



Rapid adaptation of the sales process due to covid-19 and preparations for commercial expansion

First quarter, January - March 2020

- Net revenue amounted to SEK 1.6 million (0.0).
- Operating loss (EBIT) amounted to SEK -35.2 million (-39.1).
- Loss after tax amounted to SEK -34.3 million (-38.7).
- Earnings per share before and after dilution amounted to SEK -1.19 (-1.61).

Important events during the quarter

Extraordinary General Meeting

At the Extraordinary General Meeting, held March 2, 2020, it was unanimously resolved to authorize the Board of Directors to decide on a new share issue, convertibles and/or warrants, with or without deviation from the shareholders' preferential rights, a total of no more than SEK 250 million.

Rights issue decision

The Board of Directors resolved, supported by the issue authorization granted by the Extraordinary General Meeting, to carry out a fully guaranteed rights issue of approximately SEK 217 million, with preferential rights to the Company's existing shareholders. The prospectus was registered by the Swedish Financial Supervisory Authority on March 24, 2020.

Other key accomplishments

Collaboration with Helsinki University to advance uses of IRRAflow

A long-term collaboration for the collection of clinical data with Dr. Mika Niemelä, Professor and Chairman of Neurosurgery, and Dr. Behnam Rezaei Jahromi from the University of Helsinki, one of the world's leading neurosurgical institutions was announced in March.

Rapid adaptation to covid-19

IRRAS' sales efforts were quickly adapted to the restrictions in the health care sector due to covid-19. The company's support to customers has primarily been in digital form during the past months and IRRAflow has continued to be used in patient treatments. Also, the sales processes have been reshaped, but all approvals and associated training of new products have been slowed down due to the hospitals' focus on the covid-19 pandemic.

Important events after the end of the quarter

The rights issue in IRRAS AB, for which the subscription period ended April 9, 2020, resulted in a contribution of SEK 217 million before fees. The number of shares increased by 37,463,366 to a total of 66,281,340.

IRRAS announced in May that it has been approved for a loan of USD 0.8 million as part of the US covid-19 stimulus package Paycheck Protection Program. The loan is forgivable under certain circumstances.

Nasdaq Stockholm's listing committee has decided that IRRAS fulfills the requirements for admission to trading of the company's shares on the main market Nasdaq Stockholm subject to customary provisions. The first day of trading is expected to be May 20, 2020.

Key figures	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net revenue, SEK million	1.6	–	5.3
Gross margin, %	Neg	Neg	Neg
Operating loss (EBIT), SEK million	-35.2	-39.1	-151.5
EBIT margin, %	Neg	Neg	Neg
Loss after tax	-34.3	-38.7	-151.1
EBITDA, SEK million	-31.4	-36.5	-138.9
EBITDA margin, %	Neg	Neg	Neg
Return on equity, %	Neg	Neg	Neg

Comments from the President and CEO

The events that occurred during the first quarter of 2020 have challenged us to quickly adapt our global medical technology business to support our customers and the patients who need our life-saving technologies. We have assessed the impact of the evolving covid-19 pandemic on our business. The health and safety of our employees, healthcare professionals and patients are of paramount importance to IRRAS. During these uncertain times, we have taken action to maintain business continuity, and minimize further risk.

Our product portfolio focuses upon the emergent treatment of intracranial bleeding and traumatic brain injury, and, while most elective procedures have been cancelled, neurocritical care patients do continue to be treated. For the time being, however, visitor access to hospitals has been eliminated, approval of new products has been postponed by most facilities, and the evaluation of treatments that are not focused on covid-19 have been placed on hold. At this early stage in the launch of IRRAflow and Hummingbird, a significant portion of our revenue is generated by orders from new accounts. As a result, our revenue opportunities during the first quarter 2020 in both the US and the EU were impacted, and revenues fell short of our original expectations.

Prior to the outbreak of the covid-19 pandemic, our team's efforts were tracking to our internal expectations. However, sales trailed off throughout late February and March as various restrictions were implemented around the world.

We have managed to adapt our business in a very short time to optimize prerequisites for a good sales development during the year.

IRRAS has transitioned all roles to virtual/work from home roles, and the company has postponed all non-essential business travel. To ensure continuation of the launches of IRRAflow and Hummingbird to the extent possible, we have adapted our customer engagement methods to communicate virtually and conduct trainings through video conference.

Among other actions, we have strengthened our resources for support to physicians and patients, particularly through digital channels, and IRRAS' commercial team is still available to support customers and patients.

IRRAS remains fully committed to delivering innovative products to physicians and patients who are in need of neurocritical care. IRRAS' commercial teams remain available to assist customers and patients, while strictly adhering to applicable restrictions, safety precautions and procedures.

Since the beginning of the pandemic restrictions, our team has supported successful patient treatments in Kuwait, Israel, and multiple locations in the United States.

New digital marketing tools have also been introduced to help drive brand awareness and remote engagement of our core customers. In March, IRRAS launched a podcast called IRRAS Radio to provide educational tools and advice to physicians looking to continue treating their patients during these difficult times. Additionally, updated training videos, physician voiceover presentations, and an interactive training app is being finalized to further support these efforts.

Q1 2020 Business Progress and Highlights

In spite of the pandemic, we achieved multiple milestones that underscore the continued strength of our business.

After securing the CE Mark recertification of IRRAflow in late December, our EU launch of the product resumed. IRRAflow inventory is in stock in our European distribution facility, and our initial EU revenue since the recertification was generated via orders from new distribution partners. As hospital systems in Europe reopen, we anticipate that the revenue contribution from the EU and other markets will increase during the year. During this time, our team continues to finalize plans to launch IRRAflow in our next wave of European markets.

In parallel, our US sales team was focused on key IRRAflow evaluations at 6 comprehensive stroke centers and our IRRAflow capital placement increased to a total of 35 systems currently in place. Additionally, the US launch of our Hummingbird family of ICP monitoring products began, and we've been encouraged thus far by the response of our customers to this complementary product line. At the end of Q1, 5 Hummingbird control modules were placed with US customers and additional Hummingbird revenue was generated after the limited launch in Q4.

To complement the commercial milestones, we also made important progress with leading global neurosurgical centers on projects to deliver difference-making clinical evidence. We were pleased to enter into a new long-term collaboration with Dr. Mika Niemelä, Professor and Chairman of Neurosurgery, and Dr. Behnam Rezaei Jahromi from Helsinki University Hospital. Helsinki University Hospital is one of the world's leading neurosurgical institutions, and, through this collaboration, they will use the IRRAflow system and collect clinical data in a variety of neurocritical applications, initially focusing on the treatment of patients suffering from intraventricular hemorrhage (IVH). The University of Helsinki is considered the leading center in Europe in the microneurosurgical treatment of cerebral blood vessel diseases and complex brain tumors. Each year, more than 3,200 patients undergo neurosurgical treatment at the University of Helsinki, and nearly 200 neurosurgeons from around the world visit the facility to learn the latest techniques in neurosurgery. This collaboration expands IRRAS' group of key opinion leaders.

In April, we announced the completion of our rights issue that generated 217 MSEK before fees. This round of financing, which was completed in difficult market conditions, enables IRRAS to focus and expand our commercial capabilities and deliver our innovative IRRAflow and Hummingbird technologies to additional markets and distribution partners throughout the world.

Looking Ahead

The actions we have taken have us well-positioned for strong growth as the current crisis subsides. IRRAS remains committed to advancing our commercial product lines, delivering value to our shareholders, and building a globally-recognized, leading neurocritical care company. We thank you for your continued support, especially during these unprecedented times, and we look forward to keeping you updated on our progress throughout 2020.

Sincerely,
Kleanthis G. Xanthopoulos, Ph.D.



Group development January – March 2020

Net revenue

Net revenue for the period January to March 2020 amounted to SEK 1.6 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 March 2020 amounted to SEK 2.5 million (2.5).

The gross income for the period January to March 2020 amounted to SEK -2.9 million (-6.1). The main change in gross loss during the period is due to the lack of sales during the first quarter 2019.

Operating expenses

Operating expenses for the period January to March 2020 totaled SEK 32.3 million (32.9). 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 slightly lower compared to previous year.

Total research and development expenses in the period amounted to SEK 9.1 million (11.6), of which SEK 1.4 million (2.1) was capitalized and SEK 7.7 million (9.5) was recognized as expense. The expensed R&D costs include mainly personnel costs for the employees and consultant fees at these departments. Efforts to improve already launched products that do not extend the lifetime of the products are expensed. Capitalized development expenses include costs for development projects for not yet launched products.

The net of other operating income and operating expenses in the period amounted to SEK -0.1 million (-0.1).

Operating loss (EBIT)

Operating loss (EBIT) totaled SEK -35.2 million (-39.1) for the period January to March 2020,

Net financial income

Net financial income totaled SEK 0.9 million (0.4).

Earnings

Loss before tax amounted to SEK -34.3 million (-38.7). Net loss for the period (loss after tax) amounted to SEK -34.3 million (-38.7).

Cash flow and liquidity

Cash flow from operating activities from January to March 2020, after the change in working capital, totaled SEK -37.8 million (-39.9).

At the end of the period, available liquidity amounted to SEK 44.9 million (116.2), including short and long-term financial investments of SEK 0.0 million (85.8).

After the first quarter, a fully guaranteed rights issue of SEK 217 million before fees was completed.

Investments

Net investments totaled SEK 1.6 million (2.3), including capitalized development expenses amounting to SEK 1.4 million (2.1).

Assets

As of March 31, 2020, intangible assets totaled SEK 37.0 million (39.8). These intangible assets comprised capitalized development expenses and capitalized patent expenses.

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 March 31, 2020, the Group's equity amounted to SEK 99.6 million (147.2) and the equity ratio was 82.2% (90.3).

As of March 31, 2020, interest-bearing liabilities totaled SEK 5.8 million (0.0). Current not interest-bearing liabilities totaled SEK 15.7 million (15.2).

Changes in the parent company

The net loss for the period compared to the same period last year has not changed.

Sales per region SEK million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Germany	–	–	–
Europe, excluding Germany	0.6	–	–
USA	1.0	–	4.5
Other regions	–	–	0.7
Total	1.6	–	5.3

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 March 2020 was 40 (32), of which 6 (4) in the parent company. The breakdown of average number of employees by country was 6 (4) in Sweden, 31 (25) in the US and 3 (3) in Germany. The average number of women in the Group was 13 (11) and the average number of men was 27 (21).

The market

IRRAS's first product, IRRAS*flow*, 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 345,000 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 a risk that IRRAS*flow* and Hummingbird are not accepted by physicians, hospitals, patients, insurances or medical professionals even though the products are approved for marketing and sales or that the expected level or adoption is delayed.

Covid-19 still has an impact on the company's ability to access and train customers and the risk of disruptions to ongoing operations and deliveries from suppliers remain. For more details on the company's actions during the pandemic, refer to the comments from the CEO on page 2.

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.

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 and to fluctuating exchange rates.

Financing risk and going concern

After the first quarter, a fully guaranteed rights issue of net around SEK 190 million was completed, meaning that the Group's available liquid funds will cover the liquidity needed to finance the planned operations for more than the next 12 months and that conditions for going concern are fulfilled at the date of the report.

For a more detailed description of the company's risks, refer to the 2019 Annual Report, page 23-24.

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 March 2020 totaled 28,817,974 and after the share issue in April totaled 66,281,340.

Shareholders as of April 30, 2020* (and known changes thereafter)	Number of shares	Percent of shares/ votes
Bacara Holdings Limited**	16,234,097	24.49%
Fourth National Pension Fund	6,139,362	9.26%
Lexington Holding Assets Ltd**	3,155,727	4.76%
Carl-Olof and Jenz Hamrins Foundation	3,000,000	4.53%
F.EX Endotherapy Limited	2,841,000	4.29%
March Asset Management	1,709,989	2.58%
Avanza Pension	1 250 720	1.89%
Dr. Kleanthis G. Xanthopoulos	1,101,487	1.66%
Lovisa Hamrin	849,024	1.28%
Nordnet Pension	604,863	0.91%
Total ten largest shareholders	41,405,330	62.47%
Other shareholders	24,876,010	37.53%
Total number of shares	66,281,340	100.00%

*Nominee accounts / shareholders are not included in this compilation

**Bacara Holdings Limited and Lexington Holding Assets Ltd are controlled by Marios Fotiadis

Incentive programs

As of May 14, the company has six incentive programs outstanding for employees and key personnel. These programs can currently increase the number of shares by 4,832,000 (refer to note 2 on page 14).

Analysts following the company

Kristofer Liljeberg	Carnegie
Christian Lee	Pareto
Oscar Bergman	Redeye

Financial calendar

Q2 2020 Interim Report	August 27, 2020
Q3 2020 Interim Report	November 10, 2020
Q4 2020 Year-end Report	February 16, 2021

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, May 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	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Net revenue	1.6	–	5.3
Cost of sales	-4.5	-6.1	-38.4
Gross profit/loss	-2.9	-6.1	-33.2
<i>Gross margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Other operating income	0.1	0.6	1.1
Marketing and sales expenses	-12.6	-11.3	-43.1
Administrative expenses	-12.0	-12.1	-45.5
Research and development expenses	-7.7	-9.5	-29.8
Other operating expenses	-0.2	-0.7	-1.1
Operating loss (EBIT)	-35.2	-39.1	-151.5
<i>EBIT margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial income/expenses	0.9	0.4	0.3
Loss before tax	-34.3	-38.7	-151.1
Tax	–	–	0.0
Net loss for the period	-34.3	-38.7	-151.1
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation differences for the period on translation of foreign subsidiaries	2.2	-0.3	-1.1
Total other comprehensive income	2.2	-0.3	-1.1
Total comprehensive income for the period	-32.1	-39.0	-152.2
Earnings per share before dilution, SEK	-1.19	-1.61	-5.61
Earnings per share after dilution, SEK	-1.19	-1.61	-5.61
Number of shares before dilution, average	28,817,974	24,017,974	26,937,426
Number of shares after dilution, average	28,817,974	24,017,974	26,937,426

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	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	35.2	37.7	36.2
Licenses/patents	8.5	2.1	8.2
Total intangible assets	43.6	39.8	44.4
Right-of-use assets	5.7	–	6.2
Tangible assets			
Property, plant and equipment	1.1	0.8	0.9
Total tangible assets	6.7	0.8	7.2
Financial assets			
Financial investments, bonds	–	55.8	0.0
Total financial assets	–	55.8	0.0
Total non-current assets	50.4	96.4	51.6
Current assets			
Inventory	22.5	3.8	16.0
Financial investments, bonds	0.0	30.1	55.6
Accounts receivable	1.2	–	2.8
Other receivables	1.3	1.4	1.5
Prepaid expenses and accrued income	0.9	1.0	2.0
Cash and cash equivalents	44.9	30.3	29.5
Total current assets	70.8	66.5	107.4
TOTAL ASSETS	121.1	162.9	159.0

Consolidated statement of financial position in summary (cont.)

SEK million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
EQUITY			
Share capital	0.9	0.7	0.9
Other paid-in capital	536.8	440.2	537.4
Translation reserve	-0.8	-2.2	-3.0
Retained earnings, including net loss for the period	-437.2	-291.5	-403.8
Total equity	99.6	147.2	131.5
LIABILITIES			
Provisions			
Other provisions	–	0.5	0.0
Long term liabilities			
Lease liabilities	1.5	–	2.0
Total long-term liabilities and provisions	1.5	0.5	2.0
Current liabilities			
Lease liabilities	4.4	–	4.0
Accounts payable	4.6	6.4	7.5
Other liabilities	1.1	1.6	0.7
Accrued expenses and deferred income	10.0	7.2	13.3
Total current liabilities	20.0	15.2	25.5
Total liabilities and provisions	21.5	15.7	27.5
TOTAL EQUITY AND LIABILITIES	121.1	162.9	159.0

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, 2019	0.7	440.2	-1.9	-254.8	184.2
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-38.7	-38.7
Other comprehensive income for the period	—	—	-0.3	—	-0.3
Comprehensive income for the period	—	—	-0.3	-38.7	-39.0
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	2.0	2.0
Closing equity March 31, 2019	0.7	440.2	-2.2	-291.5	147.2
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-112.4	-112.4
Other comprehensive income for the period	—	—	-0.9	—	-0.9
Comprehensive income for the period	—	—	-0.9	-112.4	-113.3
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	0.2	0.2
New rights issue	0.1	105.5	—	—	105.6
New rights issue expenses	—	-8.3	—	—	-8.3
Closing equity December 31, 2019	0.9	537.4	-3.0	-403.7	131.5
Opening equity January 1, 2020	0.9	537.4	-3.0	-403.7	131.5
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-34.3	-34.3
Other comprehensive income for the period	—	—	2.2	—	2.2
Comprehensive income for the period	—	—	2.2	-34.3	-32.1
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	0.9	0.9
New share issue expenses	—	-0.6 ¹	—	—	-0.6
Closing equity March 31, 2020	0.9	536.8	-0.8	-437.2	99.6

¹Ongoing rights issue.

Condensed consolidated statement of cash flows in summary

SEK million	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Operating activities			
Operating loss (EBIT)	-35.2	-39.1	-151.5
Adjustment for non-cash items			
- Depreciation/amortization	3.8	2.6	12.6
- Incentive programs	0.9	2.1	2.2
- Other non-cash items	—	0.1	0.0
Interest received	0.0	0.1	0.5
Interest paid	0.0	-0.1	-0.1
Income tax paid	—	—	0.0
Cash flow from operating activities before changes in working capital	-30.6	-34.3	-136.3
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventory	-3.3	1.1	-11.1
Increase (-)/decrease (+) in operating receivables	2.8	-0.1	-4.2
Increase (+)/decrease (-) in operating payables	-6.7	-6.7	-2.0
Cash flow from operating activities	-37.8	-39.9	-153.7
Cash flow from investing activities			
Investment in intangible assets	-1.4	-2.1	-14.8
Investments in tangible assets	-0.1	-0.2	-0.6
Sale of financial assets	55.5	25.0	55.2
Cash flow from investing activities	53.9	22.7	39.8
Cash flow from financing activities			
New share issue	—	—	105.6
New share issue expenses	-0.6 ¹	—	-8.3
Lease liabilities	-1.0	—	-1.5
Cash flow from financing activities	-1.6	—	95.7
Cash flow for the period	14.5	-17.2	-18.2
Cash and cash equivalents at the beginning of the period	29.5	47.2	47.2
Exchange rate difference in cash and cash equivalents	0.9	0.3	0.4
Cash and cash equivalents at the end of the period	44.9	30.3	29.5

¹Ongoing rights issue.

Parent company statement of profit or loss in summary

SEK million	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Net revenue	–	–	1.6
Cost of sales	-2.5	-2.5	-9.8
Gross profit/loss	-2.5	-2.5	-8.3
Other operating income	0.1	0.0	0.2
Marketing and sales expenses	-0.6	0.0	-1.1
Administrative expenses	-8.6	-7.9	-35.8
Research and development expenses	-0.3	-0.4	-1.5
Other operating expenses	-0.2	-0.6	-0.9
Operating loss (EBIT)	-12.0	-11.4	-47.4
Net financial income	1.0	0.0	0.9
Loss before tax	-11.0	-11.4	-46.4
Tax	–	–	–
Net loss for the period	-11.0	-11.4	-46.4

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	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets	37.0	39.8	38.1
Tangible assets	0.3	0.4	0.3
Financial assets			
Shares in Group companies	276.8	141.2	233.0
Receivables from Group companies	18.3	23.3	17.2
Financial investments, bonds	–	55.8	0.0
Total financial assets	295.1	220.2	250.2
Total non-current assets	332.4	260.5	288.6
Current assets			
Financial investments, bonds	0.0	30.1	55.6
Other receivables	0.6	1.1	0.9
Prepaid expenses and accrued income	0.8	0.6	1.9
Cash and bank balances	26.9	14.2	22.7
Total current assets	28.2	46.0	81.0
TOTAL ASSETS	360.6	306.5	369.6
EQUITY AND LIABILITIES			
EQUITY			
Share capital	0.9	0.7	0.9
Fund for capitalized expenditure	31.1	29.8	31.7
Capital surplus	503.3	406.6	503.8
Retained earnings	-174.4	-127.7	-129.4
Loss for the year	-11.0	-11.4	-46.4
Total equity	349.8	298.1	360.5
Provisions	–	0.5	0.0
Accounts payable	1.8	1.7	2.8
Liabilities to Group companies	3.3	2.0	0.0
Other current liabilities	0.3	0.3	0.3
Accrued expenses and deferred income	5.3	4.0	6.0
Total liabilities and provisions	10.8	7.9	9.1
TOTAL EQUITY AND LIABILITIES	360.6	306.5	369.6

Parent company condensed consolidated statement of cash flows in summary

SEK million	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Operating activities			
Operating loss (EBIT)	-12.0	-11.4	-47.4
Adjustment for non-cash items			
- Depreciation/amortization	2.6	2.6	10.2
- Incentive programs	0.3	0.8	1.9
- Other non-cash items	–	0.1	0.0
Interest received	0.0	0.1	0.8
Interest paid	0.0	0.0	0.0
Cash flow from operating activities before changes in working capital	-9.1	-7.8	-34.4
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables	1.4	-11.7	24.9
Increase (+)/decrease (-) in operating payables	1.7	0.2	1.2
Cash flow from operating activities	-6.0	-19.3	-8.3
Cash flow from investing activities			
Investments in participations in subsidiaries	-43.3	-33.1	-163.9
Investment in intangible assets	-1.4	-2.1	-8.0
Investments in tangible assets	–	–	–
Sale of financial assets	55.5	25.0	55.2
Amortization from (+) /loans to (-) subsidiaries	–	6.3	13.0
Cash flow from investing activities	10.7	-3.8	-103.7
Cash flow from financing activities			
New share issue	–	–	105.6
New share issue expenses	-0.6 ¹	–	-8.3
Cash flow from financing activities	-0.6	–	97.3
Cash flow for the period	4.2	-23.2	-14.7
Cash and cash equivalents at the beginning of the period	22.7	37.3	37.3
Exchange rate difference in cash and cash equivalents	–	–	–
Cash and cash equivalents at the end of the period	26.9	14.2	22.7

¹Ongoing rights issue.

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, 2020. None of the new standards has had any impact on the consolidated or parent company's financial statements as of March 31, 2020.

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 within a single category of products of the same nature within the neurocritical care product area, which is why only one segment has been reported, which is reflected in its entirety in the consolidated financial statements. The Group's 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 six incentive programs outstanding for employees, key personnel and Board members. The costs for the incentive programs totaled SEK 0.9 million (2.1) during the first quarter of 2020 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, subject to the requirement that the options are vested (earned). The options are vested at 25% per year.

During the first quarter 2020, 150,000 options were distributed. A total of 1,858,334 options were outstanding as of March 31, 2020. The CEO has 1,275,000 options and three members of the management group have 98,500, 15,000 and 12,976 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, subject to the requirement that the options are vested. The options are vested at 33% per year.

No changes to the number of options took place in the first quarter of 2020. A total of 519,912 options were outstanding as of

March 31, 2020. 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 first quarter of 2020. A total of 320,000 warrants were outstanding as of March 31, 2020. 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 first quarter of 2020. A total of 100,000 warrants were outstanding as of March 31, 2020. 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 2019 Annual Report. Each option entitles the holder to subscribe for a new share for SEK 25.86 per share until June 15, 2022, subject to the requirement that the options are vested. The options are vested at 33% per year.

During the first quarter of 2020, 32,500 options were distributed. A total of 667,737 options were outstanding as of March 31, 2020. The CEO has 43,237 options and two members of the management group have 55,500 and 17,500 options, respectively.

Incentive program No. 6

A new incentive program was approved at the Annual General Meeting on April 28, 2020. The total program comprises 1,050,000 personnel options. The options are granted based on achievement of corporate goals and are vested over three years with one third vested annually. Each option entitles the holder to subscribe for one new share at an exercise price calculated at the grant date and can be exercised between the third and the eight anniversaries of the commencement date, subject to the requirement that the options are vested. The program ends at the next Annual General Meeting in 2021.

No options from program 6 were distributed during the first quarter 2020.

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:

The Group has purchased office equipment from a person related to President and CEO Kleanthis G. Xanthopoulos. The expense for the period January to March 2020 totaled 7.7 thousand (215.0). The Group has also purchased educational training from a person related to the President and CEO. The expense for the period totaled 135.3 thousand (0). The Group leased offices from a person related to the President and CEO until April 2019. The expenses for the period from January to March 2020 totaled SEK 0.0 thousand (27.5).

Note 4 Financial assets and liabilities

Financial assets and liabilities in the balance sheet are reported to the amortized cost 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.

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Gross margin (Gross profit or loss/Net revenue)			
Gross profit/loss, SEK million	-2.9	-6.1	-33.2
Net revenue, SEK million	1.6	—	5.3
Gross margin, %	Neg	Neg	Neg
EBIT margin (Operating loss (EBIT)/Net revenue)			
Operating loss (EBIT), SEK million	-35.2	-39.1	-151.5
Net revenue, SEK million	1.6	—	5.3
EBIT margin, %	Neg	Neg	Neg
EBITDA margin (EBITDA/Net revenue)			
Operating loss (EBIT), SEK million	-35.2	-39.1	-151.5
Depreciation/amortization, SEK million	-3.8	-2.6	-12.6
Net revenue, SEK million	1.6	—	5.3
EBITDA margin, %	Neg	Neg	Neg
Return on equity, % (Net profit or loss for the period/Average equity)			
Net loss for the period, SEK million	-34.3	-38.7	-151.1
Average equity, SEK million	115.6	165.7	157.8
Return on equity, %	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 total 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 medical care company focused on delivering innovative medical solutions to improve the lives of critically ill patients. IRRAS designs, develops, and commercializes neurocritical care products that transform patient outcomes and decrease the overall cost of care by addressing complications associated with current treatment methodologies. IRRAS markets and sells its comprehensive, innovative IRRAflow and Hummingbird ICP Monitoring product lines to hospitals worldwide through its direct sales organization in the

United States and select European countries as well as an international network of distribution partners. IRRAS maintains its headquarters in Stockholm, Sweden, with corporate offices in Munich, Germany, and San Diego, California, USA. For more information, please visit www.iras.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.

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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 May 14, 2020 at 8:00 a.m. (CET).

IRRAS

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