



Market begins to brighten after lockdowns

Second quarter, April - June 2020

- Net revenue amounted to SEK 1.2 million (1.1).
- Operating loss (EBIT) amounted to SEK -31.2 million (-40.7).
- Loss after tax amounted to SEK -32.5 million (-40.2).
- Earnings per share before and after dilution amounted to SEK -0.55 (-1.55).

Important events during the quarter

Nasdaq Stockholm listing

On May 19, IRRAS was listed on Nasdaq Stockholm.

Rights issue

The rights issue in IRRAS AB, 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.

Paycheck Protection Program loan received

In May, SEK 8 million were received as part of the US stimulus package Paycheck Protection Program.

Covid-19 delayed short term sales development

IRRAS' sales efforts were quickly adapted to the restrictions in the health care sector, but sales slowed due to the covid-19 pandemic.

Important events after the quarter

Change of Chairman of the Board of Directors

Anders P. Wiklund, Chairman of the Board of Directors of IRRAS, passed away in August and was replaced by Marios Fotiadis, a current board member of IRRAS.

Period January – June 2020

- Net revenue amounted to SEK 2.8 million (1.1).
- Operating loss (EBIT) amounted to SEK -66.5 million (-79.8).
- Loss after tax amounted to SEK -66.9 million (-78.9).
- Earnings per share before and after dilution amounted to SEK -1.52 (-3.15).

Other key accomplishments

- Patient treatments were successfully completed in the US, Finland, Israel, Kuwait and Portugal.
- The number of sold or placed units increased from 35 to 42 in a total of eight countries.
- Commercial capacity strengthened through both recruitments and new distribution agreements.
- Web based learning was launched in the form of IRRAS Academy.

Key accomplishments after the end of the quarter

- CE certification was extended until 2024 for IRRAflow.
- First new hospital approvals for evaluations in the US since the covid-19 restrictions were implemented.
- Training and IRRAflow treatments were resumed at multiple comprehensive stroke centers in the US.
- First ever treatment with Hummingbird Solo ICP Monitoring system was performed.
- IRRAS was granted a sixth patent for Hummingbird ICP Monitoring product line.

Key figures	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net revenue, SEK million	1.2	1.1	2.8	1.1	5.3
Gross margin, %	Neg	Neg	Neg	Neg	Neg
Operating loss (EBIT), SEK million	-31.2	-40.7	-66.5	-79.8	-151.5
EBIT margin, %	Neg	Neg	Neg	Neg	Neg
Loss after tax	-32.5	-40.2	-66.9	-78.9	-151.1
EBITDA, SEK million	-27.2	-38.0	-58.6	-74.5	-138.9
EBITDA margin, %	Neg	Neg	Neg	Neg	Neg
Return on equity, %	Neg	Neg	Neg	Neg	Neg

Comments from the CEO

In the second quarter, IRRAS made several advances in the ongoing commercialization of IRRAf^{low} and Hummingbird, despite the fact that the extensive covid-19 restrictions were a highly disruptive and delaying factor.

The covid-19 pandemic continues to limit our commercial activities and access to hospitals in countries around the world. However, compared with the widespread lockdowns in the second quarter, the situation is starting to improve. At the beginning of the third quarter, for the first time since the lockdowns came into force, we received approval to evaluate IRRAf^{low} and begin training in several new US hospitals as hospitals begin to open up. In addition, the training initiatives that were temporarily suspended in March were able to restart in portions of the country where restrictions began to ease.

In the US, we also performed the first treatment with Hummingbird Solo, a new line extension to the Hummingbird product portfolio. The launch of Hummingbird Solo allows IRRAS to directly target the potential market for ICP monitoring with a value corresponding to more than SEK 3 billion annually, as a whole new group of patients can be treated with Hummingbird products.

In Europe, we are also now seeing the results of the new CE marking for IRRAf^{low} and our team's work to reach out to existing and new contacts. During the quarter, even with covid-19 restrictions in place, the number of IRRAf^{low} systems sold or placed rose globally from 35 to 42. New systems were placed in Italy, Portugal and Poland, and training for distributors commenced.

To date this year, patients have been treated with IRRAf^{low} in the US, Finland, Israel, Kuwait and Portugal. As the covid-19 restrictions ease, we are expecting to accelerate in terms of establishment in new markets and expansion in the locations where we already operate.

Extension of the CE marking for IRRAf^{low} until 2024, which was announced at the beginning of the third quarter, will create a long-term approach and stability for our commercial expansion in Europe.

In order to adapt to the pandemic-related restrictions, our team has increased its focus on digital marketing and enhanced our ability to provide virtual product training. These efforts allowed support of patient treatments to continue during the covid-related lockdowns. Additionally, we have noted increased brand awareness and additional lead generation, and we expect to see a positive impact on revenue later in the year.

We have a strong focus on ensuring positive sales development and continue to adapt, develop and refine our sales organization. In the US market, this involves recruiting nurse education specialists who can educate and train different categories of hospital staff as well as adding external distributors in areas where we do not have our own employees in order to build up a cost-efficient sales organization with a wide reach. In Europe, we have recruited specialized sales staff in both Germany and Sweden. To increase the focus on commercial expansion, Will Martin was promoted to President and Chief Commercial Officer. The sales organization will be developed by adapting and improving efficiency, without increasing total costs.

We are still navigating an extremely challenging period, where the number of stroke treatments has fallen by 40% globally and our ability to develop existing and new partnerships with hospitals in both the US and Europe has been slowed. In spite of this IRRAS is continuing to refine its product portfolio and expand in both new and existing markets.

Now that the covid-19 restrictions are gradually easing, our efforts to build a leading company in neurocritical care will continue, which will improve the lives of patients and create value for our shareholders.

In mid-August, our chairman Anders P. Wiklund passed away after a period of illness. Anders was a wonderful person and great asset to IRRAS and will be greatly missed by the entire organization. But we are very glad that Marios Fotiadis, who has been a member of the board since inception and knows the company and market very well, has taken over as chairman.

Sincerely,
Kleanthis G. Xanthopoulos, Ph.D.



Group development January – June 2020

Net revenue

Net revenue for the period January to June 2020 amounted to SEK 2.8 million (1.1). Net revenue for the second quarter amounted to SEK 1.2 million (1.1).

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 June 2020 amounted to SEK 5.2 million (4.9) and SEK 2.7 million (2.4) during the second quarter.

The gross income for the period January to June 2020 amounted SEK -7.0 million (-14.5). The gross income for the second quarter amounted to SEK -4.2 million (-8.4). The main change in gross loss during the period is due to higher sales in 2020 than in previous year and decreased expenses in the manufacturing department 2020.

Operating expenses

Operating expenses for the period January to June 2020 totaled SEK 59.5 million (65.3). 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 16.1 million (21.1), of which SEK 3.0 million (4.2) was capitalized and SEK 13.1 million (16.9) was recognized as expense. The expensed R&D costs mainly includes personnel costs for the employees and consultant fees in these departments. 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 -66.5 million (-79.8) for the period January to June 2020, and SEK -31.2 million (-40.7) for the second quarter.

Net financial income

Net financial income totaled SEK -0.4 million (0.9).

Earnings

Loss before tax amounted to SEK -66.9 million (-78.9). Net loss for the period (loss after tax) amounted to SEK -66.9 million (-78.9).

Cash flow and liquidity

Cash flow from operating activities from January to June 2020, after the change in working capital, totaled SEK -73.9 million (-75.8).

At the end of the period, available liquidity amounted to SEK 204.7 million (168.7), including short and long-term financial investments of SEK 0.0 million (65.7).

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

The company has used a government stimulus packages during the second quarter. A Paycheck Protection Program loan was received in the US subsidiary in May, amounting to SEK 7.8 million. The loan serves to maintain employees and can be forgiven if certain criteria are fulfilled. The Swedish parent company has used the Swedish covid-19 support package offer to reduced social security fees.

Investments

Net investments totaled SEK 3.1 million (11.4), including capitalized development expenses amounting to SEK 3.0 million (4.2). In 2019, investment in patents purchased from Innerspace amounted to SEK 6.7 million.

Assets

As of June 30, 2020, intangible assets totaled SEK 41.7 million (46.0). 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 June 30, 2020, the Group's equity amounted to SEK 254.6 million (204.7) and the equity ratio was 90.7% (90.8).

As of June 30, 2020, interest-bearing liabilities totaled SEK 12.2 million (0.2). Current non interest-bearing liabilities totaled SEK 14.0 million (19.8).

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	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Germany	–	–	–	–	–
Europe, excluding Germany	1.0	–	1.6	–	–
USA	0.2	1.1	1.2	1.1	4.5
Other regions	–	–	–	–	0.7
Total	1.2	1.1	2.8	1.1	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 June 2020 was 41 (33), of which 6 (4) in the parent company. The breakdown of average number of employees by country was 6 (4) in Sweden, 32 (26) in the US and 3 (3) in Germany. The average number of women in the Group was 14 (11) and the average number of men was 27 (22).

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 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 *IRRAflow* and Hummingbird are not accepted by physicians, hospitals, patients, insurance providers or medical professionals even though the products are approved for marketing and sales or that the expected level or adoption is delayed.

Covid-19 has had a heavy impact on the company's ability to sell its products during the quarter and the company's sales have since February been significantly lower compared to internal forecasts. No disruption in the company's operations or in deliveries from manufacturers have been seen, but a potential risk remains. 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

During the second quarter, a fully guaranteed rights issue of net approximately 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, pages 23-24.

The share and shareholders

The IRRAS share was listed at Nasdaq Stockholm in May 2020. Before that, the company was listed at Nasdaq First North Premier Growth Market since 2017. The number of shares and votes in IRRAS AB at the end of June 2020 totaled 66,281,340.

Shareholders as of June 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%
Christos Panotopoulos	2,828,000	4.27%
March Asset Management	1,529,388	2.31%
Dr. Kleanthis G. Xanthopoulos	1,101,498	1.66%
Avanza Pension	1,055,727	1.59%
Lovisa Hamrin	849,024	1.28%
Nordnet Pension	631,247	0.95%
Total ten largest shareholders	36,524,070	55.10%
Other shareholders	29,757,270	44.90%
Total number of shares	66,281,340	100.00%

*Nominee accounts / shareholders are not included in this compilation

Incentive programs

As of August 27, 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

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, August 27, 2020
IRRAS AB (publ)

Marios Fotiadis
Chairman of the Board

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

Anita Tollstadius
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	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Net revenue	1.2	1.1	2.8	1.1	5.3
Cost of sales	-5.3	-9.5	-9.8	-15.6	-38.4
Gross profit/loss	-4.2	-8.4	-7.0	-14.5	-33.2
<i>Gross margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Other operating income	0.2	0.1	0.4	0.7	1.1
Marketing and sales expenses	-10.4	-10.9	-23.0	-22.2	-43.1
Administrative expenses	-11.4	-14.1	-23.5	-26.2	-45.5
Research and development expenses	-5.4	-7.4	-13.1	-16.9	-29.8
Other operating expenses	-0.1	-0.1	-0.3	-0.8	-1.1
Operating loss (EBIT)	-31.2	-40.7	-66.5	-79.8	-151.5
<i>EBIT margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial income/expenses	-1.3	0.5	-0.4	0.9	0.3
Loss before tax	-32.5	-40.2	-66.9	-78.9	-151.1
Tax	–	0.0	–	0.0	0.0
Net loss for the period	-32.5	-40.2	-66.9	-78.9	-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	-1.8	-1.2	0.4	-1.5	-1.1
Total other comprehensive income	-1.8	-1.2	0.4	-1.5	-1.1
Total comprehensive income for the period	-34.3	-41.4	-66.4	-80.4	-152.2
Earnings per share before dilution, SEK	-0.55	-1.55	-1.52	-3.15	-5.61
Earnings per share after dilution, SEK	-0.55	-1.55	-1.52	-3.15	-5.61
Number of shares before dilution, average	58,982,787	26,022,370	43,900,381	25,025,709	26,937,426
Number of shares after dilution, average	58,982,787	26,022,370	43,900,381	25,025,709	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	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	34.0	37.4	36.2
Licenses/patents	7.7	8.7	8.2
Total intangible assets	41.7	46.0	44.4
Right-of-use assets	4.3	0.2	6.2
Tangible assets			
Property, plant and equipment	0.9	0.8	0.9
Total tangible assets	5.2	1.0	7.2
Financial assets			
Financial investments, bonds	–	55.7	0.0
Total financial assets	–	55.7	0.0
Total non-current assets	46.9	102.7	51.6
Current assets			
Inventory	24.5	6.5	16.0
Financial investments, bonds	–	10.0	55.6
Accounts receivable	2.1	0.8	2.8
Other receivables	1.6	1.2	1.5
Prepaid expenses and accrued income	0.9	1.1	2.0
Cash and cash equivalents	204.7	103.0	29.5
Total current assets	233.8	122.7	107.4
TOTAL ASSETS	280.8	225.3	159.0

Consolidated statement of financial position in summary (cont.)

SEK million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
EQUITY			
Share capital	2.0	0.9	0.9
Other paid-in capital	726.9	537.4	537.4
Translation reserve	-2.6	-3.4	-3.0
Retained earnings, including net loss for the period	-471.7	-330.2	-403.8
Total equity	254.6	204.7	131.5
LIABILITIES			
Provisions			
Other provisions	–	0.7	0.0
Long term liabilities			
Lease liabilities	0.3	–	2.0
Total long-term liabilities and provisions	0.3	0.7	2.0
Current liabilities			
Lease liabilities	4.1	0.2	4.0
Liabilities to credit institutions	7.8	–	–
Accounts payable	5.7	5.5	7.5
Other liabilities	0.6	5.3	0.7
Accrued expenses and deferred income	7.6	9.1	13.3
Total current liabilities	25.8	20.0	25.5
Total liabilities and provisions	26.2	20.7	27.5
TOTAL EQUITY AND LIABILITIES	280.8	225.3	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	—	—	—	-78.9	-78.9
Other comprehensive income for the period	—	—	-1.5	—	-1.5
Comprehensive income for the period	—	—	-1.5	-78.9	-80.4
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	3.6	3.6
New rights issue	0.1	105.5	—	—	105.6
New rights issue expenses	—	-8.3	—	—	-8.3
Closing equity June 30, 2019	0.9	537.4	-3.4	-330.1	204.7
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-72.2	-72.2
Other comprehensive income for the period	—	—	0.4	—	0.4
Comprehensive income for the period	—	—	0.4	-72.2	-71.8
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	-1.4	-1.4
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	—	—	—	-66.9	-66.9
Other comprehensive income for the period	—	—	0.4	—	0.4
Comprehensive income for the period	—	—	0.4	-66.9	-66.5
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	-1.1	-1.1
New rights issue	1.1	216.2	—	—	217.3
New share issue expenses	—	-26.7	—	—	-26.7
Closing equity June 30, 2020	2.0	726.9	-2.6	-471.7	254.6

Condensed consolidated statement of cash flows in summary

SEK million	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Operating activities					
Operating loss (EBIT)	-31.2	-40.7	-66.5	-79.8	-151.5
Adjustment for non-cash items					
- Depreciation/amortization	4.1	2.7	7.9	5.3	12.6
- Incentive programs	-1.9	1.6	-1.1	3.6	2.2
- Other non-cash items	–	0.2	–	0.3	0.0
Interest received	0.0	0.1	0.0	0.2	0.5
Interest paid	0.0	0.1	-0.1	0.0	-0.1
Income tax paid	–	0.0	–	0.0	0.0
Cash flow from operating activities before changes in working capital	-29.1	-36.0	-59.7	-70.3	-136.3
Cash flow from changes in working capital					
Increase (-)/decrease (+) in inventory	-4.3	-2.2	-7.6	-1.1	-11.1
Increase (-)/decrease (+) in operating receivables	-2.5	-0.9	0.3	-1.0	-4.2
Increase (+)/decrease (-) in operating payables	-0.2	3.2	-6.9	-3.4	-2.0
Cash flow from operating activities	-36.1	-35.8	-73.9	-75.8	-153.7
Cash flow from investing activities					
Investment in intangible assets	-1.5	-8.9	-3.0	-10.9	-14.8
Investments in tangible assets	–	-0.3	-0.1	-0.5	-0.6
Sale of financial assets	–	20.2	55.5	45.1	55.2
Cash flow from investing activities	-1.5	11.0	52.3	33.7	39.8
Cash flow from financing activities					
New share issue	217.3	105.6	217.3	105.6	105.6
New share issue expenses	-26.1	-8.3	-26.7	-8.3	-8.3
Liabilities to credit institutions	7.8	–	7.8	–	–
Lease liabilities	-0.9	0.2	-1.9	0.2	-1.5
Cash flow from financing activities	198.1	97.5	196.5	97.5	95.7
Cash flow for the period	160.5	72.7	175.0	55.4	-18.2
Cash and cash equivalents at the beginning of the period	44.9	30.3	29.5	47.2	47.2
Exchange rate difference in cash and cash equivalents	-0.7	0.0	0.2	0.3	0.4
Cash and cash equivalents at the end of the period	204.7	103.0	204.7	103.0	29.5

Parent company statement of profit or loss in summary

SEK million	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Net revenue	1.6	0.6	1.6	0.6	1.6
Cost of sales	-2.7	-2.5	-5.2	-4.9	-9.8
Gross profit/loss	-1.2	-1.9	-3.6	-4.3	-8.3
Other operating income	0.2	0.0	0.3	0.0	0.2
Marketing and sales expenses	-0.9	0.0	-1.6	0.0	-1.1
Administrative expenses	-8.1	-10.2	-16.7	-18.1	-35.8
Research and development expenses	0.0	-0.3	-0.3	-0.7	-1.5
Other operating expenses	-0.1	-0.1	-0.3	-0.8	-0.9
Operating loss (EBIT)	-10.1	-12.5	-22.1	-23.9	-47.4
Net financial income	-1.2	1.3	-0.2	1.2	0.9
Loss before tax	-11.3	-11.3	-22.3	-22.7	-46.4
Tax	–	–	–	–	–
Net loss for the period	-11.3	-11.3	-22.3	-22.7	-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	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets	35.8	39.4	38.1
Tangible assets	0.3	0.4	0.3
Financial assets			
Shares in Group companies	281.3	182.9	233.0
Receivables from Group companies	19.0	22.7	17.2
Financial investments, bonds	–	55.7	0.0
Total financial assets	300.3	261.3	250.2
Total non-current assets	336.3	301.1	288.6
Current assets			
Financial investments, bonds	–	10.0	55.6
Other receivables	0.8	1.1	0.9
Prepaid expenses and accrued income	0.8	0.6	1.9
Cash and bank balances	195.7	81.7	22.7
Total current assets	197.3	93.4	81.0
TOTAL ASSETS	533.6	394.5	369.6
EQUITY AND LIABILITIES			
EQUITY			
Share capital	2.0	0.9	0.9
Fund for capitalized expenditure	30.4	32.6	31.7
Capital surplus	693.3	503.8	503.8
Retained earnings	-175.6	-128.9	-129.4
Loss for the year	-22.3	-22.7	-46.4
Total equity	527.8	385.7	360.5
Provisions	–	0.7	0.0
Accounts payable	1.1	1.0	2.8
Liabilities to Group companies	1.1	1.1	0.0
Other current liabilities	0.4	0.1	0.3
Accrued expenses and deferred income	3.2	5.8	6.0
Total liabilities and provisions	5.8	8.8	9.1
TOTAL EQUITY AND LIABILITIES	533.6	394.5	369.6

Parent company condensed consolidated statement of cash flows in summary

SEK million	Apr–Jun 2020	Apr–Jun 2019	Apr–Jun 2020	Apr–Jun 2019	Jan–Dec 2019
Operating activities					
Operating loss (EBIT)	-10.2	-12.5	-22.2	-23.9	-47.4
Adjustment for non-cash items					
- Depreciation/amortization	2.8	2.6	5.4	5.1	10.2
- Incentive programs	0.2	0.4	0.5	1.2	1.9
- Other non-cash items	—	0.2	—	0.3	0.0
Interest received	0.0	-0.1	0.0	0.0	0.8
Interest paid	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities before changes in working capital	-7.2	-9.5	-16.2	-17.3	-34.4
Cash flow from changes in working capital					
Increase (-)/decrease (+) in operating receivables	2.1	14.1	3.5	2.4	24.9
Increase (+)/decrease (-) in operating payables	-2.0	0.9	-0.3	1.1	1.2
Cash flow from operating activities	-7.1	5.5	-13.1	-13.8	-8.3
Cash flow from investing activities					
Investments in participations in subsidiaries	-9.8	-43.6	-53.2	-76.7	-163.9
Investment in intangible assets	-1.5	-2.1	-3.0	-4.2	-8.0
Investments in tangible assets	—	—	—	—	—
Sale of financial assets	—	20.2	55.5	45.1	55.2
Amortization from (+) /loans to (-) subsidiaries	-3.8	-9.7	-3.8	-3.4	13.0
Cash flow from investing activities	-15.2	-35.3	-4.5	-39.1	-103.7
Cash flow from financing activities					
New share issue	217.3	105.6	217.3	105.6	105.6
New share issue expenses	-26.1	-8.3	-26.7	-8.3	-8.3
Cash flow from financing activities	191.2	97.3	190.6	97.3	97.3
Cash flow for the period	168.8	67.5	173.0	44.4	-14.7
Cash and cash equivalents at the beginning of the period	26.9	14.2	22.7	37.3	37.3
Exchange rate difference in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents at the end of the period	195.7	81.7	195.7	81.7	22.7

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 June 30, 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 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 six incentive programs outstanding for employees, key personnel and Board members. The costs for the incentive programs totaled SEK -1.9 million (1.6) during the second quarter of 2020 and SEK 1.1 million (3.6) for the period from January to June 2020.

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 second quarter 2020, 23,000 options were distributed and 101,929 options were forfeited. A total of 1,779,405 options were outstanding as of June 30, 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.

During the second quarter 2020, 146,912 options were forfeited. A total of 373,000 options were outstanding as of June

30, 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 second quarter of 2020. A total of 320,000 warrants were outstanding as of June 30, 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 second quarter of 2020. A total of 100,000 warrants were outstanding as of June 30, 2020.

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 second quarter of 2020, 135,038 options were forfeited. A total of 532,699 options were outstanding as of June 30, 2020. The CEO has 39,277 options and two members of the management group have 49,990 and 16,274 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.

During the second quarter of 2020, 152,000 options were distributed. The CEO has 125,000 options and one member of the management group has 22,000 options.

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 June 2020 totaled 7.7 thousand (218.2). The Group has also purchased educational training from a person related to the President and CEO. The expense for the period totaled 270.8 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 June 2020 totaled SEK 0.0 thousand (37.2).

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.

	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Gross margin (Gross profit or loss/Net revenue)					
Gross profit/loss, SEK million	-4.2	-8.4	-7.0	-14.5	-33.2
Net revenue, SEK million	1.2	1.1	2.8	1.1	5.3
Gross margin, %	Neg	Neg	Neg	Neg	Neg
EBIT margin (Operating loss (EBIT)/Net revenue)					
Operating loss (EBIT), SEK million	-31.2	-40.7	-66.5	-79.8	-151.5
Net revenue, SEK million	1.2	1.1	2.8	1.1	5.3
EBIT margin, %	Neg	Neg	Neg	Neg	Neg
EBITDA margin (EBITDA/Net revenue)					
Operating loss (EBIT), SEK million	-31.2	-40.7	-66.5	-79.8	-151.5
Depreciation/amortization, SEK million	-4.1	-2.7	-7.9	-5.3	-12.6
Net revenue, SEK million	1.2	1.1	2.8	1.1	5.3
EBITDA margin, %	Neg	Neg	Neg	Neg	Neg
Return on equity, % (Net profit or loss for the period/Average equity)					
Net loss for the period, SEK million	-32.5	-40.2	-66.9	-78.9	-151.1
Average equity, SEK million	177.1	175.9	193.0	194.4	157.8
Return on equity, %	Neg	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 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 Stockholm: 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 IRRAS*flow* 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.

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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 August 27, 2020 at 8:00 a.m. (CET).

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