

INTERIM REPORT Q1, 2023

January – March 2023

Financial Summary

January - March

- Net revenue amounted to 11.2 MSEK (8.6)
- Operating loss (EBIT) amounted to -59.2 MSEK (-33.7)
- Loss after tax amounted to -59.2 MSEK (-33.3)
- EPS before and after dilution amounted to SEK -0.07 (-0.46)

CEO Statement

The first quarter served as an encouraging start to 2023 for IRRAS as our total revenue of MSEK 11.2 marked the highest quarterly revenue total in the company's history.

During last quarter's year-end report, we referenced that the US was expected to drive a higher percentage of the company's revenue in future quarters due to two reasons: (1) increased utilization from existing customers as account penetration grows, and (2) revenue contribution as a result of our commercial partnership with Medtronic. During Q1, the US market accounted for 83% of our total revenue, and 95% of our US revenue was generated by existing customers that had previously ordered. Although all revenue during Q1 was generated from IRRAS-driven accounts, customer interest driven by our partners at Medtronic was encouraging, and a robust funnel has been created during the early stages of their sales activity.

Beyond sales activity, a number of other important growth drivers also occurred during Q1 2023. World-renowned surgeons from the University of Buffalo published the first comparative clinical data to confirm the superiority of IRRAflow versus traditional passive drainage. Such clinical data and support from leading physicians continues to drive the product approval process for IRRAflow at other leading US facilities.

Finally, we made meaningful, needed progress regarding the company's next needed financing. Our existing investors remain supportive as we've signed a short-term bridge financing with Bacara Holdings, and, in the near future, we plan to finalize and announce plans to provide the company capital to support our continued growth and expansion.

Thank you for your continued interest and support.

Will Martin, CEO

Events

During the quarter

- Superiority of IRRAflow system confirmed in head-to-head clinical study performed by Neurosurgeons at University of Buffalo and published in the Operative Neurosurgery Journal. The study concluded that IRRAflow system, when used for the treatment of chronic subdural hematomas (cSDH), results in favorable clinical outcomes, low complication and revision rates, faster clearance of collected blood, and reduced rates of catheter infections compared to passive drainage using an external ventricular drain (EVD).

After the period

- Secured bridge financing agreement through a loan providing up to MSEK 40 in funding to cover working capital needs until the completion of the ongoing financing process.

Selected key indicators

| | 2023 | 2022 | 2022 |
|------------------------------|---------|---------|---------|
| SEK Million | Jan-Mar | Jan-Mar | Jan-Dec |
| Net revenue | 11.2 | 8.6 | 40.0 |
| Gross margin (%) | 8% | 49% | Neg |
| Operating loss (EBIT) | -59.2 | -33.7 | -168.1 |
| Net Profit | -59.2 | -33.3 | -166.6 |
| EBITDA | -55.4 | -29.4 | -151.7 |
| Return on equity | Neg | Neg | Neg |
| Share of sales in the US (%) | 83% | 43% | 56% |
| Reorders share of sales (%) | 81% | 62% | 61% |

Financial Calendar: | Q2 – August 24, 2023 | Q3 – November 9, 2023 | Q4 – February 21, 2023 | Financial reports: www.IRRAS.com

Contact: investor@IRRAS.com, +46 (0)8 120 131 21

Financial reporting

Consolidated revenue and earnings – Q1

Consolidated net revenue for the quarter amounted to 11.2 MSEK (8.6). The increase was driven by higher new as well as recurring sales. **Cost of sales** amounted to 10.2 MSEK (4.4) driven primarily by higher sales. **Consolidated gross profit/(loss)** totaled 0.9 MSEK (4.2). The reported **gross margin** was 8% (49), where the first quarter last year benefited from a relatively more favorable sales mix, and the expensing of certain development costs in 2021.

Operating expenses totaled 60.1 MSEK (38.0) reflecting increased activities in product enhancement, studies, training and sales. **M&S expenses** were 29.1 MSEK (13.3) driven by increased commercial activities. **G&A expenses** were 16.3 MSEK (17.1). **R&D expenses** amounted to 13.5 MSEK (7.6) where the increase reflects the product development phase coming to an end where certain finishing touches and education can't be capitalized under IFRS. **Other operating income/expense** totaled -1.2 MSEK (0.0) relating primarily to exchange gains and losses.

Operating loss (EBIT) was -59.2 MSEK (-33.7) and **net financial income** was 0.0 MSEK (0.4). **Comprehensive income** for the quarter was -59.4 MSEK (-32.4).

| Condensed consolidated P&L | 2023 | 2022 | 2022 |
|---|--------------|--------------|---------------|
| MSEK | Jan-Mar | Jan-Mar | Jan-Dec |
| Net revenue | 11.2 | 8.6 | 40.0 |
| Cost of sales | -10.2 | -4.4 | -31.6 |
| Gross profit/loss | 0.9 | 4.2 | 8.4 |
| Gross margin | 8% | 49% | 21% |
| Marketing and sales (M&S) | -29.1 | -13.3 | -63.2 |
| General and administration (G&A) | -16.3 | -17.1 | -66.5 |
| Research and development (R&D) | -13.5 | -7.6 | -46.2 |
| Other operating income/expenses | -1.2 | 0 | -0.5 |
| Total operating expenses | -60.1 | -38.0 | -176.5 |
| EBIT; Operating profit/loss | -59.2 | -33.7 | -168.1 |
| Net financial items | 0.0 | 0.4 | 1.5 |
| Earnings before taxes | -59.2 | -33.3 | -166.6 |
| Tax | 0.0 | 0 | 0.0 |
| Net profit/loss | -59.2 | -33.3 | -166.6 |
| Comprehensive income | | | |
| Translation differences | -0.2 | 0.9 | 1.1 |
| Comprehensive income attributable to Parent Company's shareholders | -59.4 | -32.4 | -165.5 |
| Earnings per share before and after dilution (SEK) | -0.07 | -0.46 | -1.89 |

The US market continues to represent the largest share of **Sales per region** driven by the company's more established account base and customer adoption in the US, while the European team, after extended impact from the Covid-19 pandemic, works to build clinical data and reference accounts.

| Sales per Region | 2023 | 2022 | 2022 |
|---------------------------|-------------|------------|-------------|
| MSEK | Jan-Mar | Jan-Mar | Jan-Dec |
| USA | 9.3 | 3.7 | 22.4 |
| Germany | 0.3 | 2.3 | 4.6 |
| Europe, excluding Germany | 1.6 | 1.3 | 4.3 |
| Rest of World | - | 1.4 | 8.8 |
| Total | 11.2 | 8.6 | 40.0 |

Financial position

Non-current assets decreased to 30.4 MSEK (38.7). The lower net amount is not a reflection on future earnings expectations, but rather a reflection of the fact that the product is entering its final stages of development and that the Company maintains a conservative policy with low capitalization and high depreciation rates. **Amortization of capitalized development** is recognized under Cost of sales.

Inventory has increased to 39.8 MSEK (19.7) reflecting a conversion towards commercialization and preparing for expected orders as sales representation grows. **Current receivables** decreased to 20.3 MSEK (27.1) driven by lower levels of prepayments and account receivable realignment.

Total equity was 86.9 MSEK (79.4)

| Condensed consolidated Balance Sheet | 2023 | 2022 | 2022 |
|--------------------------------------|--------------|--------------|--------------|
| SEK millions | 31-Mar | 31-Mar | 31-Dec |
| Capitalized development | 18.4 | 27.6 | 20.3 |
| Licenses/patents | 5.4 | 5.9 | 5.7 |
| Other tangible Assets | 6.6 | 5.1 | 8.8 |
| Total non-current assets | 30.4 | 38.7 | 34.8 |
| Inventory | 39.8 | 19.7 | 29.1 |
| Other current receivables | 20.3 | 27.1 | 38.4 |
| Cash and cash equivalent | 17.6 | 19.6 | 69.3 |
| Total current assets | 77.7 | 66.5 | 136.8 |
| TOTAL ASSETS | 108.1 | 105.1 | 171.6 |
| Equity | 86.9 | 79.4 | 146.0 |
| Long-term liabilities | 0.1 | 0.3 | 5.9 |
| Current liabilities | 21.0 | 25.4 | 19.7 |
| TOTAL EQUITY AND LIABILITIES | 108.1 | 105.1 | 171.6 |

| Condensed change in Equity | 2023 | 2022 | 2022 |
|-------------------------------------|--------------|--------------|---------------|
| SEK millions | Jan-Mar | Jan-Mar | Jan-Dec |
| Opening balance | 146.0 | 111.6 | 111.6 |
| Net Profit | -59.2 | -33.3 | -166.6 |
| Other comprehensive income | -0.2 | 0.9 | 1.1 |
| Total comprehensive income | -59.4 | -32.4 | -165.5 |
| Share based incentive programs | 0.2 | 0.2 | 0.7 |
| Share issue | - | - | 214.6 |
| Costs related to direct share issue | - | - | -15.4 |
| Closing Balance | 86.9 | 79.4 | 146.0 |

Cash flow

QUARTER: Cash flow from **operating** activities were to -53.1 MSEK (-33.2) as a result of investments in product development and the commercial expansion in combination with, as yet, limited revenues. **Investment** amounted to -0.2 MSEK (-1.9). **Financing** amounted to -0.8 MSEK (-1.2). **Total cash flow** for the period was -54.1 MSEK (-36.3).

| Cash flow | 2023 | 2022 | 2022 |
|---|-------------|-------------|-------------|
| SEK millions | Jan-Mar | Jan-Mar | Jan-Dec |
| Operating profit/loss | -59.2 | -33.7 | -168.1 |
| Adjustment for non-cash items ¹⁾ | 3.1 | 5.5 | 32.5 |
| Net interest | -0.7 | - | -0.6 |
| Taxes paid | 0.0 | - | 0.0 |
| Change in working capital | 6.1 | -5.0 | -39.6 |
| Cash flow from | | | |
| Operating activities | -50.7 | -33.2 | -175.8 |
| Investment activities | -0.2 | -1.9 | -3.4 |
| Financing activities | -0.8 | -1.2 | 19.0 |
| Cash at beginning of period | 69.3 | 55.9 | 55.9 |
| Cash flow for the period | -51.7 | -36.3 | 14.7 |
| Exchange rate difference in cash | 0.0 | 0.1 | -1.3 |
| Cash at close of period | 17.6 | 19.6 | 69.3 |

1) Pertains mainly to changes in share-based remuneration programs including social security contributions, exchange rate differences, as well as depreciation, cost adjustments in inventory, and impairments

Financial reporting – Parent Company

IRRAS AB's primary focus is Group administration related to the company's listing on Nasdaq, and services relating to Group companies. **Net revenue** amounted to 2.6 MSEK (0.0) year to date and reflects invoicing to subsidiaries. **Operating losses** amounted to -7.5 MSEK (-10.6) year to date. **Net financial income** amounted to MSEK 0.1MSEK (0.6).

| Condensed consolidated P&L | 2023 | 2022 | 2022 |
|--------------------------------------|-------------|--------------|--------------|
| | Jan-Mar | Jan-Mar | Jan-Dec |
| MSEK | | | |
| Net revenue | 2.6 | 0.0 | 0.4 |
| Cost of sales | -1.9 | -2.9 | -10.4 |
| Gross profit/loss | 0.7 | -2.9 | -9.9 |
| Marketing and sales (M&S) | -2.4 | -1.9 | -7.8 |
| General and administration (G&A) | -6.1 | -5.7 | -26.6 |
| Research and development (R&D) | 0.0 | -0.1 | -0.4 |
| Other operating income/expenses | 0.4 | 0.0 | 0.0 |
| EBIT; Operating profit/loss | -7.5 | -10.6 | -44.8 |
| Write-down of shares in subsidiaries | - | -61.9 | -16.9 |
| Net financial items | 0.1 | 0.6 | 2.3 |
| Earnings before taxes | -7.3 | -71.9 | -59.4 |
| Tax | - | - | - |
| Net profit/loss | -7.3 | -71.9 | -59.4 |

Shares in group companies have increased with shareholders' contributions. The increase in **financial assets** reflects the conversion of an intercompany loan to equity for IRRAS GmbH.

| Parent Company Balance Sheet | 2023 | 2022 |
|---|--------------|--------------|
| SEK thousand | 31-Mar | 31-Dec |
| Capitalized development | 18.4 | 20.3 |
| Licenses/patents | 0.9 | 0.9 |
| Financial assets ¹⁾ | 432.0 | 376.3 |
| Capitalized development | 0.01 | 0.0 |
| Total non-current assets | 451.2 | 397.6 |
| Other receivables | 5.2 | 1.3 |
| Cash in bank | 4.9 | 67.4 |
| Total current assets | 10.1 | 68.8 |
| TOTAL ASSETS | 461.3 | 466.4 |
| Share capital | 23.8 | 23.8 |
| Share premium reserve | 28.0 | 28.0 |
| Total Restricted equity | 51.8 | 51.8 |
| Share premium reserve | 931.9 | 931.9 |
| Retained earnings and this year's profits | -536.5 | -529.6 |
| Total non-restricted equity | 395.4 | 402.4 |
| Long-term liabilities ²⁾ | 0.0 | 0.0 |
| Current liabilities | 14.1 | 12.2 |
| TOTAL EQUITY AND LIABILITIES | 461.3 | 466.4 |

¹⁾ Participation in Group Companies and long-term Group receivables

²⁾ Long term lease liability and provisions for social security contributions relating to incentive programs

Number of Shares

| Number of Shares | 2023 | 2022 | 2022 |
|------------------|-------------|------------|-------------|
| | Jan-Mar | Jan-Mar | Jan-Dec |
| Opening | 794,813,400 | 79,481,340 | 79,481,340 |
| Closing | 794,813,400 | 79,481,340 | 794,813,400 |
| Average | 794,813,400 | 79,481,340 | 320,077,784 |

Employees

The average number of employees during the quarter was 47 (44). **Related party transactions** of MSEK 0.0 (0.2) arose from educational training sourced from a party related to the Board Member Kleantis G. Xanthopoulos.

Effects of covid-19 and the war in the Ukraine

Neither are deemed to have any material effects on the financial statements.

Long-term incentive programs IRRAS AB

The long-term incentive program issued by IRRAS AB aims to align shareholders and employee incentives. The options have been allotted at no cost, are transferred at fair market value as determined by independent valuations, are vested based on the terms of individual employment contracts and programs, can be exercised when fully vested and each option carries the right to subscribe to one new share. For additional information see AGM announcements from relevant years.

Program 1 – LTIP 2016: maximum of 1,900,000 options, vested over one to three years, entitling to subscription at SEK 13.6 by no later than 30 September 2025. Outstanding warrants at end of period: 1,652,905. **Program 6 – LTIP 2020:** maximum of 1,050,000 options, vested over three years, entitling to subscription at a strike price set on the granting date by no later than April 27, 2029. Outstanding warrants at end of period: 655,824. **Program 7 – LTIP 2021:** maximum of 1,000,000 options, vested over three years, entitling to subscription at a strike price set on the granting date by no later than April 29, 2029. Outstanding warrants at end of period: 848,207. **Program 8 – LTIP 2022:** maximum of 12,100,000 options, vested over three years, entitling to subscription at a strike price set on the granting date by no later than 3 August 2030, at a strike price set on the granting date. Outstanding warrants at end of period: 11,165,500. Full subscription of all programs would increase the total number of shares by 1.8%.

Financial Outlook

Revenue is expected to exceed SEK 350 million by 2025

Gross margin is expected to exceed 60% by 2025

Cash flow break-even is expected by 2025

Accounting principles and other information

Shares IRRAS AB's shares (listed on First North Premier Growth Market 2017 and moved to the main market in 2020) are traded under the stock symbol IRRAS.

The Group Structure encompasses the parent company IRRAS AB, org. no. 556872-7134 and the wholly owned subsidiaries GmbH, reg. no. DE308005079; IRRAS USA Inc., reg no 611800152.

The accounting principles governing this report adhere to the Swedish Annual Accounts Act, and IFRS as adopted by the EU and RFR 1. The Parent Company applies the Annual Accounting Act and RFR 2. This report has been prepared in accordance with IAS 34. The accounting policies applied herein are consistent with the latest published Annual Report. New and amended standards adopted from the current year are not deemed to have any material impact on the Group's financial position.

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

Risks and uncertainties exist given that IRRAS is a relatively young company with yet limited revenue generation. Risks and uncertainties in the Parent company are aligned with those of the Group. For further information, see Risks and Uncertainties in the last published Annual Report.

Going concern statement: This report has been prepared with the assumption that the Company has the ability to continue operations for the next 12 months.

The Board of Directors and the CEO conclude that the Company will need additional financing to fully secure going concern in accordance with the company's strategic plan during the upcoming 12-month period. Given the EIB facility, the continuous interest from the capital market, and the strong current ownership base, the Board of Directors and the CEO's assessment is that the Group will attract and receive sufficient financing to continue for at least the next 12 months. They further acknowledge that should decisive conditions not be met, for example, by sales not developing as expected, the Group's continued operation might be at risk, and additional capital infusions may be required. This means that there are circumstances that may give rise to significant doubts about the company's ability to continue operations without additional financing.

Statement of assurance This report has been adopted by the Board of IRRAS AB on 17 May 2023. The Board and the Managing Director, certify that this interim report provides a fair assessment of the Parent Company, Group's activities, financial position, profits and describes material risks and uncertainties.

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 17 May 2023 at 8:00 a.m. (CET).