



## US sales started

### Second quarter, April - June 2019

- Net revenue totaled SEK 1.1 million (0.1).
- Operating loss (EBIT) amounted to SEK -40.7 million (-32.1).
- Loss after tax totaled SEK -40.2 million (-29.1).
- Earnings per share before and after dilution amounted to SEK -1.55 (-1.23).

### Important events during the quarter

#### Acquisition of complementary medical device technology

In April, IRRAS entered into an agreement with the Alfred E. Mann Institute for Biomedical Engineering at the University of Southern California (AMI-USC) to acquire assets and intellectual property from DermaPort Inc.

#### Position strengthened through acquisition of proprietary assets

IRRAS strengthened its position as a market leader by acquiring the assets of InnerSpace Neuro Solutions, including four US FDA-cleared products that complement IRRAflow.

#### IRRAflow wins regulatory approval in Israel and Costa Rica

In June, IRRAS received regulatory approval in Israel and Costa Rica for the company's flagship product, IRRAflow.

#### Update on CE Mark re-certification of IRRAflow

In April, IRRAS announced that the company had received a response from G-MED, its designated European Notified Body, that requested clarifications and additional information regarding the company's CE Mark re-certification of the IRRAflow catheter.

### Period January – June 2019

- Net revenue totaled SEK 1.1 million (6.0).
- Operating loss (EBIT) amounted to SEK -79.8 million (-53.2).
- Loss after tax totaled SEK -78.9 million (-47.0).
- Earnings per share before and after dilution amounted to SEK -3.15 (-1.99).

#### New Board member

The Annual General Meeting in May elected Catherine Gilmore-Lawless as a new Board member of IRRAS. Gilmore-Lawless is an American citizen and has 30 years of experience in the neuroscience sector.

#### Changes in management group

In June, IRRAS announced that the company's CFO, Fredrik Alpsten, would be leaving the company and that Sabina Berlin had been promoted to the position of CFO. The company also announced that Lance Boling, VP Product Development, would revert to a consultant position for the company.

#### Raising capital through directed share issue

In May, the company completed a directed share issue and net proceeds to the company amounted to SEK 97.3 million. The subscribers in the issue were a number of Swedish and international institutional investors.

#### Important events after the end of the quarter

No important events have taken place after the end of the quarter.

Key figures	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Net revenue, SEK million	1.1	0.1	1.1	6.0	6.0
Gross margin, %	Neg	Neg	Neg	Neg	Neg
Operating loss (EBIT), SEK million	-40.7	-32.1	-79.8	-53.2	-143.3
EBIT margin, %	Neg	Neg	Neg	Neg	Neg
Loss after tax	-40.2	-29.1	-78.9	-47.0	-138.8
EBITDA, SEK million	-38.0	-30.1	-74.5	-49.4	-135.2
EBITDA margin, %	Neg	Neg	Neg	Neg	Neg
Return on equity, %	Neg	Neg	Neg	Neg	Neg

# Comments from the President and CEO

During the second quarter, we focused our efforts on our ambitious growth plans to establish IRRAS as the global innovator in the neurocritical care space. We expanded our business across multiple verticals including product development, selective acquisitions, commercial territories and building relationships with new hospital networks in the US.

## **Initial early revenue from US and encouraging interest from many hospitals**

During the second quarter, we reached a significant milestone by recording our first IRRAS*flow* revenue in the United States (US). The US is the world's largest market for neurosurgical procedures, and with the ongoing CE Mark recertification process, we have focused much of our team's resources toward supporting a successful early market introduction in the US.

While posting our initial revenue from the US is exciting, we continue to take a thoughtful and careful approach toward building a long-term business. We know from experience that generating revenue from a new product launch can often take six months or longer. At this early stage of the launch, physicians and hospitals must first evaluate IRRAS*flow*'s impact on their patient care before making a long-term purchasing decision.

We have identified physician support at approximately 50 hospitals in the US, and our team continues to work through the purchasing process at many of these facilities. With the US launch of IRRAS*flow* at the end of 2018, we are quite pleased to see that the first system evaluations began to generate revenue during the second quarter within our expected timeline.

Our team of direct territory managers in the US continues to make progress in accelerating the sales process and adding customers interested in evaluating IRRAS*flow*. These efforts will reap additional benefits in coming quarters as interest in IRRAS*flow* from US hospitals and physicians has been very encouraging. We expect this interest to translate into growing revenue as more hospitals successfully complete their IRRAS*flow* evaluations.

## **Key acquisitions resulting in a comprehensive neurocritical care portfolio**

During the second quarter we acquired assets from InnerSpace Neuro Solutions, Inc. and Alfred E. Mann Institute for Biomedical Engineering at the University of Southern California (AMI-USC). The acquisition gives us access to valuable proprietary technology, which will help us save on future R&D costs and supports a quicker access to the market with a wider product portfolio. At the same time, we already now gain access to approved products to strengthen our portfolio. These acquired products are approved in the US by the FDA and are sold under the Hummingbird brand name. The InnerSpace products have been used to treat over 2,000 patients, and their clinical utility is backed by a number of scientific publications, making these assets a perfect fit for IRRAS' neurocritical care business and our customers. These newly acquired assets will be sold in the US market through our existing direct sales team, further enhancing the team's productivity.

## **Regulatory progress**

In April, after more than a year, we finally received feedback from our CE Mark Notified Body, G-Med / LNE, on our CE Mark recertification application. IRRAS is working closely with G-Med/LNE to expedite approval of our updated CE Mark dossier and relaunch our IRRAS*flow* system in CE mark countries. We will let the market know more as soon as we get an update.

While awaiting the recertification of our CE Mark, our regulatory team is focused on securing product approval in non-CE Mark countries. Gaining regulatory traction in other important territories is going well. Recently, IRRAS*flow* received regulatory approval in Costa Rica and Israel, and we expect regulatory approval in other large markets, such as Mexico and Argentina, in the coming quarters.

## **Second quarter financial overview**

In the second quarter, we reported revenues of MSEK 1.1 as a result of a couple of early evaluations that were completed in the US. We also raised MSEK 106 in a directed share issue in May, welcoming many new healthcare-focused investors to our strong existing shareholder base. The proceeds will support our ongoing launch of IRRAS*flow* and will allow us to ramp up our sales and marketing activities. Raising this capital was a necessary step toward building a sustainable franchise and driving future revenue growth.

## **Management team updates**

In the second quarter, we reported changes to our management team that are now in place. Fredrik Alpsten departed as Chief Financial Officer, and Lance Boling will now begin to act as a consultant to IRRAS. We appointed Sabina Berlin as Chief Financial Officer and Adam Sampson as Vice President, Product Excellence and leader of the R&D. Sabina has joined the existing executive team comprising of Kellie Fontes, Will Martin, Vinny Podichetty, M.D., and Adam Sampson.

Our management team is very experienced with the necessary skills and maturity to build a major biomedical technology company. Our team also understands our innate desire to create, build, and deliver groundbreaking innovative products to our customers. They remind me every day that innovation is in our DNA and that our technologies are the fundamental basis of our life saving products. I am very happy to be a part of this team, and I am truly excited about IRRAS' future.

I look forward to keeping you updated on our progress.

Sincerely,

Kleanthis G. Xanthopoulos, Ph.D.



# Group development January – June 2019

## Net revenue

Net revenue for the period January to June 2019 amounted to SEK 1.1 million (6.0). Net revenue for the second quarter amounted to SEK 1.1 million (0.1).

## Gross profit/loss

The gross profit/loss is the difference between net revenue for the period and the cost of sales. Cost of sales include direct manufacturing costs for sold products, depreciation on capitalized development expenses, over-head costs for the manufacturing department and salaries for the employees at the department. Overhead costs derived from the manufacturing department are not capitalized. The amortization of capitalized development expenses during the period January to June 2019 amounted to SEK 4.9 million (3.6) and to SEK 2.4 million (1.9) during the second quarter.

The gross income for the period January to June 2019 amounted to SEK -14.5 million (-2.3). The gross income for the second quarter amounted to SEK -8.4 million (-4.6).

## Operating expenses

Operating expenses for the period January to June totaled SEK 65.3 million (51.2). The higher operating expenses are primarily attributable to increased marketing and sales expenses in US, increased administrative expenses as a result of the company growth, and increased development expenses.

Total research and development expenses in the period amounted to SEK 21.1 million (15.9), of which SEK 4.2 million (4.9) was capitalized and SEK 16.9 million (11.0) was recognized as expense. The expensed R&D expenses include mainly personnel expenses for the employees and consultant fees at these departments. Our team is working to improve already-registered products, and the improvements are not extending the lifetime of the products. Capitalized development expenses include cost for development projects for not yet launched products.

The net of other operating income and operating expenses in the period amounted to SEK -0.1 million (0.3).

## Operating loss (EBIT)

Operating loss (EBIT) totaled SEK -79.8 million (-53.2) for the period January to June 2019, and SEK -40.7 million (-32.1) for the second quarter.

## Net financial income

Net financial income totaled SEK 0.9 million (5.9).

## Earnings

Loss before tax amounted to SEK -78.9 million (-47.3). Net loss for the period (loss after tax) totaled SEK -78.9 million (-47.0).

## Cash flow and liquidity

Cash flow from operating activities from January to June 2019, after the change in working capital, totaled SEK -75.8 million (-48.3).

The reduced cash flow is primarily attributable to the result for the period as a result of decreased sales and increased operating expenses.

In May 2019, a directed share issue of net SEK 97.3 million was completed. At the end of the period, available liquidity amounted to SEK 168.7 million (217.3), including short and long-term financial investments of SEK 65.7 million (145.9).

## Investments

Net investments totaled SEK 11.4 million (5.2), including capitalized development expenses amounting to SEK 4.2 million (4.9) and investment in patents purchased from Innerspace amounting to SEK 6.7 million (0.0).

## Assets

As of June 30, 2019, intangible assets totaled SEK 46.0 million (35.2). These intangible assets comprised capitalized development expenses and capitalized patent expenses. The increase in intangible assets beyond capitalized developmental expenses consist primarily of the purchase of assets from Innerspace. Capitalized development expenses are amortized on a straight-line basis over five years and capitalized patent expenses are amortized on a straight-line basis over the patent's lifespan. Amortization of capitalized development expenses is recognized under Cost of sales.

## Equity and liabilities

As of June 30, 2019, the Group's equity amounted to SEK 204.7 million (274.0) and the equity ratio was 90.8% (96.6).

As of June 30, 2019, interest-bearing liabilities totaled SEK 0.2 million (0.0). Current not interest-bearing liabilities totaled SEK 19.8 million (9.5).

## Changes in the parent company

Expenses in the parent company decreased in comparison with the same period last year, primarily due to a transfer of certain sales- and developmental costs from the parent company to the US company.

Sales per region SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Germany	—	0.1	—	3.3	3.3
Europe, excluding Germany	—	—	—	2.7	2.7
USA	1.1	—	1.1	—	—
<b>Total</b>	<b>1.1</b>	<b>0.1</b>	<b>1.1</b>	<b>6.0</b>	<b>6.0</b>

## Parent company

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

Receivables and liabilities from Group companies primarily comprise liabilities to the US subsidiary IRRAS USA, Inc. and receivables from the German subsidiary IRRAS GmbH. Shares in group companies have increased due to shareholders' contributions. Risks and uncertainties in the parent company coincide indirectly with those of the Group.

## Employees

The average number of employees in the Group from January to June 2019 was 33 (18), of which 4 (3) in the parent company. The breakdown of average number of employees by country was 4 (3) in Sweden, 26 (9) in the US and 3 (6) in Germany. The average number of women in the Group was 11 (9) and the average number of men was 22 (9).

## Financial objectives

IRRAS' has adopted the following financial objectives:

- Income to exceed SEK 275 million 2021
- Gross margin higher than 72% 2021
- Positive cashflow in the fourth quarter 2021

## 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 350,000 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 13 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 always a risk that competitors will offer more effective and better products than IRRAS, which could negatively affect sales. 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. The company is also always exposed to fluctuating exchange rates.

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 lose its ability 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.

For a more detailed description of the company's risks, refer to the 2018 Annual Report, page 26.

## The share and shareholders

The IRRAS share is listed at Nasdaq First North Premier since 2017. The number of shares and votes in IRRAS AB at the end of June 2019 totaled 28,817,974.

Shareholders as of June 30, 2019 (and known changes thereafter)	Number of shares	Percent of shares/ votes
Lexington Holding Assets Ltd (BVI)	3,155,727	10.95%
F.EX Endotherapy Limited	2,805,790	9.74%
Bacara Holdings Limited	1,430,725	4.96%
BNP Paribas	1,304,487	4.53%
The Fourth Swedish National Pension Fund	1,245,000	4.32%
Consensus	912,640	3.17%
Dr Kleanthis G. Xanthopoulos	842,878	2.92%
Dr Saeid AB	833,725	2.89%
Goldman Sachs International Ltd	695,103	2.41%
Systematic Growth AB	679,352	2.36%
Total ten largest shareholders	13,905,427	48.25%
Other shareholders	14,912,547	51.75%
<b>Total number of shares</b>	<b>28,817,974</b>	<b>100.00%</b>

## Incentive programs

At the moment the company has five incentive programs outstanding for employees and key personnel. These programs can currently increase the number of shares by 3,782,000 (refer to note 2 on page 13).

## Analytics following the company

Kristofer Liljeberg	Carnegie
Christian Lee	Pareto

## Financial calendar

Q3 2019 Interim Report	November 8, 2019
2019 Year-End Report	February 14, 2020

## Auditors review

This report was not reviewed by the company's auditors.

The Board of Directors and the CEO certify that this interim report provides a true and fair overview of the Group's and parent company's operations, financial position and earnings, and describes the material risks and uncertainties facing the parent company and the companies included in the Group.

Stockholm, August 29, 2019  
IRRAS AB (publ)

Anders P. Wiklund  
Chairman of the Board

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

Anita Tollstadius  
Board member

Marios Fotiadis  
Board member

Catherine Gilmore-Lawless  
Board member

Eva Nilsagård  
Board member

## Consolidated statement of profit or loss and other comprehensive income in summary

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Net revenue	1.1	0.1	1.1	6.0	6.0
Cost of sales	-9.5	-4.7	-15.6	-8.3	-20.0
<b>Gross profit/loss</b>	<b>-8.4</b>	<b>-4.6</b>	<b>-14.5</b>	<b>-2.3</b>	<b>-14.0</b>
<i>Gross margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Other operating income	0.1	0.3	0.7	1.1	1.7
Marketing and sales expenses	-10.9	-8.2	-22.2	-17.4	-62.3
Administrative expenses	-14.1	-13.2	-26.2	-22.8	-44.5
Research and development expenses	-7.4	-6.0	-16.9	-11.0	-22.9
Other operating expenses	-0.1	-0.4	-0.8	-0.7	-1.2
<b>Operating loss (EBIT)</b>	<b>-40.7</b>	<b>-32.1</b>	<b>-79.8</b>	<b>-53.2</b>	<b>-143.3</b>
<i>EBIT margin</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial income/expenses	0.5	2.8	0.9	5.9	4.5
<b>Loss before tax</b>	<b>-40.2</b>	<b>-29.3</b>	<b>-78.9</b>	<b>-47.3</b>	<b>-138.8</b>
Tax	0.0	0.1	0.0	0.3	—
<b>Net loss for the period</b>	<b>-40.2</b>	<b>-29.1</b>	<b>-78.9</b>	<b>-47.0</b>	<b>-138.8</b>
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit or loss					
Translation differences for the period on translation of foreign subsidiaries	-1.2	0.4	-1.5	-0.1	-1.1
<b>Total other comprehensive income</b>	<b>-1.2</b>	<b>0.4</b>	<b>-1.5</b>	<b>-0.1</b>	<b>-1.1</b>
<b>Total comprehensive income for the period</b>	<b>-41.4</b>	<b>-28.8</b>	<b>-80.4</b>	<b>-47.1</b>	<b>-140.0</b>
Earnings per share before dilution, SEK	-1.55	-1.23	-3.15	-1.99	-5.83
Earnings per share after dilution, SEK	-1.55	-1.23	-3.15	-1.99	-5.83
Number of shares before dilution, average	26,022,70	23,661,863	25,025,709	23,661,863	23,815,328
Number of shares after dilution, average	26,022,70	23,661,863	25,025,709	23,661,863	23,815,328

Since the Group has no minority interest, the earnings are wholly attributable to the owners of the parent company.

## Consolidated statement of financial position in summary

SEK million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Capitalized development expenses	37.4	32.8	38.1
Licenses/patents	8.7	2.4	2.2
<b>Total intangible assets</b>	<b>46.0</b>	<b>35.2</b>	<b>40.3</b>
Right-of-use assets	0.2	—	—
Tangible assets			
Property, plant and equipment	0.8	0.4	0.6
<b>Total tangible assets</b>	<b>0.8</b>	<b>0.4</b>	<b>0.6</b>
Financial assets			
Financial investments, bonds	55.7	85.9	80.8
<b>Total financial assets</b>	<b>55.7</b>	<b>85.9</b>	<b>80.8</b>
Deferred tax assets	—	0.3	—
<b>Total non-current assets</b>	<b>102.7</b>	<b>121.8</b>	<b>121.7</b>
<b>Current assets</b>			
Inventory	6.5	17.2	3.4
Financial investments, bonds	10.0	60.0	30.1
Accounts receivable	0.8	6.8	—
Other receivables	1.2	4.3	1.9
Prepaid expenses and accrued income	1.1	2.3	1.0
Cash and cash equivalents	103.0	71.3	47.2
<b>Total current assets</b>	<b>122.7</b>	<b>162.0</b>	<b>83.6</b>
<b>TOTAL ASSETS</b>	<b>225.3</b>	<b>283.8</b>	<b>205.3</b>

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

SEK million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
<b>EQUITY</b>			
Share capital	0.9	0.7	0.7
Other paid-in capital	537.4	440.2	440.2
Translation reserve	-3.4	-0.9	-1.9
Retained earnings, including net loss for the period	-330.2	-166.0	-254.8
<b>Total equity</b>	<b>204.7</b>	<b>274.0</b>	<b>184.2</b>
<b>LIABILITIES</b>			
Provisions			
Other provisions	0.7	0.2	0.4
<b>Total provisions</b>	<b>0.7</b>	<b>0.2</b>	<b>0.4</b>
Current liabilities			
Lease liabilities	0.2	—	—
Accounts payable	5.5	2.6	8.6
Other liabilities	5.3	1.1	2.5
Accrued expenses and deferred income	9.1	5.8	9.6
<b>Total current liabilities</b>	<b>20.0</b>	<b>9.5</b>	<b>20.8</b>
<b>Total liabilities and provisions</b>	<b>20.7</b>	<b>9.7</b>	<b>21.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>225.3</b>	<b>283.8</b>	<b>205.3</b>

## 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
<b>Opening equity January 1, 2018</b>	<b>0.7</b>	<b>439.6</b>	<b>-0.8</b>	<b>-123.5</b>	<b>316.0</b>
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-47.0	-47.0
Other comprehensive income for the period	—	—	-0.1	—	-0.1
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-0.1</b>	<b>-47.0</b>	<b>-47.1</b>
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	4.5	4.5
New share issue expenses	—	0.6 <sup>1</sup>	—	—	0.6
<b>Closing equity June 30, 2018</b>	<b>0.7</b>	<b>440.2</b>	<b>-0.9</b>	<b>-166.0</b>	<b>274.0</b>
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-91.8	-91.8
Other comprehensive income for the period	—	—	-1.0	—	-1.0
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-1.0</b>	<b>-91.8</b>	<b>-92.8</b>
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	3.0	3.0
<b>Closing equity December 31, 2018</b>	<b>0.7</b>	<b>440.2</b>	<b>-1.9</b>	<b>-254.8</b>	<b>184.2</b>
<b>Opening equity January 1, 2019</b>	<b>0.7</b>	<b>440.2</b>	<b>-1.9</b>	<b>-254.8</b>	<b>184.2</b>
<i>Comprehensive income for the period</i>					
Net loss for the period	—	—	—	-78.9	-78.9
Other comprehensive income for the period	—	—	-1.5	—	-1.5
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-1.5</b>	<b>-78.9</b>	<b>-80.4</b>
<i>Transactions with shareholders</i>					
Incentive programs	—	—	—	3.6	3.6
New share issue	0.1	105.5	—	—	105.6
New share issue expenses	—	-8.3	—	—	-8.3
<b>Closing equity March 31, 2019</b>	<b>0.9</b>	<b>537.4</b>	<b>-3.4</b>	<b>-330.1</b>	<b>204.7</b>

<sup>1</sup> Reversal of provision for new share issue expenses.

## Condensed consolidated statement of cash flows in summary

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
<b>Operating activities</b>					
Operating loss (EBIT)	-40.7	-32.1	-79.8	-53.2	-143.3
Adjustment for non-cash items					
- Depreciation/amortization	2.7	2.0	5.3	3.8	8.1
- Incentive programs	1.6	2.8	3.6	4.5	7.4
- Other non-cash items	0.2	0.1	0.3	0.2	0.4
Interest received	0.1	1.5	0.2	2.8	0.6
Interest paid	0.1	0.1	0.0	0.0	-0.2
Income tax paid	0.0	0.0	0.0	0.9	0.9
<b>Cash flow from operating activities before changes in working capital</b>	<b>-36.0</b>	<b>-25.5</b>	<b>-70.3</b>	<b>-40.9</b>	<b>-126.0</b>
Cash flow from changes in working capital					
Increase (-)/decrease (+) in inventory	-2.2	-1.8	-1.1	-4.0	9.6
Increase (-)/decrease (+) in operating receivables	-0.9	0.4	-1.0	-4.5	8.9
Increase (+)/decrease (-) in operating payables	3.2	0.2	-3.4	1.1	10.1
<b>Cash flow from operating activities</b>	<b>-35.8</b>	<b>-26.7</b>	<b>-75.8</b>	<b>-48.3</b>	<b>-97.4</b>
Cash flow from investing activities					
Investment in intangible assets	-8.9	-2.4	-10.9	-4.9	-14.3
Investments in tangible assets	-0.3	—	-0.5	-0.3	-0.5
Sale of financial assets	20.2	—	45.1	—	35.1
<b>Cash flow from investing activities</b>	<b>11.0</b>	<b>-2.4</b>	<b>33.7</b>	<b>-5.2</b>	<b>20.3</b>
Cash flow from financing activities					
New share issue	105.6	11.3	105.6	30.9 <sup>1</sup>	30.7 <sup>1</sup>
New share issue expenses	-8.3	—	-8.3	-5.6 <sup>1</sup>	-5.6 <sup>1</sup>
Lease liabilities	0.2	—	0.2	—	—
<b>Cash flow from financing activities</b>	<b>97.5</b>	<b>11.3</b>	<b>97.5</b>	<b>25.3</b>	<b>25.2</b>
<b>Cash flow for the period</b>	<b>72.7</b>	<b>-17.8</b>	<b>55.4</b>	<b>-28.2</b>	<b>-52.0</b>
Cash and cash equivalents at the beginning of the period	30.3	88.1	47.2	98.3	98.3
Exchange rate difference in cash and cash equivalents	0.0	1.0	0.3	1.3	0.9
<b>Cash and cash equivalents at the end of the period</b>	<b>103.0</b>	<b>71.3</b>	<b>103.0</b>	<b>71.3</b>	<b>47.2</b>

<sup>1</sup> Issue proceeds and expenses that were not paid as of December 31, 2017 but were paid during the first half of 2018.

## Parent company statement of profit or loss in summary

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Net revenue	0.6	—	0.6	—	13.1
Cost of sales	-2.5	-3.6	-4.9	-3.6	-8.0
<b>Gross profit/loss</b>	<b>-1.9</b>	<b>-3.6</b>	<b>-4.3</b>	<b>-3.6</b>	<b>5.1</b>
Other operating income	0.0	0.2	0.0	0.8	0.9
Marketing and sales expenses	0.0	-1.9	0.0	-3.2	-4.1
Administrative expenses	-10.2	-10.7	-18.1	-18.7	-35.7
Research and development expenses	-0.3	-3.4	-0.7	-6.4	-8.3
Other operating expenses	-0.1	-0.4	-0.8	-0.7	-1.0
<b>Operating loss (EBIT)</b>	<b>-12.5</b>	<b>-19.8</b>	<b>-23.9</b>	<b>-31.9</b>	<b>-43.0</b>
Net financial income	1.3	1.9	1.2	3.1	3.5
<b>Loss before tax</b>	<b>-11.3</b>	<b>-17.9</b>	<b>-22.7</b>	<b>-28.9</b>	<b>-39.6</b>
Tax	—	0.1	—	0.3	—
<b>Net loss for the period</b>	<b>-11.3</b>	<b>-17.8</b>	<b>-22.7</b>	<b>-28.6</b>	<b>-39.6</b>

Since no items are recognized in other comprehensive income, the parent company's loss corresponds with its comprehensive income.

## Parent company statement of financial position in summary

SEK million	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	39.4	35.2	40.3
Tangible assets	0.4	0.3	0.4
Financial assets			
Shares in Group companies	182.9	43.9	68.7
Receivables from Group companies	22.7	24.6	29.6
Financial investments, bonds	55.7	85.8	80.0
Other financial assets	—	1.1	—
<b>Total financial assets</b>	<b>261.3</b>	<b>155.4</b>	<b>179.1</b>
Deferred tax assets	—	0.3	—
<b>Total non-current assets</b>	<b>301.1</b>	<b>191.3</b>	<b>219.8</b>
<b>Current assets</b>			
Receivables from Group companies	—	14.8	26.3
Financial investments, bonds	10.0	60.0	30.1
Other receivables	1.1	1.9	1.2
Prepaid expenses and accrued income	0.6	0.7	0.5
Cash and bank balances	81.7	54.5	37.3
<b>Total current assets</b>	<b>93.4</b>	<b>131.9</b>	<b>95.4</b>
<b>TOTAL ASSETS</b>	<b>394.5</b>	<b>323.2</b>	<b>315.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	0.9	0.7	0.7
Fund for capitalized expenditure	32.6	25.6	31.8
Capital surplus	503.8	406.6	406.6
Retained earnings	-128.9	-88.9	-92.1
Loss for the year	-22.7	-28.6	-39.6
<b>Total equity</b>	<b>385.7</b>	<b>315.4</b>	<b>307.4</b>
Provisions	0.7	1.3	0.4
Accounts payable	1.0	2.1	1.7
Liabilities to Group companies	1.1	—	—
Other current liabilities	0.1	0.6	0.1
Accrued expenses and deferred income	5.8	3.9	5.7
<b>Total liabilities and provisions</b>	<b>8.8</b>	<b>7.9</b>	<b>7.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>394.5</b>	<b>323.2</b>	<b>315.3</b>

# 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, 2019. During 2019, the company has begun to apply IFRS 16 Leases.

### Effect of the transition to IFRS 16

#### IFRS 16 Leases

IFRS 16 Leases requires that lessees recognize assets and liabilities attributable to all leases, with the exception of leases that are shorter than 12 months and/or relate to small amounts. The standard replaces IAS 17 Leases and associated interpretations. In IFRS 16, the distinction between an operating lease and a finance

lease is eliminated and replaced with an approach based on the right of use and undertaking to make ongoing payments as a lessee.

The Group has applied IFRS 16 as of January 1, 2019. The standard has not had any material effect on the consolidated financial statements since the Group's leases are currently few in number and consist mainly of rent for premises. Current leases are shorter than 12 months and/or add up to insignificant amounts. The Group also has short-term leases for vehicles and office equipment.

The parent company does not apply IFRS 16.

### Segment reporting

Since IRRAS's equity instruments are traded in an active market, IFRS 8 Operating Segments is applicable. IRRAS's operations are currently focused on development and sales in the IRRASflow product area, which is why only one segment has been reported, which is reflected in its entirety in the consolidated financial statements. The Group's strategic control group and highest executive decision makers, consisting of the Board of directors and the CEO, evaluate the Group's activities from a product and 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 five incentive programs outstanding for employees, key personnel and Board members. The costs for the incentive programs totaled SEK 1.6 million (2.8) during the second quarter of 2019 and SEK 3.6 million (4.5) for the period from January to June 2019.

### Incentive program No. 1

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

During the second quarter 2019, 164,286 options were returned. A total of 1,716,905 options were outstanding as of June 30, 2019. The CEO has 1,275,000 options and two members of the management group have 32,500, and 2,976 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, but subject to the requirement that the options are vested. The options are vested at 33% per year.

During the second quarter 2019, 50,000 options were returned. A total of 544,912 options were outstanding as of June 30, 2019. Two members of the management group have 35,000 and 230,000 options, respectively.

### Incentive program No. 3

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

No changes to the number of warrants took place in the second quarter of 2019. A total of 320,000 warrants were outstanding as of June 30, 2019. One member of the management group has 100,000 warrants.

### Incentive program No. 4

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

No changes to the number of warrants took place in the second quarter of 2019. A total of 100,000 warrants were outstanding as of June 30, 2019. The Chairman of the Board has 100,000 warrants.

### Incentive program No. 5

The total program comprises 732,000 personnel options, which based on the terms of employment are vested over periods of one to three years, respectively, with one third vested annually starting in June 2018. For a more detailed description of the vesting terms, refer to the 2018 Annual Report. Each option entitles the holder to subscribe for 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 2019, 52,750 options were distributed and 35,000 options were returned. A total of 508,487 options were outstanding as of June 30, 2019. The CEO has 43,237 options and three members of the management group have 57,500, 47,500 and 17,500 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.

SEK million	Jan–Jun 2019	Jan–Jun 2018	Explanation
Anders P. Wiklund, Chairman	—	0.1	Billed consulting services
Kleanthis G. Xanthopoulos, President and CEO, Board member	—	1.7	Billed consulting services
Christos Panotopoulos, Owner and former member of company management	—	0.8	Billed consulting services

The Group has leased offices from a person related to President and CEO Kleanthis G. Xanthopoulos until April, 2019. The expenses for the period from January to June 2019 totaled SEK 37.2 thousand (50.3). The Group has also purchased office equipment from a person related to President and CEO Kleanthis G. Xanthopoulos. The expense during the period totaled SEK 218.2 thousand (0).

President and CEO Kleanthis G. Xanthopoulos had a consulting agreement with IRRAS via his company Helios Capital beginning in 2015, in accordance with which he has invoiced for services rendered to the company (such as being its CEO) and for the costs he has incurred (such as travel expenses). The consulting agreement expired on November 22, 2017. Since then, Kleanthis G. Xanthopoulos has been employed by IRRAS AB. Payments in 2018 relate to remuneration regarding 2017.

## Note 4 Financial assets and liabilities

Financial assets and liabilities in the balance sheet are reported to the purchase price 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.

	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
<b>Gross margin (Gross profit or loss/Net revenue)</b>					
Gross profit/loss, SEK million	-8.4	-4.6	-14.5	-2.3	-14.0
Net revenue, SEK million	1.1	0.1	1.1	6.0	6.0
Gross margin, %	Neg	Neg	Neg	Neg	Neg
<b>EBIT margin (Operating loss (EBIT)/Net revenue)</b>					
Operating loss (EBIT), SEK million	-40.7	-32.1	-79.8	-53.2	-143.3
Net revenue, SEK million	1.1	0.1	1.1	6.0	6.0
EBIT margin, %	Neg	Neg	Neg	Neg	Neg
<b>EBITDA margin (EBITDA/Net revenue)</b>					
Operating loss (EBIT), SEK million	-40.7	-32.1	-79.8	-53.2	-143.3
Depreciation/amortization, SEK million	-2.7	-2.0	-5.3	-3.8	-8.1
Net revenue, SEK million	1.1	0.1	1.1	6.0	6.0
EBITDA margin, %	Neg	Neg	Neg	Neg	Neg
<b>Return on equity, % (Net profit or loss for the period/Average equity)</b>					
Net loss for the period, SEK million	-40.2	-29.1	-78.9	-47.0	-138.8
Average equity, SEK million	175.9	286.7	194.4	229.1	250.1
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 operating expenses

*EBIT margin*: Operating loss (EBIT) divided by net revenue

*Return on equity*: Net profit or loss for the period divided by average equity

# This is IRRAS

IRRAS AB (Nasdaq First North Premier: IRRAS) is a global healthcare company focused on delivering innovative medical technologies to our customers and their patients. IRRAS designs, develops and commercializes products that improve patient outcomes and decrease the overall cost of care by addressing complications associated with current treatment methods in neurocritical care. IRRAS markets and sells its products to hospitals worldwide through its direct sales organizations in the U.S. and select

European countries and a network of distribution partners in other markets. 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).

IRRAS AB (publ) is listed on Nasdaq First North Premier. Redeye AB is certified adviser of the company with email [certifiedadviser@redeye.se](mailto:certifiedadviser@redeye.se) or phone + 46 8 121 576 90.

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This document is considered information that IRRAS is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was released for public disclosure, through the agency of the contact person above, on August 29, 2019 at 8:00 a.m. (CET).

**IRRAS**

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