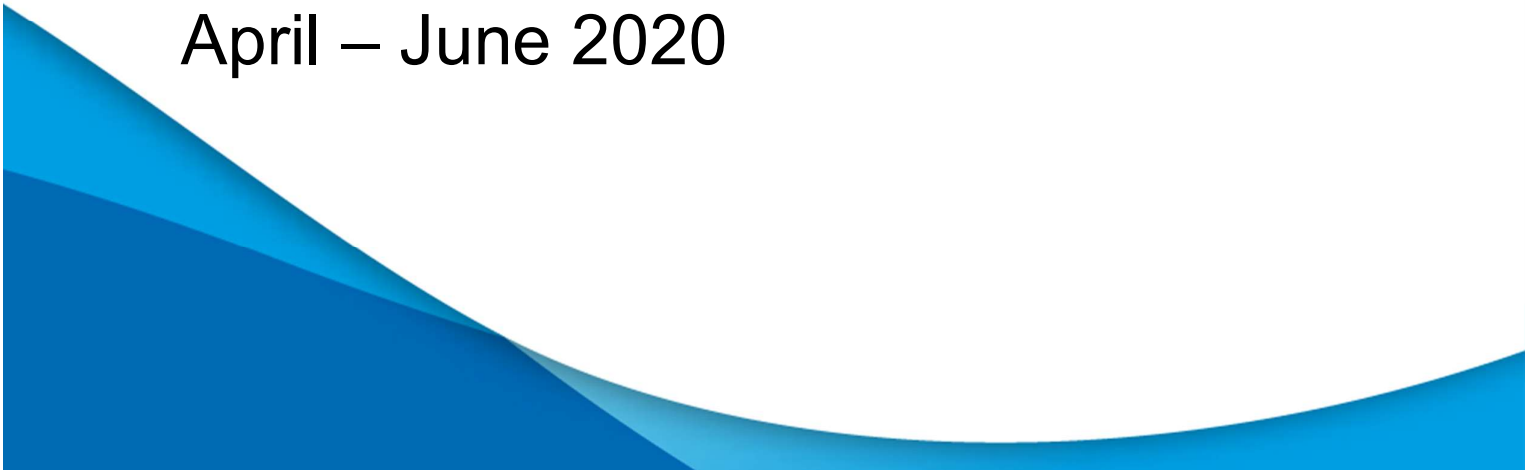


# Q2

Irisity AB (publ)  
INTERIM REPORT  
April – June 2020





**IRISITY**

# The Group's summary of the period

## 1 April – 30 June 2020

- Net sales amounted to MSEK 9.6 (8.9).
- Work performed for own account amounted to MSEK 1 (4.5).
- Gross margin amounted to 67.6 percent (58.1).
- EBITDA amounted to MSEK -0.1 (-2.4).
- Loss after tax amounted to MSEK -3.5 (-5.8).
- Cash liquidity at the end of the period was MSEK 30.6.
- SaaS income amounted to MSEK 8.1 (6.6).
- MRR at the end of the quarter amounted to MSEK 1.2 (2.4).

## 1 January – 30 June 2020

- Net sales amounted to MSEK 19.4 (17.7).
- Work performed for own account amounted to MSEK 4.1 (9.0).
- Gross margin amounted to 66 percent (59.2).
- EBITDA amounted to MSEK -0.9 (-3.9).
- Loss after tax amounted to MSEK -7.7 (-10.3).
- SaaS income amounted to MSEK 16.4. (11,7)
- MRR at the end of the period amounted to MSEK 1.2 (2.4).

## Significant events

To ensure delivery to our international customers, the Company will not extend the support under the short-time work allowance programme after the end of July.

An extensive cooperation has been initiated with the world-leading security group G4S, entailing the possibility to supply IRIS to selected new and existing restricted areas guarded by G4S around the world.

## Sales and results

### Sales and results, Group (kSEK)

	April-June 2020	April-June 2019	January- June 2020	January- June 2019	January- December 2019
Net sales	9,616	8,923	19,408	17,686	35,402
Work performed for own account	1,023	4,456	4,087	8,982	15,930
Other operating income	2,029	93	2,033	312	358
EBITDA	-102	-2,400	-912	-3,885	-4,872
EBIT	-3,530	-5,640	-7,766	-9,959	-16,682
Operating margin %	neg	neg	neg	neg	neg
Result after financial items	-3,613	-5,805	-7,951	-10,307	-17,295
Result for the period	-3,530	-5,795	-7,738	-10,290	-17,671

## Irisity in brief

Irisity AB (publ) is a leader in intelligent camera surveillance. By means of AI and proactive, self-learning algorithms supported by machine learning, we are upgrading new and existing surveillance systems from passive to proactively alerting units. IRIS™ is a cloud-based SaaS solution that focuses attention on actual incidents instead of false alarms, in real-time and with high precision. IRIS™ is able to detect human activity at long distances and in all light conditions, with pixel-level precision.

IRIS™ currently guards restricted areas for hundreds of customers in the Nordic Countries and 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™.



## A word from the CEO

Irisity has initiated an international cooperation and partnership with the G4S group, world leader in security. The successful cooperation in the Baltic States is now expanded to an opportunity to supply IRIS to G4S globally, for existing as well as new restricted areas. G4S safeguards a very large number of restricted areas with video surveillance, operating in nearly 100 countries. The cooperation with G4S is strategic and prioritized, but does not entail exclusivity and thus does not circumscribe our negotiations with other international security companies.

Our sales in the Nordic countries continue to provide a basic income, but the uncertainty on the market is making customers less eager to commit, and a conversion to a variable-pricing model and one-time sales has continued during the period. As soon as the Nordic market stabilizes, we expect the normal balance between variable (SaaS) and fixed (MRR) pricing models to be restored.

In order to ensure the deliveries to our international customers, the support under the short-time work allowance programme will not be extended. Instead, we are resuming full force in all our activities, including R&D, customer support and the SaaS teams.

Irisity is now entering an expansion phase in which our market leading video analytics will be rolled out to a global market in tandem with strong international partners. We are well equipped to take on this challenge, with a highly skilled team, strong cash position and a cutting-edge product in high demand.



Gothenburg, 2020-08-06

A handwritten signature in blue ink, appearing to read 'M. Bäcklund', written over a light blue horizontal line.

Marcus Bäcklund

## Share and ownership

The ten major owners, 2020-06-30:

Shareholders	Number of shares	Ownership interest
Chalmers Innovation Seed Fund AB	2,454,634	10.60%
Aktiebolaget Westergyllen	2,435,000	10.51%
Försäkringsaktiebolaget Avanza Pension	1,704,301	7.36%
Ulf Runmarker and family	1,547,811	6.68%
Chalmers University of Technology Foundation	1,034,562	4.47%
Nordnet Pensionsförsäkring AB	910,803	3.93%
Pixelwise Holding AB	826,895	3.57%
Hans Andersson Holding AB	741,357	3.20%
AB Stena Metall Finans (publ)	708,655	3.06%
Niklas Larsson	585,700	2.53%
The ten major shareholders in total	13,612,884	58.78%
Others	9,550,467	41.22%
<b>Total</b>	<b>23,163,351</b>	<b>100.00%</b>

### Number of shares

Irisity AB (publ) has 23,163,351 shares outstanding as of June 30, 2020.

### 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 June 30, 2020, when 3,147 shareholders were registered.

### Risk factors

The Company'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 2019. 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 1.1 percent.

### **Disclosure of significant events after the end of the period**

To ensure delivery to our international customers, the Company will not extend the support under the short-time work allowance programme after the end of July.

An extensive cooperation has been initiated with the world-leading security group G4S, entailing the possibility to supply IRIS to selected new and existing restricted areas guarded by G4S around the world.

### **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 Company took place during the period. The related party transactions that took place in the Group and the Company during 2019 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 9.6 (8.9), and the work performed for own account amounted to MSEK 1 (4.5). Other operating income is attributable to support from The Swedish Agency for Economic and Regional Growth.

EBITDA amounted to MSEK -0.1 (-2.4) and the result after tax amounted to MSEK -3.5 (-5.8). Depreciation charges of MSEK -2.7 are for the most part related to goodwill arising on the acquisition of Visionists AB and to amortizations attributable to capitalized development work.

During the quarter, the Group has continued to invest in software development, but in a slower pace than previously. This is explained by the short-time work following the COVID-19 outbreak. Development work amounted to MSEK 1. The current market situation related to COVID-19 has forced the Group to put the geographical expansion and the marketing efforts supporting it on hold, which has reduced costs.

### Investments and financial position

The Group's cash flow from operating activities before changes in working capital amounted to MSEK -0.3 (-2.6) during the quarter. The cash flow from operating activities was MSEK -1.9 (-1.1).

During the same period, the cash flow from investing activities amounted to MSEK -1 (-4.6). For the year, this can mostly be attributed to investments in newly developed software. The previous year's investments were attributable to the acquisition of Visionists AB. From financing activities, the cash flow was MSEK -1.0 (-1.2).

The cash flow for the period amounted to MSEK -4 (-6.9).

The balance sheet total amounted to MSEK 99.9 (92.2) on June 30, 2020, with a 79.7 percent (70.1) solidity. The Group's net debt amounted to MSEK -26.7 (-7.1), thus a positive net debt. The Parent Company 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 19 (34) full-time equivalent employees, 3 (5) of whom were women, adjusted to account for short-time work.

THE GROUP'S INCOME STATEMENT (kSEK)	April-June 2020	April-June 2019	January- June 2020	January- June 2019	January- December 2019
Net sales	9,616	8,923	19,408	17,686	35,402
Work performed for own account	1,023	4,456	4,087	8,982	15,930
Other operating income	2,029	93	2,033	312	358
Cost of sales	-3,112	-3,774	-6,607	-7,342	-13,067
<b>Gross result</b>	<b>9,556</b>	<b>9,698</b>	<b>18,921</b>	<b>19,638</b>	<b>38,623</b>
Other external charges	-2,029	-4,326	-4,357	-9,393	-14,997
Personnel costs	-7,629	-7,772	-15,476	-14,130	-28,498
Depreciation of tangible and intangible assets	-3,427	-3,240	-6,854	-6,074	-11,810
<b>Operating result</b>	<b>-3,530</b>	<b>-5,640</b>	<b>-7,766</b>	<b>-9,959</b>	<b>-16,682</b>
Interest income	6	0	9	2	4
Interest costs	-89	-165	-194	-350	-617
<b>Profit after financial items</b>	<b>-3,613</b>	<b>-5,805</b>	<b>-7,951</b>	<b>-10,307</b>	<b>-17,295</b>
Income taxes	84	10	214	17	-376
<b>Net profit or loss for the period</b>	<b>-3,530</b>	<b>-5,795</b>	<b>-7,738</b>	<b>-10,290</b>	<b>-17,671</b>



<b>THE GROUP'S BALANCE SHEET (kSEK)</b>	<b>June 2020</b>	<b>June 2019</b>	<b>December 2019</b>
<b>Assets</b>			
Intangible fixed assets	39,558	33,126	38,254
Goodwill	18,508	25,761	21,090
Tangible fixed assets	3,326	6,262	4,809
Financial fixed assets	0	108	0
Deferred tax assets	141	96	141
<b>Total fixed assets</b>	<b>61,533</b>	<b>65,353</b>	<b>64,294</b>
Accounts receivable	5,500	8,089	6,333
Other current assets	2,212	3,529	1,990
Cash and bank balances	30,605	15,198	39,804
<b>Total current assets</b>	<b>38,317</b>	<b>26,816</b>	<b>48,127</b>
<b>Total assets</b>	<b>99,850</b>	<b>92,169</b>	<b>112,421</b>
<b>Equity and liabilities</b>			
Share capital	2,085	1,716	2,085
Other contributed capital	170,293	140,547	170,293
Other equity including result for the period	-92,752	-77,633	-85,014
<b>Total equity</b>	<b>79,626</b>	<b>64,630</b>	<b>87,364</b>
<b>Long-term liabilities</b>	<b>1,796</b>	<b>3,725</b>	<b>2,761</b>
<b>Deferred tax liabilities</b>	<b>263</b>	<b>491</b>	<b>476</b>
Short-term financial liabilities	2,065	4,412	3,447
Accounts payable	3,424	3,519	4,385
Other short-term liabilities	12,676	15,392	13,988
<b>Total current liabilities</b>	<b>18,166</b>	<b>23,323</b>	<b>21,820</b>
<b>Total equity and liabilities</b>	<b>99,850</b>	<b>92,169</b>	<b>112,421</b>
<b>Pledged assets</b>			
Business mortgages	13,000	13,000	13,000
Pledged account	1,500	1,500	1,500
<b>Total</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>
<b>Contingent liabilities</b>	none	none	none

**THE GROUP'S  
CHANGES IN EQUITY (kSEK)**

	Share capital	Other contributed capital	including result for the period	Total
<b>Opening balance equity 2019-01-01</b>	<b>1,582</b>	<b>112,631</b>	<b>-67,343</b>	<b>46,870</b>
<i>Transactions with owners:</i>				
Non-cash issue	134	25,637		25,771
New share issue	368	34,635		35,003
New issue costs		-2,610		-2,610
Subscription warrants				0
Result for the period			-17,671	-17,671
<b>Closing balance equity 2019-12-31</b>	<b>2,084</b>	<b>170,293</b>	<b>-85,014</b>	<b>87,363</b>

<b>Opening balance equity 2019-01-01</b>	<b>1,582</b>	<b>112,631</b>	<b>-67,343</b>	<b>46,870</b>
<i>Transactions with owners:</i>				
New share issue	134	27,916		28,050
Subscription warrants				0
Result for the period			-10,290	-10,290
<b>Closing balance equity 2019-06-30</b>	<b>1,716</b>	<b>140,547</b>	<b>-77,633</b>	<b>64,630</b>

<b>Opening balance equity 2020-01-01</b>	<b>2,084</b>	<b>170,293</b>	<b>-85,014</b>	<b>87,363</b>
<i>Transactions with owners:</i>				0
New share issue				0
Subscription warrants				0
Result for the period			-7,738	-7,738
<b>Closing balance equity 2020-06-30</b>	<b>2,084</b>	<b>170,293</b>	<b>-92,752</b>	<b>79,625</b>

<b>THE GROUP'S CASH FLOW STATEMENT (kSEK)</b>	April-June 2020	April-June 2019	January- June 2020	January- June 2019	January- December 2019
Cash flow from operating activities before change in working capital	-291	-2,555	-1,467	-4,216	-4,917
Cash flow from operating activities	-1,923	-1,079	-3,148	-4,153	-2,219
Cash flow from investing activities	-1,023	-4,600	-4,094	-38,758	-17,726
Cash flow from financing activities	-1,028	-1,219	-1,958	25,824	27,464
Cash flow for the period	-3,974	-6,898	-9,199	-17,087	7,519
Cash and cash equivalents at the beginning of the period	34,579	22,096	39,804	32,285	32,285
Cash and cash equivalents at the end of the period	30,605	15,198	30,605	15,198	39,804

THE PARENT COMPANY'S INCOME STATEMENT (kSEK)	April-June 2020	April-June 2019	January-June 2020	January-June 2019	January-December 2019
Net sales	9,963	9,095	20,063	17,435	35,891
Work performed for own account	1,385	4,456	5,027	8,982	16,515
Other operating income	1,661	89	1,664	301	358
Cost of sales	-4,226	-4,903	-9,042	-9,703	-17,831
<b>Gross profit</b>	<b>8,783</b>	<b>8,737</b>	<b>17,713</b>	<b>17,015</b>	<b>34,933</b>
Other external charges	-2,465	-5,485	-6,180	-11,257	-19,826
Personnel costs	-6,342	-5,660	-12,669	-10,662	-22,239
Depreciation of tangible and intangible assets	-2,107	-1,787	-4,213	-3,653	-6,931
<b>Operating result</b>	<b>-2,130</b>	<b>-4,195</b>	<b>-5,350</b>	<b>-8,557</b>	<b>-14,063</b>
Interest income	6	0	9	1	2
Interest costs	-86	-163	-190	-349	-615
<b>Profit after financial items</b>	<b>-2,210</b>	<b>-4,358</b>	<b>-5,531</b>	<b>-8,905</b>	<b>-14,676</b>
Income taxes	0	0	0	0	46
<b>Net profit or loss for the period</b>	<b>-2,210</b>	<b>-4,358</b>	<b>-5,531</b>	<b>-8,905</b>	<b>-14,630</b>
Basic earnings per share (SEK)	-0.10	-0.23	-0.24	-0.47	-0.63
Diluted earnings per share (SEK)	-0.09	-0.23	-0.24	-0.47	-0.63
Number of shares at the end of the period	23,163,351	19,069,351	23,163,351	19,069,351	23,163,351
Fully diluted shares outstanding	23,438,351	19,334,476	23,438,351	19,334,476	23,438,351
Weighted average number of shares	19,286,017	16,660,380	19,286,017	16,660,380	19,286,017



<b>THE PARENT COMPANY'S BALANCE SHEET (kSEK)</b>	<b>June 2020</b>	<b>June 2019</b>	<b>December 2019</b>
<b>Assets</b>			
Intangible fixed assets	39,789	31,697	37,485
Tangible fixed assets	3,326	6,262	4,809
Financial fixed assets	29,495	31,890	29,495
Deferred tax assets	141	96	141
<b>Total fixed assets</b>	<b>72,751</b>	<b>69,945</b>	<b>71,930</b>
Accounts receivable	5,482	7,745	6,313
Receivables from Group companies	435	0	0
Other current assets	2,210	4,895	1,951
Cash and bank balances	30,052	13,981	39,248
<b>Total current assets</b>	<b>38,179</b>	<b>26,621</b>	<b>47,512</b>
<b>Total assets</b>	<b>110,929</b>	<b>96,566</b>	<b>119,442</b>
<b>Equity and liabilities</b>			
Restricted equity	41,090	32,280	38,639
Non-restricted equity	43,783	33,735	51,766
<b>Total equity</b>	<b>84,873</b>	<b>66,015</b>	<b>90,405</b>
<b>Long-term liabilities</b>	<b>1,796</b>	<b>3,725</b>	<b>2,760</b>
Short-term financial liabilities	2,065	4,412	3,447
Accounts payable	3,392	3,397	4,302
Liabilities to group companies	7,429	4,754	6,407
Other short-term liabilities	11,374	14,263	12,121
<b>Total current liabilities</b>	<b>24,260</b>	<b>26,826</b>	<b>26,277</b>
<b>Total equity and liabilities</b>	<b>110,929</b>	<b>96,566</b>	<b>119,442</b>
<b>Pledged assets</b>			
Business mortgages	13,000	13,000	13,000
Pledged account	1,500	1,500	1,500
<b>Total</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>
<b>Contingent liabilities</b>	none	none	none

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

	Share capital	Fund for development costs	Share premium reserve	Retained earnings	Result for the period	Total
<b>Opening balance equity 2019-01-01</b>	<b>1,582</b>	<b>23,125</b>	<b>112,631</b>	<b>-76,223</b>	<b>-14,245</b>	<b>46,870</b>
Change in fund for development costs		13,428		-13,428		0
New share issue	503					503
Premium reserve			60,272			60,272
New issue costs			-2,610			-2,610
Transfer of previous year's result				-14,245	14,245	0
Subscription warrants						0
Result for the period					-14,630	-14,630
<b>Closing balance equity 2019-12-31</b>	<b>2,085</b>	<b>36,553</b>	<b>170,293</b>	<b>-103,896</b>	<b>-14,630</b>	<b>90,405</b>
<b>Opening balance equity 2019-01-01</b>	<b>1,582</b>	<b>23,125</b>	<b>112,631</b>	<b>-76,223</b>	<b>-14,245</b>	<b>46,870</b>
Change in fund for development costs		7,438		-7,438		0
Non-cash issue	134					134
Share premium reserve			27,916			27,916
Transfer of previous year's result				-14,245	14,245	0
Result for the period					-8,905	-8,905
<b>Closing balance equity 2019-06-30</b>	<b>1,716</b>	<b>30,563</b>	<b>140,547</b>	<b>-97,906</b>	<b>-8,905</b>	<b>66,015</b>
<b>Opening balance equity 2020-01-01</b>	<b>2,085</b>	<b>36,553</b>	<b>170,293</b>	<b>-103,896</b>	<b>-14,630</b>	<b>90,405</b>
Change in fund for development costs		2,452		-2,452		0
Transfer of previous year's result				-14,630	14,630	0
Result for the period					-5,531	-5,531
<b>Closing balance equity 2020-06-30</b>	<b>2,085</b>	<b>39,005</b>	<b>170,293</b>	<b>-120,978</b>	<b>-5,531</b>	<b>84,874</b>

The share capital consists of 23,163,351 shares, each with a quota value of SEK 0.09.

<b>THE PARENT COMPANY'S CASH FLOW STATEMENT (kSEK)</b>	<b>April-June 2020</b>	<b>April-June 2019</b>	<b>January-June 2020</b>	<b>January-June 2019</b>	<b>January-December 2019</b>
Cash flow from operating activities before change in working capital	-146	-2,656	-1,302	-5,477	-7,727
Cash flow from operating activities	-1,017	334	-2,204	-2,864	-69
Cash flow from investing activities	-1,385	-4,599	-5,033	-40,879	-20,432
Cash flow from financing activities	-1,028	-1,313	-1,958	25,440	27,464
Cash flow for the period	-3,430	-5,578	-9,195	-18,303	6,963
Cash and cash equivalents at the beginning of the period	33,482	19,559	39,248	32,285	32,285
Cash and cash equivalents at the end of the period	30,052	13,981	30,052	13,981	39,248

# 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.

## 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

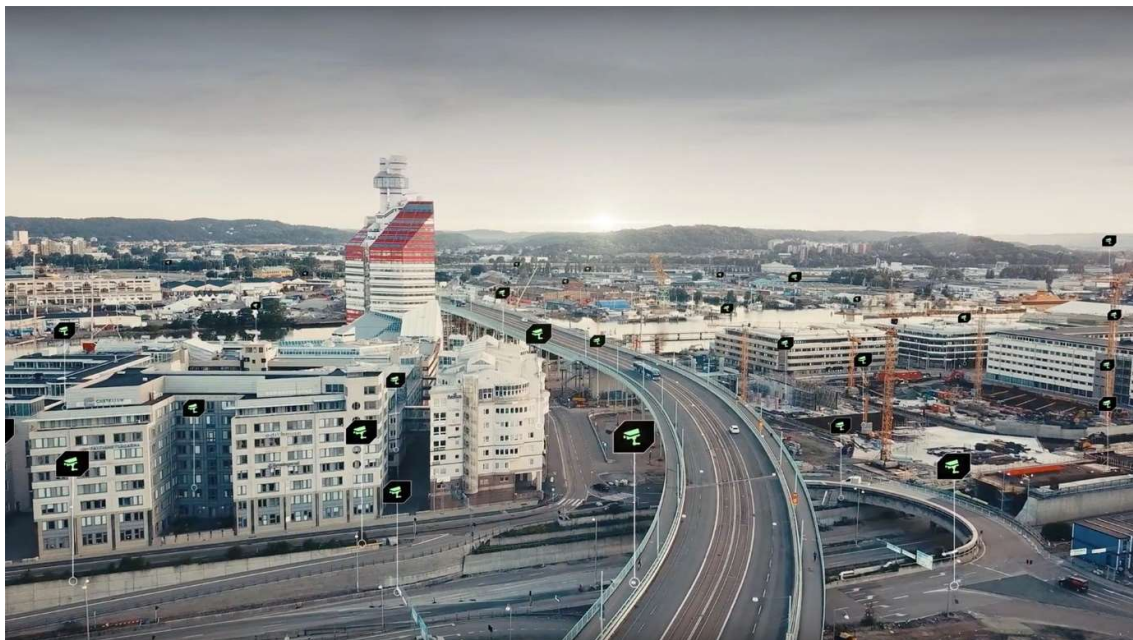
Depending on their needs, the company's customers can choose between the following payment models:

- Subscription – the customer pays a continuous subscription fee for the IRIS service and for alarm management.
- Purchase – the customer purchases the equipment, the alarm management 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

2020-11-04 Interim report 3



## Certified adviser for the company:

Erik Penser Bank

Website: [www.penser.se](http://www.penser.se)

Telephone: +468-463 80 00/+468-463 83 00

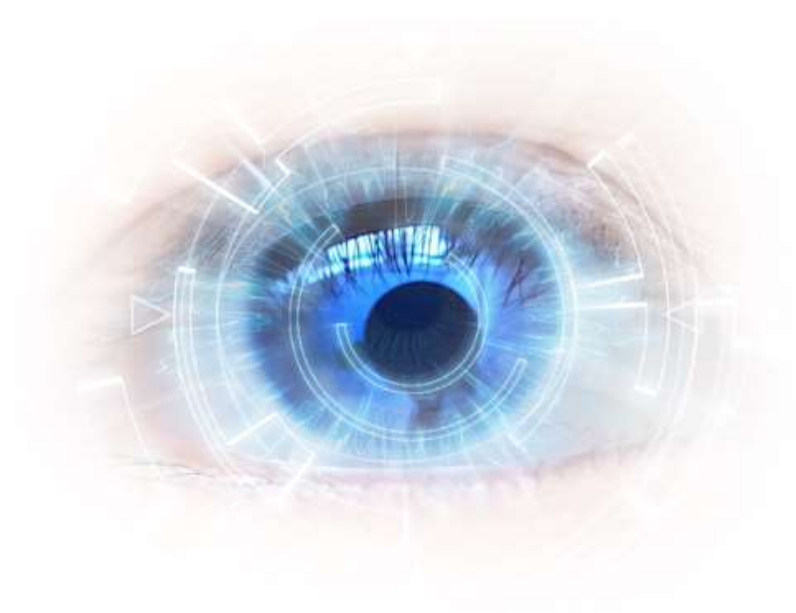
Address: Apelbergsgatan 27, Box 7405, 103 91 Stockholm, Sweden

E-mail: [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)



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 August 6, 2020.

This information is information that Irisity AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on August 6, 2020.





# IRISITY

SECURITY BEYOND HUMAN  
INTELLIGENCE

