



# Preparation for US launch ongoing, still waiting for updated catheter CE-mark

## Second quarter, April - June 2018

- Net revenue totaled SEK 0.1 (0.0) million.
- Operating loss (EBIT) totaled SEK -32.1 (-19.1) million.
- The result after taxes totaled SEK -29.1 (-18.9) million.
- Result per share before and after dilution was SEK -1.23 (-1.10).

## Important events during the quarter

### Updated ISO and CE certificates for IRRAflow®, valid through 2021

In May 2018, IRRAS received an updated ISO 13485:2016 certificate and updated CE approvals for the control unit and the tube set in the IRRAflow system. These are valid through 2021. IRRAS expects to receive an updated CE approval also for the catheter in the near future, but as a result of the pending CE mark for the catheter, IRRAS was not able to sell any IRRAflow systems in Europe during the quarter.

### Transition of Scientific founder Dr. Panotopoulos to advisory role

In June, the company's scientific founder, Dr. Christos Panotopoulos, was appointed Special Advisor and member of the IRRAS Clinical Advisory Board transition from his prior role as Chief Scientific Officer and member of the company's management group.

### Annual shareholders' meeting re-elected full Board and approved employee incentive program

At the annual shareholders' meeting on June 1, 2018 Anders P. Wiklund, Kleanthis G. Xanthopoulos, Ph.D., Marios Fotiadis, Saeid

## Period January - June 2018

- Net revenue totaled SEK 6.0 (0.0) million.
- Operating loss (EBIT) totaled SEK -53.2 (-30.6) million.
- The result after taxes totaled SEK -47.0 (-30.4) million.
- Result per share before and after dilution was SEK -1.99 (-1.77).

Esmaeilzadeh, Ph.D., and Anita Tollstadius were re-elected as members of the Board of Directors. Anders P. Wiklund was re-elected Chairman of the Board. In addition, the Board's proposal for an incentive program for the employees of the company was approved.

## Important events after the end of the quarter

### FDA clearance of IRRAflow

In July, IRRAS received 510(k) clearance from the US Food and Drug Administration (FDA) for US registration of the company's IRRAflow system and consumable products. The FDA decision means that the company now has the right to market and sell IRRAflow in the US. This allows IRRAS to move on to clinical validations in routine surgery and develop key reference centers.

| Key figures                        | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jan-Dec<br>2017 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net revenue, million SEK           | 0.1             | -               | 6.0             | -               | 12.0            |
| Gross margin %                     | Neg             | -               | Neg             | -               | Neg             |
| Operating loss (EBIT), million SEK | -32.1           | -19.1           | -53.2           | -30.6           | -61.5           |
| EBIT margin, %                     | Neg             | Neg             | Neg             | Neg             | Neg             |
| EBITDA, million SEK                | -30.1           | -19.1           | -49.4           | -30.5           | -57.8           |
| EBITDA margin, %                   | Neg             | Neg             | Neg             | Neg             | Neg             |
| Returns on equity, %               | Neg             | Neg             | Neg             | Neg             | Neg             |

## Comments from the President and CEO

IRRAS is pleased with the advancements made in the quarter and during the summer, highlighted by the FDA clearance for IRRAS*flow*, and the updated ISO and CE certifications. Once we also receive an updated CE approval for the catheter the company will re-commence product sales in the EU.

The FDA clearance is a major milestone for the company - it has opened the door for our next phase in the US – to allow selected clinics to generate experience and establish the product clinically. It will also facilitate the recruitment of qualified employees in the US and accelerate the registration process in several new important markets. All told, this progress during the recent quarter underscore IRRAS' mission to become a leading commercial-stage medical device company transforming the treatment of intracranial bleedings around the globe.

### **Sale and earnings**

Due to the delayed CE mark for the catheter, IRRAS did not record any sales in the second quarter. IRRAS anticipates that the lack of this approval, which is the last remaining CE mark of the IRRAS*flow* system, will also impact product sales in the third quarter. Currently, IRRAS is hopeful to receive the last CE mark in the very near future.

EBIT for the second quarter of 2018 totaled SEK -32.1 million (-19.1). The increased expenses are primarily attributable to the increase in headcounts with respect to marketing and sales, development, and quality and regulatory control. Preparations for a US launch later in the year, following the FDA clearance, have also contributed to increased planned expenses.

Our liquidity as of June 30, 2018 in cash and cash equivalents is SEK 217 million,

### **Building for IRRAS' Future Growth**

IRRAS made great advances in our efforts to build a global medical technology company in the second quarter. Due to the expansion of IRRAS*flow* in the largest market in the world, the United States, IRRAS has added 3 new hires in key functional areas such as

commercial and sales, increasing the headcount to 19 employees in Sweden, the US and Germany.

The second quarter of 2018 demonstrated IRRAS' ability to execute well on our strategic goals. Looking ahead, we remain very hopeful to achieve new significant milestones. With a clear regulatory path in the EU, US and a global ongoing plan for registration to many countries around the world, we are excited about IRRAS' future.



President CEO Kleanthis G. Xanthopoulos, Ph.D.

# Group development, January – June 2018

## Net revenue

Net revenue for the period from January to June 2018 totaled SEK 6.0 (0.0) million. Net revenue for the second quarter was SEK 0.1 (0.0) million.

Due to the pending receipt of the catheter CE mark no sales have been reported during the quarter.

## Gross profit

The gross profit for the period from January to June 2018 totaled SEK -2.3 million (0.0). The gross result for the second quarter was SEK -4.6 (0.1) million.

The cost of sales also includes, in addition to direct production costs and other production-related overhead costs, amortization of capitalized development expenses, which are amortized straight-line over five years.

## Operating expenses

The operating expenses for the period from January to June 2018 totaled SEK 51.2 (30.6) million. The higher operating expenses can be explained primarily by increased marketing and sales expenses as a consequence of the launch in Europe and in preparation for the launch in the USA, increased administrative expenses as a listed company and increased development costs.

The research and development costs during the period totaled SEK 13.3 (15.5) million, of which SEK 4.9 (8.6) million were capitalized and SEK 8.4 (6.9) million were expensed.

The net of other operating revenues and other operating expenses totaled SEK 0.3 (0.0) million during the period.

## Operating result (EBIT)

The operating results during the period January to June 2018 totaled SEK -53.2 (-30.6) million. The operating results during the second quarter totaled SEK 32.1 million (19.1).

## Net financial income

Net financial income totaled SEK 5.9 (0.2) million.

## Result

The result before taxes was SEK -47.3 million (-30.4). The result for the period (result after taxes) totaled SEK -47.0 million (-30.4).

## Cash flow and liquidity

The cash flow from operating activities, after change in working capital, for the period January to June 2018 totaled SEK -48.3 (-19.6) million.

The reason for the reduced cash flow is primarily the lower result as a consequence of reduced revenue, increased operating expenses and increased tied-up working capital.

At the end of the period, liquidity totaled SEK 217.3 million, including short-term and long-term financial investments (42.0).

## Investments

Net investments totaled SEK 5.2 (8.7) million, including investments in capitalized development costs of SEK 4.9 million (8.6).

## Assets

As of June 30, 2018, intangible fixed assets totaled SEK 35.2 (35.3) million. The intangible fixed assets are capitalized development expenses and capitalized patent expenses. The capitalized development expenses are amortized on a straight-line over five years and the capitalized patent expenses are amortized over 14 years. Amortization reported as cost of sales.

## Equity and liabilities

As of June 30, 2018, the company's equity totaled SEK 274.0 (75.1) million and the equity ratio was 96.6 percent (93.8).

On June 30, 2018, interest-bearing liabilities totaled SEK 0.0 million (0.0). Short-term liabilities totaled SEK 9.5 (5.0) million.

## Changes in the parent company

Losses in the parent company increased in comparison with the previous year, primarily due to the organizational build-up and to adapt the company to Nasdaq's requirements for listed companies.

| Sales per region<br>Million SEK | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jan-Dec<br>2017 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Germany                         | 0.1             | -               | 3.3             | -               | 11.7            |
| Europe, excluding<br>Germany    | -               | -               | 2.7             | -               | 0.3             |
| Other regions                   | -               | -               | -               | -               | -               |
| <b>Total</b>                    | <b>0.1</b>      | -               | <b>6.0</b>      | -               | <b>12.0</b>     |

## The Market

IRRAS first product, IRRASflow is initially intended for treatment of patients with hemorrhagic strokes and subdural hematoma.

Around one million people in the USA and Europe suffer from hemorrhagic strokes and chronic subdural hematoma annually. Approximately 350,000 of these people are treated surgically. IRRAS presently estimates the market value for the company's products in Europe and the USA at roughly EUR 1.2 billion.

The number of patients is expected to increase in the coming years as a result of the increase in population, the aging of the population and increased share of patients receiving treatment.

## Risks and uncertainty factors

A number of risks and uncertainty factors are associated with the company's activity.

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

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

IRRAS relies on contractors and manufacturers of the company's products. There is always a risk that such external parties fail to meet their commitments to the extent that the company wishes and deems necessary.

There is a risk that the company loses its ability to develop products or that products cannot be launched on schedule or that market acceptance is lower than anticipated. These risks can entail reduced sales and affect the company's result negatively. The company is also exposed to customers' inability to pay and that the company cannot finance its operations. Refer the annual report for 2017 for a detailed description of the risks. The risks are considered unchanged since the annual report.

## Transactions with closely associated parties

See note 3 on page 13 for a description of transactions with closely associated parties.

## Parent company

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

Receivables from corporate group companies are primarily receivables from the US subsidiary IRRAS USA, Inc. and the German subsidiary IRRAS GmbH. Risks and uncertainties in the parent company coincide indirectly with those of the corporate group.

## Number of shares

The total number of shares and votes in IRRAS AB at the end of August 2018 is 24,017,974. The number of shares has increased by 356,519 during the end of second and the beginning of the third quarter 2018. In addition, there are five incentive programs for employees and key personnel. The programs can currently increase the number of shares by an additional 3,782,000 shares (see note 2 on page 13).

| <b>Largest shareholders as of June 30, 2018 (and known changes thereafter)</b> | Number of shares  | Percent of shares/votes |
|--|-------------------|-------------------------|
| Lexington Holding Assets Ltd (BVI)   | 3,155,727         | 13.14%                  |
| F.EX Endotherapy Limited   | 2,934,651         | 12.22%                  |
| Bacara Holdings Limited  | 1,406,284         | 5.86%                   |
| Serendipity Group AB   | 1,356,468         | 5.65%                   |
| Dr Kleanthis G. Xanthopoulos   | 842,878           | 3.51%                   |
| Serendipity Ixora AB   | 678,077           | 2.82%                   |
| Nyenburgh Holding B.V  | 652,325           | 2.72%                   |
| Timoben Medical Holding  | 630,634           | 2.63%                   |
| The Fourth Swedish National Pension Fund                                       | 595,000           | 2.48%                   |
| Avanza Pension (shares held in trust)  | 578,874           | 2.41%                   |
| Nomura PB Nominee LTD  | 562 000           | 2.34%                   |
| Other shareholders   | 10,625,056        | 44.22%                  |
| <b>Total number of shares</b>  | <b>24,017,974</b> | <b>100.00%</b>          |

## Staff

The average number of employees in the group from January to June 2018 was 18 (4), of which 3 (0) are employed by the parent company. The breakdown of average employees by country was 3 (0) in Sweden, 9 (2) in the US and 6 (2) in Germany. The average number of women in the corporate group was 9 (2) and the average number of men was 9 (2).

The board and President CEO assure that the interim financial report provides an accurate overview of the group and parent company's activities, status and result, and describes risks and uncertainty factors that the parent company and subsidiaries within the corporate group face.

Stockholm, August 27, 2018  
IRRAS AB (publ)

Anders P. Wiklund  
Chairman of the board

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

Anita Tollstadius  
Board member

Marios Fotiadis  
Board member

Saeid Esmaeilzadeh, Ph.D.  
Board member

## Audit report

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

## Consolidated statement of loss and other comprehensive income (loss)

| Million SEK   | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue   | 0.1             | -               | 6.0             | -               | 12.0            |
| Cost of sales   | -4.7            | 0.1             | -8.3            | -               | -5.7            |
| <b>Gross profit</b>   | <b>-4.6</b>     | <b>0.1</b>      | <b>-2.3</b>     | -               | <b>6.3</b>      |
| <i>Gross margin</i>   | <i>Neg</i>      | <i>Neg</i>      | <i>Neg</i>      | -               | 53%             |
| Other operating income  | 0.3             | 0.0             | 1.1             | 0.1             | 0.6             |
| Sales and marketing expenses                                  | -9.8            | -3.1            | -20.0           | -6.6            | -23.7           |
| Administrative expenses                                       | -13.2           | -11.8           | -22.8           | -17.1           | -32.1           |
| Research and development expenses                             | -4.4            | -4.3            | -8.4            | -6.9            | -12.6           |
| Other operating expenses                                      | -0.4            | -0.1            | -0.7            | -0.1            | -               |
| <b>Operating loss (EBIT)</b>                                  | <b>-32.1</b>    | <b>-19.1</b>    | <b>-53.2</b>    | <b>-30.6</b>    | <b>-61.5</b>    |
| <i>Operating margin (EBIT margin)</i>                         | <i>Neg</i>      | <i>Neg</i>      | <i>Neg</i>      | <i>Neg</i>      | <i>Neg</i>      |
| Net financial items   | 2.8             | 0.3             | 5.9             | 0.2             | 0.6             |
| <b>Loss before tax</b>  | <b>-29.3</b>    | <b>-18.9</b>    | <b>-47.3</b>    | <b>-30.4</b>    | <b>-60.9</b>    |
| Tax   | 0.1             | -               | 0.3             | -               | -               |
| <b>Loss for the period</b>                                    | <b>-29.1</b>    | <b>-18.9</b>    | <b>-47.0</b>    | <b>-30.4</b>    | <b>-60.9</b>    |
| <b>Other comprehensive income for the period</b>              |                 |                 |                 |                 |                 |
| Items that may be subsequently reclassified to profit or loss |                 |                 |                 |                 |                 |
| Translation differences                                       | 0.4             | -0.4            | -0.1            | -0.5            | -1.2            |
| <b>Other comprehensive income for the period, net of tax</b>  | <b>0.4</b>      | <b>-0.4</b>     | <b>-0.1</b>     | <b>-0.5</b>     | <b>-1.2</b>     |
| <b>Total comprehensive loss for the period</b>                | <b>-28.8</b>    | <b>-19.3</b>    | <b>-47.1</b>    | <b>-30.9</b>    | <b>-62.1</b>    |
| Earnings per share for the period before dilution, SEK        | -1.23           | -1.10           | -1.99           | -1.77           | -3.40           |
| Earnings per share for the period after dilution, SEK         | -1.23           | -1.10           | -1.99           | -1.77           | -3.40           |
| Number of shares before dilution, average                     | 23,661,863      | 17,217,419      | 23,661,863      | 17,217,419      | 17,906,003      |
| Number of shares after dilution, average                      | 23,661,863      | 17,217,419      | 23,661,863      | 17,217,419      | 17,906,003      |

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

| Million SEK                         | Jun 30<br>2018 | Jun 30<br>2017 | Dec 31<br>2017 |
|-------------------------------------|----------------|----------------|----------------|
| <b>ASSETS</b>                       |                |                |                |
| <b>Non-current assets</b>           |                |                |                |
| Intangible assets                   |                |                |                |
| Capitalized development costs       | 32.8           | 32.6           | 31.5           |
| Licenses/patents                    | 2.4            | 2.7            | 2.5            |
| <b>Total intangible assets</b>      | <b>35.2</b>    | <b>35.3</b>    | <b>34.0</b>    |
| Tangible non-current assets         |                |                |                |
| Property, plant and equipment       | 0.4            | 0.1            | 0.2            |
| <b>Total tangible assets</b>        | <b>0.4</b>     | <b>0.1</b>     | <b>0.2</b>     |
| Financial assets                    |                |                |                |
| Financial investments, bonds        | 85.9           | -              | 85.8           |
| <b>Total financial assets</b>       | <b>85.9</b>    | <b>-</b>       | <b>85.8</b>    |
| Deferred tax assets                 | 0.3            | -              | -              |
| <b>Total non-current assets</b>     | <b>121.8</b>   | <b>35.4</b>    | <b>120.1</b>   |
| <b>Current assets</b>               |                |                |                |
| Inventory                           | 17.2           | 0.8            | 12.5           |
| Short-term investments, bonds       | 60.0           | -              | 60.1           |
| Accounts receivables                | 6.8            | -              | -              |
| Current tax receivables             | -              | -              | 0.9            |
| Other current receivables           | 4.3            | 1.4            | 37.2           |
| Prepaid expenses and accrued income | 2.3            | 0.5            | 0.2            |
| <b>Total current receivables</b>    | <b>73.4</b>    | <b>1.9</b>     | <b>98.4</b>    |
| Cash and cash equivalents           | 71.3           | 42.0           | 98.3           |
| <b>Total current assets</b>         | <b>162.0</b>   | <b>44.7</b>    | <b>209.2</b>   |
| <b>TOTAL ASSETS</b>                 | <b>283.8</b>   | <b>80.1</b>    | <b>329.3</b>   |

## Consolidated statement of financial position in summary (cont.)

| Million SEK   | Jun 30<br>2018 | Jun 30<br>2017 | Dec 31<br>2017 |
|---|----------------|----------------|----------------|
| <b>EQUITY</b>   |                |                |                |
| Share capital   | 0.7            | 0.1            | 0.7            |
| Other paid in capital                                 | 440.2          | 176.2          | 439.6          |
| Reserves  | -0.9           | -0.2           | -0.8           |
| Accumulated deficits, including result for the period | -166.0         | -101.0         | -123.5         |
| <b>Total equity</b>                                   | <b>274.0</b>   | <b>75.1</b>    | <b>316.0</b>   |
| <b>LIABILITIES</b>                                    |                |                |                |
| Provisions  |                |                |                |
| Other provisions                                      | 0.2            | -              | -              |
| <b>Total provisions</b>                               | <b>0.2</b>     | <b>-</b>       | <b>-</b>       |
| Accounts payable                                      | 2.6            | 4.5            | 2.3            |
| Other liabilities                                     | 1.1            | 0.4            | 1.4            |
| Accrued expenses and prepaid income                   | 5.8            | 0.2            | 9.6            |
| <b>Total current liabilities</b>                      | <b>9.5</b>     | <b>5.0</b>     | <b>13.2</b>    |
| <b>Total liabilities and provisions</b>               | <b>9.7</b>     | <b>5.0</b>     | <b>13.2</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   | <b>283.8</b>   | <b>80.1</b>    | <b>329.3</b>   |

## Consolidated statement of changes in equity

| Million SEK  | Share capital | Other contributed equity | Translation reserve | Balanced profits, including result for the period | Total share capital |
|--|---------------|--------------------------|---------------------|---|---------------------|
| <b>Opening balance January 1, 2017</b>                   | <b>0.1</b>    | <b>176.2</b>             | <b>0.4</b>          | <b>-81.6</b>                                      | <b>95.1</b>         |
| Comprehensive income                                     |               |                          |                     |   |                     |
| Loss for the period                                      | -             | -                        | -                   | -30.3   | -30.3               |
| Translations differences for the period                  | -             | -                        | -0.6                | -   | -0.6                |
| <b>Total comprehensive loss for the period</b>           | <b>-</b>      | <b>-</b>                 | <b>-0.6</b>         | <b>-30.3</b>                                      | <b>-30.9</b>        |
| Transactions with shareholders                           |               |                          |                     |   |                     |
| Incentive schemes  | -             | -                        | -                   | 11.0  | 11.0                |
| <b>Equity, closing balance June 30, 2017</b>             | <b>0.1</b>    | <b>176.2</b>             | <b>-0.2</b>         | <b>-101.0</b>                                     | <b>75.1</b>         |
| Comprehensive income                                     |               |                          |                     |   |                     |
| Loss for the period                                      | -             | -                        | -                   | -30.6   | -30.6               |
| Translations differences for the period                  | -             | -                        | -0.6                | -   | -0.6                |
| <b>Total comprehensive loss for the period</b>           | <b>-</b>      | <b>-</b>                 | <b>-0.6</b>         | <b>-30.6</b>                                      | <b>-31.2</b>        |
| Transactions with shareholders                           |               |                          |                     |   |                     |
| Incentive schemes  | -             | -                        | -                   | 8.4   | 8.4                 |
| Bonus issue  | 0.4           | -                        | -                   | -0.4  | -                   |
| New share issue  | 0.2           | 293.0                    | -                   | -   | 293.2               |
| <i>(of which are subscribed but not paid-in capital)</i> |               | <i>(30.7)</i>            |                     |   |                     |
| Issuing charges  | -             | -29.6                    | -                   | -   | -29.6               |
| <b>Equity, closing balance December 31, 2017</b>         | <b>0.7</b>    | <b>439.6</b>             | <b>-0.8</b>         | <b>-123.5</b>                                     | <b>316.0</b>        |
| <b>Opening balance January 1, 2018</b>                   | <b>0.7</b>    | <b>439.6</b>             | <b>-0.8</b>         | <b>-123.5</b>                                     | <b>316.0</b>        |
| Comprehensive income                                     |               |                          |                     |   |                     |
| Loss for the period                                      | -             | -                        | -                   | -47.0   | -47.0               |
| Translation differences for the period                   | -             | -                        | -0.1                | -   | -0.1                |
| <b>Total comprehensive loss the period</b>               | <b>-</b>      | <b>-</b>                 | <b>-0.1</b>         | <b>-47.0</b>                                      | <b>-47.1</b>        |
| Transactions with shareholders                           |               |                          |                     |   |                     |
| Incentive schemes  | -             | -                        | -                   | 4.5   | 4.5                 |
| Issuing charges  | -             | 0.6                      | -                   | -   | 0.6                 |
| <b>Equity, closing balance June 30, 2018</b>             | <b>0.7</b>    | <b>440.2</b>             | <b>-0.9</b>         | <b>-166.0</b>                                     | <b>274.1</b>        |

## Consolidated statement of cash flows

| Million SEK  | Jan-Jun<br>2018   | Jan-Jun<br>2017 | Jan-Dec<br>2017 |
|--|-------------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                                      |                   |                 |                 |
| Loss for the period  | -53.2             | -30.6           | -61.5           |
| Adjustment for non-cash items  |                   |                 |                 |
| - Depreciations  | 3.8               | 0.2             | 3.7             |
| - Incentive schemes, recognized in statement of loss                             | 4.5               | 11.0            | 18.8            |
| - Interest received  | 3.0               | 0.2             | -               |
| - Interest paid  | -0.1              | -               | -               |
| - Taxes  | 0.9               | -               | -               |
| - Other non-cash items   | 0.3               | -               | -               |
| <b>Cash flow from operating activities before changes in operational capital</b> | <b>-40.8</b>      | <b>-19.3</b>    | <b>-39</b>      |
| Changes in operational capital   |                   |                 |                 |
| Increase (-)/decrease (+) in inventory   | -4.0              | -0.8            | -12.4           |
| Increase (-)/decrease (+) in operating receivables                               | -4.8              | -1.3            | -7.4            |
| Increase (+)/decrease (-) in operating payables                                  | 0.8               | 2.0             | 5.0             |
| Increase (+)/decrease (-) of other short-term liabilities                        | 0.4               | -0.2            | -               |
| <b>Cash flow from operating activities</b>                                       | <b>-48.3</b>      | <b>-19.6</b>    | <b>-53.7</b>    |
| Cash flow from investment activities   |                   |                 |                 |
| Investment in capitalized developmental costs                                    | -4.9              | -8.6            | -10.8           |
| Investment in tangible assets  | -0.3              | -0.1            | -0.2            |
| Investment in financial assets   | -                 | -               | -145.9          |
| <b>Cash flow used in investment activities</b>                                   | <b>-5.2</b>       | <b>-8.7</b>     | <b>-157.0</b>   |
| Cash flow from financing activities  |                   |                 |                 |
| Proceeds from issue of share capital   | 30.9 <sup>1</sup> | -               | 262.4           |
| Issuing charges  | -5.6 <sup>1</sup> | -               | -24.0           |
| Incentive schemes  | -                 | -               | 0.6             |
| <b>Cash flow from financing activities</b>                                       | <b>25.3</b>       | <b>-</b>        | <b>239.0</b>    |
| <b>Cash flow for the period</b>  | <b>-28.2</b>      | <b>-28.3</b>    | <b>28.3</b>     |
| Cash and cash equivalents at the beginning of the period                         | 98.3              | 70.8            | 70.8            |
| Exchange rate difference in cash and cash equivalents                            | 1.3               | -0.5            | -0.8            |
| <b>Cash and cash equivalents at the end of the period</b>                        | <b>71.3</b>       | <b>42.0</b>     | <b>98.3</b>     |

1 Proceeds from share issue and cost for share issue not paid in 2017 but has been paid during the first six months 2018.

## Statement of loss, parent company

| Million SEK                            | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue                                | -               | -               | -               | -               | 4.0             |
| Cost of sales                          | -3.6            | -               | -3.6            | -               | -3.3            |
| <b>Gross profit</b>                    | <b>-3.6</b>     | <b>-</b>        | <b>-3.6</b>     | <b>-</b>        | <b>0.6</b>      |
| Other operating income                 | 0.2             | 0.1             | 0.8             | 0.1             | 0.4             |
| Sales and marketing expenses           | -1.9            | -0.3            | -3.2            | -2.0            | -4.0            |
| Administrative expenses                | -10.7           | -10.1           | -18.7           | -14.6           | -32.6           |
| Research and development expenses      | -3.4            | -3.9            | -6.4            | -6.5            | -9.8            |
| Other operating expenses               | -0.4            | -0.1            | -0.7            | -0.1            | -               |
| <b>Operating result</b>                | <b>-19.8</b>    | <b>-14.4</b>    | <b>-31.9</b>    | <b>-23.2</b>    | <b>-45.3</b>    |
| Net financial items                    | 1.9             | 0.0             | 3.1             | 0.0             | 0.1             |
| <b>Loss after net financial income</b> | <b>-17.9</b>    | <b>-14.3</b>    | <b>-28.9</b>    | <b>-23.1</b>    | <b>-45.2</b>    |
| Group contribution                     | -               | -               | -               | -               | -               |
| <b>Loss before tax</b>                 | <b>-17.9</b>    | <b>-14.3</b>    | <b>-28.9</b>    | <b>-23.1</b>    | <b>-45.2</b>    |
| Tax                                    | 0.1             | -               | 0.3             | -               | -               |
| <b>Loss for the period</b>             | <b>-17.8</b>    | <b>-14.3</b>    | <b>-28.6</b>    | <b>-23.1</b>    | <b>-45.2</b>    |

Since none of the items are reported in other comprehensive income (loss), the parent company's result matches the total comprehensive income (loss).

## Statement of financial position in summary, parent company

| Million SEK                         | Jun 31<br>2018 | Jun 31<br>2017 | Dec 31<br>2017 |
|-------------------------------------|----------------|----------------|----------------|
| <b>ASSETS</b>                       |                |                |                |
| Subscribed but not paid-in capital  | -              | -              | 30.7           |
| Non-current assets                  |                |                |                |
| Intangible assets                   | 35.2           | 35.3           | 34.0           |
| Tangible fixed assets               | 0.3            | 0.1            | 0.2            |
| Financial fixed assets              |                |                |                |
| Investment in subsidiaries          | 43.9           | 8.6            | 24.6           |
| Receivables from group companies    | 24.6           | 8.6            | 14.6           |
| Other long-term security holdings   | 85.8           | -              | 85.8           |
| Other financial assets              | 1.1            | -              | -              |
| <b>Total financial fixed assets</b> | <b>155.4</b>   | <b>17.2</b>    | <b>125.0</b>   |
| Deferred tax assets                 | 0.3            | -              | -              |
| <b>Total non-current assets</b>     | <b>191.3</b>   | <b>52.6</b>    | <b>159.2</b>   |
| <b>Current assets</b>               |                |                |                |
| Inventory                           | -              | -              | 0.3            |
| Receivables from group companies    | 14.8           | 0.6            | 11.8           |
| Short-term investments              | 60.0           | -              | 60.1           |
| Other current receivables           | 1.9            | 0.5            | 1.6            |
| Prepaid expenses and accrued income | 0.7            | 0.4            | 0.3            |
| Cash and cash equivalents           | 54.5           | 34.0           | 85.8           |
| <b>Total current assets</b>         | <b>131.9</b>   | <b>35.5</b>    | <b>159.8</b>   |
| <b>TOTAL ASSETS</b>                 | <b>323.2</b>   | <b>88.3</b>    | <b>349.9</b>   |
| <b>EQUITY AND LIABILITIES</b>       |                |                |                |
| <b>TOTAL EQUITY</b>                 | <b>315.4</b>   | <b>84.4</b>    | <b>338.9</b>   |
| Provisions                          | 1.3            | -              | -              |
| Short-term liabilities              |                |                |                |
| Accounts payable                    | 2.1            | 3.8            | 2.0            |
| Other liabilities                   | 0.6            | -              | 0.2            |
| Accrued expenses and prepaid income | 3.9            | 0.0            | 8.8            |
| <b>Total short-term liabilities</b> | <b>6.6</b>     | <b>3.9</b>     | <b>11.0</b>    |
| <b>TOTAL LIABILITIES</b>            | <b>7.9</b>     | <b>3.9</b>     | <b>11.0</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>323.2</b>   | <b>88.3</b>    | <b>349.9</b>   |

# Notes

## Note 1 Accounting principles

The interim financial report for IRRAS Group has been created in accordance with International Financial 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 interim financial 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 Accounts Act. RFR 2 requires that the parent company apply the same accounting principles as the Group, i.e. IFRS in the scope permitted by RFR 2. The same accounting principles have been applied as in the most recently issued annual report.

New or revised IFRS standards or other IFRIC interpretations which have taken effect since January 1, 2018 have not had any particular effect on the Group's financial reports. During 2018, the company has begun to apply IFRS 9 *Financial instruments* and IFRS 15 *Income from contracts with customers*.

### Effect of the transition to IFRS 9 and IFRS 15

#### IFRS 9 Financial instruments

IFRS 9 *Financial instruments* addresses classification, valuation and reporting of financial assets and liabilities.

The Group has applied IFRS 9 since January 1, 2018. The reported value of the Group's financial assets following the transition to IFRS 9 has been determined to be unaffected by the new categories in IFRS 9. IFRS 9 also introduces a new model for calculation of credit loss reserve, which is based on expected credit losses.

Comparative information has not been calculated for IFRS 9. Other principles for depreciations of loans and customer receivables affect the reported loss and status. The Group applies the simplified method for reporting of expected credit losses with respect to customer receivables. This means that expected credit losses for outstanding terms are taken into consideration. The general method is applied for certain financial receivables and liquid assets. These receivables generally have a short term.

#### IFRS 15 Income from contracts with customers

IFRS 15 *Income from contracts with customers* regulates how the accounting of income should take place. The principles upon which IFRS 15 is based should give users of financial reports more useful information about the company's income. The increased transparency obligation means that information about revenue, the time for regulation, uncertainties related to revenue recognition and cash flow attributable to the company's customer contracts must be submitted. In accordance with IFRS 15, income must be presented when the customer receives control of the sold goods or services and has the possibility of using or gaining benefit from the goods or services.

The Group has applied IFRS 15 since January 1, 2018. While sales are still limited, there have been no effects since application.

### New and amended standards which have not taken effect yet

#### IFRS 16 Leasing agreements

IFRS 16 *Leasing agreements* requires that lessees present assets and liabilities attributable to all leasing agreements, with the exception of agreements for a period of less than 12 months

and/or relating to a small amount. The standard replaces IAS 17 Leasing agreements and corresponding interpretations. The significance is that the distinction between an operational leasing agreement and a financial leasing agreement is eliminated and replaced with an approach that the right of use and undertaking to regulate ongoing payments as a lessee.

The standard is considered to have little effect on the company's accounting because the leasing agreements are currently limited and consist solely of office leasing. Current contracts are shorter than 12 months and/or do not add up to a significant amount. For this reason, it was not considered necessary to quantify the effects.

The standard will be applicable starting in 2019 and was approved by the EU in November 2017.

#### Segment reporting

Since IRRAS' own capital instruments are traded in an active market, IFRS 8 *Operating segments* is applicable. IRRAS' activities are currently focused on development and sales in the IRRASflow product area, so only one segment is reported, which in its entirety reflects the Group's financial reports.

## Note 2 Incentive programs

IRRAS has five outstanding incentive programs for employees, key persons and board members. The costs for the incentive programs during the second quarter of 2018 totaled SEK 2.8 (9.0) million and SEK 4.5 (11.0) million for the period from January – June 2018.

### Incentive program No. 1

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

During the second quarter of 2018, a total number of 20,000 options were distributed. In total, 1,880,000 options were outstanding as of June 30, 2018. The CEO has 1,275,000 options and three senior employees have between 96,426 and 164,286 options each.

### Incentive program No. 2

The total program comprises 650,000 personnel options. Each option entitles the holder to subscribe a new share for SEK 35.00 per share until October 31, 2021, but subject to the requirement that the options are vested. The options are vested at 33 % per year.

During the second quarter of 2018, a total number of 293,000 options were distributed. In total, 643,000 options were outstanding as of June 30, 2018. Three senior employees have between 50,000 and 230,000 options each.

### Incentive program No. 3

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

During the second quarter of 2018, a total number of 60,000 warrants were acquired by employees. In total, 320,000 were outstanding as of June 30, 2018. A senior employee has 200,000 warrants.

### Incentive program No. 4

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

There was no change in the number of warrants during the second quarter of 2018. A total of 100,000 warrants were outstanding as of June 30, 2018. The chairman of the board has 100,000 warrants.

### Incentive program No. 5

The total program comprises 732,000 personnel options. Each option entitles the holder to subscribe a new share for SEK 25.86 per share until June 15, 2022, but subject to the requirement that the options are vested. The options are vested at 33 % per year.

During the second quarter of 2018, a total number of 71,750 options were distributed. In total, 660,250 options were outstanding as of June 30, 2018. No senior employees have these options.

## Note 3 Transactions with related parties

"Related" is defined as management, board members in the parent company and the group, subsidiaries and major shareholders in the parent company. Shares in the subsidiaries and transactions between companies within the group are excluded from the group accounting reports, which is why further information is not provided.

The following transactions with related parties have taken place during the year.

| Million SEK   | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Explanation                      |
|---|-----------------|-----------------|----------------------------------|
| Anders P. Wiklund,<br>Chairman  | 0.1             | 0.2             | Billed<br>consulting<br>services |
| Kleanthis G.<br>Xanthopoulos, President<br>CEO and board member                       | 1.7             | 3.4             | Billed<br>consulting<br>services |
| Christos Panotopoulos,<br>owner and previously<br>member of the company<br>management | 0.8             | 0.9             | Billed<br>consulting<br>services |
| Juno Ekonomi AB,<br>indirectly owned by<br>Serendipity Group                          | -               | 0.3             | Accounting<br>services           |

The corporate group has leased offices from a person related to President CEO Kleanthis G. Xanthopoulos during the period. The expenses for the period from January to June 2018 totaled SEK 50 (53) thousands.

Since 2015, CEO Kleanthis G. Xanthopoulos has had a consulting agreement with IRRAS via his company Helios Capital, according to which he has invoiced for the services rendered via said company (as well as in his role as acting CEO) and for the expenses that he has incurred (such as travel expenses). The consulting agreement terminated November 22, 2017 and Kleanthis G. Xanthopoulos has been employed by IRRAS AB since then. Payments during 2018 are related to compensation regarding 2017.

Christos Panotopoulos, the company's second-largest owner and Chief Scientific Officer until May 31, 2018, offers IRRAS consulting services with respect to his medical expertise via his company F.EX.Endotherapy Ltd.. The agreement also entitles Christos Panotopoulos to invoice IRRAS for other expenses, such as travel expenses.

Chairman Anders P. Wiklund had a consulting agreement with IRRAS until August 22, 2017 which entitled him to remuneration for the work he carried out for the company. He was also entitled to invoice IRRAS for other expenses, such as travel expenses. In 2018 he has performed some additional consultant services within business development.

## Use of key figures which are not defined by IFRS

The IRRAS group accounting is prepared in accordance with IFRS. Only a few key figures are defined in IFRS. IRRAS applies ESMA's (European Securities and Market Authority) guidelines for alternative key figures (Alternative Performance Measures). To support company management and other interested parties' analysis of the group's development, IRRAS reports some key figures that are not defined in IFRS. It is the company management's opinion that this information facilitates an analysis of the group's development. Definition of key figures which are not defined by IFRS and definitions which are not specified in other parts of the report are presented in the table below.

|   | Apr-Jun<br>2018 | Apr-Jun<br>2017 | Jan-Jun<br>2018 | Jan-Jun<br>2017 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Gross margin (gross profit / revenue)</b>                        |                 |                 |                 |                 |                 |
| Gross profit, million SEK   | -4.6            | 0.1             | -2.3            | -               | 6.3             |
| Revenue, million SEK  | 0.1             | -               | 6.0             | -               | 12.0            |
| Gross margin, %   | Neg             | -               | Neg             | -               | 53%             |
| <b>EBIT margin (EBIT / revenue)</b>                                 |                 |                 |                 |                 |                 |
| EBIT, million SEK   | -32.1           | -19.1           | -53.2           | -30.6           | -61.5           |
| Revenue, million SEK  | 0.1             | -               | 6.0             | -               | 12.0            |
| EBIT margin, %  | Neg             | Neg             | Neg             | Neg             | Neg             |
| <b>EBITDA margin (EBITDA / revenue)</b>                             |                 |                 |                 |                 |                 |
| EBIT, million SEK   | -32.1           | -19.1           | -53.2           | -30.6           | -61.5           |
| Depreciations, million SEK  | -2.0            | -0.1            | -3.8            | -0.2            | -3.7            |
| Revenue, million SEK  | 0.1             | -               | 6.0             | -               | 12.0            |
| EBITDA margin, %  | Neg             | Neg             | Neg             | Neg             | Neg             |
| <b>Returns on equity (net profit for the period/average equity)</b> |                 |                 |                 |                 |                 |
| Net profit for the period, million SEK                              | -29.1           | -18.9           | -47.0           | -30.4           | -60.9           |
| Average equity, million SEK   | 286.7           | 80.3            | 295.0           | 85.1            | 208.8           |
| Returns on equity, %  | Neg             | Neg             | Neg             | Neg             | Neg             |

Definitions:

*Gross profit*: revenue reduced by the costs of sales

*Gross margin*: gross profit divided by revenue

*EBITDA (Earnings before interest, taxes, depreciation and amortization)*: result before financial income, taxes and depreciations on tangible and intangible assets

*EBITDA margin*: EBITDA divided by revenue

*EBIT*: gross profit minus operating expenses

*EBIT margin*: EBIT divided by revenue

*Returns on equity*: Net profit for the period divided by average equity

## This is IRRAS

IRRAS AB (NASDAQ Stockholm: IRRAS) is a publicly-traded, commercial-stage medical technology company focused on developing and commercializing innovative solutions for brain surgery. The Company's initial product, IRRAS*flow*<sup>™</sup>, addresses the complications associated with the current treatment methods of intracranial bleeding with a dual lumen catheter that combines active irrigation with ongoing fluid drainage. Regularly during treatment, the catheter is automatically flushed to prevent common catheter occlusions from forming. Additionally, because

IRRAS*flow* is a completely closed system, it is designed to reduce the documented infection risk of these procedures.

With its unique product portfolio, protected by property patents and patent applications, IRRAS is well-positioned to establish a leadership position in the medical device market. IRRAS maintains its headquarters in Stockholm, Sweden, with corporate offices in Munich, Germany, and San Diego, California, USA. For more information, please visit [www.irras.com](http://www.irras.com).

## Financial information



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## Calendar

Quarter 3 interim financial report      November 8, 2018

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, 2018 at 08.00 a.m. (CET).

IRRAS

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