
Q2

Irisity AB (publ)

INTERIM FINANCIAL REPORT

April – June 2019



IRISITY

The Group's summary of the period

1 April – 30 June 2019

- Net sales amounted to MSEK 9.0 (6.9).
- Work performed for own account amounted to MSEK 4.5 (5.2).
- Gross margin amounted to 58.1 percent (69.9).
- EBITDA amounted to MSEK -2.4 (-6.7).
- Loss after tax amounted to MSEK -5.8 (-8.1).
- SaaS income amounted to MSEK 6.6.
- MRR at the end of the quarter amounted to MSEK 2.4.

1 January – 30 June 2019

- Net sales amounted to MSEK 18.0 (13.6).
- Work performed for own account amounted to MSEK 9.0 (8.0).
- Gross margin amounted to 59.2 percent (67.4).
- EBITDA amounted to MSEK -3.9 (-10.6).
- Loss after tax amounted to MSEK -10.3 (-11.0).
- SaaS income amounted to MSEK 11.7.
- MRR at the end of the period amounted to MSEK 2.4.
- The company Visionists AB was acquired on 21 January 2019.
- In connection with the acquisition, a non-cash issue was carried out. Through the issue, the number of shares has increased by 1,494,007 to 19,069,351, and the share capital has increased to kSEK 1,716.

Sales and results

Sales and results, Group (kSEK)	April-June 2019	April-June* 2018	January- June 2019	January- June* 2018	January- December 2018
Net sales	9 016	6 941	17 998	13 628	30 061
Work performed for own account	4 456	5 188	8 982	8 029	15 350
EBITDA	-2 400	-6 681	-3 885	-7 926	-7 973
EBIT	-5 640	-7 960	-9 959	-10 599	-13 557
Operating margin %	neg	neg	neg	neg	neg
Result after financial items	-5 805	-8 129	-10 307	-10 950	-14 262
Result for the period	-5 795	-8 129	-10 290	-10 950	-14 245

*Refers to the parent company, Irisity AB (publ). The Group was formed on January 21 2019 and includes Visionists AB and D.A.R.C AB, the latter with no active operations.

Irisity in brief

Irisity AB (publ) is a leader in AI-based video analytics. Our proactive and self-learning algorithms can upgrade new and existing surveillance systems and cameras to actively alerting units. Irisity's SaaS solution IRIS™ allows attention to be focused on actual incidents instead of false alarms. Irisity's AI algorithms offer high precision and are able to detect human activity at long distances and in all light conditions.

The IRIS™ algorithms are adapted for a number of applications, including surveillance of critical infrastructure and schools, night-time supervision of elderly in their homes, and guarding various kinds of restricted areas.

The machine learning employed by Irisity's algorithms is one of the most substantial on the market, with a learning experience of more than ten years and millions of situations.

With an offensive growth strategy in one of the world's largest and fastest growing segments, we are increasing our pace of innovation and expanding our SaaS offer IRIS™ internationally.

Products and services

We provide a number of intelligent camera surveillance concepts based on Irisity's patented AI algorithms. School Guard™, Construction Guard™, Area Guard™, the IRIScare™ e-health service for night-time supervision, the intelligent parking solution IRIS Parking™, and PeopleMetrics™.



Comments from our CEO

Net sales amounted to MSEK 9 (6.9), and the work performed for own account to MSEK 4.5 (5.2). EBITDA amounted to MSEK -2.4 (-6.7) and the result after tax amounted to MSEK -5.8 (-8.1). Both of these levels of performance are better than projected. Solidity improved to 70.1 percent (44.4). Gross margin was negatively affected by costs related to pilot projects, and amounted to 58.1 percent (69.9)

Irisity has launched 15 pilot projects during the period; 10 of these have been concluded, and the rest are expected to conclude in the upcoming period. Three of the so far concluded pilots have evolved into commercialization. Since the results from the finished pilots are satisfactory, most of them are projected to evolve into commercial rollout.

The company is currently performing commercial rollout to 9 companies on 8 international markets, and is negotiating agreements for 19 markets with two global security groups. About 10 new pilots will be launched in the upcoming period.

Our R&D team has wide competence and excellence in the fields of computer vision, machine learning and neural networks. Our development process draws on external industry projects with market-leading customers in computer vision. This makes for agility and efficiency. It is our ambition to recruit the best, and grant them large amounts of freedom, responsibility, and leeway for operation and development. When we put our trust in them, superb results are achieved.

Irisity offers a complete high-performance product portfolio on the global market, with a consistently high degree of market acceptance. Throughput and processes are now the priority – from the initial sales contact, via technology assessment pilots, to commercial rollout.



Gothenburg, 2019-08-06

A handwritten signature in blue ink, which appears to be 'M. Bäcklund'.

Marcus Bäcklund



Share and ownership

The ten major owners, 2019-06-30:

Shareholder	Number of shares	Ownership interest
Chalmers Innovation Seed Fund AB	2,454,634	12,87%
Försäkringsaktiebolaget, Avanza Pension	1,391,160	7,30%
Pixelwise Holding AB	1,136,895	5,96%
Nordnet Pensionsförsäkring AB	1,058,487	5,55%
Ulf Runmarker	903,000	4,74%
Chalmers University of Technology Foundation	859,162	4,51%
Hans Andersson Holding AB	647,857	3,40%
Niklas Larsson	610,000	3,20%
Sätilla SSBI AB	338,620	1,78%
Aktiebolaget Westergyllen	307,417	1,61%
The ten major shareholders in total	9,707,232	50,92%
Others	9,362,119	49,08%
Total	19,069,351	100,00%

Number of shares

Irisity AB (publ) has 19,069,351 shares outstanding as of 30 June 2019.

Ownership

Irisity AB (publ), org. nr./Reg. No. 556705-4571 is a public company listed on Nasdaq First North under the ticker IRIS. The shareholder overview describes the situation as of 30 June 2019, when 3,480 shareholders were registered.

Risk factors

The group's key risks and uncertainty factors include operational risks as well as risks that relate to market and technology development, patents, competitors 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

In August 2015, an extraordinary general meeting decided to approve the suggestion made by the main owners and the board to implement an incentive scheme for the staff, the board, key management personnel and future recruitments. A conversion has taken place to reflect the issues of new shares registered with the Swedish Companies Registration Office in 2018. The schemes are fully subscribed by the staff and the Management Board. The "2015 Syntetiska optioner" (2015 Share Appreciation Rights) and "2015/2018 Teckningsoptioner" (2015/2018 Warrants) schemes have been terminated, and the "2015/2020 Teckningsoptioner" (2015/2020 Warrants) is the only one that remains. If fully exercised, the dilutive effect would be 1.4 percent.

Significant events after the end of the period

No significant events that are not already communicated to the market have taken place since the end of the interim period.

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 five 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.

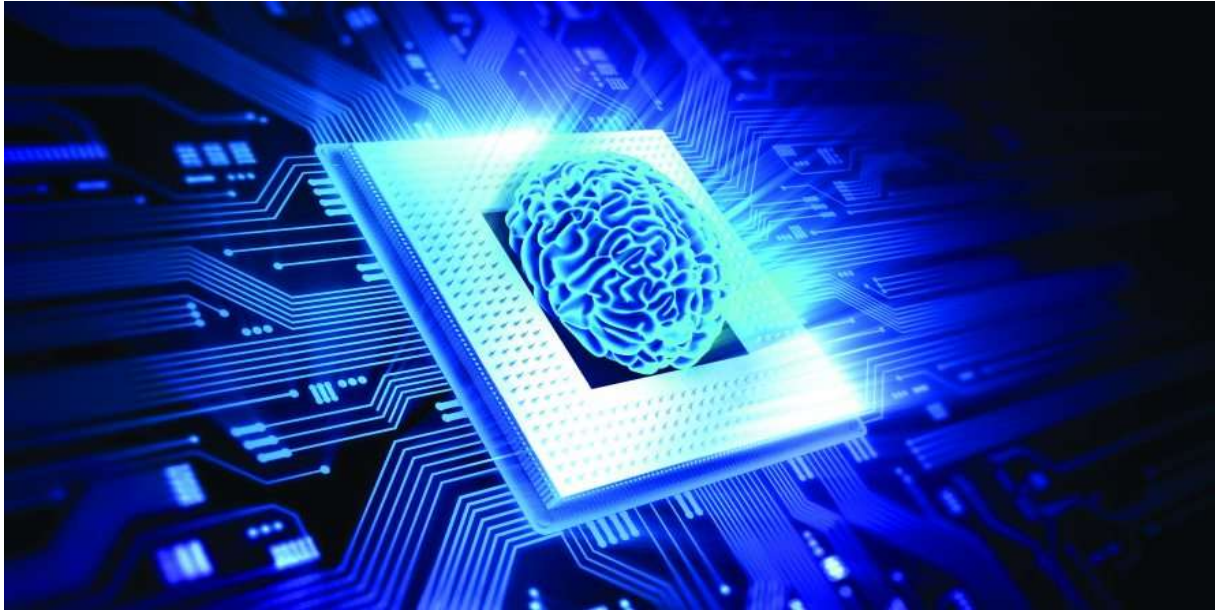
Related party transactions

No transaction with related parties which significantly affected the result or financial position of the Group took place during the period. The related party transactions that took place in the Group and its companies during 2018 are provided in the last annual report (note number 5).

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.



Financial overview

Net sales and result

The Group's net sales during the quarter amounted to MSEK 9.0 (6.9), and the work performed for own account amounted to MSEK 4.5 (5.2).

EBITDA amounted to MSEK -2.4 (-6.7) and the result after tax amounted to MSEK -5.8 (-8.2). Depreciation charges of MSEK -1.4 are related to goodwill arising on the acquisition of Visionists AB.

During the quarter, the Group has continued to invest in software development in the amount of MSEK 4.5. Meanwhile, geographical expansion and supportive sales efforts still impose significant costs for the Group. The development effort has focused on developing the next version of the system, development associated with specific pilot projects, and further development of the SaaS model.

Investments and financial position

The Group's cash flow from operating activities before changes in working capital amounted to MSEK -2.6 (-6.8) during the quarter. The cash flow from operating activities was MSEK -1.1 (-2.6).

During the same period, the cash flow from investing activities amounted to MSEK -4.6 (-5.5). For the most part, this can be attributed to the acquisition and to investments in newly developed software. From financing activities, the cash flow was MSEK -1.2 (-1.4).

The cash flow for the period amounted to MSEK -6.9 (-9.5).

The balance sheet total amounted to MSEK 92.2 (57.0) on 30 June 2019 with a 70.1 percent (44.4) solidity. The company's net debt amounted to MSEK 7.1 (10.1). The group has an overdraft facility up to MSEK 10 in total, which on the balance sheet date remained unused.

Staff and organization

At the end of the period, the company had 34 (30) employees, 5 of whom were women (5).

THE GROUP'S INCOME STATEMENT (kSEK)	April- June 2019	April- June* 2018	January- June 2019	January- June* 2018	January- December *
Net sales	9,016	6,941	17,998	13,628	30,061
Work performed for own account	4,456	5,188	8,982	8,029	15,350
Cost of sales	-3,774	-2,090	-7,342	-4,443	-9,343
Gross result	9,698	10,039	19,638	17,214	36,068
Other external charges	-4,326	-5,355	-9,393	-8,815	-18,202
Personnel costs	-7,772	-11,365	-14,130	-16,325	-25,839
Depreciation of tangible and intangible assets	-3,240	-1,279	-6,074	-2,673	-5,584
Operating result	-5,640	-7,960	-9,959	-10,599	-13,557
Interest income			2	1	1
Interest costs	-165	-169	-350	-352	-706
Result after financial items	-5,805	-8,129	-10,307	-10,950	-14,262
Income taxes	10	-	17	-	17
Net profit or loss for the period	-5,795	-8,129	-10,290	-10,950	-14,245

THE GROUP'S BALANCE SHEET (kSEK)	June 2019	June* 2018	December* 2018
Assets			
Intangible fixed assets	58,887	18,736	24,681
Tangible fixed assets	6,262	4,898	7,784
Financial fixed assets	204	752	491
Total fixed assets	65,353	24,386	32,956
Accounts receivable	8,089	9,390	8,584
Other current assets	3,529	2,831	2,738
Cash and bank balances	15,198	20,393	32,285
Total current assets	26,816	32,614	43,607
Total assets	92,169	57,000	76,563
Equity and liabilities			
Share capital	1,716	1,439	1,582
Other contributed capital	140,547	87,928	112,631
Other equity including result for the period	-77,633	-64,058	-67,343
Total equity	64,630	25,309	46,870
Long-term liabilities	3,725	4,698	5,920
Deferred tax liabilities	491		
Short-term financial liabilities	4,412	5,503	5,222
Accounts payable	3,519	3,190	4,391
Other short-term liabilities	15,392	18,300	14,160
Total short-term liabilities	23,323	26,993	23,773
Total equity and liabilities	92,169	57,000	76,563
Pledged assets			
Business mortgages	13,000	3,000	8,000
Pledged account	1,500	1,500	1,500
Total	14,500	4,500	9,500
Contingent liabilities	none	none	none

*Refers to the parent company, Irisity AB (publ). The Group was formed on January 21 2019 and includes Visionists AB and D.A.R.C AB, the latter with no active operations.

THE GROUP'S CHANGES IN EQUITY (kSEK)

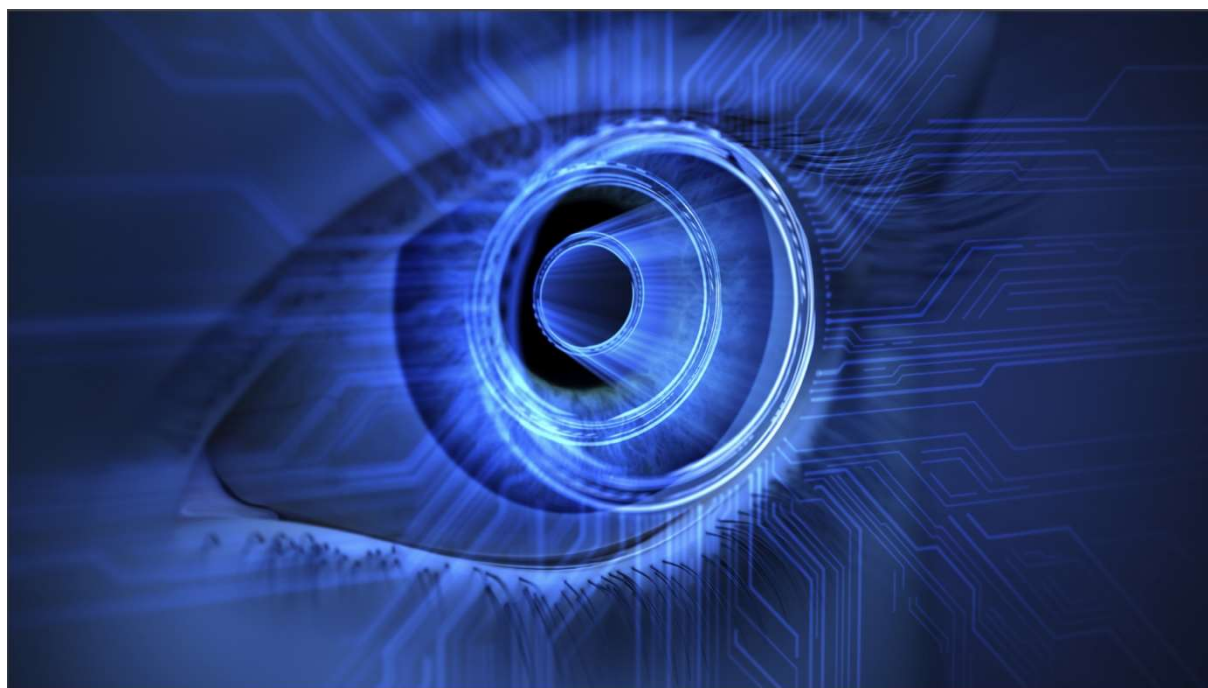
	Share capital	Other contributed capital	Other equity including result for the period	Total
Opening balance equity 2018-01-01	1,439	87,928	-52,981	36,386
<i>Transactions with owners:</i>				
New share issue	143	24,703		24,846
Subscription warrants			-117	-117
Result for the period			-14,245	-14,245
Closing balance equity 2018-12-31	1,582	112,631	-67,343	46,870
Opening balance equity 2018-01-01	1,439	87,928	-52,981	36,386
<i>Transactions with owners:</i>				
New share issue				
Subscription warrants			-127	-127
Result for the period			-10,950	-10,950
Closing balance equity 2018-06-30	1,439	87,928	-64,058	25,309
Opening balance equity 2019-01-01	1,582	112,631	-67,343	46,870
<i>Transactions with owners:</i>				
New share issue	134	27,916		28,050
Subscription warrants				
Result for the period			-10,290	-10,290
Closing balance equity 2019-06-30	1,716	140,547	-77,633	64,630

The share capital consists of 19,069,351 shares, each with a quota value of SEK 0.09.

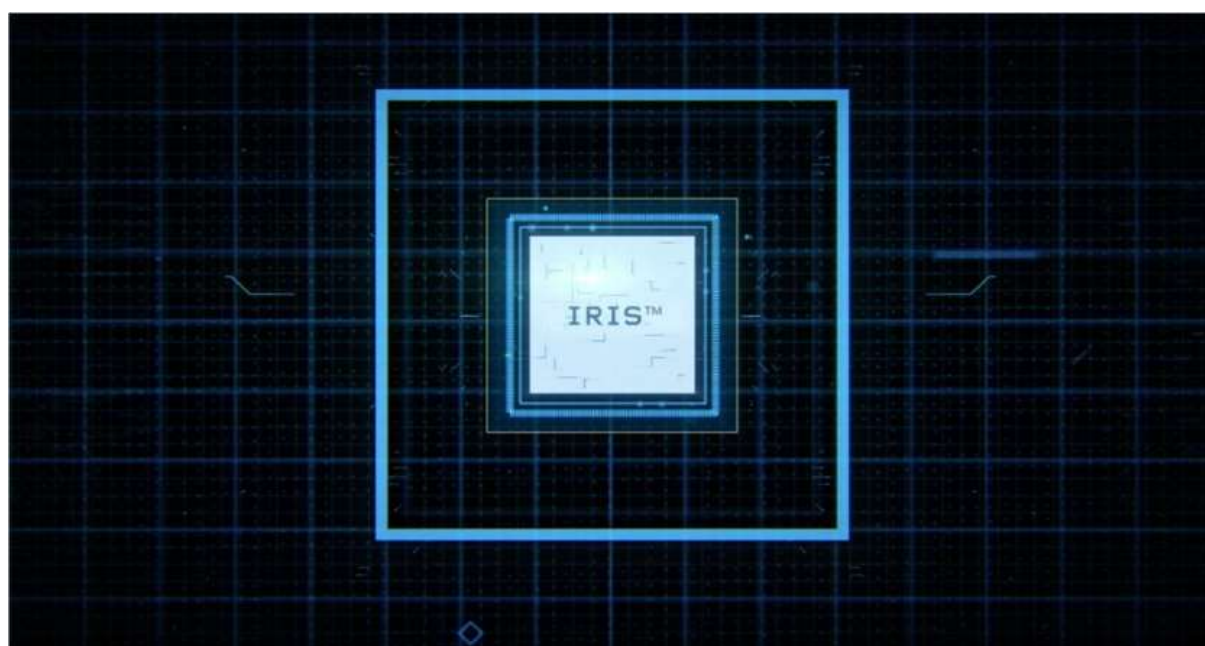
	April-June	April-June*	January-June	January-June*	January-December*
THE GROUP'S					
CASH FLOW STATEMENT (kSEK)	2019	2018	2019	2018	2018
Cash flow from operating activities before change in working capital	-2,555	-6,846	-4,216	-8,059	-8,713
Cash flow from operating activities	-1,079	-2,627	-4,153	-4,097	-6,982
Cash flow from investing activities	-4,600	-5,494	-38,758	-8,810	-20,386
Cash flow from financing activities	-1,219	-1,411	25,824	27,291	53,644
Cash flow for the period	-6,898	-9,532	-17,087	14,384	26,276
Cash and cash equivalents at the beginning of the period	22,096	29,925	32,285	6,009	6,009
Cash and cash equivalents at the end of the period	15,198	20,393	15,198	20,393	32,285

THE PARENT COMPANY'S INCOME STATEMENT (kSEK)	April-June 2019	April-June 2018	January- June 2019	January- June 2018	January- December 2018
Net sales	9,184	6,941	17,736	13,628	30,061
Work performed for own account	4,456	5,188	8,982	8,029	15,350
Cost of sales	-4,903	-2,090	-9,703	-4,443	-9,343
Gross result	8,737	10,039	17,015	17,214	36,068
Other external charges	-5,485	-5,355	-11,257	-8,815	-18,202
Personnel costs	-5,660	-11,365	-10,662	-16,325	-25,839
Depreciation of tangible and intangible assets	-1,787	-1,279	-3,653	-2,673	-5,584
Operating result	-4,195	-7,960	-8,557	-10,599	-13,557
Interest income	0	0	1	1	1
Interest costs	-163	-169	-349	-352	-706
Result after financial items	-4,358	-8,129	-8,905	-10,950	-14,262
Income taxes	-	-	-	-	17
Net profit or loss for the period	-4,358	-8,129	-8,905	-10,950	-14,245

Basic earnings per share (SEK)	-0.23	-0.51	-0.47	-0.68	-0.81
Diluted earnings per share (SEK)	-0.23	-0.51	-0.47	-0.68	-0.81
Number of shares at the end of the period	19,069,351	15,993,930	19,069,351	15,993,930	17,575,344
Fully diluted shares outstanding	19,334,476	16,471,155	19,334,476	16,471,155	17,840,469
Weighted average number of shares	16,660,380	15,269,504	16,660,380	15,269,504	15,966,706



THE PARENT COMPANY'S BALANCE SHEET (kSEK)	June 2019	June 2018	December 2018
Assets			
Intangible fixed assets	31,697	18,736	24,681
Tangible fixed assets	6,262	4,898	7,784
Financial fixed assets	31,986	752	491
Total fixed assets	69,945	24,386	32,956
Accounts receivable	7,745	9,390	8,584
Other current assets	4,895	2,831	2,738
Cash and bank balances	13,981	20,393	32,285
Total current assets	26,621	32,614	43,607
Total assets	96,566	57,000	76,563
Equity and liabilities			
Restricted equity	32,280	18,083	24,707
Non-restricted equity	33,735	7,226	22,163
Total equity	66,015	25,309	46,870
Long-term liabilities	3,725	4,698	5,920
Short-term financial liabilities	4,412	5,503	5,222
Accounts payable	3,397	3,190	4,391
Other short-term liabilities	19,017	18,300	14,160
Total short-term liabilities	26,826	26,993	23,773
Total equity and liabilities	96,566	57,000	76,563
Pledged assets			
Business mortgages	13,000	3,000	8,000
Pledged account	1,500	1,500	1,500
Total	14,500	4,500	9,500
Contingent liabilities	none	none	none



**THE PARENT COMPANY'S
CHANGES IN EQUITY (kSEK)**

	Share capital	Fund for developme nt costs	Share premium reserve	Retained earnings	Result for the period	Total
Opening balance equity 2018-01-01	1,439	8,944	87,928	-58,454	-3,471	36,386
Change in fund for development costs		14,181		-14,181		
New share issue	143					143
Share premium reserve			26,198			26,198
New issue costs			-1,495			-1,495
Transfer of previous year's result				-3,471	3,471	
Subscription warrants				-117		-117
Result for the period					-14,245	-14,245
Closing balance equity 2018-12-31	1,582	23,125	112,631	-76,223	-14,245	46,870
Opening balance equity 2018-01-01	1,439	8,944	87,928	-58,454	-3,471	36,386
Change in fund for development costs		7,699		-7,699		
Transfer of previous year's result				-3,471	3,471	
Subscription warrants				-127		-127
Result for the period					-10,950	-10,950
Closing balance equity 2018-06-30	1,439	16,643	87,928	-69,751	-10,950	25,309
Opening balance equity 2019-01-01	1,582	23,125	112,631	-76,223	-14,245	46,870
Change in fund for development costs		7,438		-7,438		
Non-cash issue	134					134
Share premium reserve			27,916			27,916
Transfer of previous year's result				-14,245	14,245	
Result for the period					-8,905	-8,905
Closing balance equity 2019-06-30	1,716	30,563	140,547	-97,906	-8,905	66,015

The share capital consists of 19,069,351 shares, each with a quota value of SEK 0.09.

	April-June 2019	April-June 2018	January- June 2019	January- June 2018	January- December 2018
THE PARENT COMPANY'S CASH FLOW STATEMENT (kSEK)					
Cash flow from operating activities before change in working capital	-2,656	-6,846	-5,477	-8,059	-8,713
Cash flow from operating activities	334	-2,627	-2,864	-4,097	-6,982
Cash flow from investing activities	-4,599	-5,494	-40,879	-8,810	-20,386
Cash flow from financing activities	-1,313	-1,411	25,440	27,291	53,644
Cash flow for the period	-5,578	-9,532	-18,303	14,384	26,276
Cash and cash equivalents at the beginning of the period	19,559	29,925	32,285	6,009	6,009
Cash and cash equivalents at the end of the period	13,981	20,393	13,981	20,393	32,285



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

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.

SAAS INCOME

Recurring revenue from the IRIS service.

MRR

Monthly recurring revenue

NET SALES

Net sales reflect the company's revenue from goods sold and services performed, with deductions directly linked to the sales for the period taken into account.

R&D

Research and Development.

INVOICING

The invoicing is the sum of invoices issued during the period. To arrive at the net sales affecting the result, adjustments are made for the payments made in advance or in arrears.

PAYMENT MODEL

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

- Subscription – the customer pays a continuous subscription fee for the IRIS service.
- Purchase – the customer purchases the equipment and the licenses from Irisity.
- Lease – the customer leases the equipment and licences from Irisity for an indefinite period.
- Payment by instalments – the customer pays the licence by instalments and leases the equipment from Irisity.

Financial calendar

Publication dates for interim reports

2019-11-05 Interim report 3



The **cerebral cortex** – the outer layer of the cerebrum of the brain, responsible for many of the most complex brain functions, such as memory, attention and consciousness

Certified adviser for the company:

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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 6 August 2019.



IRISITY

SECURITY BEYOND HUMAN
INTELLIGENCE

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