



# Solid sales in the quarter and updated CE approval partially in place

## First quarter, January - March 2018

- Net revenue totaled SEK 5.9 (0.0) million.
- Operating loss (EBIT) totaled SEK -21.1 (-11.5) million.
- The result after taxes totaled SEK -17.8 (-11.5) million.
- Result per share before and after dilution was SEK -0.75 (-0.67).

## Important events during the quarter

### Re-launch of IRRAf<sup>low</sup>™

IRRAS launched an upgraded version of IRRAf<sup>low</sup> in February. The product was upgraded both esthetically and mechanically and received a new battery configuration. The new configuration was developed in response to a voluntary recall and temporary stop of sales for the product after a battery defect in December 2017. The launch resulted in a total sales of SEK 5.9 million in the quarter.

### Strengthening of the management group

IRRAS strengthened the company's management group during the quarter. Will Martin was hired as Chief Commercial Officer and Kellie Fontes as Senior Director Human Capital. Both report to Dr. Kleanthis G. Xanthopoulos, IRRAS President and CEO and are based at the company's US offices in San Diego.

### Update relating to 510 (K) application

During the quarter, the company received a response from the FDA (American Food and Drug Administration) regarding the company's 510 (K) application.

In their communication to the company, the FDA requested clarifications and updating of certain reports, primarily related to bio-compatibility, sterilization tests and software of IRRAS suppliers. IRRAS is finalizing a compilation of the respective documents and still foresees that IRRAf<sup>low</sup> will be launched in the US towards the end of 2018.

## Important events after the end of the quarter

### Updated ISO and CE certification

IRRAS' previous notified body Intertek had decided not to continue certifying certain products. Therefore, IRRAS and hundreds of Intertek's customers needed to obtain updated ISO certification and CE mark approval from new notified bodies.

In May, IRRAS received both an updated ISO 13485:2016 certificate and updated CE approvals for both the control unit and the cassette in the IRRAf<sup>low</sup> system. Both products are Class II products. The ISO certificate and CE approvals are valid through 2021. For Class III products, such as the IRRAS catheters, significantly more time is required for review. The company expects to receive an updated CE approval for the Class III catheter product in the near future.

### Change in the company's management group

The company's scientific founder, Dr. Christos Panotopoulos, has been appointed as Special Advisor and member of the IRRAS Clinical Advisory Board. He assumes his new role on June 1, 2018, and leaves his earlier role as Chief Scientific Officer and member of the company's management group.

Key figures	Jan. - Mar. 2018	Jan. - Mar. 2017	Jan. - Dec. 2017
Net revenue, million SEK	5.9	-	12.0
Gross margin %	38%	-	Neg
Operating loss (EBIT), million SEK	-21.1	-11.5	-61.5
EBIT margin, %	Neg	Neg	Neg
EBITDA, million SEK	-19.3	-11.4	-57.8
EBITDA margin, %	Neg	Neg	Neg
Returns on equity, %	Neg	Neg	Neg

# Comments from the President CEO

## Re-launch of IRRAflow

Sales of IRRAflow were resumed in February and IRRAS has enjoyed solid sales during the quarter. The voluntary stop of sales of IRRAflow, initiated in December 2017 after a battery defect, was rescinded in February when we launched an improved version of the product.

I am very proud of our organization which, despite its small size, is very competent and fully dedicated to the development of products that make a tremendous difference in patient's lives.

## Revenue and results

We can report total sales amounting to SEK 5.9 million during the quarter. We have been encouraged by the demand from our clients but have experienced a delay of the updated Class III catheter CE mark. This has affected our ability to deliver products. However, we expect to meet the demand starting at the beginning of the third quarter.

The EBIT for the first quarter of the year totaled SEK - 21 million (SEK -11 million). The increased loss can be explained primarily by increased expenses for organizational build-up within marketing and sales, development and quality as well as regulatory control.

We have a very comfortable financial status, which we believe is adequate to take us to a positive cash flow. The liquidity as of March 31, 2018 totaled SEK 234 million, excluding the last part of the proceeds from the 2017 share issue of SEK 11 million, which was paid at the beginning of April 2018.

In preparation for an US launch, we attended the AANS (American Association of Neurological Surgeons) conference in New Orleans at the end of April / beginning of May. Our IRRAflow product drew a great deal of attention and contacts were established with a number of neurosurgeons.

## Update on FDA 510 (K) application

During the quarter, we received a response from the FDA (American Food and Drug Administration) regarding the company's 510 (K) application. The FDA requested some clarifications and updating of certain reports, primarily related to bio-compatibility, sterilization tests and software of IRRAS suppliers.

We plan to submit our response to the FDA by June. Following review of our response and assuming a positive outcome, we expect to begin a dialog with the FDA regarding the label. We still expect to launch in the USA later this year after the 510 (K) clearance has been received.

## New ISO certification and updated CE approval

We are happy to report that we were able to establish a relationship with a new notified body and quickly thereafter received an updated ISO certification and CE approval for two of our Class II products in May. Our notifying new body, GMed, has

not yet had the chance to review our catheter CE mark due to high volume of applications from a large number of other companies seeking a new notifying body. However, we are confident that the CE mark for the catheter will be in place in the near future. The delay of the CE approval of the catheter is likely to substantially affect sales during the second quarter, but as of now we do not expect it to have any effect on the revenue for the year as a whole.

## Strengthening of the management group

The work to establish a global medical technology company continues. During the quarter, we hired Will Martin as Chief Commercial Officer and Kellie Fontes as Senior Director, Human Capital, directly reporting to me and based in San Diego.

Eight additional people were hired during the quarter within marketing, sales, production, development and quality and regulatory control.

## Future outlook

We continue to have very high hopes for the future. The demand and interest for IRRAflow from customers is very high. With progress on the regulatory and production fronts, we expect to be able to deliver products timely and in line with high customer demand.



President CEO Kleanthis G. Xanthopoulos, Ph.D.

# Group development, January – March 2018

## Net revenue

Net revenue for the period from January to March 2018 totaled SEK 5.9 (0.0) million.

The temporary sales stop was lifted in the middle of the first quarter 2018 and the first products were shipped to customers during the month of March.

## Gross result

The gross result for the period from January to March 2018 was SEK 2.3 million (-0.1), which is equivalent to a gross margin of 38 percent.

The cost of sales also includes, in addition to direct production costs and other production-related overhead costs, depreciations on capitalized development expenses, which are depreciated linearly over five years.

## Operating expenses

The operating expenses for the period from January to March 2018 totaled SEK 23.8 (11.4) million. The higher operating expenses can be explained primarily by increased marketing and sales expenses as a consequence of the launch in Europe and in preparation for the launch in the USA, increased administrative expenses as a listed company and increased development costs.

The research and development costs during the period totaled SEK 6.6 (6.1) million, of which SEK 2.5 (3.4) million were capitalized and SEK 4.1 (2.7) million were expensed.

The net of other operating revenues and other operating expenses totaled SEK 0.4 (0.1) million during the period.

## Operating result (EBIT)

The operating results during the period totaled SEK -21.1 (-11.5) million.

## Net financial income

Net financial income totaled SEK 3.1 (0.0) million.

## Result

The result before taxes was SEK -18.0 million (-11.5). The result for the period (result after taxes) totaled SEK -17.8 million (-11.5).

## Cash flow and liquidity

The cash flow from operating activities, after change in working capital, for the period January to March 2018 totaled SEK -21.6 (-7.5) million.

The reason for the reduced cash flow is primarily the lower result as a consequence of increased operating expenses and increased tied-up working capital.

At the end of the period, liquidity totaled SEK 234.0 million, including short-term and long-term financial investments (59.6). The last part of the proceeds from the 2017 share issue, SEK 11.2 million, was paid in April 2018.

## Investments

Net investments totaled SEK 2.8 (3.5) million.

## Assets

As of March 31, 2018, intangible fixed assets totaled SEK 34.8 (30.2) million. The intangible fixed assets are capitalized development expenses of the first version of IRRAflow and capitalized patent expenses. The capitalized development expenses are depreciated linearly over five years and the capitalized patent expenses are depreciated over 14 years. The depreciations are reported as cost of sales.

## Equity and liabilities

As of March 31, 2018, the company's equity totaled SEK 299.3 (85.5) million and the equity ratio was 97.2 percent (94.4).

On March 31, 2018, interest-bearing liabilities totaled SEK 0.0 million (0.0). Short-term liabilities totaled SEK 8.5 (5.0) million.

## Changes in the parent company

Losses in the parent company increased in comparison with the previous year, primarily due to the organizational build-up and to adapt the company to Nasdaq's requirements for listed companies.

Assets and equity increased as a result of the issuance of new shares during the fourth quarter of 2017.

Sales per region Million SEK	Jan. - Mar. 2018	Jan. - Mar. 2017	Change	Jan. - Dec. 2017
Germany	3.2	-	3.2	11.7
Europe, excluding Germany	2.7	-	2.7	0.3
Other	-	-	-	-
<b>Total</b>	<b>5.9</b>	<b>-</b>	<b>0.7</b>	<b>12.0</b>

## The Market

IRRAS first product, IRRAS<sup>flow</sup> is initially intended for treatment of patients with hemorrhagic strokes and subdural hematoma.

Around one million people in the USA and Europe suffer from hemorrhagic strokes and chronic subdural hematoma annually. Approximately 350,000 of these people are treated clinically. IRRAS presently estimates the market value for the company's products in Europe and the USA at roughly EUR 1.2 billion.

The number of patients is expected to increase in the coming years as a result of the increase in population, the aging of the population and increased share of patients receiving treatment.

## Risks and uncertainty factors

A number of risks and uncertainty factors are associated with the company's activity.

There is always the risk that competitors offer more effective and better products than IRRAS and thus generate a decrease in sales. Deliveries from the company's suppliers that are incorrect, delayed or never provided can, in turn, cause delay, deficiency or inaccuracy in the company's deliveries. The company is also exposed to fluctuating exchange rates.

There is no guarantee that the company's activities will not be subject to restrictions by public authorities or that the company will receive necessary future approval of authorities or that the company loses approvals which have already been received.

There is a risk that the company loses its ability to develop products or that products cannot be launched on schedule or that market acceptance is lower than anticipated. These risks can entail reduced sales and affect the company's result negatively. The company is also exposed to customers' inability to pay and that the company cannot finance its operations. Refer the annual report for 2017 for a detailed description of the risks. The risks are considered unchanged since the annual report.

## Transactions with closely associated parties

See note 3 for a description of transactions with closely associated parties.

## Parent company

IRRAS AB (publ.), corporate ID number 556872-7134, is a Swedish corporation with headquarters in Stockholm. The address to the main office is Vasagatan 16, 111 20, Stockholm, Sweden.

Receivables from corporate group companies are primarily receivables from the US subsidiary IRRAS USA, Inc. and the German subsidiary IRRAS GmbH. Risks and uncertainties in the parent company coincide indirectly with those of the corporate group.

## Number of shares

The total number of shares and votes in IRRAS AB is 23,661,863. In addition, there are five incentive programs for employees and key personnel. The programs can currently increase the number of shares by an additional 3,406,110 shares (see note 2 on page 13).

Largest shareholders as of March 31, 2018 (and known changes thereafter)	Number of shares	Percent of shares/ votes
Lexington Holding Assets Ltd (BVI)	3,259,000	13.77%
F.EX Endotherapy Limited	3,030,800	12.81%
Bacara Holdings Limited	1,438,334	6.08%
Serendipity Group AB	1,356,468	5.73%
Serendipity Ixora AB	781,349	3.30%
Timoben Medical Holding	652,000	2.76%
Nyenburgh Holding B.V.	651,325	2.75%
The Fourth Swedish National Pension Fund	595,000	2.51%
Avanza Pension (shares held in trust)	550,089	2.32%
Prioritet Capital AB	381,000	1.61%
SIS SIS AG	345,500	1.46%
Other shareholders	10,620,998	44.9%
<b>Total number of shares</b>	<b>23,661,863</b>	<b>100.00%</b>

## Staff

The average number of employees in the group from January to March 2018 was 17 (4), of which 3 (0) are employed by the parent company. The breakdown of average employees by country was 3 (0) in Sweden, 8 (2) in the US and 6 (2) in Germany. The average number of women in the corporate group was 9 (2) and the average number of men was 8 (2).

## 2018 annual shareholders' meeting

The company's annual shareholders' meeting will be held on June 1, 2018 at 11:00 am. The summons has been published on [www.irras.com](http://www.irras.com). The 2017 annual report is available on the home page.

The board and President CEO assures that the interim financial report provides an accurate overview of the group and parent company's activities, status and result, and describes risks and uncertainty factors that the parent company and subsidiaries within the corporate group face.

Stockholm, May 28, 2018  
IRRAS AB (publ)

Anders P Wiklund  
Chairman of the board

Kleanthis G. Xanthopoulos, Ph.D  
Board member and President CEO

Anita Tollstadius  
Board member

Marios Fotiadis  
Board member

Saeid Esmaeilzadeh, Ph.D  
Board member

## Audit report

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

## Consolidated statement of loss and other comprehensive income (loss)

Million SEK	Jan. - Mar. 2018	Jan. - Mar. 2017	Jan. - Dec. 2017
Revenue	5.9	-	12.0
Cost of sales	-3.6	-0.1	-5.7
<b>Gross profit</b>	<b>2.3</b>	<b>-0.1</b>	<b>6.3</b>
<i>Gross margin</i>	<i>38%</i>	<i>Neg</i>	<i>53%</i>
Other operating income	0.7	0.1	0.6
Sales and marketing expenses	-10.1	-3.4	-23.7
Administrative expenses	-9.6	-5.3	-32.1
Research and development expenses	-4.1	-2.7	-12.6
Other operating expenses	-0.3	-	-
<b>Operating loss</b>	<b>-21.1</b>	<b>-11.5</b>	<b>-61.5</b>
<i>Operating margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	3.1	-	0.6
<b>Loss before tax</b>	<b>-18.0</b>	<b>-11.5</b>	<b>-60.9</b>
Tax	0.1	-	-
<b>Loss for the period</b>	<b>-17.8</b>	<b>-11.5</b>	<b>-60.9</b>
Other comprehensive income for the period			
Items that may be subsequently reclassified to profit or loss			
Translation differences	-0.5	-0.1	-1.2
<b>Other comprehensive income for the period, net of tax</b>	<b>-0.5</b>	<b>-0.1</b>	<b>-1.2</b>
<b>Total comprehensive loss for the period</b>	<b>-18.3</b>	<b>-11.6</b>	<b>-62.1</b>
Earnings per share for the period before dilution, SEK	-0.75	-0.67	-3.40
Earnings per share for the period after dilution, SEK	-0.75	-0.67	-3.40
Number of shares before dilution, average	23,661,863	17,217,419	17,906,003
Number of shares after dilution, average	23,661,863	17,217,419	17,906,003

Since the Group has no minority interest, the earnings are wholly attributable to the owners of the Parent Company.

## Consolidated statement of financial position in summary

Million SEK	Mar. 31 2018	Mar. 31 2017	Dec. 31 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Capitalized development expenses	32.3	27.5	31.5
Licenses/patents	2.5	2.8	2.5
<b>Total intangible assets</b>	<b>34.8</b>	<b>30.2</b>	<b>34.0</b>
Tangible non-current assets			
Property, plant and equipment	0.5	0.1	0.2
<b>Total tangible assets</b>	<b>0.5</b>	<b>0.1</b>	<b>0.2</b>
Financial assets			
Financial investments, bonds	85.8	-	85.8
<b>Total financial assets</b>	<b>85.8</b>	<b>-</b>	<b>85.8</b>
Deferred tax assets	0.1	-	-
<b>Total non-current assets</b>	<b>121.1</b>	<b>30.3</b>	<b>120.1</b>
<b>Current assets</b>			
Inventory	15.4	-	12.5
Current receivables			
Short-term investments, bonds	60.1	-	60.1
Accounts receivables	7.2	-	-
Current tax receivables	-	-	0.9
Other current receivables	13.9	0.5	37.2
Prepaid expenses and accrued income	2.0	0.1	0.2
<b>Total current receivables</b>	<b>83.3</b>	<b>0.6</b>	<b>98.4</b>
Cash and cash equivalents	88.1	59.6	98.3
<b>Total current assets</b>	<b>186.9</b>	<b>60.2</b>	<b>209.2</b>
<b>TOTAL ASSETS</b>	<b>308.0</b>	<b>90.5</b>	<b>329.3</b>

## Consolidated statement of financial position in summary (cont.)

Million SEK	Mar. 31 2018	Mar. 31 2017	Dec. 31 2017
<b>EQUITY</b>			
Share capital	0.7	0.1	0.7
Other paid in capital	439.6	176.2	439.6
Reserves	-1.3	0.2	-0.8
Accumulated deficits, including result for the period	-139.7	-91.0	-123.5
<b>Total equity</b>	<b>299.3</b>	<b>85.5</b>	<b>316.0</b>
<b>LIABILITIES</b>			
Provisions			
Other provisions	0.1	-	-
<b>Total provisions</b>	<b>0.1</b>	<b>-</b>	<b>-</b>
Current liabilities			
Accounts payable	2.9	4.2	2.3
Other liabilities	0.4	0.2	1.4
Accrued expenses and prepaid income	5.2	0.6	9.6
<b>Total current liabilities</b>	<b>8.5</b>	<b>5.0</b>	<b>13.2</b>
<b>Total liabilities and provisions</b>	<b>8.6</b>	<b>5.0</b>	<b>13.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>308.0</b>	<b>90.5</b>	<b>329.3</b>

## Consolidated statement of changes in equity

Million SEK	Share capital	Other contributed equity	Translation reserve	Balanced profits, including result for the period	Total share capital
<b>Opening balance January 1, 2017</b>	<b>0.1</b>	<b>176.2</b>	<b>0.4</b>	<b>-81.6</b>	<b>95.1</b>
Comprehensive income					
Loss for the period	-	-	-	-60.9	-60.9
Translations differences for the period	-	-	-1.2	-	-1.2
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-1.2</b>	<b>-60.9</b>	<b>-62.1</b>
Transactions with shareholders					
Incentive schemes	-	-	-	19.4	19.4
Bonus issue	0.4	-	-	-0.4	-
New share issue	0.2	293.0	-	-	293.2
<i>(of which are subscribed but not paid-in capital)</i>		<i>(30.7)</i>			
Issuing charges	-	-29.6	-	-	-29.6
<b>Equity, closing balance December 31, 2017</b>	<b>0.7</b>	<b>439.6</b>	<b>-0.8</b>	<b>-123.5</b>	<b>316.0</b>
<b>Opening balance 1/1/2018</b>	<b>0.7</b>	<b>439.6</b>	<b>-0.8</b>	<b>-123.5</b>	<b>316</b>
Comprehensive income					
Loss for the period	-	-	-	-17.9	-17.9
Translation differences for the period	-	-	-0.5	-	-0.5
<b>Total comprehensive loss the period</b>	<b>-</b>	<b>-</b>	<b>-0.5</b>	<b>-17.9</b>	<b>-18.4</b>
Transactions with shareholders					
Incentive schemes	-	-	-	1.7	1.7
<b>Equity, closing balance March 31, 2018</b>	<b>0.7</b>	<b>439.6</b>	<b>-1.3</b>	<b>-139.7</b>	<b>299.3</b>



## Consolidated statement of cash flows

Million SEK	Jan. - Mar. 2018	Jan. - Mar. 2017	Jan. - Dec. 2017
Cash flows from operating activities			
Loss for the period	-21.1	-11.5	-61.5
Adjustment for non-cash items			
- Depreciations	1.8	0.1	3.7
- Incentive schemes, recognized in statement of loss	1.7	2.0	18.8
- Interest received	1.2	-	-
- Interest paid	-0.1	-	-
- Taxes	0.9	-	-
- Other non-cash items	0,1	-	-
<b>Cash flow from operating activities before changes in operational capital</b>	<b>-15.4</b>	<b>-9.4</b>	<b>-39</b>
Changes in operational capital			
Increase (-)/decrease (+) in inventory	-2.2	-	-12.4
Increase (-)/decrease (+) in operating receivables	-4.9	-	-7.4
Increase (+)/decrease (-) in operating payables	1.3	1.8	5.0
Increase (+)/decrease (-) of other short-term liabilities	-0.4	0.1	-
<b>Cash flow from operating activities</b>	<b>-21.6</b>	<b>-7.5</b>	<b>-53.7</b>
Cash flow from investment activities			
Investment in capitalized developmental costs	-2.5	-3.4	-10.8
Investment in tangible assets	-0.3	-0.1	-0.2
Investment in financial assets	-	-	-145.9
<b>Cash flow used in investment activities</b>	<b>-2.8</b>	<b>-3.5</b>	<b>-157.0</b>
Cash flow from financing activities			
Proceeds from issue of share capital	19.5 <sup>1</sup>	-	262.4
Issuing charges	-5.6 <sup>1</sup>	-	-24.0
Incentive schemes	-	-	0.6
<b>Cash flow from financing activities</b>	<b>14.0</b>	<b>-</b>	<b>239.0</b>
<b>Cash flow for the period</b>	<b>-10.4</b>	<b>-11.1</b>	<b>28.3</b>
Cash and cash equivalents at the beginning of the period	98.3	70.8	70.8
Exchange rate difference in cash and cash equivalents	0.2	-0.2	-0.8
<b>Cash and cash equivalents at the end of the period</b>	<b>88.1</b>	<b>59.6</b>	<b>98.3</b>

1 Proceeds from share issue and cost for share issue not paid in 2017.

## Statement of loss, parent company

Million SEK	Jan. - Mar. 2018	Jan. - Mar. 2017	Jan. - Dec. 2017
Other operating income	0.6	-	0.4
Sales and marketing expenses	-1.4	-1.7	-4.0
Administrative expenses	-8.0	-4.5	-32.6
Research and development expenses	-3.1	-2.6	-9.8
Other operating expenses	-0.3	-	-
<b>Operating result</b>	<b>-12.1</b>	<b>-8.8</b>	<b>-45.3</b>
Net financial items	1.2	-	0.1
<b>Loss after net financial income</b>	<b>-11.0</b>	<b>-8.8</b>	<b>-45.2</b>
Group contribution	-	-	-
<b>Loss before tax</b>	<b>-11.0</b>	<b>-8.8</b>	<b>-45.2</b>
Tax	0.1	-	-
<b>Loss for the period</b>	<b>-10.8</b>	<b>-8.8</b>	<b>-45.2</b>

Since none of the items are reported in other comprehensive income (loss), the parent company's result matches the total comprehensive income (loss).

## Statement of financial position in summary, parent company

Million SEK	Mar. 31 2018	Mar. 31 2017	Dec. 31 2017
<b>ASSETS</b>			
Subscribed but not paid-in capital	11.2	-	30.7
Non-current assets			
Intangible assets	34.8	30.2	34.0
Tangible fixed assets	0.4	0.1	0.2
Financial fixed assets			
Investment in subsidiaries	25.3	11.9	24.6
Receivables from group companies	24.6	5.6	14.6
Other long-term security holdings	85.8	-	85.8
Other financial assets	0.5	-	-
<b>Total financial fixed assets</b>	<b>136.2</b>	<b>17.5</b>	<b>125.0</b>
Deferred tax assets	0.1	-	-
<b>Total non-current assets</b>	<b>171.5</b>	<b>47.8</b>	<b>159.2</b>
Current assets			
Inventory	0.6	-	0.3
Receivables from group companies	15.2	0.6	11.8
Short-term investments	60.1	-	60.1
Other current receivables	1.9	0.5	1.6
Prepaid expenses and accrued income	0.5	-	0.3
Cash and cash equivalents	76.3	50.6	85.8
<b>Total current assets</b>	<b>154.6</b>	<b>51.6</b>	<b>159.8</b>
<b>TOTAL ASSETS</b>	<b>337.3</b>	<b>99.4</b>	<b>349.9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>TOTAL EQUITY</b>	<b>329.7</b>	<b>94.3</b>	<b>338.9</b>
Provisions	0.7	-	-
Short-term liabilities			
Accounts payable	2.6	4.1	2.0
Other liabilities	0.1	0.6	0.2
Accrued expenses and prepaid income	4.2	0.5	8.8
<b>Total short-term liabilities</b>	<b>6.9</b>	<b>5.2</b>	<b>11.0</b>
<b>TOTAL LIABILITIES</b>	<b>7.6</b>	<b>5.2</b>	<b>11.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>337.3</b>	<b>99.4</b>	<b>349.9</b>

# Notes

## Note 1 Accounting principles

The interim financial report for IRRAS Group has been created in accordance with International Financial Reporting Standards (IFRS) as drafted by the EU. The Swedish law on annual reports and RFR 1 *Complementary accounting rules for groups* have also been applied. The interim financial report for the Group has been created in accordance with IAS 34 *Interim financial reporting*. The parent company applies RFR2 *Accounting for legal entities* and the Swedish law on annual reports. RFR 2 requires that the parent company apply the same accounting principles as the Group, i.e. IFRS in the scope permitted by RFR 2. The same accounting principles have been applied as in the most recently issued annual report.

New or revised IFRS standards or other IFRIC interpretations which have taken effect since January 1, 2018 have not had any particular effect on the Group's financial reports. During 2018, the company has begun to apply IFRS 9 *Financial instruments* and IFRS 15 *Income from contracts with customers*.

### Effect of the transition to IFRS 9 and IFRS 15

#### IFRS 9 Financial instruments

IFRS 9 *Financial instruments* addresses classification, valuation and reporting of financial assets and liabilities.

The Group has applied IFRS 9 since January 1, 2018. The reported value of the Group's financial assets following the transition to IFRS 9 has been determined to be unaffected by the new categories in IFRS 9. IFRS 9 also introduces a new model for calculation of credit loss reserve, which is based on expected credit losses.

Comparative information has not been calculated for IFRS 9. Other principles for depreciations of loans and customer receivables affect the reported loss and status. The Group applies the simplified method for reporting of expected credit losses with respect to customer receivables. This means that expected credit losses for outstanding terms are taken into consideration. The general method is applied for certain financial receivables and liquid assets. These receivables generally have a short term.

#### IFRS 15 Income from contracts with customers

IFRS 15 *Income from contracts with customers* regulates how the accounting of income should take place. The principles upon which IFRS 15 is based should give users of financial reports more useful information about the company's income. The increased transparency obligation means that information about revenue, the time for regulation, uncertainties related to revenue recognition and cash flow attributable to the company's customer contracts must be submitted. In accordance with IFRS 15, income must be presented when the customer receives control of the sold goods or services and has the possibility of using or gaining benefit from the goods or services.

The Group has applied IFRS 15 since January 1, 2018. While sales are still limited, there have been no effects since application.

### New and amended standards which have not taken effect yet

#### IFRS 16 Leasing agreements

IFRS 16 *Leasing agreements* requires that lessees present assets and liabilities attributable to all leasing agreements, with the exception of agreements for a period of less than 12 months and/or relating to a small amount. The standard replaces IAS 17 *Leasing agreements* and corresponding interpretations. The significance is that the distinction between an operational leasing agreement and a financial leasing agreement is eliminated and replaced with an approach that the right of use and undertaking to regulate ongoing payments as a lessee.

The standard is considered to have little effect on the company's accounting because the leasing agreements are currently limited and consist solely of office leasing. Current contracts are shorter than 12 months and/or do not add up to a significant amount. For this reason, it was not considered necessary to quantify the effects.

The standard will be applicable starting in 2019 and was approved by the EU in November 2017.

#### Segment reporting

When IRRAS' own capital instruments are traded in an active market, IFRS 8 *Operating segments*. IRRAS' activities are currently focused on development and sales within the IRRASflow product area, so only one segment is reported, which in its entirety reflects the Group's financial reports.

## Note 2 Incentive programs

IRRAS has five outstanding incentive programs for employees, key persons and board members. The costs for the incentive programs during the first quarter of 2018 totaled SEK 1.7 (2.0) million and SEK 18.8 million for the period from January – December 2017.

### Incentive program No. 1

The total program comprises 1,900,000 personnel options. Each option entitles the holder to subscribe a new share for SEK 13.60 per share until April 30, 2020, but subject to the requirement that the options are vested. The options are vested at 25 % per year.

During the first quarter of 2018, there has been no change in the number of options. In total, 1,860,000 options were outstanding as of March 31, 2018. The CEO has 1,275,000 options and three senior employees have between 96,426 and 164,286 options each.

### Incentive program No. 2

The total program comprises 650,000 personnel options. Each option entitles the holder to subscribe a new share for SEK 35.00 per share until October 31, 2021, but subject to the requirement that the options are vested. The options are vested at 33 % per year.

During the first quarter of 2018, there has been no change in the number of options. In total, 350,000 options were outstanding as of March 31, 2018. Two senior employees have between 50,000 and 145,000 options each.

### Incentive program No. 3

The total program comprises 400,000 warrants. Each option entitles the holder to subscribe a new share for SEK 50.00 per share until Saturday, October 31, 2020.

During the first quarter of 2018, there has been no change in the number of options. In total, 260,000 options were outstanding as of March 31, 2018. A senior employee has 200,000 warrants.

### Incentive program No. 4

The total program comprises 100,000 warrants. Each option entitles the holder to subscribe a new share for SEK 50.00 per share until October 31, 2020.

There was no change in the number of options during the first quarter of 2018. A total of 100,000 options were outstanding as of March 31, 2018. The chairman of the board has 100,000 warrants.

### Incentive program No. 5

There is an agreement in place between IRRAS and IRRAS' CEO which entitles the CEO to 236,618 shares in the event of a listing and raising of capital and 475,603 shares when a 510 (k) approval has been received. During the third quarter of 2017, an agreement was made that the five largest owners of the company at the time would provide the CEO with half of the shares in the program. Half of the shares that the CEO receives do not entail a dilution, but from an IFRS perspective, 100 percent of the shares are recognized as an expense from the time of the conclusion of the agreement until the time of utilization. The listing and raising of capital carried out in November 2017 entitle the CEO to his 236,618 shares, but the allocation will take place during the second quarter of 2018.

## Note 3 Transactions with closely related parties

"Closely related" is defined as management, board members in the parent company and the group, subsidiaries and shareholders in the parent company. Shares in the subsidiaries and transactions between companies within the group are excluded from the group accounting reports, which is why further information is not provided.

The following transactions with closely associated parties have taken place during the year.

Million SEK	Jan. - Mar. 2018	Jan. - Mar. 2017	Explanation
Anders P. Wiklund, Chairman	-	0.1	Billed consulting services
Kleanthis G. Xanthopoulos, President CEO and board member	1.7	2.5	Billed consulting services
Christos Panotopoulos, owner and member of the company management	0.4	0.4	Billed consulting services
Juno Ekonomi AB, indirectly owned by Serendipity Group	-	0.1	Accounting services

The corporate group has leased offices from a person closely related to President CEO Kleanthis G. Xanthopoulos during the period. The expenses for the period from January to March 2018 totaled SEK 24 (27) thousands.

Since 2015, CEO Kleanthis G. Xanthopoulos has had a consulting agreement with IRRAS via his company Helios Capital, according to which he has invoiced for the services rendered via said company (as well as in his role as acting CEO) and for the expenses that he has incurred (such as travel expenses). The consulting agreement terminated November 22, 2017 and Kleanthis G. Xanthopoulos has been employed by IRRAS AB since then. Payments during 2018 are related to compensation regarding 2017.

Christos Panotopoulos, the company's second-largest owner and Chief Scientific Officer until May 31, 2018, offers IRRAS consulting services with respect to his medical expertise via his company F.EX.Endotherapy Ltd.. The agreement also entitles Christos Panotopoulos to invoice IRRAS for other expenses, such as travel expenses.

Chairman Anders P. Wiklund had a consulting agreement with IRRAS until August 22, 2017 which entitled him to remuneration for the work he carried out for the company. He was also entitled to invoice IRRAS for other expenses, such as travel expenses

## Use of key figures which are not defined by IFRS

The IRRAS group accounting is prepared in accordance with IFRS. Only a few key figures are defined in IFRS. IRRAS applies ESMA's (European Securities and Market Authority) guidelines for alternative key figures (Alternative Performance Measures). To support company management and other interested parties' analysis of the group's development, IRRAS reports some key figures that are not defined in IFRS. It is the company management's opinion that this information facilitates an analysis of the group's development. Definition of key figures which are not defined by IFRS and definitions which are not specified in other parts of the report are presented in the table below.

	Jan. - Mar. 2018	Jan. - Mar. 2017	Jan. - Dec. 2017
<b>Gross margin (gross profit / revenue)</b>			
Gross profit, million SEK	2.3	-0.1	6.3
Revenue, million SEK	5.9	-	12.0
Gross margin, %	38%	-	53%
<b>EBIT margin (EBIT / revenue)</b>			
EBIT, million SEK	-21.1	-11.5	-61.5
Revenue, million SEK	5.9	-	12.0
EBIT margin, %	Neg	Neg	Neg
<b>EBITDA margin (EBITDA / revenue)</b>			
EBIT, million SEK	-21.1	-11.5	-61.5
Depreciations, million SEK	-1.8	-0.1	-3.7
Revenue, million SEK	5.9	-	12.0
EBITDA margin, %	Neg	Neg	Neg
<b>Returns on equity (net profit for the period/average equity)</b>			
Net profit for the period, million SEK	-17.8	-11.5	-60.9
Average equity, million SEK	307.7	90.3	208.8
Returns on equity, %	Neg	Neg	Neg

Definitions:

*Gross profit*: revenue reduced by the costs for sold goods

*Gross margin*: gross profit divided by revenue

*EBITDA (Earnings before interest, taxes, depreciation and amortization)*: result before financial income, taxes and depreciations on tangible and intangible assets

*EBITDA margin*: EBITDA divided by revenue

*EBIT*: gross profit minus operating expenses

*EBIT margin*: EBIT divided by revenue

*Returns on equity*: Net profit for the period divided by average equity

## This is IRRAS

IRRAS AB (NASDAQ Stockholm: IRRAS) is a publicly-traded, commercial-stage medical technology company focused on developing and commercializing innovative solutions for brain surgery. The Company's initial product, IRRAS*flow*<sup>™</sup>, addresses the complications associated with the current treatment methods of intracranial bleeding with a dual lumen catheter that combines active irrigation with ongoing fluid drainage. Regularly during treatment, the catheter is automatically flushed to prevent common catheter occlusions from forming. Additionally, because

IRRAS*flow* is a completely closed system, it is designed to reduce the documented infection risk of these procedures.

With its unique product portfolio, protected by property patents and patent applications, IRRAS is well-positioned to establish a leadership position in the medical device market. IRRAS maintains its headquarters in Stockholm, Sweden, with corporate offices in Munich, Germany, and San Diego, California, USA. For more information, please visit [www.irras.com](http://www.irras.com).

## Financial information



Kleonthis G. Xanthopoulos, Ph.D.  
President and CEO  
+1 858 247 7033  
[kleanthis.xanthopoulos@irras.com](mailto:kleanthis.xanthopoulos@irras.com)



Fredrik Alpsten  
CFO and Deputy CEO  
+46 706 67 31 06  
[fredrik.alpsten@irras.com](mailto:fredrik.alpsten@irras.com)

## Calendar

Annual shareholders' meeting	June 1, 2018
Quarter 2 interim financial report	August 27, 2018
Quarter 3 interim financial report	November 8, 2018

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