

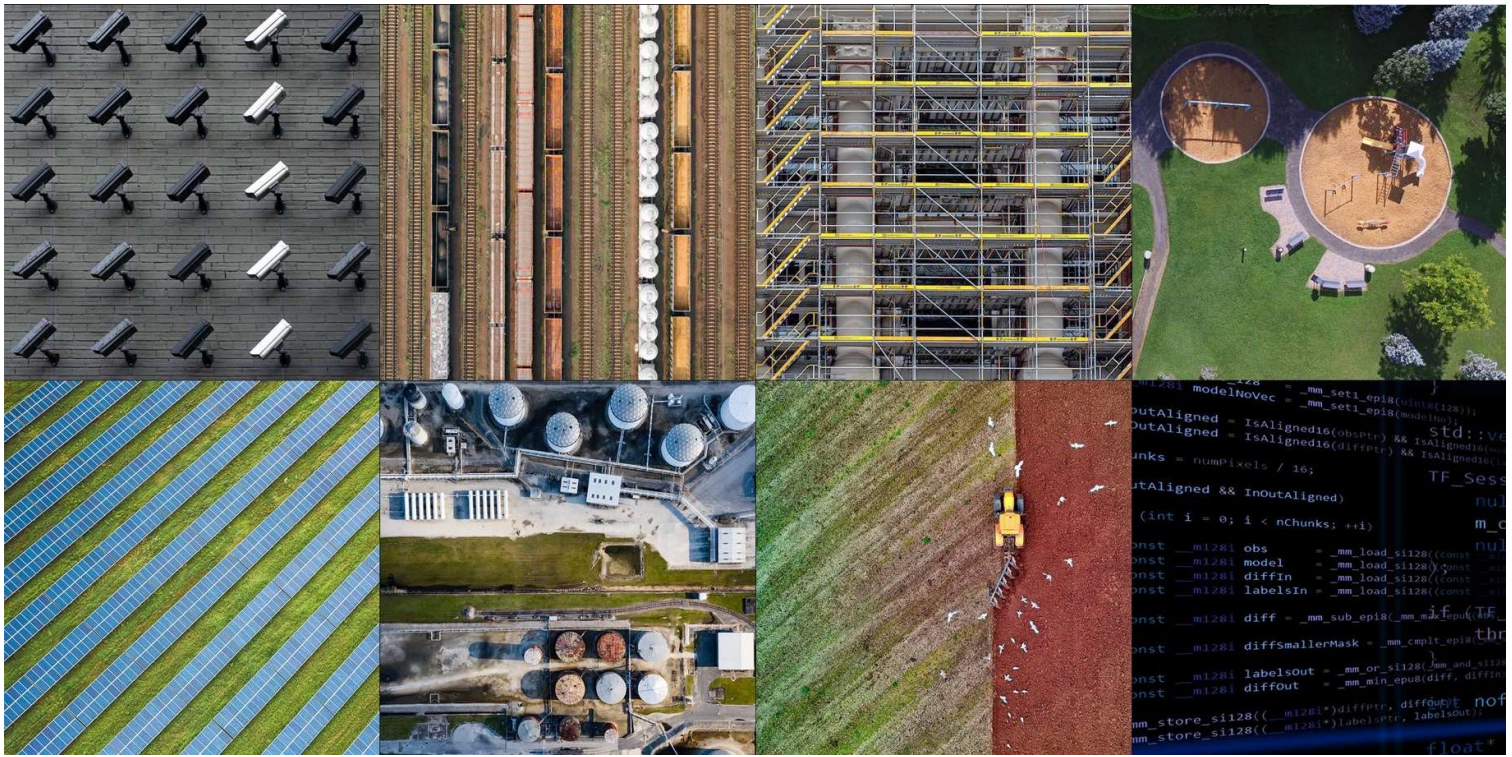


# ANNUAL REPORT 2020

IRISITY AB (publ)

556705-4571

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## Irisity in brief

Irisity AB (publ) is a leader in intelligent camera surveillance. We are developing algorithms based on deep learning that can upgrade both new and existing surveillance cameras and security systems to proactive, intelligent units. IRIS™, our fully cloud-based SaaS solution, detects undesirable activity and behavior at long distances and with high precision.

IRIS™ is part of a wide range of security applications that protect assets for customers in the Nordic countries and internationally.

## Products and services

IRIS™ is a complete cloud-based analysis platform with several state-of-the-art algorithms trained with deep learning to handle specific tasks.

## Comments from our CEO

During the year, Irisity entered into several strong partnerships that set the basis for continued growth. We increased net sales despite the pandemic and maintained EBITDA, net result and cash liquidity according to plan. The gross margin continued to be impacted by extensive piloting during the period but is expected to return to normal as volumes increase.

Irisity entered into a partnership with security giant G4S during the year, and, by the end of the year, with the world-leading camera manufacturer Axis as well. In cooperation with G4S, IRIS is now being introduced for both existing and new security assets. With Axis, we are integrating IRIS into the new TPU cameras and as a cutting-edge software in Axis' other cameras. In our assessment, the market for fully autonomous cameras with built-in AI is significant.

We have further developed three new cutting-edge algorithms over the course of the year: IRIS Rail Defender, for railway and subway operators; IRIS Violent Behavior, for detection of aggressive behavior; and IRIS Fall Detection, which detects persons that are falling or lying down. All of these new algorithms are based on deep learning, have high precision and attract considerable interest in the market. Example of this is the IRIS Rail algorithm which was chosen by SL.

In the second half of the year, we have gradually strengthened the organization with new recruitments, mainly within sales, R&D and customer support.

A directed share issue of MSEK 50 before issuance costs was also conducted, to the funds TIN, Lannebo and Handelsbanken.

Our long-term work with regard to marketing, R&D and organizational development is beginning to pay off, as is our market strategy with strong partnerships, and we are looking forward to a continuation of the strong performance by the company moving forward.



Gothenburg, 15 March 2020

A handwritten signature in blue ink, which appears to be "M. Bäcklund". The signature is stylized and fluid.

Marcus Bäcklund





## Share and ownership

The ten major owners, 2020-12-31:

Shareholder	Number of shares	Ownership interest
Aktiebolaget Westergyllen	2,610,000	10,10%
Chalmers Innovation Seed Fund AB	2,454,634	9,50%
Försäkringsaktiebolaget Avanza Pension	2,352,954	9,10%
Tin ny teknik	1,477,832	5,70%
Runmarker, Ulf Lennart	930,000	3,60%
Stiftelsen Chalmers tekniska	762,062	3,00%
Handelsbanken Microcap Sverige	700,000	2,70%
Pixelwise Holding AB	696,895	2,70%
Stena Metall finans	672,272	2,60%
Nordnet pensionsförsäkring AB	518,642	2,00%
The ten major shareholders in total	13,175,291	51,00%
Others	12,665,613	49,00%
<b>Total</b>	<b>25,840,904</b>	<b>100,00%</b>

### 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 December 2020, when 5,333 shareholders were registered.

### Number of shares

Irisity has 25,840,904 shares outstanding as of 31 December 2020.

IRISITY AB (publ) ANNUAL REPORT 2020

Reg.no. 556705-4571

## Management report

The Board of Directors and the Chief Executive Officer of Irisity AB (publ), 556705-4571, hereby present the annual report for the financial year 2020. Amounts are stated in SEK unless specified otherwise. Numbers within parentheses refer to the preceding year.

### The operations in general

Irisity develops and markets intelligent video surveillance systems. The technology is based on proprietary patents, video analytics algorithms and self-learning AI systems.

Irisity is continuously developing its products and services further to stay as close to the customers as possible and at the same time be able to provide the best possible protection and security.

The Company is also performing top-class consultancy services on a limited scale, which provides a comprehensive overview and skills development in AI-based video analytics.

### Important developments and significant events during the financial year

In September 2020, the number of shares in the Company increased by 214,500 and the share capital by KSEK 19 following the exercise of warrants by key individuals in the Company.

In November 2020, a new issue of MSEK 50 was carried out. This increased the number of shares by 2,463,053 to 25,840,904 and the share capital by KSEK 222 to KSEK 2,326.

During 2020, the Company signed a cooperation agreement with the global security company G4S.

### Cooperation agreements

Irisity's goal is to enable our SaaS customers to be competitive in their respective markets.

Irisity aims to be the leading solution for intelligent video surveillance on every market, by way of our SaaS customers.

### Expected future development, key risks and uncertainty factors

The Company has a clear growth strategy and is projected to take a strong position on the growing video analytics market. The Company relies heavily on its specialist expertise, and the primary related risks are staff turnover anomalies.

### 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.

### Legislation and Articles of Association

The Company is a public listed company governed by Swedish law, primarily by the Swedish Companies Act. The Company is listed on Nasdaq First North Growth Market, and applies and fully adheres to the rules and recommendations that derive from the Company's listing on Nasdaq First North Growth Market. Alongside regulations, rules and recommendations, the Company's operations are governed by the Articles of Association. The Articles of Association state, among other things, where the Board of Directors shall have its registered office, the scope of the Company's operations, restrictions on the share capital and number of shares, and the requirements for participation in the General Meeting of shareholders.

### Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance ("the Code") shall be applied by companies admitted to trading their shares on a regulated market. Companies listed on Nasdaq First North Growth Market are currently not subject to the Code. Hence, the Company is not bound by the Code, but implements it as an important part of its corporate governance guidelines. In the event that the Code becomes binding on the Company, the Company will apply it.

### Patents

Irisity is a technology/software company and it is of the utmost importance that Irisity's technology is well and formally protected by patents and patent applications. Irisity's development work has been continuously protected by qualified patenting. As of 2020-12-

31, Irisity AB (publ) was the owner of eighteen approved patents and eleven patent application in total. The patents belong to nine different patent families. In addition to own patent protection, the strategy includes continuous monitoring of competing technologies.

### Financial overview

The Group's net sales amounted to MSEK 49.5 (51.7), of which MSEK 10.0 MSEK (15.9) refers to capitalized development work.

Gross margin amounted to 59.8 percent (63.1).

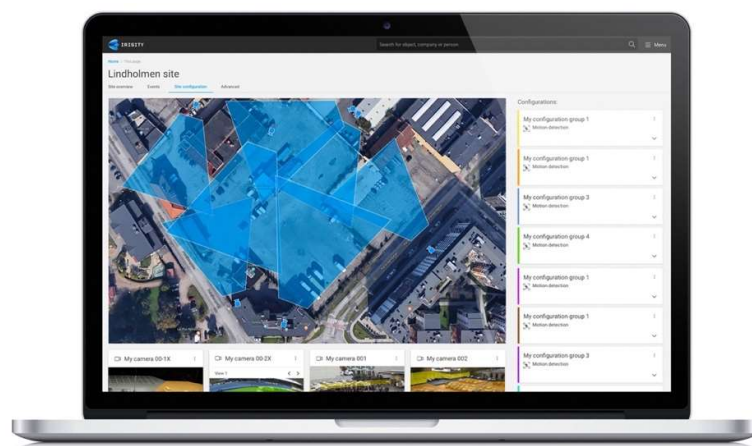
EBITDA amounted to MSEK -5.9 (-4.9)

The year's result after taxes amounted to MSEK -19.6 (-17.7).

SaaS income amounted to MSEK 32.2. MRR at the end of the period amounted to MSEK 1.5.

The number of shares at the end of the period was 25,840,904 and earnings per share amounted to SEK -0.14 (-0.63). The weighted average number of shares during the year was 23,735,885.

Sales and results in The Group (k SEK)	January - december 2020	January - december 2019
Net sales	36,767	35,402
Capitalized development work	10,004	15,930
EBITDA	-5,944	-4,872
EBIT	-19,276	-16,682
Operating margin	neg	neg
Result after financial terms	-19,597	-17,295
Result for the period	-19,609	-17,671





**Investments and financial position**

The Group's cash flow from operating activities before changes in working capital amounted to MSEK -7.0 (-4.9).

The cash flow from operating activities was MSEK -11.1 (-2.2). During the period, the cash flow from investing activities amounted to MSEK -10.0 (-17.7). From financing activities, the cash flow was MSEK 46.5 (27.5).

The cash flow for the period amounted to MSEK 25.3 (7.5).

The balance sheet total amounted to MSEK 137.9 (112.4) on 31 December 2020, with a 85.4 percent (77.7) solidity. The company's net debt amounted to MSEK -62.8 (-33.6). The Parent Company has an overdraft facility up to MSEK 10 in total, which on the balance sheet date remained unused.

**Incentive scheme**

During the financial year, the 2015/2020 warrant program was completed. All incentive schemes have now been completed.

**Staff and organization**

The average number of employees was 37 (32), 5 (5) of whom were women.



### Related party transactions

The related party transactions that took place are provided in "Note 5: Wages, salaries, other remunerations, and social security expenses". The conditions are the same for all members of the board, and their efforts have been remunerated at market conditions.

### Significant events after the end of the period

A partnership has been entered into with Axis Communications to integrate IRIS into Axis' TPU-based cameras. The aim is to create a fully autonomous AI camera.

### Multiple-year comparison for the Group

The Groups financial development in summary.

Multple-year comparison	2020-12-31	2019-12-31	2018-12-31*	2017-12-31*	2016-12-31*
Net sales, kSEK	36,767	35,402	29,812	29,173	22,892
Capitalized work, kSEK	10,004	15,930	15,350	6,112	3,237
Result after financial terms, kSEK	-19,597	-17,295	-14,262	-3,549	-15,094
Operating margin, %	neg	neg	neg	neg	neg
Return on equity, %	neg	neg	neg	neg	neg
Balance sheet total, kSEK	137,866	112,421	76,563	69,443	37,122
Average number of employees	37	32	24	24	29
Solidity, %	85,4%	77,7	61,2	52,3	25,5

\*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.

### Multiple-year comparison for the Parent Company

The Parent Company's financial development in summary.

Multple-year comparison	2020-12-31	2019-12-31	2018-12-31	2017-12-31	2016-12-31
Net sales, kSEK	38,111	35,891	29,812	29,173	22,892
Capitalized work, kSEK	12,302	16,515	15,350	6,112	3,237
Result after financial terms, kSEK	-14,199	-14,676	-14,262	-3,549	-15,094
Operating margin, %	neg	neg	neg	neg	neg
Return on equity, %	neg	neg	neg	neg	neg
Balance sheet total, kSEK	152,693	119,442	76,563	69,443	37,122
Average number of employees	30	23	24	24	29
Solidity, %	82,6%	75,7	61,2	52,3	25,5

Definitions of indicators can be found on page 38: Financial calendar and definitions.

## Proposed appropriations of profit or loss

The following funds are available to the Annual General Meeting:

<b>Proposed appropriations of profit or loss (SEK)</b>	<b>Amount</b>
Sharepremium reserve	220,058,254
Retained profit/loss	-125,677,387
Loss for the year	-14,257,595
	<b>-80,123,272</b>
Proposed by the Board to be carried forward	-80,123,272
	<b>-80,123,272</b>

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, together with the notes to the accounts.

## Consolidated income statement

<b>Income statement (SEK)</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Net sales	1	36,767,429	35,401,631
Own work capitalized	2	10,003,994	15,929,980
Other operating income	11	2,741,106	357,920
		<b>49,512,529</b>	<b>51,689,531</b>
<b>Operating costs</b>			
Raw material and consumables		-14,767,774	-13,067,528
Other external charges	3,4	-9,072,405	-14,997,322
Personal costs	5	-31,616,467	-28,497,441
Depreciation of fixed tangible and intangible assets	2,6,21	-13,332,297	-11,809,816
<b>Total operating costs</b>		<b>-68,788,943</b>	<b>-68,372,107</b>
<b>Operating result</b>		<b>-19,276,414</b>	<b>-16,682,576</b>
<b>Result from financial items</b>			
Other interest income and similar items		14,647	4,233
Interest costs and similar items		-335,285	-617,218
<b>Total result from financial items</b>		<b>-320,638</b>	<b>-612,985</b>
<b>Result after financial items</b>		<b>-19,597,052</b>	<b>-17,295,561</b>
Tax on profit for the year	8	-11,470	-376,087
<b>Loss for the year</b>		<b>-19,608,522</b>	<b>-17,671,648</b>

## Consolidated balance sheet

<b>Assets (SEK)</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Fixed assets</b>			
Intangible fixed assets			
Goodwill	21	15,925,461	21,090,475
Capitalized expenditure for development work	2	42,691,934	38,253,052
		<b>58,617,395</b>	<b>59,343,527</b>
Tangible fixed assets			
Equipment leased to customers	6	2,141,808	4,635,779
Equipment, tools, fixtures and fittings	6	101,022	173,083
Financial fixed assets		<b>2,242,830</b>	<b>4,808,861</b>
Participations in Group companies			
Deferred tax assets	10	82,776	141,515
Other long-term receivables	12	0	0
		<b>82,776</b>	<b>141,515</b>
<b>Total fixed assets</b>		<b>60,943,001</b>	<b>64,293,903</b>
<b>Current assets</b>			
Short-term receivables			
Accounts receivables		8,249,766	6,332,901
Receivables in Group companies		0	49,587
Current portion of long-term receivables	12	0	339,829
Other short-term receivables		766,043	27,050
Prepayments and accrued income	13	2,754,243	1,574,035
		<b>11,770,052</b>	<b>8,323,402</b>
Cash and bank balances	14	65,152,771	39,803,973
<b>Total current assets</b>		<b>76,922,823</b>	<b>48,127,375</b>
<b>Total assets</b>		<b>137,865,823</b>	<b>112,421,279</b>



## Consolidated balance sheet

Equity and liabilities (SEK)	Note	2020	2019
<b>Equity</b>	15,16		
Share capital		2,325,681	2,084,702
Other contributed capital		220,058,254	170,293,135
Other equity including result for the period		-104,623,244	-85,014,723
<b>Total equity</b>		<b>117,760,691</b>	<b>87,363,114</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities		74,367	476,435
Liabilities to credit institutions	17	1,181,815	2,371,665
Other long-term liabilities		0	388,503
<b>Total long-term liabilities</b>		<b>1,256,182</b>	<b>3,236,603</b>
<b>Short-term liabilities</b>			
Liabilities to credit institutions	17	1,163,120	3,447,289
Accounts payable		3,502,889	4,385,152
Tax liabilities		333,565	496,009
Other short-term liabilities	18	3,484,169	3,022,777
Accrual and deferred income	19	10,365,208	10,470,335
<b>Total short-term liabilities</b>		<b>18,848,951</b>	<b>21,821,562</b>
<b>Total equity and liabilities</b>		<b>137,865,823</b>	<b>112,421,279</b>

## Consolidated statement of changes in equity

Changes in equity(SEK)	Share capital	New share issue	Other equity including result for the period	Total
<b>Opening balance equity 2019-01-01</b>	<b>1,581,781</b>	<b>112,631,209</b>	<b>-67,343,075</b>	<b>46,869,915</b>
<i>Transactions with owners</i>				
Non-cash issue	134,461	25,637,160		25,771,621
New share issue	368,460	34,635,240		35,003,700
Issuance cost		-2,610,474		-2,610,474
Result for the period			-17,671,648	-17,671,648
<b>Closing balance equity 2019-12-31</b>	<b>2,084,702</b>	<b>170,293,135</b>	<b>-85,014,723</b>	<b>87,363,114</b>
<b>Opening balance equity 2020-01-01</b>	<b>2,084,702</b>	<b>170,293,135</b>	<b>-85,014,723</b>	<b>87,363,114</b>
<i>Transactions with owners</i>				
New share issue	221,675	47,120,334		47,342,009
Subscriptions warrants	19,305	2,644,785		2,664,090
Result for the period			-19,608,522	-19,608,522
<b>Closing balance equity 2020-12-31</b>	<b>2,325,682</b>	<b>220,058,254</b>	<b>-104,623,245</b>	<b>117,760,691</b>

The share capital consists of 25,840,904 shares, each with a quota value of SEK 0.09.

## Consolidated cash flow statement

Indirect method(SEK)	Note	2020	2019
<b>Operating activities</b>			
Operating result before financial items		-19,276,415	-16,682,576
Adjustments for items not included in cash flow, depreciation, etc	20	13,332,297	11,809,816
Interest received		14,467	4,233
Interest rate paid		-335,285	-617,218
Paid income taxes		-694,595	569,101
<b>Cash flow operating activities before change in working capital</b>		<b>-6,959,531</b>	<b>-4,916,644</b>
<b>Change in work capital</b>			
Change in receivables		-1,916,865	2,251,094
Change in other receivables*		-1,579,372	1,124,650
Change in accounts payable		-882,263	-5,647
Change in other short-term operating liabilities		194,700	-672,422
<b>Cash flow from operating activities</b>		<b>-11,143,331</b>	<b>-2,218,969</b>
<b>Investing activities</b>			
Acquisition of shares in subsidiaries		0	-1,560,730
Investments in intangible fixed assets	2	-10,003,994	-15,929,980
Investments in tangible fixed assets	6	-36,139	-234,820
<b>Cash flow from investing activities</b>		<b>-10,040,133</b>	<b>-17,725,530</b>
<b>Financing activities</b>			
New share issue		47,342,008	32,393,226
Raised loans		0	0
Subscription warrants		2,664,091	0
Amortization of debts		-3,474,019	-4,929,272
<b>Cash flow from financing activities</b>		<b>46,532,080</b>	<b>27,463,954</b>
<b>Cash flow for the year</b>		<b>25,348,798</b>	<b>7,519,454</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>39,803,973</b>	<b>32,284,519</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>65,152,771</b>	<b>39,803,973</b>

\*Change in long-term receivables is recognized as cash flow from operating activities, since this is considered to provide a more appropriate presentation.

## The Parent Company's income statement

<b>Income statement (SEK)</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Net sales	1	38,110,507	35,891,196
Own work capitalized	2	12,301,730	16,515,293
Other operating income	11	2,341,867	357,920
		<b>52,754,104</b>	<b>52,764,409</b>
<b>Operating costs</b>			
Raw material and consumables		-18,537,037	-17,831,466
Other external charges	3,4	-13,601,768	-19,826,500
Personal costs	5	-26,447,745	-22,239,179
Depreciation of fixed tangible and intangible assets	2,6,9	-8,049,751	-6,930,607
<b>Total operating costs</b>		<b>-66,636,300</b>	<b>-66,827,752</b>
<b>Operating result</b>	7	<b>-13,882,196</b>	<b>-14,063,343</b>
<b>Result from financial items</b>			
Other interest income and similar items		14,647	2,466
Interest costs and similar items		-331,307	-615,499
<b>Total result from financial items</b>		<b>-316,660</b>	<b>-613,033</b>
<b>Result after financial items</b>		<b>-14,198,856</b>	<b>-14,676,376</b>
Tax on profit for the year	8	-58,736	45,832
<b>Loss for the year</b>		<b>-14,257,595</b>	<b>-14,630,544</b>



## The Parent Company's balance sheet

<b>Assets (SEK)</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Fixed assets</b>			
Intangible fixed assets			
Capitalized expenditure for development work	2	44,339,654	37,485,504
		<b>44,339,654</b>	<b>37,485,504</b>
Tangible fixed assets			
Equipment leased to customers	6	2,141,808	4,635,779
Equipment, tools, fixtures and fittings	6	101,022	173,083
		<b>2,242,830</b>	<b>4,808,861</b>
Financial fixed assets			
Participations in Group companies	9	29,494,135	29,494,135
Deferred tax assets	10	82,776	141,515
Other long-term receivables	12	0	0
		<b>29,576,911</b>	<b>29,635,650</b>
<b>Total fixed assets</b>		<b>76,159,395</b>	<b>71,930,015</b>
<b>Current assets</b>			
Short-term receivables			
Accounts receivables		8,231,940	6,313,364
Receivables in Group companies		414,824	0
Current tax assets		0	49,587
Current portion of long-term receivables	12	0	339,829
Other short-term receivables		766,043	26,846
Prepayments and accrued income	13	2,713,225	1,534,484
		<b>12,126,032</b>	<b>8,264,111</b>
Cash and bank balances	14	64,407,670	39,247,534
<b>Total current assets</b>		<b>76,533,702</b>	<b>47,511,645</b>
<b>Total assets</b>		<b>152,693,096</b>	<b>119,441,660</b>

## The Parent Company's balance sheet

<b>Equity and liabilities (SEK)</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Equity</b>			
Restricted equity	15,16		
Share capital		2,325,681	2,084,702
Fund for development costs		43,703,767	36,553,817
		<b>46,029,448</b>	<b>38,638,519</b>
Non-restricted capital			
Share premium reserve		220,058,254	170,293,135
Retained profit or loss		-125,677,387	-103,896,893
Loss for the year		-14,257,595	-14,630,544
		<b>80,123,272</b>	<b>51,765,698</b>
<b>Total equity</b>		<b>126,152,720</b>	<b>90,404,217</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	17	1,181,815	2,371,665
Other long-term liabilities		0	388,503
<b>Total long-term liabilities</b>		<b>1,181,815</b>	<b>2,760,168</b>
<b>Short-term liabilities</b>			
Liabilities to credit institutions	17	1,163,120	3,447,289
Accounts payable		3,430,384	4,302,011
Liabilities to Group companies		7,994,156	6,407,415
Other short-term liabilities	18	2,900,140	1,970,762
Accrual and deferred income	19	9,870,761	10,149,798
<b>Total short-term liabilities</b>		<b>25,358,561</b>	<b>26,277,275</b>
<b>Total equity and liabilities</b>		<b>152,693,096</b>	<b>119,441,660</b>

# The Parent Company's statement of changes in equity

Changes in equity (SEK)	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>1,581,781</b>	<b>23,125,686</b>	<b>112,631,209</b>	<b>-76,223,829</b>	<b>-14,244,932</b>	<b>46,869,915</b>
Change in fund for development costs		13,428,131		-13,428,131		0
New share issue	502,921		60,272,400			60,775,321
Issuance costs			-2,610,474			-2,610,474
Transfer of previous year's result				-14,244,932	14,244,932	0
Subscriptions warrants						0
Result for the period					-14,630,544	-14,630,544
<b>Closing balance equity 2019-12-31</b>	<b>2,084,702</b>	<b>36,553,817</b>	<b>170,293,135</b>	<b>-103,896,892</b>	<b>-14,630,544</b>	<b>90,404,218</b>
<b>Opening balance equity 2020-01-01</b>	<b>2,084,702</b>	<b>36,553,817</b>	<b>170,293,135</b>	<b>-103,896,892</b>	<b>-14,630,544</b>	<b>90,404,218</b>
Change in fund for development costs		7,149,950		-7,149,950		0
New share issue	221,675		49,778,301			49,999,976
Issuance costs			-2,657,967			-2,657,967
Subscriptions warrants	19,305		2,644,785			2,664,090
Transfer of previous year's result				-14,630,544	14,630,544	0
Result for the period					-14,257,595	-14,257,595
<b>Closing balance equity 2020-12-31</b>	<b>2,325,682</b>	<b>43,703,767</b>	<b>220,058,254</b>	<b>-125,677,386</b>	<b>-14,257,595</b>	<b>126,152,720</b>

## The Parent Company's cash flow statement

Indirect method (SEK)	Note	2020	2019
<b>Operating activities</b>			
Operating result before financial items		-13,882,196	-14,063,343
Adjustments for items not included in cash flow, depreciation, etc	20	8,049,751	6,930,607
Interest received		14,647	2,466
Interest rate paid		-331,307	-615,499
Paid income taxes		141,872	18,577
<b>Cash flow operating activities before change in working capital</b>		<b>-6,007,233</b>	<b>-7,727,192</b>
<b>Change in work capital</b>			
Change in receivables		-1918,576,000	2,270,631
Change in other receivables*		-1,992,933	1,114,404
Change in accounts payable		-871,627	6,318,626
Change in other short-term operating liabilities		1,756,296	-2,044,974
<b>Cash flow from operating activities</b>		<b>-9,034,073</b>	<b>-68,505,000</b>
<b>Investing activities</b>			
Acquisition of shares in subsidiaries		0	-3,682,319
Investments in intangible fixed assets	2	-12,301,730	-16,515,293
Investments in tangible fixed assets	6	-36,139,000	-234,820
<b>Cash flow from investing activities</b>		<b>-12,337,869</b>	<b>-20,432,432</b>
<b>Financing activities</b>			
New share issue		47,342,008	32,393,226
Raised loans		0	0
Subscription warrants		2,664,090	0
Amortization of debts		-3,474,019	-4,929,274
<b>Cash flow from financing activities</b>		<b>46,532,079</b>	<b>27,463,952</b>
<b>Cash flow for the year</b>		<b>25,160,138</b>	<b>6,963,015</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>39,247,534</b>	<b>32,284,519</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>64,407,670</b>	<b>39,247,534</b>

\*Change in long-term receivables is recognized as cash flow from operating activities, since this is considered to provide a more appropriate presentation.



## Notes

### Note 1: Accounting and valuation policies

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The annual report and consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) as well as with the Swedish Accounting Standards Board BFNR 2012:1 annual report and consolidated (K3). As of the financial year 2019, Irisity AB (publ) prepares consolidated accounts for the first time.

#### CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared according to the purchase method. The consolidated accounts cover the Parent Company and its subsidiaries. Subsidiaries are such companies in which the parent company directly or indirectly holds a controlling interest. This would normally refer to companies where the parent company holds more than 50 percent of the voting rights. In the consolidated accounts, the subsidiaries are included from the day the Group assumes a controlling interest until the day this condition has ceased to apply.

In the consolidated financial statements, the Group companies' year-end appropriations fall away, and are included in the reported profit less deferred tax. This means the Group companies' untaxed reserves in the consolidated balance sheet are distributed between deferred tax liability and equity.

#### TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Monetary assets and liability items in foreign currency are valued at the closing day rate. Foreign currency transactions are converted at the exchange rate at the transaction date.

#### REVENUE RECOGNITION

Revenue is recognized at the fair value of goods and services sold, excluding value added tax and discounts.

Irisity AB develops and markets licenses and surveillance services.

Sales of licenses are recognized when a written agreement has been signed and the license has been delivered to the customer. A basic condition for recognizing license revenue is that it remains non-conditional on any commitments beyond straightforward license

delivery. Significant risks and benefits shall have been transferred to the Buyer and the Buyer shall not have the right to return all or part of the license rights. It should also be reasonably expected that payment will be made.

Support and other services are recognized on a straight-line basis over the contractual period. In cases where an agreement involves the sale of both licenses and services, the parts are identified separately and reported at the amounts at which they could be offered to the market.

#### LEASES

In cases where camera equipment including a license is sold and then rented back, an overall assessment is made of who carries the most significant risks and benefits in camera equipment and license, including an assessment of whether the company has significant involvement in the transferred equipment. If the assessment is that significant risks and benefits remain in the company, no sales are reported. The camera equipment will then remain in the balance sheet with continued depreciation. The cash received is reported as a liability. Subsequently, leasing fees paid are reported as an interest expense and amortization of the liability. Revenue from the sale is recognized only when the most significant risks and benefits have left the company, and the camera equipment and debt are booked off from the balance sheet.

Other leases are reported as rental agreements (operational leasing). The lease fee is expensed on a straight-line basis over the lease period.

The Group is the lessee through so-called operational leasing agreements when the financial risks and benefits associated with the asset have not been transferred to the Group. Leasing fees, including any initial increased rent, are reported as an expense on a straight-line basis over the lease term.

## REMUNERATION TO EMPLOYEES

Remuneration to employees refers to all kinds of remuneration given by the Group to its employees. The Group's employee benefits include salaries, paid annual leave, compensated absences and bonuses. Recognition is carried out as they are earned. The Group only has defined contribution plans. Costs for defined contribution plans are recognized as expenses for the period when the employees perform the services that earn them the benefits.

## TAXES

Total taxes consist of current taxes and deferred taxes. Taxes are recognized in the income statement except where the underlying transaction is recognized directly in equity, upon which the associated tax effect is also recognized in equity.

### Current tax

Current taxes are income taxes related to the current financial year and such parts of the income taxes related to previous financial years that has not yet been recognized. Current tax is calculated on the basis of the current applicable tax rates at the balance sheet date.

### Deferred tax

Deferred tax is income tax relating to future financial years due to previous events. Recognition is carried out according to the balance sheet method. According to the balance sheet method, deferred tax liabilities and deferred tax assets are recognized for temporary differences that arise between the book value and tax value of an asset or a liability, as well as for the carryforward of unused tax losses and unused tax credits.

Deferred tax assets are offset against deferred tax liabilities only if they can be settled with a net payment. Deferred tax liabilities are calculated on the basis of the determined tax rates at the balance sheet date. Effects of changes in the applicable tax rates are recognized in the income statement during the period the change has been legislated. Deferred tax assets are reduced to the extent that it is unlikely that the underlying tax asset will be realized in the foreseeable future. Deferred tax

assets are reported as financial fixed assets and deferred tax liabilities as provisions.

## INTANGIBLE ASSETS

Expenditure on development work is usually expensed as incurred. Some major development projects have been considered to be of significant value to the company in the coming years and have been capitalized on the balance sheet as Capitalized expenditure. These assets are amortized on a straight-line basis over 8 years. Depreciation and amortization are included in the income statement's amortization of capitalized expenses. Capitalized expenses are transferred in equity to the Fund for development costs following changes in the Annual Accounts Act for the financial year that commences after December 31, 2015.

The balanced expenses will be capitalized for depreciation when the sales of the products start. Depreciation is carried out at 12.5 percent per annum, as the company considers this depreciation rate to correspond best to the actual lifespan of the developed systems. The asset is expected to generate revenue throughout the depreciation period and thus a depreciation period exceeding 5 years is considered justified.

Goodwill arising from business combinations with subsidiaries has been recognized as an intangible asset for the Group.

The following depreciation schedules are applied, while taking into account the holding period for assets acquired and sold during the year.

Capitalized development costs:	12.5%
Goodwill	20.0%

## TANGIBLE FIXED ASSETS

Tangible fixed assets are recognized at cost less depreciation over the estimated useful life of the asset. Assets are written down in the event of permanent fall in value.

The following depreciation schedules are applied, while taking into account the holding period for assets acquired and sold during the year.

Equipment leased to customers:	33.3%
Equipment, tools, fixtures and fittings:	20.0%

#### OTHER FINANCIAL FIXED ASSETS

Financial assets that are intended for long-term holding are recognized at cost. If a financial fixed asset has a lower amount on the balance sheet date than the carrying amount, the asset is written down to the lower amount if it can be assumed that the fall in value is permanent.

#### RECEIVABLES

Receivables with due date later than 12 months after the balance sheet date are recognized as fixed assets, other as current assets. Receivables are recognized at the amount that is considered to be collectable based on an individual assessment.

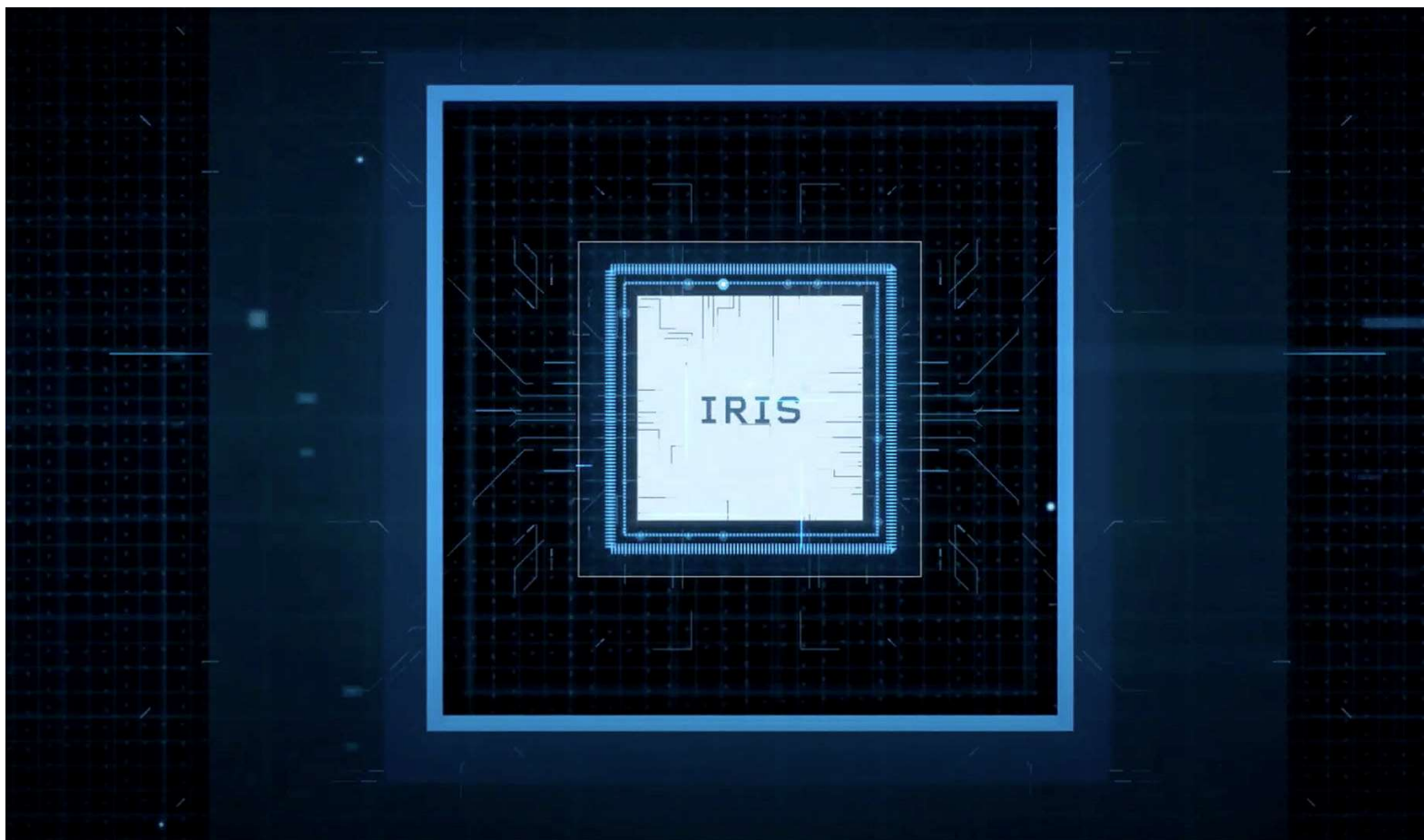
#### BORROWINGS

Borrowings are reported initially at the amount received after deductions for

transaction expenses. If the recognized amount differs from the amount to be repaid at maturity, the difference is allocated as interest expense or income over the term of the loan. In this way, at the date of maturity, the recognized amount will agree with the amount that must be repaid. The termination of the reporting of financial liabilities occurs only when the liabilities have been settled through repayment or have been waived.

#### CASH FLOW STATEMENT

The cash flow statement is drawn up using an indirect method. The reported cash flow covers only operations resulting in cash transactions. In cash and cash equivalents, the Company includes cash as well as available balances with banks and other credit institutions.



<b>Note 2: Capitalized expenditure for development work (SEK)</b>	<b>THE GROUP</b>		<b>THE PARENT COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Cost, opening balance	59,209,643	41,772,384	58,287,677	41,772,384
Acquisitions during the year	0	1,507,279	0	0
Acquisitions during the year	10,003,994	15,929,980	12,301,730	16,515,293
<b>Accumulated cost, closing balance</b>	<b>69,213,637</b>	<b>59,209,643</b>	<b>70,589,407</b>	<b>58,287,677</b>
Depreciation, opening balance	-17,369,301	-13,503,832	-17,214,883	-13,503,832
Depreciation for the year	-5,565,112	-3,865,469	-5,447,580	-3,711,501
<b>Accumulated depreciation, closing balance</b>	<b>-22,934,413</b>	<b>-17,369,301</b>	<b>-22,662,463</b>	<b>-17,214,883</b>
Impairment, opening balance	-3,587,290	-3,587,290	-3 587 290	-3,587,290
Impairment for the year	0	0	0	0
<b>Accumulated impairment, closing balance</b>	<b>-3,587,290</b>	<b>-3,587,290</b>	<b>-3,587,290</b>	<b>-3,587,290</b>
<b>Closing residual value according to plan</b>	<b>42,691,934</b>	<b>38,253,052</b>	<b>44,339,654</b>	<b>37,485,504</b>

<b>Note 3: Leases (SEK)</b>	<b>THE GROUP</b>		<b>THE PARENT COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Future minimum lease payments to be paid in respect of non-cancellable leases:</b>				
Falling due for payment within one year	1,163,120	3,447,289	1,163,120	3,447,289
Falling due for payment after one year but within five years	1,181,815	2,371,665	1,181,815	2,371,665
Falling due for payment more than five years	0	0	0	0
<b>Total</b>	<b>2,344,935</b>	<b>5,818,954</b>	<b>2,344,935</b>	<b>5,818,954</b>
<b>Lease payments expensed during the period:</b>				
The Company's leasing costs (excluding rent for premises) for the year amounts to	-223,847	-128,355	-223,847	-128,355
Financial leasing fees	-339,829	-618,693	-339,829	-618,693
<b>Total</b>	<b>-563,676</b>	<b>-747,048</b>	<b>-563,676</b>	<b>-747,048</b>

The Company has entered a standard sale-and-lease-back agreement with Swedbank Finans AB and another with Aros Kapital AB. The agreement entails that the Company sells customer contracts, including equipment and license, with payment by instalments, entered with the final customer– Irisity's customer - to the bank, and then leases them back. The agreements usually extend over four (4) years, and no agreements extend over more than five (5) years. There are no variable payments in the agreements; the amounts of the future lease payments are based on how many customer contracts the Company chooses to encumber.

<b>Note 4: Audit fees(SEK)</b>	<b>THE GROUP</b>		<b>THE PARENT COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Ernst &amp; Young AB</b>				
Audit fees	416,000	418,300	343,000	327,300
Auditing work in addition to audit engagements	95,900	143,118	80,900	143,118
<b>Total</b>	<b>511,900</b>	<b>561,418</b>	<b>423,900</b>	<b>470,418</b>



Note 5: Wages, salaries, other remunerations and social security expenses (SEK)	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
<b>Average number of employees</b>				
Women	5	5	5	5
Men	32	27	25	18
<b>Total</b>	<b>37</b>	<b>32</b>	<b>30</b>	<b>23</b>
<b>Remuneration to the Board of Directors and the Chief Executive Officer</b>				
<b>Board of Directors</b>				
Lennart Svantesson	198,600	183,963	198,600	183,963
Meg Tivéus	104,757	76,370	104,757	76,370
Johan Zetterström	99,300	107,603	99,300	107,603
Göran Wolff	0	15,625	0	15,625
Anders Långsved	99,300	95,888	99,300	95,888
<b>Chief Executive Officer</b>				
Marcus Bäcklund	1,729,125	1,740,000	1,729,125	1,740,000
<b>Total</b>	<b>2,231,082</b>	<b>2,219,449</b>	<b>2,231,082</b>	<b>2,219,449</b>
Wages, salaries and remunerations to other employees	20,574,753	18,225,959	16,685,274	13,247,727
Statutory and contractual social security contributions	6,686,242	6,270,957	5,785,484	4,996,077
Pension cost for directors and CEO	0	0	0	0
Share appreciation rights	285,372	1,505,394	1,657,374	1,072,576
<b>Total</b>	<b>29,777,449</b>	<b>28,221,759</b>	<b>26,359,214</b>	<b>21,535,829</b>

### Remuneration to the Board of Directors

According to the Annual General Meeting's resolution in April 2020, a combined fee amounting to seven and a half (7.5) times the income base amount is paid to the Board of Directors to split between them. No remuneration is paid to members of the Board who are employees of the company. There are no pension agreements for the members of the Board.

Over the course of the financial year, repayment for expenses to the amount of SEK 5,457 has been paid to Meg Tivéus.

### Termination of employment and contractual remuneration following termination of the office

The CEO's employment contract specifies a six (6) month period of notice with pay and other benefits. No severance payment shall be awarded. A mutual period of notice of three months shall apply between the Company and all other executive directors. No contractual severance payments are awarded to any executive director.

Board of Directors and management	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
<b>Number of member of the Board on the balance sheet date</b>				
Women	1	1	1	1
Men	3	3	3	3
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Number of CEOs and other executive employees</b>				
Women	0	0	0	0
Men	5	5	5	5
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

Note 6: Equipment, tools, fixtures and fittings (SEK)	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
Cost, opening balance	19,396,771	19,161,951	19,396,771	19,161,951
Changes for the year				
- Purchased equipment, leased to customers	36,139	234,820	36,139	234,820
- Sales and scrappings	0	0	0	0
<b>Accumulated depreciation, closing balance</b>	<b>19,432,910</b>	<b>19,396,771</b>	<b>19,432,910</b>	<b>19,396,771</b>
Depreciation, opening balance	-14,587,910	-11,378,159	-14,587,910	-11,378,159
Changes for the year				
- Depreciation	-2,602,171	-3,209,751	-2,602,171	-3,209,751
Sales and scrappings	0	0	0	0
<b>Accumulated depreciation, closing balance</b>	<b>-17,190,081</b>	<b>-14,587,910</b>	<b>-17,190,081</b>	<b>-14,587,910</b>
Closing residual value according to plan	2,242,829	4,808,861	2,242,829	4,808,861

Note 7: Transactions between group companies	2020	2019
Share of total purchases made from group companies	26,8%	25,7%
Share of total sales made to group companies	3,6%	4,3%

Note 8: Tax on profit for the year (SEK)	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
Current tax	-469,598	-584,136	0	0
Deferred tax liabilities from temporary differences	458,128	208,049	-58,739	45,832
<b>Total recognized tax</b>	<b>-11,470</b>	<b>-376,087</b>	<b>-58,739</b>	<b>45,832</b>

**Applicable taxrate** **21,40%**

#### Unused tax losses

Due to uncertainty surrounding their use, the Company has not capitalized deferred tax assets relating to tax losses. The unused tax losses in 2020 amount to SEK 87,393,527 (73,035,125). Current tax is attributable to the subsidiary Visionists AB, unused tax losses within the Group can not be utilized due to group contribution restrictions.

Note 9: Participations in Group companies (SEK)	2020	2019
<b>Parent Company's holding</b>		
Cost, opening balance	29,503,941	50,000
Acquisitions during the year	0	29,453,941
<b>Accumulated cost, closing balance</b>	<b>29,503,941</b>	<b>29,503,941</b>
Impairment, opening balance	-9,806	0
Impairment for the year	0	-9,806
<b>Accumulated impairment, closing balance</b>	<b>-9,806</b>	<b>-9,806</b>
<b>Closing residual value according to plan</b>	<b>29,494,135</b>	<b>29,494,135</b>

Parent Company's holding	Reg.no.	Registered office	Share of capital/voting rights(%)	Number of shares
D.A.R.C AB	556936-0687	Gothenburg	100%	500
Visionists AB	556866-1762	Gothenburg	100%	100,000

D.A.R.C Ab has not conducted active operations in 2020

	Book value
D.A.R.C AB	40,194
Visionists AB	29,453,941
<b>Total</b>	<b>29,494,135</b>

<b>Note 10: Deferred tax assets (SEK)</b>	<b>THE GROUP</b>		<b>THE PARENT COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Opening balance	141,515	95,683	141,515	95,683
Additional taxassets		45,832	0	45,832
Reversed tax assets	-58,739	0	-58,739	0
<b>Total</b>	<b>82,776</b>	<b>141,515</b>	<b>82,776</b>	<b>141,515</b>

<b>Note 11: Other operating income(SEK)</b>	<b>THE GROUP</b>		<b>THE PARENT COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Received public subsidy	0	25,000	0	25,000
Received public subsidy	2,739,697	83,268	2,341,454	83,268
Other income	1,409	249,652	413	249,652
<b>Total</b>	<b>2,741,106</b>	<b>357,920</b>	<b>2,341,867</b>	<b>357,920</b>

<b>Note 12: Other receivables (SEK)</b>	<b>THE GROUP</b>		<b>THE PARENT COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Other long-term receivables</b>				
Cost, opening balance	0	344,987	0	344,987
Additional receivables	0	0	0	0
Amortization, outgoing claims	0	-344,987	0	-344,987
<b>Accumulated cost, closing balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current portion of long-term receivables</b>				
Cost, opening balance	339,829	613,535	339,829	613,535
Additional receivables	0	0	0	0
Amortization, outgoing claims	-339,829	-273,706	-339,829	-273,706
<b>Accumulated cost, closing balance</b>	<b>0</b>	<b>339,829</b>	<b>0</b>	<b>339,829</b>

Long-term receivables refer to receivables arising from sales of licensing revenue with due date later than 12 months after the balance sheet date.

<b>Note 13: Prepayments and accrued income (SEK)</b>	<b>THE GROUP</b>		<b>THE PARENT COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Prepaid rent	362,319	61,865	362,319	61,865
Accrued income	1,368,578	386,628	1,327,559	347,079
Other items	1,023,347	938,586	1,023,347	938,585
Prepayments attribute to sales of future invoicing	0	186,957	0	186,956
<b>Total</b>	<b>2,754,244</b>	<b>1,574,035</b>	<b>2,713,225</b>	<b>1,534,484</b>

#### **Note 14: Bank overdraft facility**

The overdraft facility amounted to SEK 10,000,000 in total, and remained unused on the balance sheet date. Business mortgages amounting to MSEK 10 constitute the security for the overdraft facility.

#### **Note 15: Equity**

Unconditional shareholder contributions amounting to SEK 275,000 are included.  
The share's quota value is 0.09. All shares belong to the same class.  
The number of shares as of 2020-12-31 is 25,840,904.

## Note 16: Options programme

Series 2015/2020 ended on 2020-09-01 and comprised 250,000 warrants, of which 195,000 were exercised at an exercise price of SEK12.42 per share with a conversion factor of 1.1 for the number of shares, increasing the share capital with SEK 19,305 and providing SEK 2,664,090 in proceeds.

Note 17: Borrowing - Interest-bearing liabilities (SEK)	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
<b>Long-term liabilities</b>				
Liabilities to credit institutions	1,181,815	2,371,665	1,181,815	2,371,665
<b>Short-term liabilities</b>				
Liabilities to credit institutions	1,163,120	3,447,289	1,163,120	3,447,289
<b>Total interest-bearing liabilities</b>	<b>2,344,935</b>	<b>5,818,954</b>	<b>2,344,935</b>	<b>5,818,954</b>

### Due dates

All liabilities fall due within 5 years. Long-term liabilities fall due between 2 and 5 years from the balance sheet date, and short-term liabilities within 1 year.

Note 18: Other short-term liabilities (SEK)	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
Advances from customers, short-term portion	0	538,872	0	538,872
Othershort-term liabilities	3,484,169	2,483,905	2,900,140	1,431,890
<b>Total</b>	<b>3,484,169</b>	<b>3,022,777</b>	<b>2,900,140</b>	<b>1,970,762</b>

Note 19: Accruals and deferred income (SEK)	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
Accrued holiday pay	3,394,691	2,484,620	3,106,071	2,259,740
Accrued social security contributions	10,066,613	780,668	975,929	710,011
Deferred income	4,337,654	6,142,663	4,337,654	6,142,663
Other items	1,566,250	1,062,384	1,451,107	1,037,384
<b>Total</b>	<b>10,365,208</b>	<b>10,470,335</b>	<b>9,870,761</b>	<b>10,149,798</b>

Note 20: Adjustments for items not included in cash flow (SEK)	THE GROUP		THE PARENT COMPANY	
	2020	2019	2020	2019
Amortization of intangible fixed assets	10,730,126	8,600,065	5,447,580	3,711,051
Depreciation of tangible fixed assets	2,602,171	3,209,751	2,602,171	3,209,750
Depreciation of financial fixed assets	0	0	0	9,806
<b>Total</b>	<b>13,332,297</b>	<b>11,809,816</b>	<b>8,049,751</b>	<b>6,930,607</b>

	THE GROUP	
<b>Note 21: Goodwill (SEK)</b>	<b>2020</b>	<b>2019</b>
Cost, opening balance	25,825,072	0
Acquisitions during the year	0	25,825,072
<b>Accumulated cost, closing balance</b>	<b>25,825,072</b>	<b>25,825,072</b>
Depreciation, opening balance	-4,734,596	0
Depreciation for the year	-5,165,014	-4,734,596
<b>Accumulated depreciation, closing balance</b>	<b>-9,899,610</b>	<b>-4,734,596</b>
<b>Closing residual value according to plan</b>	<b>15,925,462</b>	<b>21,090,476</b>

#### **Note 22: Important estimates and assessments**

##### *Capitalized expenditure for development work*

Assumptions regarding the eligibility for capitalization of development projects are made on the basis of material assumptions relating to the distinction between research and development and the future cash flows that a project will generate. Assumptions are made based on historical revenues and estimates of the earning ability of development projects from budgeting and forecasting. Following capitalization, it is monitored whether the accounting requirements for development costs continue to be met and if there are any indications that the capitalized expenditure may be impaired.

##### *Participations in Group companies*

Holdings in group companies are recognized according to the acquisition value method. Once a year, any indications of a need for impairment are assessed; that is, if the fair value is lower than the carrying amount and if such a decline in value can be considered to be of a lasting nature. When performing this assessment, the Company takes a number of factors into account, such as results obtained, financial forecasts, business plans and market data.

	THE GROUP		THE PARENT COMPANY	
<b>Note 23: Pledged assets (SEK)</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets pledged for own liabilities to credit institutions</b>				
Business mortgages	13,000,000	13,000,000	13,000,000	13,000,000
Pledged bank account	1,500,000	1,500,000	1,500,000	1,500,000
<b>Total pledged assets</b>	<b>14,500,000</b>	<b>14,500,000</b>	<b>14,500,000</b>	<b>14,500,000</b>

	THE GROUP		THE PARENT COMPANY	
<b>Note 24: Contingent liabilities (SEK)</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Guarantees	0	0	0	0

#### **Note 25: Significant events after the balance sheet day**

No significant events that are not already communicated to the market have taken place since the end of the period. The Company sees a continued impact on the international market due to COVID-19.



**Note 26: Appropriations of profit and loss****Amount**

The following available to the annual general meeting:

Share premium reverse	220,058,254
Retained profit/loss	-125,677,387
Loss for the year	-14,257,595
	<b>80,123,272</b>

The Board of Directors proposes the following distribution of funds  
dividend to shareholders (SEK 0 per share)

To be retained	0
	<b>80,123,272</b>
	<b>80,123,272</b>



## Signature of the annual and consolidated accounts

The Board of Directors and the Chief Executive Officer hereby confirm that the annual and consolidated accounts, to the best of our knowledge, have been prepared in accordance with the generally accepted auditing standards in Sweden. The annual and consolidated accounts provide a true and fair view of the Parent Company's and the Group's operations, and the statutory administration report provides a true and fair view of the development of the Parent Company's and the Group's operations, position and performance, and describes material risks and uncertainties faced by the Parent Company and the companies belonging to the Group.

Gothenburg, 15 March 2020

Marcus Bäcklund  
Chief Executive Officer

Lennart Svantesson  
Chairman

Anders Långsved  
Director

Meg Tivéus  
Director

Johan Zetterström  
Director

Our auditor's report was submitted on 15 March 2020

Ernst & Young AB

Thomas Nilsson

Authorized Public Accountant

IRISITY AB (publ) ANNUAL REPORT 2020  
Reg.no. 556705-4571

## Auditor's report

To the general meeting of the shareholders of Irisity AB (publ), corporate identity number 556705 - 4571

### Report on the annual accounts and consolidated accounts

#### *Opinions*

We have audited the annual accounts and consolidated accounts of Irisity AB (publ) for the year 2020. The company's annual accounts are part of the printed version of this document and can be found on pages 6 – 31.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of December 31, 2020 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

#### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Other Information than the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the other information. The other information can be found on pages 3 – 5 and 34 – 38 but does not include the annual accounts, consolidated accounts and our auditor's report thereon.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

#### *Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## Report on other legal and regulatory requirements

### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Irisity AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Gothenburg March 15, 2021

Ernst & Young AB

Thomas Nilsson  
Authorized Public Accountant

## Board of Directors and management

### Management

#### **Marcus Bäcklund** CEO

Marcus is an entrepreneur and investor. He has significant experience within technology, entrepreneurship, and venture capital. He has invested in several successful ventures.

Marcus is creative, visionary and an experienced leader. He is convinced that the formula for success for any company is a combination of innovation and execution, with the right cultural balance between freedom and responsibility.

M.Sc. from the Chalmers University of Technology.

Number of shares: 192,500

Number of warrants: 0



#### **Andreas Höye** CFO

Andreas has long experience as investor and also finance within seed and growth phase companies. Andreas has a business oriented and strategic mindset but at the same time likes the agile work methodology which is needed in venture companies. From his background as elite athlete he brings the competitive mindset and also the importance of teamwork and a strong culture where everyone works towards the same goals. Andreas holds an MBA in finance from University of Agder in Norway.

Number of shares: 6,042

Number of warrants: 0





**Victor Hagelbäck**  
CPO

Victor is an innovative leader, focusing on technology and business alike. He is a strong promoter of agile methodologies and considers teamwork and constant improvement to be the drivers of results and success.

Victor has extensive experience with design and SaaS development, and always maintains a strategic focus to maximize long-term business value.

M.Sc. from the Chalmers University of Technology.

Number of shares: 58,249



**Erik Landolsi**  
CTO

Erik is an experienced leader in technology development, combining a Ph.D. background in computer vision and machine learning with extensive experience from industrial software development and management. He was the founder of Visionists, a consultancy company specialized in image analysis software development, which now has become an integrated part of Irisity.

As a manager, Erik believes in combining technical skills and clear project leadership with an agile mindset and an open, easy-going atmosphere. Naturally, the customers' needs are the top priority at all times.



Ph.D. from the Linköping University of Technology.

Number of shares: 566,895

**Gustav Nilsson**  
COO

Gustav is an entrepreneurial team player with energy and a strive to build thriving companies for the greater good. His experience spans from creation of start-up ventures to large corporate operations where he has been leading business strategy, product development, PMO, sales and purchasing operations.

"My goal is to make a difference where it matters. AI holds the potential to make or break our future on this planet. Irisity is on a journey towards the first alternative. Our purpose to make a difference is clear; profit as such is not the main driving force, it is the impact we can make along the way."

M.Sc. from the Chalmers University of Technology.



Number of shares: 72,210

## Board of Directors

All members of the board are considered independent in relation to Irisity and its senior management as well as to major shareholders of Irisity.

### Lennart Svantesson

Chairman of the Board

On the board of Irisity since: 2017

Current position: CEO NAXS AB

Current external directorships: Vauni AB (chair), ENTEA AB (director), Muntra AB, Albrektsund Förvaltningsbolag (chair), Chalmers Innovation Seed Fund, Investment Committee (director).

Examples of previous directorships of public listed companies: Scribona AB, Bure Equity AB, Sintercast AB, Nolato AB. Examples of other previous directorships: Essex AB (chair). Carl Bro A/S(chair). Mercuri International AB (chair). Nimbus Boats AB (chair). Citat AB (chair), Cygate AB (chair), System AB (chair), Vehco AB (chair), Icomera AB (chair), Chalmers Innovation (chair) Berg Propulsion AB (director).

Lennart has previously been CEO in the public companies Scribona AB and Bure Equity AB and CEO in several companies such as Fundo Aluminim AB, Arthur.d Little Scandinavia AB and Nimbus Boats AB. Lennart has also held the position as SVP at Volvo Cars AB.

Number of shares: 80,204

Number of warrants: 0



### Anders Långsved

Director

On the board of Irisity since: 2019

Current position: CEO Halon Security AB

Other external directorships held: Easyserv AB and Wrebit AB. Active within sales and marketing in IT/Technology companies since the late 1990s, for example in Tele2 and Argogroup/Ascom.

Number of shares: 4,399

Number of warrants: 0



**Meg Tivéus**

Director

On the board of Irisity since: 2017

Current directorships: Addwise Group AB, Close AB, Inzile AB, Arkitektkopia AB, the advisory board of the Swedish Energy Agency, Chairwoman of the Board in CloseAB.

Examples of previous directorships of public listed companies: Swedish Match AB, Billerud Korsnäs AB, Cloetta AB, Boss Media AB, Endomines AB.

Examples of other previous directorships: Chair of the Board of Frösunda AB and Readly AB, Nordea Fonder.



Meg Tivéus has a degree from the Stockholm School of Economics. She has also studied medicine at Karolinska Institutet as well as psychology and sociology at Stockholm University.

Number of shares: 3,000

Number of warrants: 0

**Johan Zetterström**

Director

On the board of Irisity since: 2015

Current position: Group CEO PatientSky AS

Board member of Detectify AB, Learnifier AB, Johan Zetterström Management AB.

Number of shares: 53,000

Number of warrants: 0



## Financial calendar and definitions

### 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).

#### RETURN ON EQUITY (PERCENT)

Profit after financial items in relation to equity, expressed in percent.

#### 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.

#### EARNINGS 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.

#### 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.

#### INVOICING

The invoicing is the sum of invoices issued

during the period and the own work capitalized. To arrive at the net sales affecting the result, adjustments are made for the payments made in advance or in arrears.

#### R&D

Research and Development.

#### PAYMENT MODEL

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

- › 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.

These models are almost always combined with a subscription for ongoing services and support.

### Publication dates for interim reports

2021-04-22 Annual General Meeting

2021-05-07 Interim report 1

2021-08-06 Interim report 2

2021-11-10 Interim report 3

### Certified adviser for the Company:

Erik Penser Bank AB

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