

A lot of traction for IRRAflow™

Quarter October-December 2017

- Revenue accounted to MSEK 0.7 (0.0).
- Operating profit (EBIT) was MSEK -23.7 (-10.1).
- Net profit amounted to MSEK -23.2 (-10.4).
- Earnings per share before and after dilution amounted to SEK -1.09 (-0.60).

Significant events during the quarter

New issue and listing on Nasdaq First North Premier

In November, IRRAS carried out a new issue worth a total of SEK 293 million before issue expenses. The money raised through the issue will be used for the company's neurosurgery business, including the launch of the company's product IRRAflow in Europe, the USA and the rest of the world. The money raised through the issue will also be used to finance development of IRRAflow for other indications. In connection with the issue, IRRAS was listed on Nasdaq First North Premier. The first day of trading was 22 November 2017.

Product recall

In December, IRRAS issued a temporary hold on selling and voluntary recall of IRRAflow. The reason for this was that a battery overheated during a routine demonstration in an office. The recall was a precautionary measure. The total cost for the recall during the quarter was SEK 5 million.

Period January-December 2017

- Revenue accounted to MSEK 12.0 (0.0).
- Operating profit (EBIT) was MSEK -61.5 (-30.8).
- Net profit amounted to MSEK -60.9 (-31.9).
- Earnings per share before and after dilution amounted to SEK -3.40 (-2.12).
- The Board of Directors proposes no dividend.

Significant events after the quarter

Launch of IRRAflow version 2.5

IRRAS has launched an updated and improved version of IRRAflow. IRRAflow has been updated both aesthetically and mechanically and the battery configuration has been updated with a new medical grade product from a German supplier. The temporary hold on selling issued in December 2017 has been lifted and products have been delivered. Sales in the first quarter of 2018 will be limited, however.

Key figures	Okt-Dec 2017	Okt-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Revenue, MSEK	0.7	-	12.0	-
Gross Margin, %	Neg	-	Neg	-
EBIT, MSEK	-23.7	-10.1	-61.5	-30.8
EBIT-margin, %	Neg	Neg	Neg	Neg
EBITDA, MSEK	-21.8	-10.0	-57.8	-30.5
EBITDA-margin, %	Neg	Neg	Neg	Neg
Return on equity, %	Neg	Neg	Neg	Neg

Comments from President and CEO Kleantis G. Xanthopoulos, Ph.D.

A lot of traction for IRRAflow

It has been a good year for IRRAS. The most important event was the launch in Germany and Austria of IRRAflow, an in-house developed product based on our proprietary platform technology. The product was well received and initial sales were well over our expectations. We also began a commercial expansion by appointing distributors in an additional 42 countries.

However, early on in December we did implement a voluntary temporary hold on selling and a recall of the product. This was because the battery in an isolated unit during a routine demonstration at an office overheated in standby mode. Thanks to our committed and competent staff we were already able to present in mid January an upgraded solution with a battery pack that has been tested for a long time and sold in thousands of medical technology products. The first delivery to customers of this product with the new battery took place in mid February.

Issue and listing

The listing on 22 November of the IRRAS share on Nasdaq First North Premier was the biggest event in this quarter. In spite of a somewhat weaker trading climate towards the end of the year there was a subscription of above SEK 290 million in the issue. It was especially gratifying that several specialized European life-science funds participated in the issue. Thanks to this issue we received 600 new shareholders.

We expect that the funds from the listing will finance the company's expansion strategy and has given us sufficient capital to bring us to a position of positive cash flow.

Sales and result

Sales during the third quarter of 2017, our first sales quarter, amounted to SEK 11.3 million. I consider this to be a strong first quarter result for a company the size of IRRAS, and an indication of the great demand for our products. Unfortunately sales were almost nonexistent during the fourth quarter as a result of the previously communicated battery problem that caused the voluntary recall and the temporary hold on selling the product.

Operating profit for the fourth quarter of 2018 amounted to SEK -24 million. The result is according to plan with the exception of the loss of earnings from the voluntary sales stoppage and extra costs for a total of SEK 5 million for the recall of products.

The future

Our focus in 2018 is the continuation of IRRAflow sales in Germany and the rest of Europe. We also hope in 2018 to commence sales in several of the countries outside Europe that have a short registration procedure. We estimate that sales during the first quarter of 2018 will be limited but sales will increase later in 2018 to be in line with our previous plans.

In June 2017 we submitted a 510(k) application for IRRAflow to the US federal agency FDA. In the autumn of 2017 we responded to their questions and in the beginning of 2018 supplemented the application with the results from a requested biocompatibility study. As we have previously communicated we expect to hear from the FDA towards the end of the first quarter of 2018.

An increase in sales and the planned launch in the US, after an approved registration, puts greater demands on our organization. We have therefore begun to reinforce the US sales organization, the production department and the department for quality and regulatory issues.

As previously communicated we intend to eventually move the listing from First North Premier to the main list at Nasdaq Stockholm. The preparations for this will take place in 2018.

IRRAS has undertaken the urgent and important task of improving medical treatment of stroke and brain haemorrhage. Our transformative technology was appreciated during the listing process as we received strong support for its potential from investors, specialists and generalists. IRRAflow meets a great demand for innovation in neurosurgery and offers clear benefits for patients, doctors and care providers. We have a bright future!



President CEO Kleantis G. Xanthopoulos, Ph.D.

Group performance January-December and October-December 2017

Revenue

Revenue for the year to 31 December 2017 amounted to MSEK 12.0 (0.0). Revenue for the fourth quarter of 2017 amounted to MSEK 0.7 (0.0).

The reason for the low sales during the fourth quarter was the voluntary sales stoppage.

Gross profit

Gross profit for the year to 31 December 2017 amounted to MSEK 6.3 (0.0) which corresponded to a gross margin 53 per cent. Gross profit for the fourth quarter of 2017 amounted MSEK -1.4 (0.0).

The negative gross result during the fourth quarter was due to the low sales volumes which not covered the fixed production costs and depreciation on capitalized development expenses.

Operating expenses

Operating expenses in 2017 amounted to MSEK 69.4 (30.3). The increase in operating expenses was due to the increased marketing and sales activities, due to the launch in Europe and development of IRRAflow. It was also explained by increased administration expenses and the costs of MSEK 5 for the recalled products.

Total research and development costs in the period amounted to MSEK 23.4 (18.8) of which MSEK 10.8 (15.5) were capitalized and MSEK 12.6 (3.3) were recognized in the income statement.

Net other operating revenue amounted to MSEK 0.6 (-0.5).

EBIT

Operating income (EBIT) in the year to 31 December 2017 amounted to MSEK -61.5 (-30.8) while operating income for the fourth quarter totaled MSEK -23.7 (-10.4).

Net financial items

Net financial items amounted MSEK 0.6 (-1.1).

Profit/loss

Loss before tax amounted to MSEK -60.9 (-31.9). Loss for the year (loss after tax) amounted to MSEK -60.9 (-31.9).

Cash flow and liquidity

Cash flow from operating activities after changes in working capital in the year to 31 December 2017 amounted to MSEK -53.7 (-18.2). The reason was mainly the loss for the period and increased working capital due to increased inventory.

Cash flow for the period amounted to MSEK 28.3 (52.0). Available liquid funds at year end amounted to MSEK 244.2, including current and long-term financial investments (70.8).

Investments

Net investments totaled MSEK 11.0 (15.0).

Assets

Intangible fixed assets as at 31 December 2017 amounted to MSEK 34.0 (26.9). Intangible fixed assets comprise capitalized development costs for the development of the first version of IRRAflow and capitalized patent costs. Capitalized development costs are amortized over five years and capitalized patent costs are amortized over 14 years. Amortizations are recognized as cost of goods sold.

Equity and liabilities

Group equity on 31 December 2017 stood at MSEK 316.0 (95.1) and the equity/assets ratio was 96.0 per cent (96.5).

At 31 December 2017, interest-bearing liabilities amounted to MSEK 0.0 (0.0). Short-term liabilities amounted to MSEK 13.2 (3.1).

Changes in the Parent Company

The Parent Company's loss increased as a result of the built up of the organization.

The assets and equity have increased due to the share issue during the fourth quarter.

Revenue by region

MSEK	Okt-Dec 2017	Okt-Dec 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Germany	0.7	-	0.7	11.7	-	11.7
Europe outside Germany	-	-	-	0.3	-	0.3
Rest of the world	-	-	-	-	-	-
Total	0.7	-	0.7	12.0	-	12.0

Market

The company's first product IRRASflow is initially aimed at treating patients suffering from haemorrhagic stroke and chronic subdural haematoma.

In the USA and Europe, every year approximately 460,000 people suffer a haemorrhagic stroke and 650,000 people suffer a chronic subdural haematoma. Of these people, 190,000 and 155,000 respectively receive surgical treatment. The number of patients is expected to increase substantially as a result of population growth and as the proportion of patients that are treated grows.

IRRAS estimates that the market for the company's products in Europe and the USA is worth more than EUR 1.2 billion.

Significant risks and uncertainties

The Group's operations are subject to a number of risks and uncertainties.

There is always a risk of competitors offering more efficient and better products than IRRAS, causing a drop in revenue. Faulty and delayed deliveries or non-deliveries from the company's suppliers could in turn result in delayed, defective or faulty deliveries by the company. The company is also always exposed to exchange rate fluctuations.

There are no guarantees that the company's operations will not be subject to restrictions by government agencies in the future, or that the company will be awarded required regulatory approvals or that it will lose regulatory approvals awarded previously.

There is a risk that the company could lose its ability to develop products, or that its products cannot be launched on schedule or that market reception is poorer than expected. These risks could result in lower sales, which would then have a negative impact on the company's earnings. The company is also exposed to customers being unable to pay and the possibility of the company being unable to finance its operations. For a more detailed description of risks, see the prospectus published in November 2017. The risks are considered to be unchanged compared with the prospectus.

Related Party Transactions

See Note 3 for a description of related party transactions.

Parent company

IRRAS AB (publ.), Corporate Registration Number 556872-7134, is a Swedish limited company whose registered

address is in Stockholm. The address of its head office is Vasagatan 16, SE-111 20 Stockholm, Sweden.

Receivables from Group companies mainly relate to receivables from the US subsidiary IRRAS Inc and the German subsidiary IRRAS GMBH. Risks and uncertainties in the Parent Company indirectly coincide with those of the Group.

Number of shares

The number of shares and votes in IRRAS AB amounts to 23,661,455. In addition, the company have five ongoing incentive programmes for employees and key individuals. At present, the programmes may increase the number of shares by 3,762,221 (see Not 2 on page 13).

Shareholders per December 31 (and thereafter known changes)	Number of shares	Proportion of capital/ 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	781,093	3.30%
Timoben Medical Holding	652,000	2.76%
Nyenburgh Holding B.V.	650,325	2.75%
Fourth National Pension Fund	595,000	2.51%
Avanza Pension (nominee shareholders)	513,689	2.17%
SIS SIS AG	469,785	1.91%
Other shareholders	10,914,961	46.13%
Total No of shares	23,661,455	100.00%

Personal

The average number of employees in the Group in 2017 was 8 (2) of whom 1 (0) were employed by the Parent Company. The average number of employees by country was: Sweden 1 (0), USA 4 (1) and Germany 3 (1). The average number of women employed by the Group was 3 (1) and the average number of men was 5 (1).

Annual General Meeting 2018

The Company will hold its Annual General Meeting at 11.00 am on June 1, 2018. The invitation to the AGM will be published on www.iras.com. The Annual Report 2017 will be available on the Company's website from May 11, 2018.

The Board of Directors and the President certify that this Year-End report provides a fair and accurate review of the operations, financial position and earnings of the Parent Company and the Group and that it describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.

München 20 februari 2017

IRRAS AB (publ)

Anders P Wiklund
Chairman of the Board

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

Anita Tollstadius
Board Member

Marios Fotiadis
Board Member

Saeid Esmailzadeh, Ph.D.
Board Member

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

Consolidated statement of profit or loss and other comprehensive income in summary

SEK million	Okt-Dec 2017	Okt-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Revenue	0.7	-	12.0	-
Cost of goods	-2.0	-	-5.7	-
Gross profit	-1.4	-	6.3	-
<i>Gross margin</i>	<i>Neg</i>	<i>-</i>	<i>53%</i>	<i>-</i>
Other operating income	0.2	-0.1	0.6	0.2
Selling expenses	-13.1	-3.4	-23.7	-9.1
Administrative expenses	-3.1	-5.3	-32.1	-17.9
Research and development expenses	-6.3	-1.2	-12.6	-3.3
Other operating expenses	-	-0.1	-	-0.7
Operating profit/loss	-23.7	-10.1	-61.5	-30.8
<i>Operating margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net finance income/costs	0.5	-0.3	0.6	-1.1
Profit/loss before tax	-23.2	-10.4	-60.9	-31.9
Tax	-	-	-	-
Net profit/loss	-23.2	-10.4	-60.9	-31.9
Other comprehensive income				
Items that may be allocated to net profit/loss for the period				
Translation differences for the period from the translation of foreign operations	-0.5	0.5	-1.2	0.4
Other comprehensive income/loss for the period	-0.5	-9.9	-1.2	0.4
Total comprehensive income/loss for the period	-23.7	-9.9	-71.1	-31.5
Earnings per share, before dilution, SEK	-1.09	-0.60	-3.40	-2.12
Earnings per share, after dilution, SEK	-1.09	-0.60	-3.40	-2.12
Average number of shares outstanding before dilution	21 337 637	17 217 419	17 906 003	15 042 691
Average number pf shares outstanding after dilution	21 337 637	17 217 419	17 906 003	15 042 691

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

SEK million	31 Dec 2017	30 Sep 2017	31 Dec 2016
Assets			
Fixed assets			
Intangible assets			
Capitalized development expenses	31.5	32.5	24.0
Licenses/patents	2.5	2.6	2.9
Total intangible assets	34.0	35.1	26.9
Tangible fixed assets			
Office and other equipment	0.2	0.2	-
Total tangible fixed assets	0.2	0.2	-
Financial fixed assets			
Financial investments, bonds	85.8	-	-
Total financial fixed assets	85.8	-	-
Total fixed assets	120.1	35.3	26.9
Current assets			
Inventory	12.5	5.1	-
Financial investments, bonds	60.1	-	-
Accounts receivable	-	5.5	-
Tax receivable	0.9	-	-
Other receivables	37.1	4.2	0.4
Prepaid expenses and accrued income	0.2	0.2	0.1
Total current receivables	110.9	15.0	0.5
Cash and cash equivalents	98.3	28.5	70.8
Total current assets	209.2	43.5	71.4
Total assets	329.3	78.8	98.3

Consolidated statement of financial position in summary (cont.)

SEK million	31 Dec 2017	30 Sep 2017	31 Dec 2016
EQUITY			
Share capital	0.7	0.5	0.1
Other contributed capital	439.6	175.8	176.2
Translation reserve	-0.8	-0.3	0.4
Retained earnings including net profit/loss for the period	-123.5	-104.5	-81.6
Total equity	316.0	71.4	95.1
LIABILITIES			
Current liabilities			
Accounts payable	2.3	3.8	2.5
Other liabilities	1.4	0.2	0.2
Accrued liabilities and deferred income	9.6	3.3	0.5
Total current liabilities	13.2	7.4	3.1
Total liabilities	13.2	7.4	3.1
Total equity and liabilities	329.3	78.8	98.3

Consolidated statement of changes of equity in summary

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit/loss for period	Total equity capital
Equity, opening balance, Jan. 1, 2016	0.1	60.7		-60.7	0.1
Total comprehensive income/loss for the period					
Net profit/loss for the period	-	-	-	-31.9	-31.9
Other comprehensive income for the period	-	-	0.4	-	-0.1
Total comprehensive income/loss for the period	-	-	0.4	-31.9	-31.5
Transactions with shareholders					
Employee incentive program	-	-	-	11.0	11.0
New share issue	-	91.2	-	-	91.2
Issuing charges	-	-6.1	-	-	-6.1
Redemption of convertible debenture loan	-	30.3	-	-	30.3
Equity, closing balance, Dec. 31, 2016	0.1	176.2	0.4	-81.6	95.1
Equity, opening balance, Jan. 1, 2017	0.1	176.2	0.4	-81.6	95.1
Total comprehensive income/loss for the period					
Net profit/loss for the period	-	-	-	-60.9	-60.9
Other comprehensive income for the period	-	-	-1.2	-	-1.2
Total comprehensive income/loss for the period	-	-	-1.2	-60.9	-62.1
Transactions with shareholders					
Employee incentive program	-	-	-	19.4	19.4
Bonus issue	0.4	-	-	-0.4	-
New share issue	0.2	293.0	-	-	293.2
<i>(whereof subscribed but not paid)</i>		(30.7)			
Expenses share issue	-	-29.6	-	-	-29.6
Equity, closing balance Dec 31, 2016	0.7	439.6	-0.8	-123.5	316.0

Consolidated cash flow statement in summary

MSEK	Jan-Dec 2017	Jan-Dec 2016
Operating activities		
Operating profit/loss	-61.5	-30.8
Adjustments for non-cash items		
- Depreciation and amortization	3.7	0.3
- Employee incentive program expense	18.8	11.0
- Received interest	-	-
- Paid interest	-	-
Cash flow from operating activities before changes in working capital	-39.0	-19.5
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in inventory	-12.4	-
Increase (-)/Decrease (+) in operating receivables	-7.4	-0.2
Increase (+)/Decrease (-) in operating liabilities	5.0	1.5
Cash flow from operating activities	-53.7	-18.2
Kassaflöde från investeringsverksamheten		
Acquisition of intangible fixed assets	-10.8	-15.0
Acquisition of tangible fixed assets	-0,2	-
Acquisition of financial fixed assets	-145.9	-
Cash flow from investing activities	-157.0	-15.0
Financing activities		
Share issue	262.4	91.3
Expenses share issue	-24.0	-6.1
Warrants	0.6	-
Cash flow from financing activities	239.0	85.2
Cash flow for the period	28.3	52.0
Cash and cash equivalents at the beginning of the period	70.8	18.4
Exchange rate differences in cash and cash equivalents	-0.8	0.4
Cash and cash equivalents at the end of the period	98.3	70.8

Parent Company statement of profit or loss in summary

SEK million	Okt-Dec 2017	Okt-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Other operating revenue	-	-	0.4	0.2
Marketing and sales expenses	-1.0	-1.1	-4.0	-4.3
Administration expenses	-9.2	-5.0	-32.6	-17.4
Research and development expenses	-4.1	-0.9	-9.8	-2.7
Other operating expenses	-	-0.2	-	-0.7
Operating profit/loss	-11.9	-7.2	-45.3	-24.8
Profit/loss from financial items	-	-	0.1	-0.8
Loss after financial items	-11.9	-7.2	-45.2	-25.6
Group contribution	-	-	-	-
Profit/loss before tax	-11.9	-7.2	-45.2	-25.6
Tax	-	-	-	-
Net profit/loss	-11.9	-7.2	-45.2	-25.6

The Parent Company had no Other Comprehensive income and therefore the net profit/loss corresponds to total comprehensive income.

Parent Company statement of financial position in summary

SEK million	31 Dec 2017	30 Sep 2017	31 Dec 2016
Assets			
Subscribed but not yet paid	30.7	-	-
Intangible assets			
Capitalized development expenses	31.5	32.5	24.0
Licenses/patents	2.5	2.6	2.8
Total intangible assets	34.0	35.1	26.8
Tangible fixed assets	0.2	0.2	-
Financial fixed assets			
Shares in Group companies	24.6	13.9	11.2
Receivables Group companies	14.6	22.1	4.1
Financial investments, bonds	85.8	-	-
Total financial fixed assets	125.0	36.0	15.3
Total fixed assets	159.2	71.3	42.2
Current assets			
Inventory	0.3	-	-
Receivables from Group companies	11.8	0.6	0.6
Financial investments, bonds	60.1	-	-
Other receivables	1.6	1.3	0.5
Prepaid expenses and accrued income	0.3	0.1	0.1
Total current receivables	73.7	2.0	1.1
Cash and bank balances	85.8	15.3	60.5
Total current assets	159.8	17.3	61.5
Total assets	349.9	88.5	103.7
Equity and liabilities			
Total equity	338.9	82.5	101.0
Current liabilities			
Accounts payables	2.0	3.1	2.2
Other current liabilities	0.2	-	-
Accrued liabilities and deferred income	8.8	2.9	0.5
Total current liabilities	11.0	6.1	2.7
Total liabilities	11.0	6.1	2.7
Total equity and liabilities	349.9	88.5	103.7

Notes

Note 1 Accounting policies

The consolidated accounts for the IRRAS Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the parent company accounts have been prepared in accordance with RFR2 and the Swedish Annual Accounts Act. A description of the accounting policies can be found in the Selected Historical Financial Information in the prospectus published by IRRAS on 13 November 2017. The year-end group report has been prepared in accordance with IAS 34.

New and amended standards adopted by the Group in the current period

All applicable standards that became effective in 2017 until the signing of this report have been applied for the consolidated financial statements. However, it has not affected the accounting policies.

Standards, amendments to, and interpretations of, existing standards that became effective in 2018 or are due to become effective at a later date, and that may have an impact on the financial statements

At the time of preparation of the consolidated financial statements, a number of standards and interpretations have been published that became effective in 2018 or will take effect at a later date. Below is a summary of the most significant new standards or amendments to existing standards that are deemed to be applicable for the Group in future financial statements.

None of the standards specified below will be applied in advance by the Group.

IFRS 9, Financial Instruments

IFRS 9 *Financial Instruments* deals with the classification, measurement and accounting of financial assets and liabilities. The full version of IFRS 9 was released in July 2015. It replaces the parts of IAS 39 that deal with the classification and measurement of financial instruments. IFRS 9 retains a mixed-measurement model but simplifies this approach in some respects. IFRS 9 also introduces a new impairment model that is based on expected credit losses. There is no change to the classification and valuation of financial liabilities, except for when a liability is recognized at fair value through profit or loss based on the fair value option. The standard must be applied for fiscal periods beginning on or after 1 January 2018. Earlier application is permitted but has not taken place.

Having evaluated the standard, the Group management believes that IFRS 9 will have a limited impact on the consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* governs the recognition of revenue. The principles on which IFRS

15 is based will provide users of financial reports with more useful information about a company's revenues. The extended disclosure requirements mean that information must be submitted about the revenue type, timing of settlement, uncertainties relating to revenue reporting as well as cash flow attributable to the company's client contracts. According to IFRS 15, revenue should be recognized when the customer obtains control of the sold product or service and is able to use and obtain benefit from the product or service.

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related SIC and IFRIC. IFRS 15 is effective 1 January 2018. Early application is permitted.

The Company's project group has concluded that IFRS 15 will probably not have a material impact on the annual report. As sales are limited the effect is very limited.

IFRS 16 Leases

Under IFRS 16 *Leases*, a lessee must recognize all assets and liabilities for all leases, unless the lease term is 12 months or less and/or the lease relates to an asset with a low value. This standard replaces IAS 17, Leases, and related interpretations. The implication is that the distinction between an operating lease and a finance lease is eliminated and replaced with an approach to rights and obligations to settle current payments as the lessee.

The standard is expected to have a low impact on the Group's financial statements since its lease contracts are currently limited and consist only of rent for premises. Current lease terms are shorter than 12 months and/or the amounts are not significant. As a result, the Company has not considered it necessary to quantify the impact of the standard.

The standard will be applied from 2019 and it was endorsed by the EU in November 2017.

Note 2 Employee incentive program

IRRAS has five outstanding incentive programmes for employees, key individuals and board members. The costs of the incentive programmes in the fourth quarter of 2017 amounted to MSEK 4.1 (3.5) and costs for the year to 31 December 2017 amounted to MSEK 18.8 (11.0).

Incentive programme No. 1

The programme comprises a total of 1,900,000 share options. Each share option entitles the holder to subscribe for new shares in the company at SEK 13.60 per share until 30 April 2020, provided vesting conditions are met. Of the share options, 25% vest per year.

In 2016 a total of 1,900,000 share options were issued without charge to management and key individuals in the Group. The CEO has 1,275,000 share options and three senior executives have between 96,426 and 164,286 share options each. In the fourth quarter of 2017, 40,000 share options were returned to the company because an employee left the company. This means 1,860,000 share options are outstanding.

Incentive programme No. 2

The programme comprises a total of 650,000 share options. Each share option entitles the holder to subscribe for new shares in the company at SEK 35.00 per share until 31 October 2021, provided vesting conditions are met. Of the share options, 33% vest per year.

In the third quarter of 2017, a total of 350,000 share options were issued without charge to management and key individuals in the Group. Two senior executives have between 50,000 and 145,000 share options each. The number of share options did not change in the fourth quarter. This means 350,000 share options are outstanding.

Incentive programme No. 3

The programme comprises a total of 400,000 share options. Each share option entitles the holder to subscribe for new shares in the company at SEK 50.00 per share until 31 October 2020.

In the third quarter of 2017, 260,000 share options were issued to management and key individuals in the Group. The share options were issued and paid at market price during the fourth quarter. One senior employee holds 200,000 share options. The number of share options did not change in the fourth quarter. This means 260,000 share options are outstanding.

Incentive programme No. 4

The programme comprises a total of 100,000 share options. Each share option entitles the holder to subscribe for new shares in the company at SEK 50.00 per share until 31 October 2020.

In the third quarter of 2017, 100,000 share options were issued to the Chairman of the Board, who acquired the share options at market price during the fourth quarter. This means 100,000 share options are outstanding.

Incentive programme No. 5

Under an agreement between IRRAS and the President CEO, the President CEO is entitled to 236,618 shares in the event of an IPO and to 475,603 shares if and when 510 (k) FDA approval is received. In the third quarter of 2017 an agreement was concluded whereby the three largest shareholders in the Company at the time would provide the President CEO with half of the shares under the share incentive scheme. Of the shares received by the CEO, 50% will therefore not have dilutive effect. However, from an IFRS perspective, 100 per cent of the share are carried as an expense from the date of the agreement until the exercise date. The IPO carried out in November 2017 means the President CEO is entitled to 236,618 shares but the share will be distributed in early 2018.

Note 3 Related party transactions

Related parties are defined as management, the Board of Directors of the Parent Company and the Group, subsidiaries and owners of the Group. Shares in subsidiaries, as well as transactions between Group companies, are eliminated in the consolidated accounts, and therefore information on these transactions is not provided.

The following transactions with related parties took place during the year.

MSEK	Jan-Dec 2017	Jan-Dec 2016	Explanation
Anders P. Wiklund, Chairman	0.2	0.3	Invoiced services
Kleanthis G. Xanthopoulos, President CEO	6.8	5.2	Invoiced services
Christos Panotopoulos, Owner and member of the management team	1.7	1.4	Invoiced services
Juno Ekonomi AB, Indirectly owned by	0.3	0.5	Accounting services

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In 2017 the Group rented office space from related party to CEO Kleanthis G. Xanthopoulos. The cost for the period January to December 2017 amounted to KSEK 115 (49).

President CEO Kleanthis G. Xanthopoulos has since 2015 via his company Helios Capital had a consultancy agreement with IRRAS from which he invoices IRRAS for services preformed (as being the President CEO for the company) and for expenses he has had (like travel expenses). The consultancy agreement ended on November 22 when Kleanthis G. Xanthopoulos become employed by the company.

Christos Panotopoulos, the third largest shareholder in the company and its Chief Scientific Officer, provides consulting services relating to medical expertise to IRRAS via his company F. EX. Endotherapy Ltd. The agreement also entitles Christos Panotopoulos to invoice IRRAS for other costs incurred in his work, such as travel expenses.

Until 22 August 2017, Chairman of the Board Anders P. Wiklund had a consultancy agreement with IRRAS, according to which he was entitled to compensation for work performed for the company. He was also entitled to invoice IRRAS for other costs, such as travel expenses.

Use of key performance indicators not defined in IFRS

The IRRAS Group report is prepared in accordance with IFRS. IFRS only defines a few key performance indicators. IRRAS applies the ESMA (European Securities and Market Authority) guidelines for alternative key performance indicators (Alternative Performance Measures). In order to support management's and other stakeholders' analysis of the Group's development, IRRAS reports some key performance indicators that are not defined in IFRS. Management believes that this information will facilitate an analysis of the Group's development. Definitions of measures which are not defined according to IFRS and which are not mentioned elsewhere in the interim report are presented below. Reconciliation of these measures is shown in the table below.

	okt-dec 2017	okt-dec 2016	jan-dec 2017	jan-dec 2016
Gross margin (Gross margin/Revenue)				
Gross profit, MSEK	-1.4	-	6.3	-
Revenue, MSEK	0.7	-	12.0	-
Gross margin, %	Neg	-	53%	-
EBIT margin (EBIT/Revenue)				
Operating profit, MSEK	-23.7	-10.1	-61.5	-30.8
Revenue, MSEK	0.7	-	12.0	-
EBIT margin, %	Neg	Neg	Neg	Neg
EBITDA margin (EBITDA/Revenue)				
Operating profit, MSEK	-23.7	-10.1	-61.5	-30.8
Depreciation, MSEK	-1.8	-0.1	-3.7	-0.3
Revenue, MSEK	0.7	-	12.0	-
EBITDA margin, %	Neg	Neg	Neg	Neg
Return on equity (Profit for the period/Average equity)				
Profit for the period, MSEK	-23.2	-10.4	-60.9	-31.9
Average equity, MSEK	193.7	98.3	208.8	63.0
Return on equity, %	Neg	Neg	Neg	Neg

Definitions:

- Gross profit is revenue less costs for goods sold
- Gross margin is gross profit divided by revenue
- EBITDA (Earnings before interest, taxes, depreciation and amortization) is profit before net financial items, taxes and depreciation/amortization of tangible and intangible assets
- EBITDA margin is EBITDA divided by revenue
- EBIT (Earnings Before Interest and Taxes) is operating profit before net financial items and taxes
- EBIT margin (operating margin) is EBIT divided by revenue
- Equity/assets ratio is equity divided by total assets
- Return on equity is profit for the period after tax divided by average equity

About IRRAS AB

IRRAS is a commercial-stage medical technology company focused on designing, developing and commercializing innovative solutions for various brain pathologies, with a goal of dramatically improving patient outcomes, reducing patient-time in the intensive care unit and medical ward, and providing significant health economic benefits to hospitals and healthcare providers.

The Company's initial product focus is on intracranial fluid management solutions that utilize its proprietary platform technology, IRRASflow, which is a CE-marked, fully integrated, closed-circuit medical device system that enables intelligent intracranial fluid management as well as accurate, real-time monitoring of intracranial pressure.

With its unique product portfolio, protected by key intellectual property patents and patent applications, IRRAS is well-positioned to improve patient outcomes and establish a leadership position in the medical device market. IRRAS maintains its headquarters in Sweden with corporate offices in Germany and La Jolla, CA, USA.

IRRAS started to sell IRRASflow in Europe the summer 2017. A 510 (k) application was submitted in June 2017.

Financial information

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Calendar

Interim Report first quarter	June 1, 2018
Annual General Meeting	June 1, 2018
Interim Report second quarter	August 31, 2018
Interim Report third quarter	November 8, 2018

This information is information that IRRAS is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was released for public disclosure, through the agency of the contact person above, on 21 February 2018 at 07.30 a.m. (CET).