

Q1

Irisity AB (publ)

INTERIM FINANCIAL REPORT

January – March 2020





IRISITY

The Group's summary of the period

1 January – 31 March 2020

- Net sales amounted to MSEK 9.8 (8.4).
- Work performed for own account amounted to MSEK 3.1 (4.5).
- Gross margin amounted to 64.3 percent (60.3).
- EBITDA amounted to MSEK -0.8 (-1.5).
- Loss after tax amounted to MSEK -4.2 (-4.5).
- Cash liquidity at the end of the period was MSEK 34.6 (22.1).
- SaaS income amounted to MSEK 8.3 (5.5).
- MRR at the end of the quarter amounted to MSEK 2.2 (2.1).
- Irisity has been granted a patent regarding alarm management in surveillance systems.

Significant events

The Company has applied for and received support from The Swedish Agency for Economic and Regional Growth under the short-time work allowance programme in conjunction with the COVID-19 outbreak.

Sales and results

Sales and results, Group (kSEK)	January - March 2020	January - March 2019	January - December 2019
Net sales	9,792	8,376	35,402
Work performed for own account	3,065	4,526	15,930
Other operating income	4	606	358
EBITDA	-810	-1,485	-4,872
EBIT	-4,237	-4,319	-16,682
Operating margin %	neg	neg	neg
Profit or loss after financial items	-4,338	-4,502	-17,295
Profit or loss for the period	-4,208	-4,495	-17,671

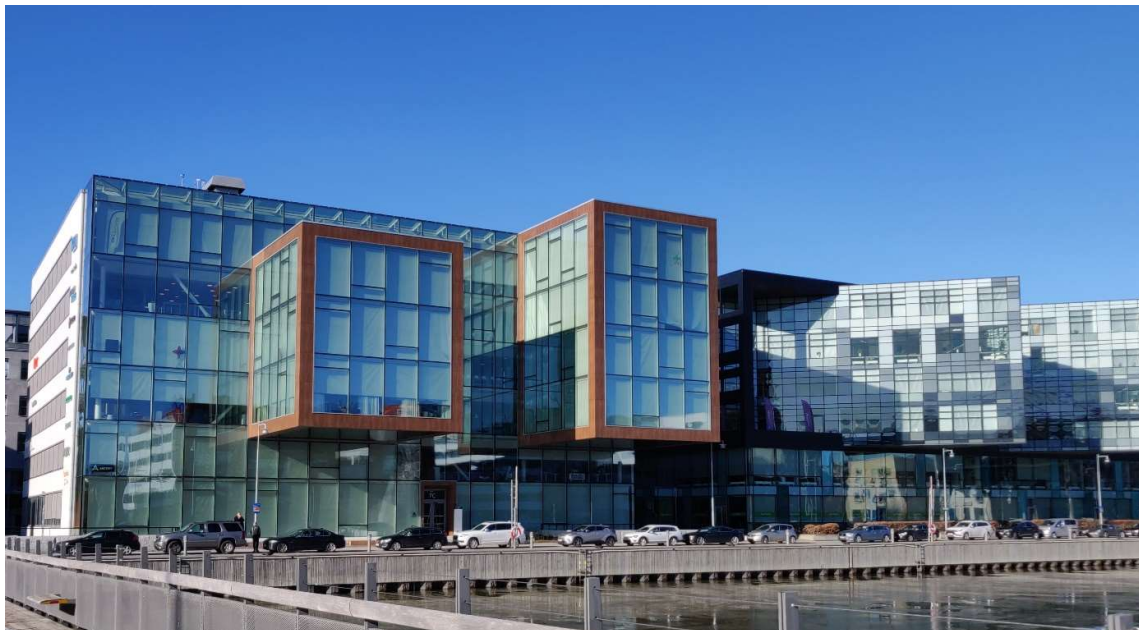
Irisity in brief

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

Notwithstanding the general uncertainty and impact from measures taken by authorities around the world to mitigate the spread of COVID-19, we are reporting a solid quarter. Net sales for the quarter is at a record high. Sales in the Nordic countries have been less affected by the pandemic, and this is especially true with respect to our strong position within the public sector. The international expansion has been delayed by the slowing of activity, but will resume as soon as the pandemic recedes. A growing number of customers are requesting our variable pricing model when their agreements are renegotiated, which results in lower MRR but higher SaaS revenue.

We have taken immediate action to reduce the risk that the future development and expansion of the company are adversely affected by the pandemic. This includes short-time working and other general cost-saving measures. By means of these measures, we anticipate that we will be able to sustain our strong and solid financial position so that we can stand firm and ready to meet the opportunities that will emerge when countries and companies open up again.

The IRIS Cortex rollout is proceeding according to plan and has now reached all international customers, with a favourable reception. The Cortex release will reduce the running alarm volume costs significantly, which will improve our margins.

During the period, we have obtained an additional patent approval regarding cloud-based alarm management.

We are looking forward with confidence to a global market with millions of surveillance cameras that are waiting for IRIS, for our unique product that meets the needs of our customers - and it is our conviction that Irisity has sufficient capacity and strength to resume our ambitious international expansion as soon as the global pandemic wanes.



Gothenburg, 2020-05-07

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, 2020-03-31:

Shareholders	Number of shares	Ownership interest
Chalmers Innovation Seed Fund AB	2,454,634	10.60%
Ulf Runmarker and family	1,898,292	8.20%
AB Westergyllen	1,834,921	7.92%
Försäkringsaktiebolaget Avanza Pension	1,739,218	7.51%
Chalmers University of Technology Foundation	1,034,562	4.47%
Pixelwise Holding AB	956,895	4.13%
Nordnet Pensionsförsäkring AB	895,535	3.87%
Hans Andersson Holding AB	741,357	3.20%
AB Stena Metall Finans (publ)	708,655	3.06%
Niklas Larsson	590,000	2.55%
The ten major shareholders in total	12,854,069	55.51%
Others	10,309,282	44.49%
Total	23,163,351	100.00%

Number of shares

Irisity AB (publ) has 23,163,351 shares outstanding as of 31 March 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 31 March 2020, when 3,169 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 regarding significant events after the end of the period

The Company has applied for and received support from The Swedish Agency for Economic and Regional Growth under the short-time work allowance programme in conjunction with the COVID-19 outbreak.

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 9.8 (8.4), and the work performed for own account amounted to MSEK 3.1 (4.5).

EBITDA amounted to MSEK -0.8 (-1.5) and the result after tax amounted to MSEK -4.2 (-4.5). Depreciation charges of MSEK -3.4 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 in the amount of MSEK 3.1. Meanwhile, geographical expansion and supportive sales efforts still impose significant costs for the Group. The Company has, however, reduced these costs considerably at the end of the quarter as COVID-19 has changed the market situation. 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 -0.8 (-1.7) during the quarter. The cash flow from operating activities was MSEK -1.2 (-3.1).

During the same period, the cash flow from investing activities amounted to MSEK -3.1 (-34.2). 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 (27.0).

The cash flow for the period amounted to MSEK -5.2 (-10.2).

The balance sheet total amounted to MSEK 104.9 (100.7) on 31 March 2020, with a 79.3 percent (69.9) solidity. The Group's net debt amounted to MSEK 29.4 (12.6). 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 36 (33) full time equivalents (FTE), 5 of whom were women (5).

THE GROUP'S INCOME STATEMENT (kSEK)	January - March	January - March	January - December
	2020	2019	2019
Net sales	9,792	8,376	35,402
Work performed for own account	3,065	4,526	15,930
Other operating income	4	606	358
Cost of sales	-3,495	-3,568	-13,067
Gross profit	9,366	9,940	38,623
Other external charges	-2,328	-5,067	-14,997
Personnel costs	-7,847	-6,358	-28,498
Depreciation of tangible and intangible assets	-3,427	-2,834	-11,810
Operating result	-4,237	-4,319	-16,682
Interest income	4	2	4
Interest costs	-105	-185	-617
Profit or loss after financial items	-4,338	-4,502	-17,295
Income taxes	130	7	-376
Profit or loss for the period	-4,208	-4,495	-17,671



THE GROUP'S BALANCE SHEET (kSEK)	March 2020	March 2019	December 2019
Assets			
Intangible fixed assets	39,926	29,689	38,254
Goodwill	19,799	27,167	21,090
Tangible fixed assets	4,071	6,933	4,809
Financial fixed assets	0	213	0
Deferred tax assets	141	96	141
Total fixed assets	63,937	64,098	64,294
Accounts receivable	3,963	11,020	6,333
Other current assets	2,432	3,505	1,990
Cash and bank balances	34,579	22,096	39,804
Total current assets	40,974	36,621	48,127
Total assets	104,911	100,719	112,421
Equity and liabilities			
Share capital	2,085	1,716	2,085
Other contributed capital	170,293	140,547	170,293
Other equity including result for the period	-89,223	-71,838	-85,014
Total equity	83,155	70,425	87,364
Long-term liabilities	2,435	4,597	2,761
Deferred tax liabilities	346	501	476
Short-term financial liabilities	2,793	4,854	3,447
Accounts payable	4,028	4,788	4,385
Other current liabilities	12,153	15,554	13,988
Total current liabilities	18,974	25,196	21,820
Total equity and liabilities	104,911	100,719	112,421
Pledged assets			
Business mortgages	13,000	13,000	13,000
Pledged account	1,500	1,500	1,500
Total	14,500	14,500	14,500
Contingent liabilities	none	none	none

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

	Share capital	Other contributed capital	Other equity including result for the period	Total
Opening balance equity 2019-01-01	1,582	112,631	-67,343	46,870
<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
Closing balance equity 2019-12-31	2,084	170,293	-85,014	87,363
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				0
Profit or loss for the period			-4,495	-4,495
Closing balance equity 2019-03-31	1,716	140,547	-71,838	70,425
Opening balance equity 2020-01-01	2,084	170,293	-85,014	87,363
<i>Transactions with owners:</i>				
New share issue				0
Subscription warrants				0
Profit or loss for the period			-4,208	-4,208
Closing balance equity 2020-03-31	2,084	170,293	-89,222	83,155

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

	January - March	January - March	January - December
THE GROUP'S CASH FLOW STATEMENT (kSEK)	2020	2019	2019
Cash flow from operating activities before change in working capital	-781	-1,661	-4,917
Cash flow from operating activities	-1,175	-3,074	-2,219
Cash flow from investing activities	-3,070	-34,158	-17,726
Cash flow from financing activities	-980	27,043	27,464
Cash flow for the period	-5,225	-10,189	7,519
Cash and cash equivalents at the beginning of the period	39,804	32,285	32,285
Cash and cash equivalents at the end of the period	34,579	22,096	39,804

THE PARENT COMPANY'S INCOME STATEMENT (kSEK)	January - March 2020	January - March 2019	January - December 2019
Net sales	10,100	8,340	35,891
Work performed for own account	3,643	4,526	16,515
Other operating income	3	212	358
Cost of sales	-4,816	-4,800	-17,831
Gross profit	8,930	8,278	34,933
Other external charges	-3,667	-5,772	-19,826
Personnel costs	-6,328	-5,002	-22,239
Depreciation of tangible and intangible assets	-2,106	-1,865	-6,931
Operating result	-3,171	-4,361	-14,063
Interest income	4	0	2
Interest costs	-105	-186	-615
Profit or loss after financial items	-3,273	-4,547	-14,676
Income taxes	0	0	46
Profit or loss for the period	-3,273	-4,547	-14,630
Basic earnings per share (SEK)	-0.14	-0.24	-0.63
Diluted earnings per share (SEK)	-0.14	-0.24	-0.63
Number of shares at the end of the period	23,163,351	19,069,351	23,163,351
Fully diluted shares outstanding	23,438,351	19,334,476	23,438,351
Weighted average number of shares	19,286,017	16,660,380	19,286,017



THE PARENT COMPANY'S BALANCE SHEET (kSEK)	March 2020	March 2019	December 2019
Assets			
Intangible fixed assets	39,766	28,214	37,485
Tangible fixed assets	4,071	6,933	4,809
Financial fixed assets	29,494	31,995	29,495
Deferred tax assets	141	96	141
Total fixed assets	73,473	67,238	71,930
Accounts receivable	3,928	10,544	6,313
Other current assets	2,406	3,180	1,951
Cash and bank balances	33,482	19,559	39,248
Total current assets	40,130	33,283	47,512
Total assets	113,288	100,521	119,442
Equity and liabilities			
Restricted equity	40,993	28,787	38,639
Non-restricted equity	46,138	41,586	51,766
Total equity	87,131	70,373	90,405
Long-term liabilities	2,435	4,597	2,760
Short-term financial liabilities	2,793	4,854	3,447
Accounts payable	4,000	5,192	4,302
Liabilities to group companies	6,343	1,033	6,407
Other current liabilities	10,585	14,472	12,121
Total current liabilities	23,722	25,551	26,277
Total equity and liabilities	113,288	100,521	119,442
Pledged assets			
Business mortgages	13,000	13,000	13,000
Pledged account	1,500	1,500	1,500
Total	14,500	14,500	14,500
Contingent liabilities	none	none	none

CHANGES IN EQUITY (kSEK)

	Share capital	Fund for development costs	Share premium reserve	Retained earnings	Profit or loss for the period	Total
Opening balance equity 2019-01-01	1,582	23,125	112,631	-76,223	-14,245	46,870
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
Profit or loss for the period					-14,630	-14,630
Closing balance equity 2019-12-31	2,085	36,553	170,293	-103,896	-14,630	90,405
Opening balance equity 2019-01-01	1,582	23,125	112,631	-76,223	-14,245	46,870
Change in fund for development costs		3,946		-3,946		0
Non-cash issue	134					134
Share premium reserve			27,916			27,916
Transfer of previous year's result				-14,245	14,245	0
Profit or loss for the period					-4,547	-4,547
Closing balance equity 2019-03-31	1,716	27,071	140,547	-94,414	-4,547	70,373
Opening balance equity 2020-01-01	2,085	36,553	170,293	-103,896	-14,630	90,405
Change in fund for development costs		2,356		-2,356		0
Transfer of previous year's result				-14,630	14,630	0
Profit or loss for the period					-3,273	-3,273
Closing balance equity 2020-03-31	2,085	38,909	170,293	-120,882	-3,273	87,131

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

	January - March	January - March	January - December
THE PARENT COMPANY'S CASH FLOW STATEMENT (kSEK)	2020	2019	2019
Cash flow from operating activities before change in working capital	-1,167	-2,821	-7,727
Cash flow from operating activities	-1,139	-3,198	-69
Cash flow from investing activities	-3,648	-36,280	-20,432
Cash flow from financing activities	-979	26,753	27,464
Cash flow for the period	-5,766	-12,725	6,963
Cash and cash equivalents at the beginning of the period	39,248	32,285	32,285
Cash and cash equivalents at the end of the period	33,482	19,559	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:

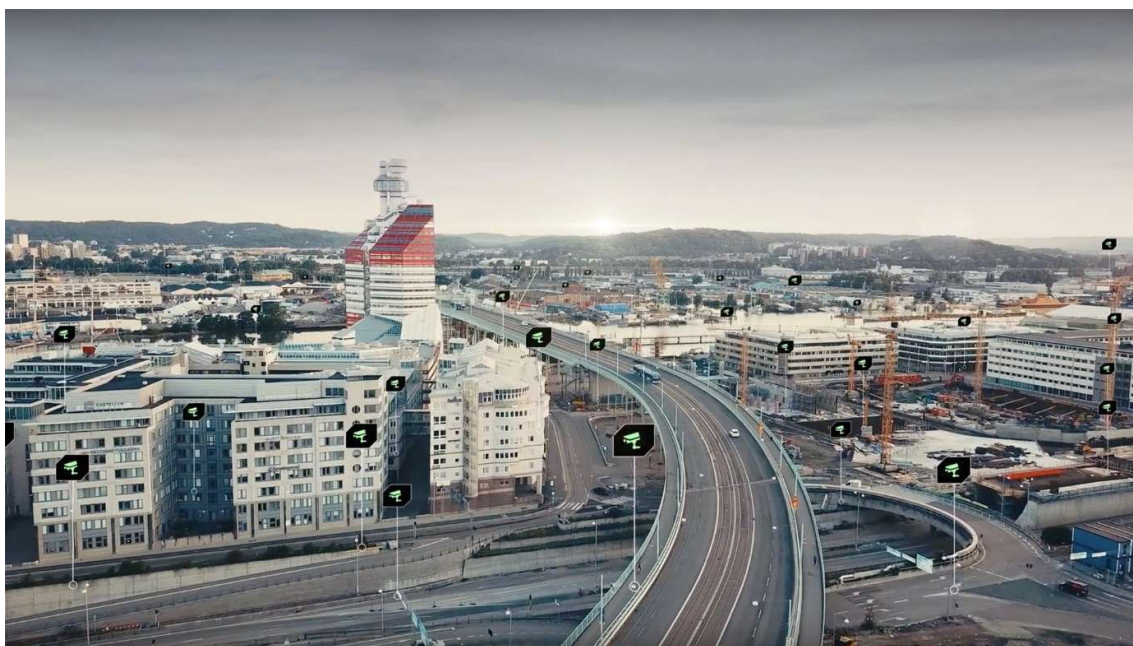
- Subscription – the customer pays a continuous subscription fee for the IRIS service.
- Purchase – the customer purchases the equipment and the licenses from Irisity.
- Lease – the customer leases the equipment and licences from Irisity for an indefinite period.
- Payment by instalments – the customer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

Financial calendar

Publication dates for interim reports

2020-08-06 Interim report 2

2020-11-04 Interim report 3



Certified adviser for the company:

Erik Penser Bank

Website: 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

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 7 May 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 the 7th of May 2020.





IRISITY

SECURITY BEYOND HUMAN
INTELLIGENCE

IRISTY AB (PUBL)
WWW.IRISITY.COM
ORG.NR./REG.NO: 556705-4571

GÖTEBORG (HK)
LINDHOLMSPIREN 7
417 56 GÖTEBORG
SWEDEN

MALMÖ
Östra Rönneholmsv. 7
211 47 MALMÖ
SWEDEN