



IRRAS' progress continues and sales increase

Third quarter, July - September 2020

- Net revenue amounted to SEK 2.1 million (0.9).
- Operating loss (EBIT) amounted to SEK -31.0 million (-35.9).
- Loss after tax amounted to SEK -31.0 million (-35.7).
- Earnings per share before and after dilution amounted to SEK -0.47 (-1.24).

Important events during 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.

Other key accomplishments

- First new hospital approvals in the US were received to begin evaluations of IRRAflow since the start of covid-19 restrictions.
- Training and IRRAflow treatments were resumed at multiple comprehensive stroke centers in the US.
- First ever treatment with Hummingbird Solo ICP Monitoring system was completed.
- IRRAS was granted a sixth patent for Hummingbird ICP Monitoring product line.
- Two posters were presented at the Neurocritical Care Society annual meeting documenting that IRRAflow reduced hospital length of stay after chronic subdural hematoma treatment by more than 50% compared to the US average.
- CE Mark certification was extended until 2024 for IRRAflow.
- The global sales organisation was enhanced in Europe.

Period January – September 2020

- Net revenue amounted to SEK 4.9 million (1.9).
- Operating loss (EBIT) amounted to SEK -97.5 million (-115.7).
- Loss after tax amounted to SEK -97.8 million (-114.6).
- Earnings per share before and after dilution amounted to SEK -1.90 (-4.36).

Key accomplishments after the end of the quarter

- The first patient treatment with IRRAflow was performed at Universitätsklinikum Schleswig-Holstein (UKSH), Lübeck, in Germany.
- Initial agreement signed by BG Klinikum Bergmannstrost in Halle, Germany, to evaluate IRRAflow.
- Initial agreement signed by Aarhus University Hospital in Aarhus, Denmark, to evaluate IRRAflow.

Key figures	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net revenue, SEK million	2.1	0.9	4.9	1.9	5.3
Gross margin, %	Neg	Neg	Neg	Neg	Neg
Operating loss (EBIT), SEK million	-31.0	-35.9	-97.5	-115.7	-151.5
EBIT margin, %	Neg	Neg	Neg	Neg	Neg
Loss after tax	-31.0	-35.7	-97.8	-114.6	-151.1
EBITDA, SEK million	-27.0	-32.5	-85.6	-106.9	-138.9
EBITDA margin, %	Neg	Neg	Neg	Neg	Neg
Return on equity, %	Neg	Neg	Neg	Neg	Neg

Comments from the CEO

IRRAS' progress continues and sales increase

During the third quarter IRRAS made decisive progress in a number of areas. Sales growth was seen again as commercial activity resumed after being impacted by COVID-19 restrictions, and a clinical study data was presented that demonstrated that IRRAflow shortens the length of hospital stays for patients with chronic subdural hematoma (cSH). In both Europe and the US, patient treatments started in new hospitals as a number of new clinical evaluations have begun. We see a clear increased demand for IRRAflow in both Europe and the US and remain confident that we can capture a share of the SEK 15.5 billion market over the next few years.

Strong quarter for IRRA flow

In Europe, training of both distributors and hospitals has started in Italy, Portugal, the United Kingdom, Spain, and Poland. In Austria, Greece, Serbia, Croatia, Argentina, Chile and Costa Rica sales efforts are being initiated through new distribution partners.

The progress made with these distribution partners has been one of our most significant achievements this year. In these markets, systems are now stocked and are ready to be placed with customers, and the launch of IRRAflow can advance even as COVID-19 uncertainty remains.

In our direct markets of Germany and the Nordic countries, commercial progress was also seen during the 3rd quarter. In Germany, the first IRRAflow patient treatment since the system's CE mark renewal was completed, and the first customer agreement was also signed to evaluate IRRAflow with a new customer. Similar progress is being made in both Denmark and Sweden with hospital training expected to begin before the end of the year.

In the US, during the 3rd quarter normal hospital operations resumed in many parts of the country, and disposable orders to evaluate IRRAflow were placed at four new hospitals. One of the hospitals that initiated an IRRAflow evaluation was Buffalo General Medical Center, one of the world's most influential institutions in the treatment of stroke. Within the first month, 10 patients were treated to complete the evaluation. Other evaluations that started in the first quarter of 2020 but were paused due to COVID-19 also resumed in the 3rd quarter. Other evaluations remain on hold and will resume at some point in the near future.

Thus far this year, patients have been treated with IRRAflow in the US, Finland, Israel, Kuwait, Portugal and Germany. During the quarter, the number of IRRAflow systems currently installed with customers increased from 42 to 54, which is a direct sign of increased commercial activity from Q1 and Q2. Even if COVID-19 restrictions increase, we are well positioned to continue this acceleration, both through growth in new markets and expansion in the markets where we are already established.

During the quarter, clinical data was presented that demonstrated that IRRAflow shortened the length of hospital stays for patients

with chronic subdural hematoma (cSH). Research from the University of California - Irvine Medical Center found that IRRAflow shortened hospital stays for cSH patients by more than 50% compared to the US average, from six to just under three days. In addition, no complications were seen, and there were no incidents of recurrent bleeding. Reducing the length of stay for patients with intracranial bleeding can create significant cost savings for hospitals. For IRRAS, this clinical data is a validation of the strength of the product compared to older competing technology.

First treatment with Hummingbird Solo

Q3 also saw the first treatment with Hummingbird Solo, the latest product in the Hummingbird product family. Hummingbird Solo competes directly in the well-established market of monitoring pressure in the brain tissue with a value of over SEK 3 billion annually. During the quarter, the University of New Mexico Hospital completed its evaluation of the product, and we are now working with the hospital to convert their business to Hummingbird.

The Hummingbird product line is less dependent on on-site training, meaning that sales are less sensitive to the negative effects of the ongoing COVID-19 pandemic. IRRAS is aiming for a CE Mark for the Hummingbird product family as early as the first half of next year, which will allow the product to be marketed within the EU. Outside of the EU, we remain on track to announce the first international sales of Hummingbird before the close of the year.

Changes in the sales organization

So far during 2020, we have increased our revenue by 158% compared to the same period last year. While the growth has been significantly lower than planned, we have continued to grow our business in spite of COVID-19. The rights issue in the second quarter, which contributed approximately MSEK 190 to the company, provides the funds needed to operate for the next 12 months.

In order to adapt to market needs and circumstances imposed by COVID-19, we have refined our sales organization. In Europe, new sales leaders have been hired to head up sales operations in Germany and the Nordics. In the US, the company has appointed two nurse education specialists to focus exclusively on training new customers on the company's products.

In summary, our products meet a great need within neurocritical care. IRRAflow and Hummingbird streamline care by reducing both treatment time and complications. IRRAS' ambition is to build the most innovative company in neurocritical care and bring important new treatments to patients. We look forward to keeping you updated as we develop IRRAS and bring our innovative product portfolio to patients in need around the world.

Sincerely,
Kleanthis G. Xanthopoulos, Ph.D.



Group development January – September 2020

Net revenue

Net revenue for the period January to September 2020 amounted to SEK 4.9 million (1.9). Net revenue for the third quarter amounted to SEK 2.1 million (0.9).

Gross profit/loss

The gross income for the period January to September 2020 amounted SEK -10.6 million (-26.4). The gross income for the third quarter amounted to SEK -3.6 million (-11.9). 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.

The amortization of capitalized development expenses during the period January to September 2020 amounted to SEK 7.9 million (7.4) and SEK 2.7 million (2.5) during the third quarter.

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.

Operating expenses

Operating expenses for the period January to September 2020 totaled SEK 87.1 million (89.2). Marketing and sales expenses in US increased slightly compared to previous year, due to a strengthened sales organization and regulatory costs, while administrative and development expenses decreased due to reduced dependence to external consultants.

Total research and development expenses in the period amounted to SEK 25.4 million (29.0), of which SEK 4.6 million (6.2) was capitalized and SEK 20.8 million (22.8) 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 0.2 million (-0.2).

Operating loss (EBIT)

Operating loss (EBIT) totaled SEK -97.5 million (-115.7) for the period January to September 2020, and SEK -31.0 million (-35.9) for the third quarter.

Net financial income

Net financial income totaled SEK -0.3 million (1.1).

Earnings

Loss before tax amounted to SEK -97.8 million (-114.6). Net loss for the period (loss after tax) amounted to SEK -97.8 million (-114.6).

Cash flow and liquidity

Cash flow from operating activities from January to September 2020, after the change in working capital, totaled SEK -104.0 million (-113.6).

At the end of the period, available liquidity amounted to SEK 170.1 million (129.0), including short and long-term financial investments of SEK 0.0 million (65.7).

During the second quarter, a fully guaranteed rights issue of net SEK 189.5 million was completed.

The company has used government stimulus packages during the second quarter. A Paycheck Protection Program loan was received in the US subsidiary in May, amounting to SEK 7.5 million. The loan serves to maintain employees and can be forgiven and recognized as revenue if certain criteria are fulfilled. The Swedish parent company has used the Swedish COVID-19 support package offer for reduced social security fees.

Investments

Net investments totaled SEK 5.4 million (13.5), including capitalized development expenses amounting to SEK 4.6 million (13.0). During 2019, investment in patents purchased from Innerspace amounted to SEK 6.7 million.

Assets

As of September 30, 2020, intangible assets totaled SEK 40.1 million (45.7). These intangible assets comprised capitalized development expenses and capitalized patent expenses.

Capitalized development expenses are amortized on a straight-line basis over assessed useful life estimated to 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.

The increase in inventory is primarily related to the company's planned expansion during the year.

Equity and liabilities

As of September 30, 2020, the Group's equity amounted to SEK 222.2 million (168.7) and the equity ratio was 90.3% (84.8).

As of September 30, 2020, interest-bearing liabilities totaled SEK 3.4 million (7.3). Current non-interest-bearing liabilities totaled SEK 20.3 million (22.2).

Changes in the parent company

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

Sales per region SEK million

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Germany	–	–	–	–	–
Europe, excluding Germany	0.5	–	2.2	–	–
USA	1.6	0.6	2.7	1.6	4.5
Other regions	–	0.3	–	0.3	0.7
Total	2.1	0.9	4.9	1.9	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 September 2020 was 42 (33), of which 6 (4) in the parent company. The breakdown of average number of employees by country was 6 (4) in Sweden, 33 (27) in the US and 3 (3) in Germany. The average number of women in the Group was 15 (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.

During the third quarter, restrictions due to Covid-19 have eased somewhat and made it easier to contact and train potential customers, but the pandemic continues to affect the company's ability to sell its products. The company's sales have been significantly lower compared to internal forecasts during the whole period. No disruption in the company's operations or in deliveries from manufacturers have been seen, but a potential risk remains. If restrictions harden again there is a significant risk that the company's sales will again be severely impacted. 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.

The consolidated interim financial statements have been prepared on a going concern basis. In preparing the financial statements, management has based their assumptions on existing cash balances and future cash flows from sales of products. In estimating future cash expenditures, management has considered those which are at management discretion and can be eliminated or postponed. The current commercialization and product development strategy may not be attainable if sales from products do not develop as projected due to the effect COVID-19 or other risks which would result in the delay or elimination of certain activities such as further development of products and expansion into certain markets.

Management acknowledges that there are uncertainties in the estimation of these future cash flows but based on lower levels of discretionary spending, if forecasted revenue or additional financing was not achieved, management believes there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months.

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 September 2020 totaled 66,281,340.

Shareholders as of September 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	1,404,726	2.12%
Dr. Kleanthis G. Xanthopoulos	1,101,498	1.66%
Avanza Pension	1,039,541	1.57%
Lovisa Hamrin	849,024	1.28%
Nordnet Pension	661,542	1.00%
Total ten largest shareholders	36,413,517	54.94%
Other shareholders	29,867,823	45.06%
Total number of shares	66,281,340	100.00%

*Nominee accounts / shareholders are not included in this compilation

Incentive programs

As of November 10, 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 Securities
Oscar Bergman	Redeye

Financial calendar

Q4 2020 Year-end Report	February 16, 2021
Q1 2020 Interim Report	May 11, 2021
Q2 2020 Interim Report	July 27, 2021
Q3 2020 Interim Report	November 9, 2021

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

Auditors review

This report has 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, November 10, 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	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net revenue	2.1	0.9	4.9	1.9	5.3
Cost of sales	-5.7	-12.8	-15.5	-28.3	-38.4
Gross profit/loss	-3.6	-11.9	-10.6	-26.4	-33.2
<i>Gross margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Other operating income	0.4	0.1	0.8	0.8	1.1
Marketing and sales expenses	-11.3	-9.5	-34.3	-31.6	-43.1
Administrative expenses	-8.4	-8.5	-31.9	-34.7	-45.5
Research and development expenses	-7.8	-5.9	-20.8	-22.8	-29.8
Other operating expenses	-0.3	-0.2	-0.6	-1.0	-1.1
Operating loss (EBIT)	-31.0	-35.9	-97.5	-115.7	-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	0.0	0.2	-0.3	1.1	0.3
Loss before tax	-31.0	-35.7	-97.8	-114.6	-151.1
Tax	–	–	0.0	0.0	0.0
Net loss for the period	-31.0	-35.7	-97.8	-114.6	-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	-1.5	1.0	-1.1	-0.5	-1.1
Total other comprehensive income	-1.5	1.0	-1.1	-0.5	-1.1
Total comprehensive income for the period	-32.5	-34.7	-98.9	-115.1	-152.2
Earnings per share before dilution, SEK	-0.47	-1.24	-1.90	-4.36	-5.61
Earnings per share after dilution, SEK	-0.47	-1.24	-1.90	-4.36	-5.61
Number of shares before dilution, average	66,281,340	28,817,974	51,415,155	26,303,688	26,937,426
Number of shares after dilution, average	66,281,340	28,817,974	51,415,155	26,303,688	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	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	32.9	36.9	36.2
Licenses/patents	7.2	8.8	8.2
Total intangible assets	40.1	45.7	44.4
Right-of-use assets	3.5	7.6	6.2
Tangible assets			
Property, plant and equipment	1.4	0.9	0.9
Total tangible assets	4.9	8.5	7.2
Financial assets			
Financial investments, bonds	–	45.6	0.0
Total financial assets	–	45.6	0.0
Total non-current assets	45.0	99.8	51.6
Current assets			
Inventory	25.4	13.2	16.0
Accounts receivable	3.4	1.1	2.8
Other receivables	1.3	1.1	1.5
Prepaid expenses and accrued income	0.7	0.5	2.0
Financial investments, bonds	–	20.1	55.6
Cash and cash equivalents	170.1	63.3	29.5
Total current assets	200.9	99.2	107.4
TOTAL ASSETS	246.0	199.0	159.0

Consolidated statement of financial position in summary (cont.)

SEK million	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
EQUITY			
Share capital	2.0	0.9	0.9
Other paid-in capital	726.7	537.4	537.4
Translation reserve	-4.1	-2.4	-3.0
Retained earnings, including net loss for the period	-502.3	-367.1	-403.8
Total equity	222.2	168.7	131.5
LIABILITIES			
Provisions			
Other provisions	–	0.7	0.0
Long term liabilities			
Lease liabilities	0.1	3.1	2.0
Total long-term liabilities and provisions	0.1	3.9	2.0
Current liabilities			
Lease liabilities	3.4	4.2	4.0
Liabilities to credit institutions	7.5	–	–
Accounts payable	3.9	8.1	7.5
Other liabilities	0.5	0.2	0.7
Accrued expenses and deferred income	8.4	14.0	13.3
Total current liabilities	23.7	26.4	25.5
Total liabilities and provisions	23.7	30.3	27.5
TOTAL EQUITY AND LIABILITIES	246.0	199.0	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	—	—	—	-114.6	-114.6
Other comprehensive income for the period	—	—	-0.5	—	-0.5
Comprehensive income for the period	—	—	-0.5	-114.6	-115.1
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	2.4	2.4
New rights issue	0.1	105.5	—	—	105.6
New rights issue expenses	—	-8.3	—	—	-8.3
Closing equity September 30, 2019	0.9	537.4	-2.4	-367.1	168.7
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-36.5	-36.5
Other comprehensive income for the period	—	—	-0.6	—	-0.6
Comprehensive income for the period	—	—	-0.6	-36.5	-37.1
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	-0.1	-0.1
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	—	—	—	-97.8	-97.8
Other comprehensive income for the period	—	—	-1.1	—	-1.1
Comprehensive income for the period	—	—	-1.1	-97.8	-98.9
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	-0.7	-0.7
New rights issue	1.1	216.2	—	—	217.3
New share issue expenses	—	-26.9	—	—	-26.9
Closing equity September 30, 2020	2.0	726.7	-4.1	-502.3	222.2

Condensed consolidated statement of cash flows in summary

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operating activities					
Operating loss (EBIT)	-31.0	-35.9	-97.5	-115.7	-151.5
Adjustment for non-cash items					
- Depreciation/amortization	4.0	3.5	11.9	8.8	12.6
- Incentive programs	0.4	-1.3	-0.7	2.4	2.2
- Other non-cash items	—	0.0	—	0.4	0.0
Interest received	0.0	0.1	0.0	0.4	0.5
Interest paid	-0.2	-0.1	-0.3	-0.1	-0.1
Income tax paid	—	—	0.0	0.0	0.0
Cash flow from operating activities before changes in working capital	-26.9	-33.6	-86.6	-103.9	-136.3
Cash flow from changes in working capital					
Increase (-)/decrease (+) in inventory	-1.3	-5.9	-8.8	-7.0	-11.1
Increase (-)/decrease (+) in operating receivables	-1.0	0.8	-0.7	-0.2	-4.2
Increase (+)/decrease (-) in operating payables	-0.9	1.0	-7.8	-2.4	-2.0
Cash flow from operating activities	-30.1	-37.8	-104.0	-113.6	-153.7
Cash flow from investing activities					
Investment in intangible assets	-1.6	-2.0	-4.6	-13.0	-14.8
Investments in tangible assets	-0.7	0.0	-0.8	-0.5	-0.6
Sale of financial assets	—	—	55.5	45.1	55.2
Cash flow from investing activities	-2.2	-2.0	50.1	31.7	39.8
Cash flow from financing activities					
New share issue	—	—	217.3	105.6	105.6
New share issue expenses	-0.2	—	-26.9	-8.3	-8.3
Liabilities to credit institutions	-0.3	—	7.5	—	—
Lease liabilities	-1.0	-0.8	-2.9	-0.6	-1.5
Cash flow from financing activities	-1.6	-0.8	195.0	96.7	95.7
Cash flow for the period	-33.9	-40.7	141.1	14.8	-18.2
Cash and cash equivalents at the beginning of the period	204.7	103.0	29.5	47.2	47.2
Exchange rate difference in cash and cash equivalents	-0.7	1.0	-0.5	1.3	0.4
Cash and cash equivalents at the end of the period	170.1	63.3	170.1	63.3	29.5

Parent company statement of profit or loss in summary

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net revenue	1.2	0.5	2.8	1.1	1.6
Cost of sales	-2.7	-2.5	-7.9	-7.4	-9.8
Gross profit/loss	-1.5	-2.0	-5.1	-6.3	-8.3
Other operating income	0.4	0.0	0.7	0.0	0.2
Marketing and sales expenses	-1.5	-0.5	-3.0	-0.5	-1.1
Administrative expenses	-5.3	-6.6	-22.0	-24.7	-35.8
Research and development expenses	-0.1	-0.5	-0.4	-1.1	-1.5
Other operating expenses	-0.1	-0.1	-0.4	-0.9	-0.9
Operating loss (EBIT)	-8.2	-9.6	-30.3	-33.5	-47.4
Net financial income	0.2	0.4	0.0	1.6	0.9
Loss before tax	-8.0	-9.3	-30.3	-31.9	-46.4
Tax	–	–	–	–	–
Net loss for the period	-8.0	-9.3	-30.3	-31.9	-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	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets	34.5	38.9	38.1
Tangible assets	0.2	0.3	0.3
Financial assets			
Shares in Group companies	320.1	217.2	233.0
Receivables from Group companies	22.8	21.3	17.2
Financial investments, bonds	–	45.6	0.0
Total financial assets	342.9	284.1	250.2
Total non-current assets	377.7	323.3	288.6
Current assets			
Other receivables	0.6	0.5	0.9
Prepaid expenses and accrued income	0.6	0.3	1.9
Financial investments, bonds	–	20.1	55.6
Cash and bank balances	146.9	39.1	22.7
Total current assets	148.0	60.0	81.0
TOTAL ASSETS	525.7	383.3	369.6
EQUITY AND LIABILITIES			
EQUITY			
Share capital	2.0	0.9	0.9
Fund for capitalized expenditure	29.7	31.9	31.7
Capital surplus	693.1	503.8	503.8
Retained earnings	-174.6	-129.5	-129.4
Loss for the year	-30.3	-31.9	-46.4
Total equity	519.9	375.1	360.5
Provisions	–	0.7	0.0
Accounts payable	0.7	0.9	2.8
Liabilities to Group companies	0.6	1.7	0.0
Other current liabilities	0.3	0.1	0.3
Accrued expenses and deferred income	4.2	4.7	6.0
Total liabilities and provisions	5.8	8.1	9.1
TOTAL EQUITY AND LIABILITIES	525.7	383.1	369.6

Parent company condensed consolidated statement of cash flows in summary

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operating activities					
Operating loss (EBIT)	-8.1	-9.6	-30.3	-33.5	-47.4
Adjustment for non-cash items					
- Depreciation/amortization	2.8	2.6	8.3	7.7	10.2
- Incentive programs	0.1	0.3	0.7	1.4	1.9
- Other non-cash items	—	—	—	0.4	0.0
Interest received	0.0	0.6	0.0	0.6	0.8
Interest paid	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities before changes in working capital	-5.1	-6.2	-21.4	-23.4	-34.4
Cash flow from changes in working capital					
Increase (-)/decrease (+) in operating receivables	0.5	24.6	4.0	27.0	24.9
Increase (+)/decrease (-) in operating payables	2.0	-1.1	1.6	-0.1	1.2
Cash flow from operating activities	-2.7	17.3	-15.8	3.5	-8.3
Cash flow from investing activities					
Investments in participations in subsidiaries	-40.5	-70.9	-93.7	-147.6	-163.9
Investment in intangible assets	-1.6	-2.0	-4.6	-6.2	-8.0
Investments in tangible assets	—	—	—	—	—
Sale of financial assets	—	—	55.5	45.1	55.2
Amortization from (+) /loans to (-) subsidiaries	-3.8	12.9	-7.6	9.5	13.0
Cash flow from investing activities	-45.9	-60.0	-50.4	-99.1	-103.7
Cash flow from financing activities					
New share issue	—	—	217.3	105.6	105.6
New share issue expenses	-0.2	—	-26.9	-8.3	-8.3
Cash flow from financing activities	-0.2	—	190.4	97.3	97.3
Cash flow for the period	-48.8	-42.6	124.3	1.8	-14.7
Cash and cash equivalents at the beginning of the period	195.7	81.7	22.7	37.3	37.3
Exchange rate difference in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents at the end of the period	146.9	39.1	146.9	39.1	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 September 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 0.4 million (-1.3) during the third quarter of 2020 and SEK -0.7 million (2.4) for the period from January to September 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 third quarter 2020, 81,500 options were distributed, and 52,857 options were forfeited. A total of 1,808,048 options were outstanding as of September 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 third quarter 2020, 5,560 options were forfeited. A total of 367,440 options were outstanding as of September 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 third quarter of 2020. A total of 320,000 warrants were outstanding as of September 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 third quarter of 2020. A total of 100,000 warrants were outstanding as of September 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 third quarter of 2020, 8,355 options were forfeited. A total of 524,344 options were outstanding as of September 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 third quarter of 2020, 326,524 options were distributed. A total of 478,524 options were outstanding as of September 30, 2020. The CEO has 125,000 options and four members of the management group have 100,000, 52,000, 15,000 and 12,024 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:

The Group has purchased office equipment from a person related to President and CEO Kleanthis G. Xanthopoulos. The expense for the period January to September 2020 totaled 7.5 thousand (220.5). The Group has also purchased educational training from a person related to the President and CEO. The expense for the period totaled 394.6 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 September 2020 totaled SEK 0.0 thousand (37.6).

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.

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Gross margin (Gross profit or loss/Net revenue)					
Gross profit/loss, SEK million	-3.6	-11.9	-10.6	-26.4	-33.2
Net revenue, SEK million	2.1	0.9	4.9	1.9	5.3
Gross margin, %	Neg	Neg	Neg	Neg	Neg
EBIT margin (Operating loss (EBIT)/Net revenue)					
Operating loss (EBIT), SEK million	-31.0	-35.9	-97.5	-115.7	-151.5
Net revenue, SEK million	2.1	0.9	4.9	1.9	5.3
EBIT margin, %	Neg	Neg	Neg	Neg	Neg
EBITDA margin (EBITDA/Net revenue)					
Operating loss (EBIT), SEK million	-31.0	-35.9	-97.5	-115.7	-151.5
Depreciation/amortization, SEK million	-4.0	-3.5	-11.9	-8.8	-12.6
Net revenue, SEK million	2.1	0.9	4.9	1.9	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	-31.0	-35.7	-97.8	-114.6	-151.1
Average equity, SEK million	238.4	186.7	176.8	176.4	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.

Contact



Kleantis G. Xanthopoulos, Ph.D.,
CEO

ir@iras.com



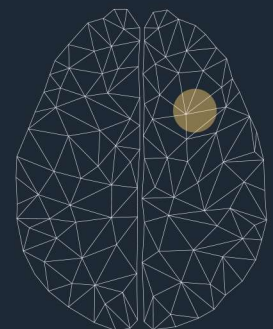
Sabina Berlin
CFO

+46 739 51 95 02
sabina.berlin@iras.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 November 10, 2020 at 8:00 a.m. (CET).

IRRAS

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Review report

To the Board of Directors of IRRAS AB (publ)

Corp. id. 556872-7134

Introduction

We have reviewed the condensed interim financial information (interim report) of IRRAS AB (publ) as of 30 September 2020 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 10 November 2020

KPMG AB

Duane Swanson

Authorized Public Accountant