

Q3

Irisity AB (publ)
INTERIM REPORT

July - September 2022



Building the world leader in
security video analytics

- Marcus Bäcklund -

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This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails

01

THE GROUP'S SUMMARY OF THE PERIOD

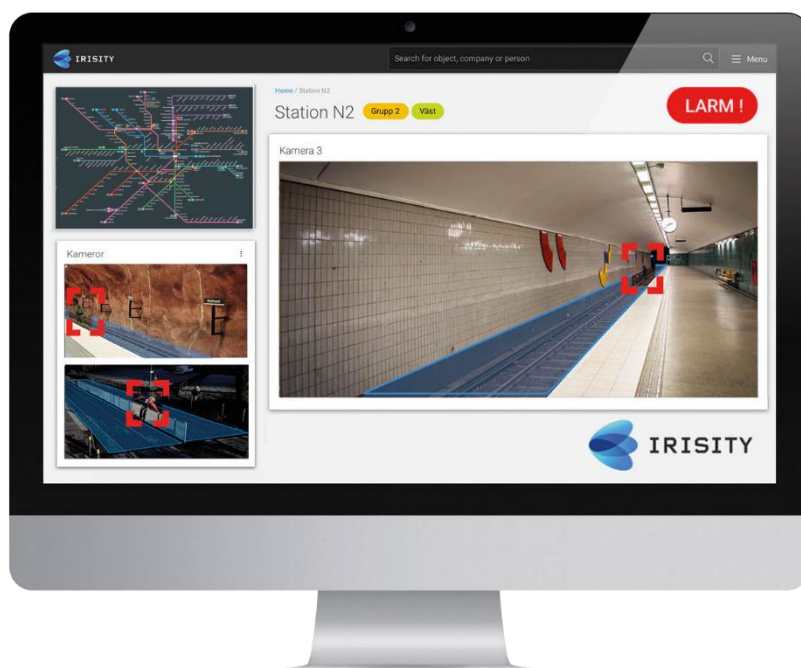


1 July – 30 September 2022

- Net sales amounted to MSEK 13.3 (17.2)
- Work performed for own account amounted to MSEK 3.9 (3.5).
- Gross margin amounted to 67.6 percent (58.7).
- EBITDA amounted to MSEK -14 (0.9).
- Result after tax amounted to MSEK -40.5 (-2.5).
- Cash liquidity at the end of the period was MSEK 18.0 (163.4).
- Change in cashflow from previous quarter was -12.4 MSEK Q/Q
- FX-effect on sales was 9.2%
- MRR at the end of the quarter amounted to MSEK 4.7 (5.5) Q/Q

1 January – 30 September 2022

- Net sales amounted to MSEK 75.2 (41.5)
- Work performed for own account amounted to MSEK 13.2 (10.3).
- Gross margin amounted to 78.1 percent (62.3).
- EBITDA amounted to MSEK -17.6 (-2.2).
- Result after tax amounted to MSEK -92.7 (-12.3).



A WORD FROM THE CEO

Irisity continues to focus on large international customers and long-term projects. In the third quarter several agreements were postponed to subsequent period. The quarter was also burdened by an aborted project in South America which amounted to 6 MSEK and a market in Sweden overshadowed by the privacy authority IMY's lengthy supervisory process. Net sales fell by 24% to SEK 13.3 million (17.2). The gross margin was 67.6 percent (59.1), and the monthly recurring revenue (MRR) was SEK 4.7 million (5.5) Q/Q.

EBITDA amounted to -14 MSEK (0.9) because of sales deferred to subsequent quarters. The net result was negative because of large amortization of goodwill and intangible assets after the acquisition of Agent Vi. The cash position and cash flow have been impacted by deferred sales and late customer payments, but also strengthened by implemented cost savings. After the end of the period, the company took out a loan facility which, together with other credits, gives the company cash liquidity as of the first of October of SEK 55 million, which is expected to cover the company's capital needs until positive cash flow.

We prioritize the key verticals Education, Rail and Central Monitoring, as well as our enabling technologies Anonymization and Embedded. All these verticals have significant market potential where the Metro segment within Rail alone has over 200 cities in 61 countries with Metro systems equipped with hundreds of thousands of cameras but very few with advanced analysis. The same applies to the extensive market potential within Education where, among other things, the partnership with Google addresses the security of tens of thousands of K-12 schools in the US where most have cameras installed but lack our advanced algorithms.

Our enabling technologies have great strategic importance as they open new functions and market segments in our partnerships. Over 90% of the network camera market in 2026 is expected to be cameras with built-in deep learning analysis, which is also the fastest growing technology with a CAGR of 21% (2021-2026). For camera manufacturers, cooperation with companies such as Irisity is therefore of great strategic importance. The same applies to our patented anonymization technology which, in addition to being cloud/server based, can also be installed on a Video Monitor System, VMS, which then centrally anonymizes a large amount of

video streams connected to the VMS. This is a solution that is in high demand by the leading security companies.

Together with our partners, we offer the most complete and high-performance analysis platform IRIS+. The work to merge our two platforms IRIS and InnoVi into a powerful common analysis platform, IRIS+ has been completed and launched during the quarter. Additional algorithms will be gradually added to IRIS+. Through IRIS+, we can now deliver one of the market's most complete, flexible and powerful analysis products, with both real-time detection, forensic support and decision support information. IRIS+ can be installed on a server, built into the camera and in the cloud.

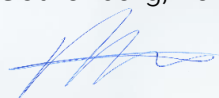
The integration with Agent-Vi follows plan and is expected to be completed in all parts by the end of the year. This includes the sales force, product and platform, R&D, Customer Success, finance and management.

During the period, we have expanded the sales force with new Senior Sales Executives for the territories Northeast Asia based in Tokyo, Japan and South America based in Sao Paulo, Brazil. Both with long experience from selling advanced software to the security industry.

In connection with the company publishing its financial update for Q3 on October 27, large trading in the share was triggered. Most of the net sales volume consisted of former AgentVi owner's shares that were recently released from lock-up, which were sold through the paying agent Altshuler.

We continue to build our international pipeline and repeat the indicative guidance from the financial update of October 27, expecting a fourth quarter with sales exceeding last year's fourth quarter as well as previous quarters this year.

Gothenburg, 2022-11-11



Marcus Bäcklund



02

SALES & RESULTS

Sales and results, Group (kSEK)	July - September 2022	July - September 2021*	January - September 2022	January - September 2021*	January - December 2021*
Net sales	13,268	17,174	75,194	41,521	77,289
Work performed for own account	3,949	3,546	13,242	10,319	15,424
Other operating income	5,357	46	8,463	64	339
EBITDA	-13,998	916	-17,570	-2,224	6,401
EBIT	-43,081	-2,605	-100,621	-12,593	-25,827
Operating margin %	neg	neg	neg	neg	neg
Result after financial items	-43,407	-2,636	-100,672	-12,707	-26,436
Result for the period	-40,549	-251	-92,671	-12,337	-23,935

*Agent Vi was acquired 13th October 2021

Irisity in brief

Irisity is a leading provider of AI-powered video analytics solutions. We develop innovative software upgrading ordinary security cameras to intelligent detection devices, while safeguarding personal privacy. Irisity currently serve customers in more than 90 countries and has offices in Sweden, USA, Israel, Singapore, UAE and Mexico. We operate through a network of resellers, partners, security companies, and camera manufacturers globally.

Products and services

Irisity's technology safeguards people and assets by detecting incidents in real time. This includes the detection of events such as intrusions, trespassing, flames, violence, falls, and unattended objects, as well as rapid search and analysis of recorded video, and extraction of statistical data. Irisity ensures ethical guarding without infringement on personal privacy by offering all functionality with patented real-time anonymization technology.



Central Monitoring



Smart & Safe Cities



Rail & Transportation



Education & Public



Critical Infrastructure



Health & Elder Care



Construction



Custom Solutions

03

SHARE & OWNERSHIP

The ten major owners, 2022-09-30:

Shareholders	Number of shares	Ownership interest
Altshuler Shaham Trusts LTD*	6,392,071	16.7%
Avanza Pension	3,058,189	8.0%
Westergyllen AB	2,700,000	7.1%
Chalmers Innovation Seed Fund	2,444,634	6.4%
State Street Bank and Trust	1,570,911	4.1%
Handelsbanken Microcap Sverige	1,521,739	4.0%
Northern Trust Company, London branch	1,169,824	3.1%
Ulf Runmarker	1,053,522	2.8%
CBNY-Fiducian Tech Fd	708,001	1.9%
Leif Harald Bergvall	631,536	1.7%
The ten major shareholders in total	21,250,427	55.8%
Others	17,051,901	44.2%
Total	38,302,328	100.0%

*Paying agent of former Agent Vi shareholders

Number of shares

Irisity AB (publ) has 38,302,328 shares outstanding as of September 30, 2022.

Ownership

Irisity AB (publ), org. nr./Reg. No. 556705-4571 is a public company listed on Nasdaq First North Growth Market under the ticker IRIS. The shareholder overview describes the situation as of September 30, 2022, when 6,884 shareholders were registered.

Risk factors

The Company's key risk and uncertainty factors include operational risks as well as risks that relate to market and technology development, patents, competitors, interest and future funding (such as risks related to securities, for example share price development, volatility and liquidity). Investors are urged to make their own assessments of each risk factor and their respective impact on the group's future potential. The above-mentioned risk factors are presented in no particular order and the list should not be regarded as exhaustive.

Incentive scheme

The AGM resolved to adopt a long-term incentive programme directed at senior executives and key individuals in Irisity. The rationale behind the incentive programme is, among other things, to contribute to higher motivation and commitment among the employees and to retain employees. In order to enable the incentive programme, the AGM also resolved on a directed issue of not more than 470,000 warrants. Based on the outstanding number of shares, Warrant programme 2022 will upon exercise of all 470,000 Warrants increase the share capital by a maximum of SEK 42,300 and a maximum dilution corresponding to approximately 1.23 percent.

Disclosure of significant events after the end of the period

The company has entered into an agreement for a loan facility of up to SEK 20 million, of which SEK 15 million will be disbursed in October 2022. The loan can be extended by a further SEK 5 million provided there is a positive development during the fourth quarter. The loan facility shall be used to strengthen the company's liquidity reserve and for general company purposes which may include working capital and investments. Loans taken out under the loan facility have a term of 36 months and run at an annual interest rate of 10.65% + stibor 3m. The company has the right to repay the loan early after 12 months. Including previous credit facilities, the company's cash liquidity as of the first of October amounts to SEK 55 million, which is expected to cover the company's capital needs until positive cash flow.

CEO Marcus Bäcklund has informed the board that he wishes to leave his role as CEO in 2023. Marcus took over as CEO of Irisity in January 2017. Under Marcus' leadership, Irisity has had strong development and has become a leading international player in AI-based analysis for security. The board is now starting the recruitment process to find a new CEO. Marcus will remain as CEO until a new CEO is recruited and will actively assist the company during this transition period.

During October the legal entity in UAE was established to enable further expansion in a market where we see a high demand of our product.

Accounting policies

The interim financial report is prepared in accordance with the recommendations and statements from the Swedish Accounting Standards Board, as well as the Swedish Annual Accounts Act. The accounting policies applied in this interim report are the same as those used in the most recent annual report. The accounting policies applied are the same for the Group and for the Parent Company. Goodwill arising on the acquisition of Visionists AB is depreciated over 5 years. Goodwill arising on the acquisition of Agent Video Intelligence Ltd. is depreciated over 8 years.

The financial result and position of the Group and the Parent Company

The financial result and position of the Group and the Parent Company in general is set out in the income statement and balance sheet below.

Related party transactions

No transaction with related parties which significantly affected the result or financial position of the Company took place during the period.

True and fair view

The Managing Board has mandated the CEO to publish the report. The Managing Board and the CEO confirm that this report provides a true and fair view of the Group's operations, position and performance, and describes material risks and uncertainties faced by the Group.

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



04

FINANCIAL OVERVIEW

Net sales and result

The Group's net sales during the quarter amounted to MSEK 13.3 (17.2), and the work performed for own account amounted to MSEK 3.9 (3.5). Other operating income during the quarter is mainly attributable to foreign exchange gains on receivables in the parent company.

EBITDA amounted to MSEK -14 (0.9) and the result after tax amounted to MSEK -40.5 (-2.5). Depreciation charges of MSEK -29.1 are for the most part related to goodwill arising on the acquisition of Visionists AB 2019, Agent Video Intelligence Ltd. 2021 and to amortizations attributable to capitalized development work.

Investments and financial position

The Group's cash flow from operating activities before changes in working capital amounted to MSEK -13.9 (0.6) during the quarter. The cash flow from operating activities was MSEK -7.7 (-6.5).

During the same period, the cash flow from investing activities amounted to MSEK -4.1 (-2.9) and relates to continued investment in intangible assets. From financing activities, the cash flow was MSEK -0.5 (125.4) and relates to the last amortization of a debt.

The cash flow for the period amounted to MSEK -12.4 (115.9).

The balance sheet total amounted to MSEK 944.4 (254.1) on September 30, 2022, with an 88.0 percent (90.9) solidity. The Groups's net debt amounted to MSEK -6.2 (-162.0), thus a positive net debt. The Parent Company has an overdraft facility up to MSEK 20 in total, which on the balance sheet date remained unused. After the balance sheet date, the company has also strengthened it's cash position with a loan of MSEK 15.

Staff and organization

At the end of the period, the company had 84 (42) full-time equivalent employees, 14 (8) of whom were women, distributed in Sweden, Israel, USA, UAE, Mexico and Singapore.

	July - September 2022	July - September 2021*	January - September 2022	January - September 2021*	January - December 2021*
THE GROUP'S INCOME STATEMENT (kSEK)					
Net sales	13,268	17,174	75,194	41,521	77,289
Work performed for own account	3,949	3,546	13,242	10,319	15,424
Other operating income	5,357	46	8,463	64	339
Cost of sales	-4,299	-7,085	-16,494	-15,656	-21,748
Gross result	18,274	13,681	80,405	36,249	71,304
Other external charges	-6,543	-4,716	-22,418	-10,550	-15,270
Personnel costs	-25,730	-8,049	-75,557	-27,922	-49,633
Depreciation of tangible and intangible assets	-29,083	-3,521	-83,051	-10,369	-32,228
Operating results	-43,081	-2,605	-100,621	-12,593	-25,827
Interest income	-428	0	0	0	0
Interest costs	101	-31	-51	-114	-609
Result after financial items	-43,407	-2,636	-100,672	-12,707	-26,436
Income taxes	2,858	95	8,001	371	2,501
Net profit or loss for the period	-40,549	-2,541	-92,671	-12,337	-23,935
Basic earnings per share (SEK)	-1.06	-0.10	-2.42	-0.48	-0.62
Diluted earnings per share (SEK)	-1.06	-0.10	-2.42	-0.48	-0.62
Number of shares at the end of the period	38,302,328	25,840,904	38,302,328	25,840,904	38,302,328
Fully diluted shares outstanding	38,772,328	25,840,904	38,772,328	25,840,904	38,302,328
Weighted average number of shares	38,302,328	25,840,904	38,302,328	25,840,904	27,831,890

*Agent Vi was acquired 13th October 2021

	30-Sep 2022	30-Sep 2021*	31-Dec 2021
THE GROUP'S BALANCE SHEET (kSEK)			
Assets			
Intangible fixed assets	480,784	47,593	424,907
Goodwill	346,335	12,052	310,865
Tangible fixed assets	2,126	1,291	2,869
Deferred tax assets	41,191	83	33,507
Total fixed assets	870,437	61,019	772,148
Accounts receivable	29,653	11,201	40,229
Other current assets	26,286	18,466	15,170
Cash and bank balances	18,050	163,446	71,341
Total current assets	73,988	193,113	126,740
Total assets	944,425	254,132	898,888
Equity and liabilities			
Share capital	3,447	2,569	3,447
Other contributed capital	868,175	345,500	868,575
Other equity including result for the period	-40,913	-116,960	-109,981
Total equity	830,709	231,109	762,041
Long-term liabilities	11,876	258	8,568
Deferred tax liabilities	68,120	0	76,686
Short-term financial liabilities	0	1,218	1,174
Accounts payable	4,689	9,396	12,450
Other short-term liabilities	29,031	12,151	37,968
Total short-term liabilities	33,720	22,765	51,592
Total equity and liabilities	944,425	254,132	898,888
Pledged assets			
Business mortgages	20,000	13,000	13,000
Pledged account	0	1,500	1,500
Total	20,000	14,500	14,500

Contingent liabilities	Inga	Inga	Inga
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*Agent Vi was acquired 13th October 2021

THE GROUP'S CHANGES IN EQUITY (kSEK)

	Share capital	Unregistered share capital	Other contributed capital	Other equity including result for the period	Total
Opening balance equity 2021-01-01	2,326	0	220,058	-104,623	117,761
<i>Transactions with owners:</i>					
New share issue	243		125,442		125,685
Non-cash issue	879		523,798		524,677
Issuance cost			-723		-723
Exchange difference				18,577	18,577
Result for the period				-23,935	-23,935
Closing balance equity 2021-12-31	3,447	0	868,575	-109,981	762,041
Opening balance equity 2021-01-01	2,326	0	220,058	-104,623	117,761
<i>Transactions with owners:</i>					
New share issue		243	125,442		125,685
Result for the period				-12,337	-12,337
Closing balance equity 2021-09-30	2,326	243	345,500	-116,960	231,109
Opening balance equity 2022-01-01	3,447	0	868,575	-109,981	762,041
<i>Transactions with owners:</i>					0
New share issue			-400		-400
Subscription warrants				342	342
Exchange difference				161,397	161,397
Result for the period				-92,671	-92,671
Closing balance equity 2022-09-30	3,447	0	868,175	-40,913	830,709

	July - September 2022	July - September 2021	January - September 2022	January - September 2021	January - December 2021
THE GROUP'S CASH FLOW STATEMENT (kSEK)					
Cash flow from operating activities before change in working capital	-13,884	645	-17,106	-3,013	5,176
Cash flow from operating activities	-7,741	-6,536	-38,000	-16,077	-27,444
Cash flow from investing activities	-4,084	-2,934	-14,117	-10,455	-90,159
Cash flow from financing activities	-553	125,389	-1,174	124,816	123,791
Cash flow for the period	-12,378	115,919	-53,291	98,293	6,188
Cash and cash equivalents at the beginning of the period	30,428	47,527	71,341	65,153	65,153
Cash and cash equivalents at the end of the period	18,050	163,446	18,050	163,446	71,341

THE PARENT COMPANY'S INCOME STATEMENT (kSEK)	July - September 2022	July - September 2021	January - September 2022	January - September 2021	January - December 2021
Net sales	11,281	17,345	33,828	42,056	53,807
Work performed for own account	1,963	4,050	9,601	12,248	18,016
Other operating income	4,035	43	8,442	155	307
Cost of sales	-2,790	-7,484	-12,355	-17,218	-22,397
Gross profit	14,490	13,953	39,516	37,242	49,733
Other external charges	-4,959	-6,045	-17,676	-15,190	-20,434
Personnel costs	-10,092	-7,030	-31,908	-23,941	-33,603
Depreciation of intangible assets	-2,498	-2,272	-7,710	-6,623	-9,127
Operating result	-3,059	-1,394	-17,778	-8,513	-13,430
Interest costs	-5	-31	-51	-110	-134
Profit after financial items	-3,064	-1,425	-17,829	-8,623	-13,565
Group contributions received	0	0	0	0	4,602
Income taxes	0	0	0	0	-1
Net profit or loss for the period	-3,064	-1,425	-17,829	-8,623	-8,964



**THE PARENT COMPANY'S BALANCE SHEET
(kSEK)**

	30-Sep 2022	30-Sep 2021	31-Dec 2021
Assets			
Intangible fixed assets	57,447	51,042	54,654
Tangible fixed assets	283	1,291	949
Financial fixed assets	630,501	29,494	630,501
Deferred tax assets	82	83	82
Total fixed assets	688,312	81,910	686,186
Accounts receivable	11,624	11,183	19,891
Receivables from Group companies	38,707	212	4,839
Other current assets	24,783	17,069	22,865
Cash and bank balances	9,285	162,559	65,205
Total current assets	84,399	191,024	112,801
Total assets	772,711	272,934	798,987
Equity and liabilities			
Restricted equity	61,638	53,197	57,761
Non-restricted equity	687,303	190,018	709,066
Total equity	748,941	243,215	766,827
Long-term liabilities	0	258	0
Short-term financial liabilities	0	1,218	1,174
Accounts payable	3,058	9,392	4,389
Liabilities to group companies	5,032	7,625	9,723
Other short-term liabilities	15,680	11,226	16,873
Total current liabilities	23,769	29,461	32,159
Total equity and liabilities	772,711	272,934	798,987
Pledged assets			
Business mortgages	20,000	13,000	13,000
Pledged account	0	1,500	1,500
Total	20,000	14,500	14,500
Contingent liabilities	None	None	None

THE PARENT COMPANY'S CHANGES IN EQUITY (kSEK)

	Share capital	Unregistered share capital	Fund for development costs	Share premium reserve	Retained earnings	Result for the period	Total
Opening balance equity 2021-01-01	2,326	0	43,704	220,058	-125,677	-14,258	126,153
Change in fund for development costs			10,610		-10,610		0
New share issue	243			125,442			125,685
Non-cash issue	878			523,798			524,676
Issuance cost				-723			-723
Transfer of previous year's result					-14,258	14,258	0
Result for the period						-8,964	-8,964
Closing balance equity 2021-12-31	3,447	0	54,314	868,575	-150,545	-8,964	766,827
Opening balance equity 2021-01-01	2,326	0	43,704	220,058	-125,677	-14,258	126,153
Change in fund for development costs			6,924		-6,924		0
New share issue	243			125,442			125,685
Transfer of previous year's result					-14,258	14,258	0
Result for the period						-8,623	-8,623
Closing balance equity 2021-09-30	2,326	243	50,628	345,500	-146,859	-8,623	243,215
Opening balance equity 2022-01-01	3,447	0	54,314	868,575	-150,545	-8,964	766,827
Change in fund for development costs			3,876		-3,876		0
Issuance cost				-400			-400
Subscription warrants					342		342
Transfer of previous years's result					-8,964	8,964	0
Result for the period						-17,829	-17,829
Closing balance equity 2022-09-30	3,447	0	58,190	868,175	-163,043	-17,829	748,940

The share capital consists of 38,302,328 shares, each with a quota value of SEK 0.09.

	July - September 2022	July - September 2021	January - September 2022	January - September 2021	January - December 2021
THE PARENT COMPANY'S CASH FLOW STATEMENT (kSEK)	2022	2021	2022	2021	2021
Cash flow from operating activities before change in working capital	-495	879	-10,111	-1,915	-4,319
Cash flow from operating activities	-12,731	-4,800	-44,911	-14,290	-30,496
Cash flow from investing activities	-1,963	-4,049	-9,836	-12,374	-92,497
Cash flow from financing activities	-553	125,389	-1,174	124,816	123,791
Cash flow for the period	-15,247	116,541	-55,921	98,152	798
Cash and cash equivalents at the beginning of the period	24,532	46,018	65,205	64,408	64,408
Cash and cash equivalents at the end of the period	9,285	162,559	9,285	162,559	65,205

05

Sustainability

Irisity Sustainability – Smart @ Heart

We create safe cities, safe working environments – protecting assets and people by delivering sustainable solutions through products, services and operations.

We cultivate a corporate culture based on freedom and responsibility, a positive people culture with fairness and equality and gender balance .

We want to inspire and drive change, with the ambition to enable the security industry and society to change making the most out of intelligent technology.

Technology in service of mankind, enabling ethical use of advanced video analytics solutions, making the most out of intelligent technology, while preserving integrity, equality and freedom.



06

DEFINITIONS

OPERATING RESULTS

Profit or loss before financial items.

OPERATING MARGIN (PERCENT)

Operating result divided by net turnover (since the operating margin is calculated in accordance with the definition of net turnover in the Annual Accounts Act, work performed for own account is not included in the margin calculation).

SOLIDITY (PERCENT)

Adjusted equity capital in relation to the balance sheet total, expressed in percent.

BALANCE SHEET TOTAL

The total of assets or the total of debts and equity.

NET DEBT

Interest-bearing liabilities less interest-bearing assets and liquid assets.

NUMBER OF SHARES (ST)

The number of outstanding shares at the end of the period.

RESULT PER SHARE (SEK)

The result after taxes for the period divided by the number of shares.

THE OBJECT

The object refers to the physical location where a client has installed Irisity's surveillance solution. A municipality may for instance use the system in a number of schools. Each school would then be considered a separate object.

MRR

Monthly recurring revenue.

R&D

Research and Development.

PAYMENT MODEL

Depending on their needs, the company's customers can choose between the following payment models :

- Licensing – the customer pays a continuous fee for the service
- One-time purchase – the customer purchases a version of a specific algorithm of the software
- Support subscription – the customer pays a continuous support fee in respect of the service connected to the licenses.

ADJUSTED EBITDA

EBITDA adjusted for items affecting comparability.

07

FINANCIAL CALENDAR



Publication dates for interim reports

- 2023-02-24 Year end report

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ERIK PENSER BANK

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This information is information that Irisity AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on November 11, 2022.



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