



A Year of Accomplishments Laying the Foundation for Future Growth

Fourth quarter, October - December 2019

- Net revenue amounted to SEK 3.4 million (0.0).
- Operating loss (EBIT) amounted to SEK -35.7 million (-50.1).
- Loss after tax amounted to SEK -36.5 million (-50.1).
- Earnings per share before and after dilution amounted to SEK -1.27 (-2.09).

Important events during the quarter

IRRAS received renewed CE Mark for the IRRA flow catheter

IRRAS received CE Mark approval for its IRRAflow catheter December 19, 2019. The CE Mark complements the two CE Marks previously obtained for the IRRAflow system's tube set with digital pump and control unit and allows IRRAS to once again commercially market the IRRAflow system in the European Union.

FDA Clearance of new 510(K) filing to expand the time of use of IRRAflow

November 21, 2019 the US FDA cleared a new 510(K) for IRRAflow. The application provided the FDA with supporting data demonstrating that extending the time of use of the product is safe and has the potential to be beneficial for neurocritical care patients.

Other key accomplishment

US Launch of Hummingbird Products for Neurocritical Care

In mid-December IRRAS launched the Hummingbird ICP Monitoring product line in the US. The Hummingbird family of products helps clinicians diagnose and manage patients' intracranial pressure after traumatic brain injury, a subarachnoid hemorrhage, and/or stroke. The product line includes proprietary single and multi-lumen cranial access bolts, parenchymal intracranial pressure ICP monitoring, and a cranial access kit.

Period January – December 2019

- Net revenue amounted to SEK 5.3 million (6.0).
- Operating loss (EBIT) amounted to SEK -151.5 million (-143.3).
- Loss after tax amounted to SEK -151.1 million (-138.8).
- Earnings per share before and after dilution amounted to SEK -5.61 (-5.83).

IRRAflow wins CONNECT's "2019 Most Innovative New Product" Award

In December 2019, CONNECT, a premier nonprofit helping entrepreneurs with innovative startups in technology and life science sectors, announced that IRRAS has been selected as the 2019 winner in the medical device category.

Key hires to the company

In November IRRAS announced the hiring of Dr. Coenraad Tamse as Vice President, International Sales. Dr. Tamse brings more than 20 years of commercial marketing, and executive experience in the medical device field to IRRAS.

Important events after the end of the quarter

No important events have taken place after the end of the quarter.

Key figures	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net revenue, SEK million	3.4	–	5.3	6.0
Gross margin, %	Neg	Neg	Neg	Neg
Operating loss (EBIT), SEK million	-35.7	-50.1	-151.5	-143.3
EBIT margin, %	Neg	Neg	Neg	Neg
Loss after tax	-36.5	-50.1	-151.1	-138.8
EBITDA, SEK million	-32.0	-47.9	-138.9	-135.2
EBITDA margin, %	Neg	Neg	Neg	Neg
Return on equity, %	Neg	Neg	Neg	Neg

Comments from the President and CEO

The fourth quarter of 2019 was an important period of progress for IRRAS. We accomplished the remaining corporate milestones for the year, highlighted by the renewed CE Mark for the IRRAflow® catheter in the European Union (EU) and the launch of our Hummingbird ICP Monitoring product line in the United States (US). Importantly, our impact to patients continues to broaden and deepen. Since the launch of IRRAflow, we have completed successful patient treatments in seven major markets, including the US, Germany, Finland, Austria, Hong Kong, Israel, and Kuwait. It has been frustrating that the very positive response in the US market has not yet generated significant revenue. This is mainly due to the fact that hospitals in the US require new products to be anchored among several different personnel categories before they can be implemented in clinical routine. We have therefore under the fourth quarter worked intensively to broaden our training programs and take this positive momentum with us into 2020 to continue to build a globally-recognized, leading neurocritical care company.

Reported additional revenues from US from IRRA flow & Hummingbird Products

A key component of our commercial strategy is to broaden the use of our IRRAflow and Hummingbird products in the United States, which represents our largest global market. In the fourth quarter of 2019, we saw exciting progress on the commercial front with meaningful acceleration in product adoption and accompanying revenue. IRRAS has now generated physician support at approximately 70 stroke centers in the US, including 25 of the top 100 neurosurgical centers in the US. Of these 70 centers, more than 20 have purchased IRRAflow components or are actively evaluating the system, including locations in the high-volume neurocritical care markets of Illinois, New York, and California. Four new centers in the US placed orders for our IRRAflow system during the quarter, which is encouraging. In addition, training has begun to introduce IRRAflow at more than 10 new centers early in 2020.

To complement the progress with IRRAflow, we were pleased to launch the Hummingbird products in the US, which now enable us to record additional revenues from this product line. These products include proprietary single and multi-lumen cranial access bolts, parenchymal intracranial pressure (ICP) monitoring, and a cranial access kit, which is used for most minimally invasive cranial procedures. The Hummingbird family of products helps clinicians diagnose and manage patients' intracranial pressure after traumatic brain injury, a subarachnoid hemorrhage, and/or a stroke.

Regulatory achievements allowed for expanded sales territories and extended use of IRRA flow

IRRAS interacted diligently with regulatory authorities both in the US and EU to advance IRRAflow in the fourth quarter of 2019. Most notably, in December, IRRAS received CE Mark approval for our IRRAflow catheter, enabling us to commercially market the system in the European Union. With this CE Mark and additional regulatory approvals, IRRAS now markets IRRAflow in the United States, the EU, Costa Rica, Israel, Kuwait, and Hong Kong. To expand our territories, our regulatory team is now focused on securing product approval in non-CE Mark countries, such as Taiwan and Mexico.

Also, during the fourth quarter, we were pleased to report that the US Food and Drug Administration (FDA) issued a new 510(K)

clearance for IRRAflow. The application provided the FDA with supporting data that demonstrates that extending the time of use of the product is safe and has the potential to be beneficial for patients. We believe that extending the time of use for the product will allow for broader applications in longer and more challenging neurocritical care procedures.

Participated in key industry events to highlight commercial portfolio

We were pleased to continue to present our IRRAflow and Hummingbird technologies at several key medical and scientific meetings in both the EU and US, including the Neurocritical Care Society's annual meeting in Vancouver, Canada, the Congress of Neurological Surgeons' annual meeting in San Francisco, CA, and the Redeye Life Science Day in Stockholm, Sweden. Participation in these meetings gives IRRAS a unique opportunity to engage in dialogue with investors, potential partners, customers, and thought leaders to advance our goals.

Looking ahead – a positive outlook for 2020

All told, we were pleased with our accomplishments in the fourth quarter of 2019. Our progress across all aspects of our business – commercial, regulatory, and operational – have created a groundswell of positive energy as we head into 2020. In order to execute on the multiple opportunities identified and continue the commercial effort, the company is currently evaluating various options in order to secure adequate financing.

In the coming year, we have several product goals that we believe will drive value for IRRAS and our shareholders. We expect to introduce at least three additional line extensions to the IRRAflow family of products, which include usability improvements to the tube set and performance enhancements to the catheters. We also plan to expand our commercial efforts across all product lines by introducing IRRAflow in at least four additional key global markets and expanding our customer base for our Hummingbird products.

We've been pleased with the interest in IRRAflow so far during our US launch, and we have just started the relaunch of IRRAflow in the EU and the Hummingbird line in the US, but at this point early in our products' commercialization, it remains challenging to fully project the future adoption of our products. Based on this and a slower than projected initial revenue growth in the US, our current expectation is that our previously communicated financial targets will be delayed. We will communicate new financial targets as soon as we gain better clarity about our ramp up.

Our recent achievements and upcoming milestones set the stage for an exciting 2020 for IRRAS. I look forward to keeping you updated on our progress in the coming year.

Sincerely,

Kleanthis G. Xanthopoulos, Ph.D.



Group development January – December 2019

Net revenue

Net revenue for the period January to December 2019 amounted to SEK 5.3 million (6.0). Net revenue for the fourth quarter amounted to SEK 3.4 million (0.0).

Gross profit/loss

The gross profit/loss is the difference between net revenue for the period and the cost of sales. Cost of sales include direct manufacturing costs for sold products, depreciation on capitalized development expenses, over-head costs for the manufacturing department and salaries for the employees at the department. The amortization of capitalized development expenses during the period January to December 2019 amounted to SEK 9.8 million (7.7) and to SEK 2.5 million (2.1) during the fourth quarter.

The gross income for the period January to December 2019 amounted to SEK -33.2 million (-16.4). The main change in gross loss during the year is due to an expanded manufacturing department in support of the US sales launch. The gross income for the fourth quarter amounted to SEK -6.8 million (-8.5).

Operating expenses

Operating expenses for the period January to December totaled SEK 118.4 million (127.4). The operating expenses are primarily attributable to marketing and sales expenses in US, administrative expenses as a result of the company growth, and development expenses in line with previous year.

Total research and development expenses in the period amounted to SEK 37.8 million (38.6), of which SEK 8.0 million (14.3) was capitalized and SEK 29.8 million (24.4) was recognized as expense. The expensed R&D costs include mainly personnel costs for the employees and consultant fees at these departments. Our team is working to improve already-registered products, and the improvements are not extending the lifetime of the products. Capitalized development expenses include cost for development projects for not yet launched products.

The net of other operating income and operating expenses in the period amounted to SEK 0.0 million (0.5).

Operating loss (EBIT)

Operating loss (EBIT) totaled SEK -151.5 million (-143.3) for the period January to December 2019, and SEK -35.7 million (-50.1) for the fourth quarter.

Net financial income

Net financial income totaled SEK 0.3 million (4.5).

Earnings

Loss before tax amounted to SEK -151.1 million (-138.8). Net loss for the period (loss after tax) amounted to SEK -151.1 million (-138.8).

Cash flow and liquidity

Cash flow from operating activities from January to December 2019, after the change in working capital, totaled SEK -153.7 million (-97.4).

In May 2019, a directed share issue of net SEK 97.3 million was completed. At the end of the period, available liquidity amounted to SEK 85.1 million (158.1), including short and long-term financial investments of SEK 55.6 million (110.8).

The increased outflow is primarily attributable to the result for the period as a result of increased operating expenses. For further information about the company's liquidity, refer to the risk section in page 4.

Investments

Net investments totaled SEK 15.4 million (14.8), including capitalized development expenses and investment in patents purchased from Innerspace.

Assets

As of December 31, 2019, intangible assets totaled SEK 44.4 million (40.3). These intangible assets comprised capitalized development expenses and capitalized patent expenses. The increase in intangible assets beyond capitalized developmental expenses consist primarily of the purchase of assets from Innerspace. Capitalized development expenses are amortized on a straight-line basis over five years and capitalized patent expenses are amortized on a straight-line basis over the patent's lifespan. Amortization of capitalized development expenses is recognized under Cost of sales.

Equity and liabilities

As of December 31, 2019, the Group's equity amounted to SEK 131.5 million (184.2) and the equity ratio was 82.7% (89.7).

As of December 31, 2019, interest-bearing liabilities totaled SEK 6.1 million (0.0). Current not interest-bearing liabilities totaled SEK 21.5 million (20.8).

Changes in the parent company

The net loss for the period compared to the same period last year was lower due to less intercompany revenue. Expenses in the parent company decreased in comparison with the same period last year, primarily due to a transfer of certain sales- and developmental costs from the parent company to the US company.

Sales per region SEK million	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Germany	–	–	–	3.3
Europe, excluding Germany	–	–	–	2.7
USA	2.9	–	4.5	–
Other regions	0.4	–	0.7	–
Total	3.4	–	5.3	6.0

Parent company

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

Receivables and liabilities from Group companies primarily comprise liabilities to the US subsidiary IRRAS USA, Inc. and receivables from the German subsidiary IRRAS GmbH. Shares in group companies have increased due to shareholders' contributions. Risks and uncertainties in the parent company coincide indirectly with those of the Group.

Employees

The average number of employees in the Group from January to December 2019 was 35 (21), of which 4 (3) in the parent company. The breakdown of average number of employees by country was 4 (3) in Sweden, 28 (13) in the US and 3 (5) in Germany. The average number of women in the Group was 12 (8) and the average number of men was 23 (13).

Financial objectives

IRRAS previously adopted financial objectives of income to exceed SEK 275 million 2021, gross margin higher than 72% 2021 and positive cashflow in the fourth quarter 2021 are being reworked.

The market

IRRAS's first product, *IRRAflow*, is initially intended for treatment of patients with hemorrhagic strokes and chronic subdural hematoma. Around 600,000 people in the US and Europe suffer from hemorrhagic strokes and chronic subdural hematoma annually. Approximately 350,000 of these people are treated surgically. IRRAS estimates that the market value of the company's products in Europe and the US is currently just over EUR 1.2 billion. The number of patients is expected to substantially increase in the coming years as a result of population growth, the aging population and an increased share of patients receiving treatment.

Related-party transactions

Refer to note 3 on page 15 for a description of transactions with related parties.

Risks and uncertainties

A number of risks and uncertainties are associated with the Group's operations.

There is always a risk that competitors will offer more effective and better products than IRRAS, which could negatively affect sales. Deliveries from the company's suppliers that are incorrect, delayed or never arrive may, in turn, cause delays, deficiency or inaccuracy in the company's deliveries. The company is also always exposed to fluctuating exchange rates.

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

There is a risk that the company will fail to develop products, that it will not be possible to launch the products on schedule or that market acceptance will be lower or slower than anticipated. These risks may entail reduced sales and negatively affect the company's earnings. The company is also exposed to customers' inability to pay.

Financing risk and going concern

The company's liquidity per February 14, 2020 is not sufficient to cover the planned operations in the next 12 months. In light of this, work is underway on possible financial solutions. In order to allow access to various alternatives for financing, the Board of Directors has decided to hold an Extra Meeting of the Shareholders to authorize the Board to decide on a new share issue including possible convertibles and warrants with or without the inclusion of shareholders preferential rights. Please see the separate press release for additional information. After considerations of recent development of the company, the Board considers that the prospects are good to finance the company's operations. However, if sufficient financing is not obtained, there is a risk that conditions for going concern are not fulfilled.

For a more detailed description of the company's risks, refer to the 2018 Annual Report, page 26.

The share and shareholders

The IRRAS share is listed at Nasdaq First North Premier Growth Market since 2017. The number of shares and votes in IRRAS AB at the end of December 2019 totaled 28,817,974.

The Board of Directors proposes no dividend.

Shareholders as of December 31, 2019* (and known changes thereafter)	Number of shares	Percent of shares/ votes
Lexington Holding Assets Ltd (BVI)	3,155,727	10.95%
F.EX Endotherapy Limited	2,855,790	9.91%
Bacara Holdings Limited	1,430,725	4.96%
Consensus Asset Management AB	1,420,577	4.93%
The Fourth Swedish National Pension Fund	1,245,000	4.32%
Dr Kleanthis G. Xanthopoulos	842,878	2.92%
Dr Saeid AB	833,725	2.89%
Danica Pension	704,587	2.44%
March Asset Management	588,769	2.04%
Carl-Olof and Jenz Hamrins foundation	550,000	1.91%
Total ten largest shareholders	13,627,778	47.29%
Other shareholders	15,190,196	52.71%
Total number of shares	28,817,974	100.00%

*Nominee accounts / shareholders are not included in this compilation

Incentive programs

At the moment the company has five incentive programs outstanding for employees and key personnel. These programs can currently increase the number of shares by 3,782,000 (refer to note 2 on page 15).

Analysts following the company

Kristofer Liljeberg	Carnegie
Christian Lee	Pareto
Oscar Bergman	Redeye

Financial calendar

Extra shareholders' meeting	March 2, 2020
2019 Annual report	April 3, 2020
Annual shareholders' meeting	April 28, 2020
Q1 2020 Interim Report	May 14, 2020
Q2 2020 Interim Report	August 27, 2020
Q3 2020 Interim Report	November 10, 2020

IRRAS' reports are available on the company's webpage.

Auditors review

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

The Board of Directors and the CEO certify that this interim report provides a true and fair overview of the Group's and parent company's operations, financial position and earnings, and describes the material risks and uncertainties facing the parent company and the companies included in the Group.

Stockholm, February 14, 2020
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

Catherine Gilmore-Lawless
Board member

Eva Nilsagård
Board member

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

SEK million	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Net revenue	3.4	–	5.3	6.0
Cost of sales	-10.1	-8.5	-38.4	-22.4
Gross profit/loss	-6.8	-8.5	-33.2	-16.4
<i>Gross margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Other operating income	0.3	-0.7	1.1	1.7
Marketing and sales expenses	-11.4	-25.6	-43.1	-58.6
Administrative expenses	-10.8	-10.5	-45.5	-44.4
Research and development expenses	-7.0	-5.0	-29.8	-24.4
Other operating expenses	0.0	0.2	-1.1	-1.2
Operating loss (EBIT)	-35.7	-50.1	-151.5	-143.3
<i>EBIT margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial income/expenses	-0.8	0.1	0.3	4.5
Loss before tax	-36.5	-50.1	-151.1	-138.8
Tax	–	0.0	0.0	–
Net loss for the period	-36.5	-50.1	-151.1	-138.8
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Translation differences for the period on translation of foreign subsidiaries	-0.6	-0.9	-1.1	-1.1
Total other comprehensive income	-0.6	-0.9	-1.1	-1.1
Total comprehensive income for the period	-37.1	-51.0	-152.2	-140.0
Earnings per share before dilution, SEK	-1.27	-2.09	-5.61	-5.83
Earnings per share after dilution, SEK	-1.27	-2.09	-5.61	-5.83
Number of shares before dilution, average	28,817,974	24,017,974	26,937,426	23,815,328
Number of shares after dilution, average	28,817,974	24,017,974	26,937,426	23,815,328

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	Dec 31, 2019	Dec 31, 2018
ASSETS		
Non-current assets		
Intangible assets		
Capitalized development expenses	36.2	38.1
Licenses/patents	8.2	2.2
Total intangible assets	44.4	40.3
Right-of-use assets	6.2	–
Tangible assets		
Property, plant and equipment	0.9	0.6
Total tangible assets	7.2	0.6
Financial assets		
Financial investments, bonds	0.0	80.8
Total financial assets	0.0	80.8
Total non-current assets	51.6	121.7
Current assets		
Inventory	16.0	3.4
Financial investments, bonds	55.6	30.1
Accounts receivable	2.8	–
Other receivables	1.5	1.9
Prepaid expenses and accrued income	2.0	1.0
Cash and cash equivalents	29.5	47.2
Total current assets	107.4	83.6
TOTAL ASSETS	159.0	205.3

Consolidated statement of financial position in summary (cont.)

SEK million	Dec 31, 2019	Dec 31, 2018
EQUITY		
Share capital	0.9	0.7
Other paid-in capital	537.4	440.2
Translation reserve	-3.0	-1.9
Retained earnings, including net loss for the period	-403.8	-254.8
Total equity	131.5	184.2
LIABILITIES		
Provisions		
Other provisions	0.0	0.4
Long term liabilities		
Lease liabilities	2.0	–
Total long-term liabilities and provisions	2.0	0.4
Current liabilities		
Lease liabilities	4.0	–
Accounts payable	7.5	8.6
Other liabilities	0.7	2.5
Accrued expenses and deferred income	13.3	9.6
Total current liabilities	25.5	20.8
Total liabilities and provisions	27.5	21.2
TOTAL EQUITY AND LIABILITIES	159.0	205.3

Consolidated statement of changes in equity in summary

SEK million	Share capital	Other paid-in capital	Translation reserve	Retained earnings, including net loss for the period	Total equity
Opening equity January 1, 2018	0.7	439.6	-0.8	-123.5	316.0
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-138.8	-138.8
Other comprehensive income for the period	—	—	-1.1	—	-1.1
Comprehensive income for the period	—	—	-1.1	-138.8	-139.1
<i>Transactions with shareholders</i>					
Incentive programs	0.0	—	—	7.5	7.5
New share issue expenses	—	0.6 ¹	—	—	0.6
Closing equity December 31, 2018	0.7	440.2	-1.9	-254.8	184.2
Opening equity January 1, 2019	0.7	440.2	-1.9	-254.8	184.2
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-151.1	-151.1
Other comprehensive income for the period	—	—	-1.1	—	-1.1
Comprehensive income for the period	—	—	-1.1	-151.1	-152.2
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	2.2	2.2
New share issue	0.1	105.5	—	—	105.6
New share issue expenses	—	-8.3	—	—	-8.3
Closing equity December 31, 2019	0.9	537.4	-3.0	-403.7	131.5

¹ Reversal of provision for new share issue expenses.

Condensed consolidated statement of cash flows in summary

SEK million	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Operating activities				
Operating loss (EBIT)	-35.7	-50.1	-151.5	-143.3
Adjustment for non-cash items				
- Depreciation/amortization	3.8	2.2	12.6	8.1
- Incentive programs	-0.5	1.7	2.2	7.4
- Other non-cash items	0.0	0.0	0.0	0.4
Interest received	0.1	0.2	0.5	0.6
Interest paid	-0.1	0.0	-0.1	-0.2
Income tax paid	–	0.0	0.0	0.9
Cash flow from operating activities before changes in working capital	-32.4	-46.0	-136.3	-126.0
Cash flow from changes in working capital				
Increase (-)/decrease (+) in inventory	-4.1	9.5	-11.1	9.6
Increase (-)/decrease (+) in operating receivables	-4.0	4.6	-4.2	8.9
Increase (+)/decrease (-) in operating payables	0.4	7.2	-2.0	10.1
Cash flow from operating activities	-40.2	-24.7	-153.7	-97.4
Cash flow from investing activities				
Investment in intangible assets	-1.8	-7.1	-14.8	-14.3
Investments in tangible assets	-0.1	-0.3	-0.6	-0.5
Sale of financial assets	10.0	0.1	55.2	35.1
Cash flow from investing activities	8.1	-7.2	39.8	20.3
Cash flow from financing activities				
New share issue	–	–	105.6	30.7 ¹
New share issue expenses	–	–	-8.3	-5.6 ¹
Lease liabilities	-0.9	–	-1.5	–
Cash flow from financing activities	-0.9	–	95.7	25.2
Cash flow for the period	-32.9	-31.9	-18.2	-52.0
Cash and cash equivalents at the beginning of the period	63.3	78.9	47.2	98.3
Exchange rate difference in cash and cash equivalents	-0.9	0.2	0.4	0.9
Cash and cash equivalents at the end of the period	29.5	47.2	29.5	47.2

¹ Issue proceeds and expenses that were not paid as of December 31, 2017 but were paid during the first half of 2018.

Parent company statement of profit or loss in summary

SEK million	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Net revenue	0.5	13.1	1.6	13.1
Cost of sales	-2.5	-2.4	-9.8	-8.0
Gross profit/loss	-2.0	10.7	-8.3	5.1
Other operating income	0.2	0.0	0.2	0.9
Marketing and sales expenses	-0.5	-0.3	-1.1	-4.1
Administrative expenses	-11.1	-8.5	-35.8	-35.7
Research and development expenses	-0.4	2.5	-1.5	-8.3
Other operating expenses	0.0	-0.1	-0.9	-1.0
Operating loss (EBIT)	-13.9	4.3	-47.4	-43.0
Net financial income	-0.6	0.2	0.9	3.5
Loss before tax	-14.5	4.5	-46.4	-39.6
Tax	–	0.0	–	–
Net loss for the period	-14.5	4.5	-46.4	-39.6

Since no items are recognized in other comprehensive income, the parent company's loss corresponds with its comprehensive income.

Parent company statement of financial position in summary

SEK million	Dec 31, 2019	Dec 31, 2018
ASSETS		
Non-current assets		
Intangible assets	38.1	40.3
Tangible assets	0.3	0.4
Financial assets		
Shares in Group companies	233.0	68.7
Receivables from Group companies	17.2	29.6
Financial investments, bonds	0.0	80.8
Total financial assets	250.2	179.1
Total non-current assets	288.6	219.8
Current assets		
Receivables from Group companies	–	26.3
Financial investments, bonds	55.6	30.1
Other receivables	0.9	1.2
Prepaid expenses and accrued income	1.9	0.5
Cash and bank balances	22.7	37.3
Total current assets	81.0	95.4
TOTAL ASSETS	369.6	315.3
EQUITY AND LIABILITIES		
EQUITY		
Share capital	0.9	0.7
Fund for capitalized expenditure	31.7	31.8
Capital surplus	503.8	406.6
Retained earnings	-129.4	-92.1
Loss for the year	-46.4	-39.6
Total equity	360.5	307.4
Provisions	0.0	0.4
Accounts payable	2.8	1.7
Liabilities to Group companies	0.0	–
Other current liabilities	0.3	0.1
Accrued expenses and deferred income	6.0	5.7
Total liabilities and provisions	9.1	7.9
TOTAL EQUITY AND LIABILITIES	369.6	315.3

Parent company condensed consolidated statement of cash flows in summary

SEK million	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Operating activities				
Operating loss (EBIT)	-13.9	4.3	-47.4	-43.0
Adjustment for non-cash items				
- Depreciation/amortization	2.6	2.2	10.2	8.1
- Incentive programs	0.5	0.6	1.9	4.3
- Other non-cash items	-0.4	0.0	0.0	0.4
Interest received	0.2	0.1	0.8	0.5
Interest paid	0.0	-0.2	0.0	-0.3
Cash flow from operating activities before changes in working capital	-11.0	7.0	-34.4	-30.1
Cash flow from changes in working capital				
Increase (-)/decrease (+) in operating receivables	-2.1	-10.2	24.9	-10.8
Increase (+)/decrease (-) in operating payables	1.3	-0.4	1.2	2.7
Cash flow from operating activities	-11.8	-3.6	-8.3	-38.1
Cash flow from investing activities				
Investments in participations in subsidiaries	-16.4	-23.0	-163.9	-41.0
Investment in intangible assets	-1.8	-7.1	-8.0	-14.3
Investments in tangible assets	—	-0.1	—	-0.3
Sale of financial assets	10.1	0.1	55.2	35.1
Amortization from (+) /loans to (-) subsidiaries	3.5	—	13.0	-15.0
Cash flow from investing activities	-4.6	-30.1	-103.7	-35.5
Cash flow from financing activities				
New share issue	—	—	105.6	30.7 ¹
New share issue expenses	—	—	-8.3	-5.6 ¹
Cash flow from financing activities	—	—	97.3	25.2
Cash flow for the period	-16.4	-33.6	-14.7	-48.5
Cash and cash equivalents at the beginning of the period	39.1	71.0	37.3	85.8
Exchange rate difference in cash and cash equivalents	—	—	—	—
Cash and cash equivalents at the end of the period	22.7	37.3	22.7	37.3

¹ Issue proceeds and expenses that were not paid as of December 31, 2017 but were paid during the first half of 2018.

Notes

Note 1 Accounting policies

The interim financial report for the IRRAS Group has been prepared in accordance with the International Finance Reporting Standards (IFRS) as adopted by the EU. The Swedish Annual Accounts Act and RFR 1 Complementary accounting rules for groups have also been applied. The Year-End report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. The parent company applies RFR2 Accounting for legal entities and the Swedish Annual Accounts Act. RFR 2 requires that the parent company apply the same accounting policies as the Group, meaning IFRS should be applied if possible, in the scope permitted by The Swedish Annual Accounts Act, Pension Obligations Vesting Act and of tax reasons.

New or revised IFRS or other IFRIC interpretations have taken effect January 1, 2019. During 2019, the company has begun to apply IFRS 16 Leases.

Effect of the transition to IFRS 16

IFRS 16 Leases

IFRS 16 Leases requires that lessees recognize assets and liabilities attributable to all leases, with the exception of leases that are shorter than 12 months and/or relate to small amounts. The standard replaces IAS 17 Leases and associated interpretations. In IFRS 16, the distinction between an operating lease and a finance lease is eliminated and replaced with an approach based on the right of use and undertaking to make ongoing payments as a lessee.

The Group has applied IFRS 16 as of January 1, 2019. The standard did not have any material effect on the consolidated financial statements since the Group's leases at the time were few in number and consisted mainly of rent for premises. Leases were shorter than 12 months and/or added up to insignificant amounts. The Group also has short-term leases for vehicles and office equipment.

As of August 1 2019 the Group has an agreement for rented premises in IRRAS USA, Inc, expiring in July 2021, and thus recognizes right of use assets and lease liabilities.

The parent company does not apply IFRS 16.

Segment reporting

Since IRRAS's equity instruments are traded in a market, IFRS 8 Operating Segments is applicable. IRRAS's operations are currently focused on development and sales in the IRRAflow product area, which is why only one segment has been reported, which is reflected in its entirety in the consolidated financial statements. The Groups strategic control group and highest executive decision makers, consisting of the CEO and a number of other executives which together form the Group management, evaluate the Group's activities from a product and product development perspective. Sales are evaluated from a geographical perspective, as of today Germany, the rest of Europe, USA and the rest of the world. See table on page 3.

Note 2 Incentive programs

IRRAS has five incentive programs outstanding for employees, key personnel and Board members. The costs for the incentive programs totaled SEK -0.1 million (1.7) during the fourth quarter of 2019 and SEK 2.2 million (7.4) for the period from January to December 2019.

Incentive program No. 1

The total program comprises 1,900,000 personnel options. Each option entitles the holder to subscribe for a new share for SEK 13.60 per share until September 30, 2025, but subject to the requirement that the options are vested (earned). The options are vested at 25% per year.

During the fourth quarter 2019, 4,286 options were returned. A total of 1,708,334 options were outstanding as of December 31, 2019. The CEO has 1,275,000 options and two members of the management group have 32,500, and 2,976 options, respectively.

Incentive program No. 2

The total program comprises 650,000 personnel options. Each option entitles the holder to subscribe for 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 fourth quarter 2019, 22,500 options were returned. A total of 519,912 options were outstanding as of December 31, 2019. Two members of the management group have 35,000 and 230,000 options, respectively.

Incentive program No. 3

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

No changes to the number of warrants took place in the fourth quarter of 2019. A total of 320,000 warrants were outstanding as of December 31, 2019. One member of the management group has 100,000 warrants.

Incentive program No. 4

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

No changes to the number of warrants took place in the fourth quarter of 2019. A total of 100,000 warrants were outstanding as of December 31, 2019. The Chairman of the Board has 100,000 warrants.

Incentive program No. 5

The total program comprises 732,000 personnel options, which based on the terms of employment are vested over periods of one to three years, respectively, with one third vested annually starting in June 2018. For a more detailed description of the vesting terms, refer to the 2018 Annual Report. Each option entitles the holder to subscribe for a new share for SEK 25.86 per share until June 15, 2022, but subject to the requirement that the options are vested. The options are vested at 33% per year.

During the fourth quarter of 2019, 115,500 options were distributed, and 92,750 options were returned. A total of 635,237 options were outstanding as of December 31, 2019. The CEO has 43,237 options and two members of the management group have 55,500 and 17,500 options, respectively.

Note 3 Related-party transactions

"Related parties" are defined as members of the company management in the Parent Company, Board of Directors of the Parent Company, and subsidiaries. Shares in the subsidiaries and transactions between Group companies are eliminated in the consolidated financial statements, which is why further information is not provided.

The following related-party transactions have taken place during the period.

SEK million	Jan–Dec 2019	Jan–Dec 2018	Explanation
Anders P. Wiklund, Chairman	—	0.1	Billed consulting services
Kleanthis G. Xanthopoulos, President and CEO, Board member	—	1.7	Billed consulting services
Christos Panotopoulos, Owner and former member of company management	—	1.0	Billed consulting services

The Group has leased offices from a person related to President and CEO Kleanthis G. Xanthopoulos until April 2019. The expenses for the period from January to December 2019 totaled SEK 37.8 thousand (104.3). The Group has also purchased office equipment from a person related to President and CEO Kleanthis G. Xanthopoulos. The expense during the period totaled SEK 230.7 thousand (0).

President and CEO Kleanthis G. Xanthopoulos had a consulting agreement with IRRAS via his company Helios Capital beginning in 2015, in accordance with which he has invoiced for services rendered to the company (such as being its CEO) and for the costs he has incurred (such as travel expenses). The consulting agreement expired on November 22, 2017. Since then, Kleanthis G. Xanthopoulos has been employed by IRRAS AB. Payments in 2018 relate to remuneration regarding 2017.

Note 4 Financial assets and liabilities

Financial assets and liabilities in the balance sheet are reported to the purchase price which is assessed to be a good approximation of the real value.

Use of performance measures not defined by IFRS

The IRRAS Group's financial statements are prepared in accordance with IFRS. Only a few performance measures are defined in IFRS. IRRAS applies the guidelines of the European Securities and Market Authority (ESMA) for alternative performance measures. To support analysis of the Group's development by company management and other stakeholders, IRRAS recognizes certain performance measures not defined in IFRS. It is the opinion of company management that this information facilitates an analysis of the Group's development. The table below shows definitions of performance measures not defined by IFRS and which definitions are not indicated in other parts of the report. The performance measures are calculated on the actual financial statements including IFRS 16.

	Oct–Dec 2019	Oct–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Gross margin (Gross profit or loss/Net revenue)				
Gross profit/loss, SEK million	-6.8	-6.9	-33.2	-14.0
Net revenue, SEK million	3.4	–	5.3	6.0
Gross margin, %	Neg	Neg	Neg	Neg
EBIT margin (Operating loss (EBIT)/Net revenue)				
Operating loss (EBIT), SEK million	-35.7	-50.1	-151.5	-143.3
Net revenue, SEK million	3.4	–	5.3	6.0
EBIT margin, %	Neg	Neg	Neg	Neg
EBITDA margin (EBITDA/Net revenue)				
Operating loss (EBIT), SEK million	-35.7	-50.1	-151.5	-143.3
Depreciation/amortization, SEK million	-3.8	-2.2	-12.6	-8.1
Net revenue, SEK million	3.4	–	5.3	6.0
EBITDA margin, %	Neg	Neg	Neg	Neg
Return on equity, % (Net profit or loss for the period/Average equity)				
Net loss for the period, SEK million	-36.5	-50.1	-151.1	-138.8
Average equity, SEK million	150.1	208.8	157.8	250.1
Return on equity, %	Neg	Neg	Neg	Neg

Definitions:

Gross profit/loss: Net revenue less cost of sales

Gross margin: Gross profit/loss divided by net revenue

EBITDA (Earnings before interest, tax, depreciation and amortization): Earnings before net financial income/expense, tax and depreciation/amortization of tangible and intangible assets

EBITDA margin: EBITDA divided by net revenue

Operating loss (EBIT): Gross profit/loss less operating expenses

EBIT margin: Operating loss (EBIT) divided by net revenue

Return on equity: Net profit or loss for the period divided by average equity

This is IRRAS

IRRAS AB (Nasdaq First North Premier Growth Market: IRRAS) is a global healthcare company focused on delivering innovative medical technologies to our customers and their patients. IRRAS designs, develops and commercializes products that improve patient outcomes and decrease the overall cost of care by addressing complications associated with current treatment methods in neurocritical care. IRRAS currently markets and sells its IRRAS*flow* and Hummingbird product lines to hospitals worldwide through its direct sales organizations in the U.S. and select European countries

and a network of distribution partners in other markets. 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.

IRRAS AB (publ) is listed on Nasdaq First North Premier Growth Market. Redeye AB is certified adviser of the company with email certifiedadviser@redeye.se or phone + 46 8 121 576 90.

Contact



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

ir@irras.com



Sabina Berlin
CFO

+46 739 51 95 02

sabina.berlin@irras.com

This document is considered 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 February 14, 2020 at 8:00 a.m. (CET).

IRRAS

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