

QUARTERLY REPORT

Q1 2024 | 25 April 2024



“We have made a flying start into 2024.”

Johan Wäborg, CEO

SIGNIFICANT EVENTS DURING 1 JANUARY - 31 MARCH 2024

Iconovo received an order from a company ranked among the top ten largest pharmaceutical companies globally to evaluate a multi-dose inhaler from Iconovo. The study is a so-called in-vitro study to assess the suitability of the inhaler for the development of an original medicine. The order value is USD 21,500 and was booked during the first quarter.

The company entered into an agreement to continue formulation development with Kiox Pharma in the field of rare lung diseases. This is a continuation of the collaboration between the companies announced last year. The new agreement entails revenues of MSEK 2.7 for Iconovo during 2024, in addition to the MSEK 1.6 the company received in 2023. The project is based on reformulating an FDA-approved drug substance into one of Iconovo's patented inhalers; ICOcap. The goal is to develop a new inhalable treatment for interstitial lung disease (ILD). The market value for ILD treatment was over USD 4 billion in 2022.

In February 2024, Iconovo carried out a directed new share issue with gross proceeds of MSEK 33.3. Existing shareholders such as Gerald Engström, Fourth Swedish National Pension Fund, Second Swedish National Pension Fund, and Cicero Funds participated in the share issue. Furthermore, the company's shareholder base expanded with participation from Landia, Bolite, and Akonit.

In March, the company received a grant of SEK 680,000 from Innowwide. The grant is intended to conduct a market study to introduce the company's services and products to the South Korean market. The project will be carried out from April to September 2024 and is part of the Iconovo Accelerator program previously communicated by the company.

In February, Iconovo launched improved versions of the nasal ICOone® powder inhaler. The inhalers are designed to offer high technical performance and minimize the risk of user errors. The further development of ICOone® Nasal has been conducted within the framework of a successful development collaboration with the Bill & Melinda Gates Foundation.

In March, Iconovo and Affilogic presented positive results from a feasibility study with a Nanofitin®-based biological drug against respiratory viruses in ICOone®. The results confirmed that Nanofitins® can be formulated as a spray-dried powder for inhalation, maintaining activity and a fine particle fraction suitable for lung delivery, and administered using ICOone®. The study results will be presented in full at the Respiratory Drug Delivery 2024 congress in Tucson, Arizona, on 5-9 May 2024.

KEY FIGURES FOR THE GROUP

<i>Amounts in TSEK if not otherwise stated</i>	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Net sales	1,700	309	7,078
Operating result	-9,573	-12,884	-45,777
Cash flow for the period	20,605	31,283	5,035
Earnings per share (SEK) before and after dilution	-0.69	-1.35	-4.39
Cash and cash equivalents	39,084	44,729	18,480
Shareholders' capital	134,480	127,702	113,526
No. of shares end-period	15,918,375	10,222,500	11,755,875
No. of license agreements (royalty)	5	6	5
No. of CDMO/feasibility agreements	4	2	4

CEO's MESSAGE

RAMPING UP IN 2024

The first quarter of this year has been largely characterized by business development activities, including several congresses and meetings both in Europe and the USA. The trend we observed towards the end of last year, with increasing interest in our products and services, continues, and we have initiated several discussions with potential customers, forging a number of new and important contacts on both continents. Additionally, we have closed the first two customer agreements of the year and begun building a portfolio of promising candidates for reformulation into inhalation drugs.

ICONOVO EXPANDS BUSINESS IN REFORMULATED SUBSTANCES

Over the past few months, we have embarked on an intensive effort to identify promising substances suitable for reformulation into inhalation drugs, aiming to build a portfolio of substances with significant market potential for dry powder inhalation. Our ambition is to leverage our existing inhalation platforms and our solid formulation expertise to advance these substances to in-vitro *proof-of-concept* at a low cost, then partner with medium-sized pharmaceutical companies for further development and commercialization. Our new team member, Gary Pitcairn, who joined the company as Senior Scientific Advisor at the end of last year, will play a key role in developing reformulated drugs. Gary has a vast network and is a globally recognized expert in the development of drug formulations for inhalation.

SUCCESSFUL EXPANSION OF CDMO ACTIVITIES CONTINUES

We continue to grow in contract development of original drugs using our proprietary inhalation platforms and plan to sustain the successful expansion of our CDMO activities. Contract development yields a handsome profit margin on our work performed, and we expect it to account for a significant portion of revenues in the coming years. Through contract development, we can help customers reach the market faster, with the goal of entering into licensing agreements with royalty revenues from sales. Already, we have five active customer agreements in this business area, and our ambition is to sign between three and five new agreements per year.

With two new customer agreements in the first quarter, we are already well on track towards our 2024 goal. As part of the first agreement, we conduct an in-vitro study on behalf of one of the world's top ten pharmaceutical companies to assess whether one of our multi-dose inhalers is suitable for the development of an investigational drug. The second agreement concerns the reformulation of an already FDA-approved medicine for rare lung diseases in ICOcap® for the Danish company Kiox Pharma. The project is a continuation of the feasibility study and preclinical pharmacokinetic study we conducted last year and represents an additional revenue of MSEK 2.7 in 2024.

ICONOVO FORGES NEW CONNECTIONS IN MULTIPLE MARKETS

Recently, we have participated in several meetings and congresses in both the USA and Europe, including DCAT Week in New York, BIO Europe in Barcelona, and most recently, the World Vaccine Congress in Washington DC, where we had several productive meetings and discussions about how ICOone® could revolutionize vaccine administration and improve global health.

In parallel, we have been awarded a grant of SEK 680,000 from the EU-funded innovation program Innowide to conduct a market study in South Korea. The goal is to gather knowledge that will serve as the basis for introducing Iconovo's services and products in the country. The project is part of Iconovo's Accelerator program and will be carried out from April to September this year. One of the first initiatives in the program is that I will represent Iconovo in May as part of a delegation from Business Sweden visiting BIO Korea. There, we will have several meetings with leaders of major South Korean pharmaceutical companies to establish new, important contacts in the country. Establishing a presence in the South Korean market would not only mean growth opportunities for Iconovo in the country but also open doors to other Asian markets.

PROGRESS IN ICOPRE® OUT-LICENSING PROCESS ON TRACK

The out-licensing process for ICOPre® is progressing as planned, and we are working intensively to reach a favorable agreement with the most suitable partner as soon as possible. This would provide excellent opportunities for the inhaler to become the first generic challenger to Ellipta in both the EU and the USA. The first launch opportunity in the ICOPre® portfolio is expected to be a generic version of the asthma medication Relvar in the EU by 2027.

After a 2023 filled with challenges in the external environment, we have now made a flying start into 2024, and already in the first quarter, we have taken several steps towards profitability. We look forward to seizing the opportunities identified during the first quarter of this year and taking the next important step towards our goal of becoming a profitable company from the full year 2026 onwards.



Johan Wäborg
CEO

This is ICONOVO

Iconovo is actively engaged in the development of new inhalation drugs through partnerships with international pharmaceutical companies, tapping into an expanding market. Inhalation medications offer substantial benefits over traditional forms of treatment like tablets or injections. However, their development demands specialized expertise across various domains, making it a complex yet rewarding endeavor.



Novel Pharmaceuticals

Iconovo has successfully formed three strategic partnerships with research-driven pharmaceutical companies to pioneer the development of cutting-edge treatments, harnessing the potential of the company's patented inhalers to deliver enhanced value. The annual sales of medications and vaccines against diseases where inhalers offer significant benefits reaches nearly USD 100bn.

Generic Pharmaceuticals

The market for inhaled medications targeting asthma and COPD is valued at around USD 28bn. As major inhaled drugs face patent expirations, substantial commercial opportunities arise for generic pharmaceutical companies. Iconovo's products show promising potential to replace medications currently delivered through inhalers such as Turbuhaler® and Ellipta®. Notably, in 2022 Symbicort Turbuhaler® achieved sales of USD 2.4bn, and Ellipta®-inhaled medications recorded impressive sales of USD 5.0bn.



Iconovo's model offers high commercial potential with low development risk

The revenue streams from our customer collaborations comprise three key components: initial payments for access to our technology, milestone-based compensations throughout the development process, and royalties. For Novel Pharmaceuticals, our royalty rates are usually set at low single-digit percentages of sales. As for Generic Pharmaceuticals, the royalty rates fall within the range of five to ten percent.

Find out more about Iconovo's business model and services in the annual report (Swedish) <https://www.iconovo.se/investors/finansiella-rapporter/>

Inhalation platforms

Iconovo has four platforms that collectively address the market's various needs for effective and user-friendly inhalers, offering significant commercial opportunities both in the development of entirely new medicines and during patent expirations of branded drugs.



ICORES® is a dry powder inhaler reminiscent of AstraZeneca's top-selling product, Turbuhaler®. ICORES is the only reservoir inhaler capable of accommodating up to three different medicines.



ICOpre® is a multi-dose inhaler with pre-filled doses that can be customized for all types of inhalation powders. ICOpre is based on a unique, patented principle that minimizes the risk of infringing on the intellectual property rights of other inhalers.



ICOcap® is an inhaler designed for medication in capsules, which are loaded one at a time. It features a sturdy and uniquely user-friendly design, a patented integrated cap, and low inhalation resistance. A standard version of ICOcap is readily available off-the-shelf, and the inhaler can also be optimized to deliver maximum product performance for a specific medicine.



ICOone® is a unique and patented dry powder inhaler designed for single-use. Its construction allows for quick and easy handling, and it boasts an extremely low manufacturing cost. ICOone can deliver significant inhalation doses that are well protected from moisture, which is crucial for many biologics. The inhaler can be designed with one or two cavities (compartments), which is a significant advantage in developing drugs based on two or more active medications.



ICOone® is also available in a version for nasal inhalation, called ICOone® Nasal – a unique and patented inhaler with an extremely low manufacturing cost. It is particularly suitable for short-term treatments, vaccinations, and as-needed medication, offering numerous medical and practical advantages at an unbeatably low treatment cost.

FINANCIAL COMMENTS 1 JANUARY - 31 MARCH 2024

Turnover and result

Net sales in January-March 2024 were 1,700 (309) TSEK with contribution from two projects.

<i>Amounts in TSEK</i>	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Milestone payments	1,700	309	7,078
License income	-	-	-
Royalty income	-	-	-
Net sales	1,700	309	7,078
Other operating income	857	2,728	8,141

Other operating income for January-March 2024 was lower compared to the previous year at 857 (2,728) TSEK; the main difference is lower grant income during the first quarter of 2024 compared to the first quarter of 2023 when a larger grant income from the Bill & Melinda Gates Foundation was recorded.

Capitalized development expenses amounted to 4,614 (6,036) TSEK in January-March 2024, and were made up by the development of the ICOppe and ICOpac platforms as well as related formulations.

Expenses for raw materials and supplies fell to 772 (3,064) TSEK in January-March 2024, due to high costs in the Bill & Melinda Gates Foundation project during the first quarter of 2023.

Other external expenses amounted to 3,894 (7,108) TSEK in January-March 2024. The first quarter of 2023 included a provision for bad debts of 2,700 TSEK. Excluding this provision, other external expenses mainly decreased due to lower expenses for consultants, marketing and software.

Personnel expenses increased a tad to 9,444 (9,259) TSEK in January-March 2024 mainly reflecting higher pension costs.

The average number of full-time employees (FTE) in January-March 2024 was 28.7 of whom 13.1 women, 14.8 men and 0.8 non-binary (31.1 of whom 16.7 women, 13.4 men and 1.0 non-binary).

Net financials were 23 (-144) TSEK in January-March 2024. The interest income increased considerably compared with the first quarter of 2023.

The result for the period January-March 2024 was -9,550 (-13,039) TSEK.

Investments and depreciations

Investments in tangible assets during January-March 2024 decreased to 0 (129) TSEK. Investments in intangible assets during January-March 2024 amounted to 4,787 (6,300) TSEK. The investment in these assets is primarily attributable to investments in the ICOppe and ICOpac platforms as well as related formulations.

The total cost of depreciation of tangible and intangible assets during January-March 2024 amounted to 2,599 (2,486) TSEK.

Cash, cash flow and net debt

At the end of the period, the group's cash and cash equivalents amounted to 39,084 (44,729) TSEK. There are no interest-bearing liabilities in the company.

The cash flow from operating activities during January-March 2024 amounted to -6,647 (-13,098) TSEK. The cash flow from investment activities amounted to -4,787 (-6,429) TSEK in January-March 2024. The cash flow from financing activities during January-March 2024 amounted to 32,039 (50,810) TSEK. In February 2024, the company secured gross proceeds from a directed issue of new shares of 33.3 MSEK. It is the assessment of the Board and management, taking into account liquidity needs and the presented budget, that there is nothing indicating that the Group's liquid assets would not be able to finance the company's plans for the next 12 months. The out-licensing ICOPre is a significant part of the budget and cash flow for the fiscal year 2024. However, even if this were to be excluded for any reason, the Board and management assess that the company's alternative plans are sufficient for continued operations and development for the next 12 months, albeit with a slightly shorter perspective before the need for additional financing may arise compared to the original plan.

Thus, the total cash flow for January-March 2024 amounted to 20,605 (31,283) TSEK.

Shareholders' equity

As per 31 March 2024, shareholders' equity totaled 134,480 (127,702) TSEK. Total assets amounted to 153,614 (152,068) TSEK at the end of the first quarter 2024.

PARENT COMPANY**Turnover and result**

Net sales in January-March 2024 were 1,700 (309) TSEK with contribution from two projects. The result for the period January-March 2024 was -9,461 (-12,115) TSEK.

Shareholders' equity

As per 31 March 2024, shareholders' equity amounted to 139,791 (132,065) TSEK.

Contact information and calendar

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Financial Calendar

Q1 report (Jan. – March 2024)	25 April 2024
Annual report 2023	25 April 2024
Annual general meeting	21 May 2024
Q2 report (Jan. – June 2024)	12 July 2024
Q3 report (Jan. – Sep. 2024)	24 Oct. 2024

The annual report 2023 (in Swedish only) is available on the company's homepage.

Iconovo's shares are listed on Nasdaq First North Growth Market, Ticker: ICO, ISIN code: SE0010868943.

Key ratio definitions

EBITDA (Earnings before interest, taxes, depreciation and amortization). Operating result before depreciation and amortization.

Adjusted EBITDA. EBITDA adjusted for the provision for bad debts.

Board of Directors' affirmation

The Board of Directors and the CEO hereby affirm that the Quarterly Report constitutes a faithful representation of the company's operations, financial position and profit/loss and that it describes the significant risks and uncertainty factors facing the company.

This report has not been subject to the auditor's review.

Lund, 25 April 2024,

Board of Directors, Iconovo AB

Consolidated statement of income and comprehensive income, summary

Amounts in TSEK	2024	2023	2023
	3 months	3 months	12 months
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	1,700	309	7,078
Other operating income	857	2,729	8,142
	2,556	3,038	15,220
Capitalized work for own account	4,614	6,036	21,035
<i>Operating expenses</i>			
Raw materials and supplies	-772	-3,064	-10,536
Other external expenses	-3,894	-7,108	-25,683
Personnel expenses	-9,444	-9,259	-35,623
Depreciation of tangible and intangible fixed assets	-2,599	-2,486	-10,082
Other operating expenses	-34	-41	-108
Operating result	-9,573	-12,884	-45,777
Financial income	138	73	402
Financial expenses	-115	-228	-519
Profit before tax	-9,550	-13,039	-45,894
Tax	0	0	0
Profit for the period	-9,550	-13,039	-45,894
Other comprehensive income	-	-	-
Total comprehensive income for the period	-9,550	-13,039	-45,894
Profit for the period attributable to the equity holders of the parent company			
Earnings per share, SEK	-0.69	-1.35	-4.39
Earnings per share before dilution, SEK	-0.69	-1.35	-4.39
Earnings per share after dilution, SEK	-0.69	-1.35	-4.39

Consolidated balance sheet statement, summary

Amounts in TSEK	2024-03-31	2023-03-31	2023-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	88,185	73,233	84,870
Tangible fixed assets	17,766	18,887	16,137
	105,951	92,120	101,007
Current assets			
Trade receivables	4,637	8,984	3,731
Short-term investments	3,942	6,235	4,862
Cash and cash equivalents	39,084	44,729	18,480
	47,662	59,948	27,073
TOTAL ASSETS	153,614	152,068	128,080
SHAREHOLDERS' EQUITY			
Share capital	1,592	1,022	1,176
Other paid-in capital	292,502	243,948	262,415
Retained earnings	-159,614	-117,268	-150,064
	134,480	127,702	113,526
Long-term liabilities			
Leasing liabilities	5,884	6,837	4,907
	5,884	6,837	4,907
Short-term liabilities			
Prepayments from customers	0	4,635	-
Leasing liabilities	3,706	2,660	2,818
Other short-term liabilities	9,543	10,235	6,829
	13,249	17,529	9,647
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	153,614	152,068	128,080

Consolidated cash flow statement, summary

	2024	2023	2023
	3 months	3 months	12 months
Amounts in TSEK	Jan-Mar	Jan-Mar	Jan-Dec
OPERATING ACTIVITIES			
Profit before tax	-9,550	-13,039	-45,894
Adjustments for items not included in the cash flow	411	2,599	20,155
Paid income tax	-237	0	-780
Cash flow from operating activities before changes in working capital	-9,375	-10,440	-26,519
Increase (-) / Decrease (+) of operating receivables	14	4,414	3,109
Increase (-) / Decrease (+) of operating liabilities	2,714	-7,072	-15,112
Cash flow from operating activities	-6,647	-13,098	-38,522
Investment activities			
investments in tangible fixed assets	0	-129	-712
investments in intangible fixed assets	-4,787	-6,300	-22,198
Cash flow from investment activities	-4,787	-6,429	-22,910
Financing activities			
Issue of shares	33,300	55,000	74,586
Transaction costs	-3,126	-3,655	-5,813
Payment of leasing liabilities	1,865	-535	-2,306
Cash flow from financing activities	32,039	50,810	66,467
Cash flow for the period	20,605	31,283	5,035
Cash and cash equivalents, beginning of period	18,480	13,446	13,446
Cash and cash equivalents, end of period	39,084	44,729	18,480

Consolidated statement of changes in equity, summary

Amounts in TSEK	Share capital	Other paid-in capital	Retained earnings	Total shareholders' equity
Opening balance, 1 January 2023	885	192,488	-104,170	89,203
Profit for the period			-45,894	-45,894
Other comprehensive income				0
Total comprehensive income	0	0	-45,894	-45,894
Transactions with shareholders				
Shareholder contribution	291	73,876		74,167
Transaction costs		-5,314		-5,314
Share-based compensation		1,364		1,364
Total transactions with shareholders	291	69,926	0	70,217
Closing balance, 31 December 2023	1,176	262,415	-150,064	113,526

Amounts in TSEK	Share capital	Other paid-in capital	Retained earnings	Total shareholders' equity
Opening balance, 1 January 2024	1,176	262,415	-150,064	113,526
Profit for the period			-9,550	-9,550
Other comprehensive income				0
Total comprehensive income	0	0	-9,550	-9,550
Transactions with shareholders				
New share issues	416	32,884		33,300
Transaction costs		-3,127		-3,127
Share-based compensation		330		330
Total transactions with shareholders	416	30,087	0	30,503
Closing balance, 31 March 2024	1,592	292,502	-159,614	134,480

Parent company income statement, summary

Amounts in TSEK	2024	2023	2023
	3 months Jan-Mar	3 months Jan-Mar	12 months Jan-Dec
Net sales	1,700	309	7,078
Other operating income	857	2,728	8,141
	2,556	3,037	15,219
Capitalized work for own account	4,614	6,036	21,035
<i>Operating expenses</i>			
Raw materials and supplies	-772	-3,064	-10,536
Other external expenses	-4,643	-7,054	-27,053
Personnel expenses	-9,444	-9,259	-35,623
Depreciation of tangible and intangible fixed assets	-1,877	-1,833	-7,469
Other operating expenses	-34	-40	-107
Operating result	-9,599	-12,177	-44,533
Financial income	138	72	381
Financial expenses	0	-9	-50
Profit before tax	-9,461	-12,115	-44,202
Tax	0	0	0
Profit for the period	-9,461	-12,115	-44,202
Number of shares, weighted average for period	13,837,125	9,626,667	10,461,717
Earnings per share, SEK	-0.68	-1.26	-4.23

Parent company balance sheet statement, summary

Amounts in TSEK	3/31/2024	3/31/2023	12/31/2023
ASSETS			
Fixed assets			
Intangible fixed assets	88,185	73,233	84,870
Tangible fixed assets	7,387	8,583	7,792
Financial fixed assets	5,000	3,500	5,000
Total fixed assets	100,571	85,316	97,662
Current assets			
Trade receivables	4,637	8,984	3,731
Short-term investments	5,294	7,419	5,537
Cash and cash equivalents	37,823	43,889	17,225
Total current assets	47,755	60,292	26,493
TOTAL ASSETS	148,326	145,608	124,155
SHAREHOLDERS' EQUITY			
<i>Restricted equity</i>			
Share capital	1,592	1,022	1,176
Fund for development expenses	78,526	62,130	78,526
	80,118	63,152	79,702
<i>Unrestricted equity</i>			
Share premium reserve	292,502	243,799	262,415
Retained earnings	-223,368	-162,771	-179,167
Profit for the period	-9,461	-12,115	-44,202
	59,673	68,913	39,046
Total shareholders' equity	139,791	132,065	118,748
Short-term liabilities			
Prepayments from customers	0	4,635	0
Liabilities to group companies	0	0	0
Short-term liabilities	8,535	8,908	5,407
	8,535	13,543	5,407
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	148,326	145,608	124,155

Notes

Accounting principles Iconovo prepares its consolidated accounts in accordance with IFRS, International Financial Reporting Standards, as endorsed by the EU. Furthermore, the Group also applies the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary accounting rules for groups). The Group uses historical cost for the valuation of balance sheet items unless otherwise stated. The interim report has been prepared in accordance with IAS 34. IFRS is constantly evolving, with new standards and interpretations being published continuously. No new standards that are assessed to affect the period's results and financial position have come into force. The complete accounting principles applied by the Group can be found in the 2023 annual report on pages 63-70.

Key figures for the group

Amounts in TSEK	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
EBITDA	-6,973	-10,398	-35,695
Adjustment	0	2,700	7,931
Adjusted EBITDA	-6,973	-7,698	-27,764

In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.