8	1.8
1,001-10,000	289	4.6	6.1	6.1
10,001-	69	1.1	88.9	88.9
Total *	6,228	100.0	100.0	100.0

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

Largest individual shareholders

	No. of shares	Share of capital, %	Share of votes, %
1. Alcur Fonder	1,352,570	10.4	10.4
2. Andra AP-fonden	1,295,415	9.9	9.9
3. Aktia Asset Management	800,279	6.1	6.1
4. Avanza Pension	701,371	5.4	5.4
5. Tredje AP-fonden	630,000	4.8	4.8
6. Fjärde AP-fonden	590,000	4.5	4.5
7. Arbetsmarknads Tilläggspension	580,320	4.4	4.4
8. Nicolas Hassbjer with companies	354,314	2.7	2.7
9. Ribbskottet	350,000	2.7	2.7
10. Northern Trust Company, London branch	323,583	2.5	2.5
Other	6,082,439	46.6	46.6
Total *	13,060,291	100.0	100.0

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



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