

20
ANNUAL REPORT
23



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This annual report in English is an abbreviated version of the annual report in Swedish (Årsredovisning). In case of any discrepancies between the Swedish annual report and the English abbreviated annual report, the Swedish annual report shall prevail.



Introduction

Quick facts about Iconovo

Iconovo (Nasdaq First North Growth Market: ICO) specializes in the development of inhalation medications, utilizing internally developed dry powder inhalers. The company provides several types of patented inhalers that can generate significant commercial opportunities for the development of entirely new drugs and for generic drugs. The drugs are licensed to global pharmaceutical companies.

The most advanced projects are generic versions of the asthma and COPD drug Symbicort® in the ICORES® inhaler, expected to reach the market by 2025. ICOPRE® is being prepared for the patent expiration of the billion-dollar products in the Ellipta® portfolio, with the first ICOPRE® product expected to be launched in 2027. In 2027, Iconovo is expected to achieve sales of MSEK 250 with an EBITDA margin of approximately 50%.



Based in

Lund



No. employees

29



No. consultants

3



Women

49%



Non-binary

3%



Men

48%



No. patent families

13



No. pipeline projects

9



Net sales

SEK 7,1 million



Other operating income

SEK 8,1 million

Year in brief

Over the course of the year, Iconovo has secured four contracts with both existing and new clients for its CDMO business.

The collaboration project concerning Arcede's drug candidate for the treatment of COPD, RCD405, progressed with promising results. The next step in the project is a technical stability study before the compound undergoes clinical testing. Supported by SweLife, the project is part of the collaboration between **Arcede Pharma**, Iconovo, and Lund University. Iconovo has been responsible for the formulation work and has made adjustments. These have resulted in a formulation which is now well-suited for use in two of the company's inhaler platforms, ICOone® and ICOcap®, covering a very broad dose range. Concurrently, Arcede Pharma has conducted a four-week-long toxicological study demonstrating good tolerance of RCD405. Together, Iconovo, Arcede Pharma, and Lund University received over MSEK 2 from Vinnova and Swelife for the development of RCD405. Iconovo received MSEK 0.5 to develop a dry powder formulation and an inhalation product based on the ICOone® inhaler for use in clinical Phase I studies.



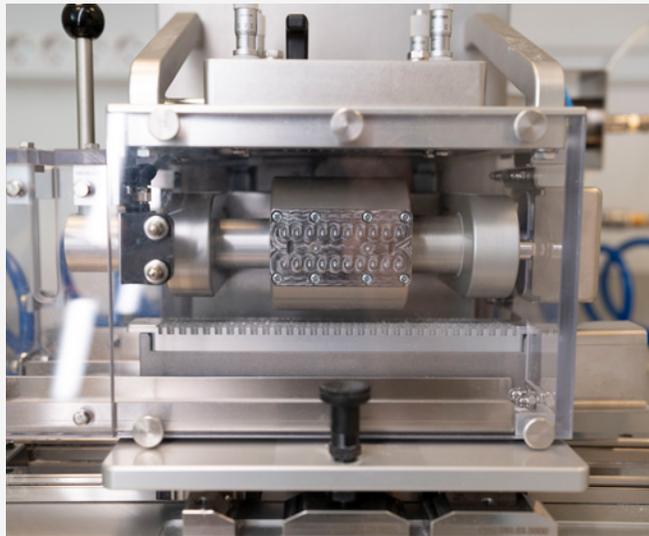
During the year, the company initiated a collaboration with the Danish biotechnology company **Kiox Pharma** to develop a new inhalable treatment for interstitial lung disease. The project involves reformulating an FDA-approved drug in one of Iconovo's patented inhalers, ICOcap®. This collaboration resulted in revenues of MSEK 1.6 in 2023. Additionally, in early 2024, another feasibility agreement was signed for the product, entailing revenues of MSEK 2.7 in 2024. In the next phase, a potential licensing agreement could generate further revenue through contract work, milestone and royalty payments, or the sale of inhalers.

Iconovo also entered into a collaboration agreement with the French biotechnology company **Affilogic** to conduct a feasibility study on inhalable affinity proteins, Nanofitins®, based on Iconovo's inhaler platform ICOone®. The project aims to develop a new treatment for lung diseases. Following the feasibility study, Affilogic has the option to enter into a licensing agreement with Iconovo

for the use of the treatment in one of the company's ICOone® inhalers, with certain exclusivity rights.

An agreement was reached with **ENA Respiratory Pty Ltd** to evaluate the ICOone® Nasal for the administration of INNA-051, a broad-spectrum immunomodulatory treatment developed to prevent complications associated with viral respiratory infections. Iconovo is entitled to compensation totaling up to MSEK 0.9.

In 2023, **Monash University** initiated and completed recruitment for a clinical Phase I study with inhaled oxytocin using ICOone®. The study involved 16 participants and was conducted in Australia. Monash and Iconovo are collaborating to develop an ICOone®-based preventive oxytocin treatment aimed at providing women with effective protection against postpartum hemorrhage, the leading cause of maternal mortality worldwide. The study results are expected to be published in early 2024.



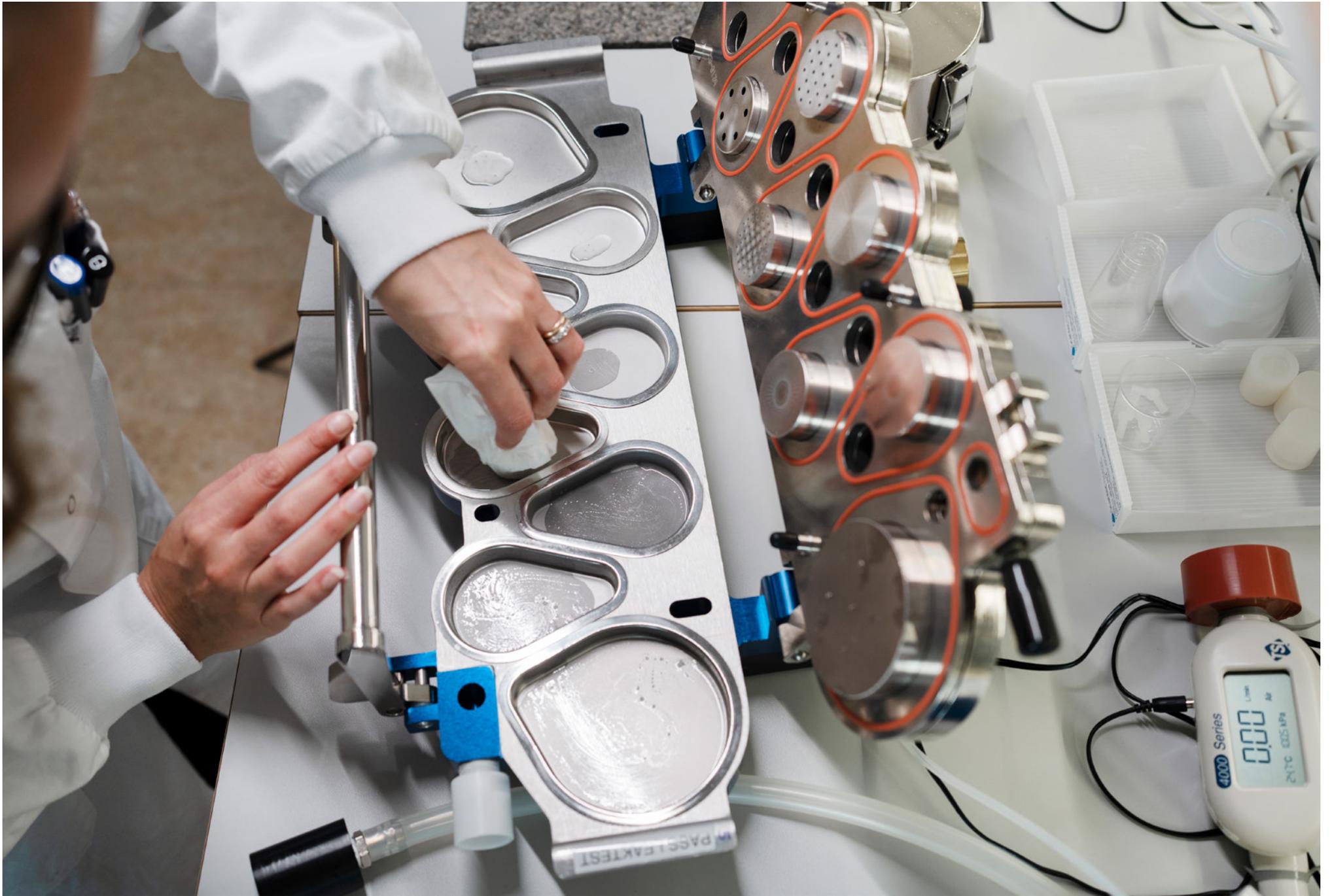
A restructuring of Iconovo's agreement with **Stevanato Group** for ICOcap® was carried out in the middle of the year. For Iconovo, this means anticipating an increase in the company's future profit margin on sold ICOcap® inhalers and securing manufacturing capacity for volumes of up to one million units. Iconovo received a payment of MEUR 0.2 (MSEK 2.3) in connection with the agreement.

During the year, Iconovo strengthened its customer offering within the originator drug segment by launching the **Iconovo Accelerator Program** – a structured approach for pharmaceutical companies to partially finance commercially promising projects alongside the capital market. This is made possible through a newly established partnership with the consulting firm **Argentum**, which specializes in structuring and leading application processes for EU funding, and has so far contributed to securing over SEK 20 billion in research and development financing for its clients.

The purpose of the Iconovo Accelerator Program is to finance projects that are significantly executed by Iconovo, which can contribute to increased earnings for the company. Sales of drugs and vaccines for diseases where inhalers can provide significant benefits amount to nearly USD 100 billion. Examples include asthma, COPD, pulmonary hypertension, and various types of vaccinations.

The patent protection for three out of four of Iconovo's inhaler platforms was significantly strengthened with **new patents** in key markets. The European Patent Office (EPO) approved Iconovo's patent application for the **ICOone®** inhaler platform. The patent covers the company's dry powder inhaler, which is currently involved in several innovative collaboration projects. Additionally, the Japanese Patent Office (JPO) pre-approved another patent for ICOone®. This means that the platform will be protected by two patents in the Japanese market; the pre-approved patent is valid until 2038.





The United States Patent and Trademark Office approved the company's application for a design patent for the **ICOCap**® inhaler. This design patent is valid until May 2037. EPO intends to approve Iconovo's application for yet another patent for the **ICOres**® inhaler platform. This means that Iconovo will receive strengthened patent protection for the inhaler in Europe until 2040.

The structured process for licensing **ICOpre**® progressed well in 2023 with the support of the global investment bank Stifel. Several international pharmaceutical companies have entered into confidentiality agreements for further evaluation of the inhaler platform, and a licensing agreement for **ICOpre**® is expected to be in place by the first half of 2024. This sets the stage for the inhaler to become the first generic challenger to **Ellipta**® in both the EU and the USA. The initial launch opportunity in the **ICOpre**® portfolio is expected to be a generic version of the asthma medication **Relvar**® in the EU by 2027. **ICOpre**® can be adapted to all types of inhalation powders, offering users convenience comparable to **Ellipta**®

from GSK. Global sales of inhalation drugs in the **Ellipta**® portfolio amounted to approximately USD 5.0 billion in 2023.

In 2023, Iconovo reiterated its long-term financial goals for 2027 - achieving MSEK 250 in revenue with a 50 percent EBITDA margin. Furthermore, the company anticipates profitability for one individual quarter in both 2024 and 2025, followed by full-year profitability in 2026. Since communicating its long-term financial goals in June 2022, Iconovo has increased its focus on its CDMO offering. The company has expanded its customer base, and several drug projects are entering the clinical development phase, potentially leading to larger orders for contract development and licensing agreements.

Sales in 2023 amounted to MSEK 7.1 (compared to MSEK 17.1 in 2022) and consisted of income from six smaller projects. In 2022, sales consisted of milestone payments from a large project. The operating result improved from MSEK -48.4 in 2022 to MSEK -45.8 in 2023. The profit for the year 2023 improved by over MSEK 2, while the earnings

per share in 2023 amounted to SEK -4.39 (SEK -5.44). Shareholders' equity at the end of the year increased to MSEK 113.5 (compared to MSEK 89.3), primarily driven by the capitalization of development costs for **ICOpre**®. In 2023, two directed new share issues were conducted, raising MSEK 68.8 in gross proceeds for the company.

The average number of full-time employees was 31.3, including 15.6 women, 14.7 men, and 1 non-binary individual (compared to 30.3, including 15.1 women, 14.2 men, and 1 non-binary individual). In December 2023, the number of full-time employees was 26.

Full focus on profitability



Johan Wäborg
CEO, Iconovo AB

Today, Iconovo is a well-positioned medical device company with four fully developed inhaler platforms, ready to be tailored with customized formulations. With much of the resource-intensive hardware development behind us, we can now focus on driving the business towards profitability. One step in this direction is a clear division into distinct business areas and revenue models, where each part of the business contributes. Iconovo is continuing its efforts to be the pharmaceutical industry's most innovative inhalation partner, aiming to achieve full-year profitability by 2026.

The platforms are the foundation

Iconovo is an attractive partner for pharmaceutical companies, possessing expertise that few companies in the world can match. Developing complete inhalation products requires expertise in many areas, and with several competitors being acquired, there are now few inhalation experts with inhaler platforms that pharmaceutical companies can turn to. Iconovo has a significant competitive advantage with four fully developed platforms and internal expertise in dry powder formulation.

The business benefits from the breadth of the platforms; we can now meet most of the market's needs for inhalation solutions. This is well exemplified by a selection of current agreements. For ICORes®, we have two licensing agreements; for ICOPre®, licensing is ongoing with the assistance of Stifel Investment Bank; for ICOCap®, agreements exist with, among others, the Danish development company Kiox Pharma; and for ICOne®, there is an agreement with Monash University, among others.

Revised business strategy

Increased focus on profitability has prompted an adjustment of the business strategy, where we have chosen a clearer division into distinct business areas and **revenue models**.

Our three revenue models are defined as: 1. CDMO, where revenue comes from contract manufacturing and various feasibility projects; 2. License development, where revenue comes from milestones and royalties; and 3. Product sales, consisting of inhaler and drug sales.

The **business areas** are currently defined as Generics, New drugs, and Reformulated drugs. Iconovo started within the generics area, which continues to be a significant driving force. Moving forward, the company will also focus on both new drugs and the rapidly growing area of reformulated drugs.

Iconovo's business strategy is scalable, with high potential in large established markets. Each agreement should be self-sustaining with solid profitability in all phases, from initial technology access payments and milestone payments to ongoing royalty payments once the products are on the market.

Reformulation, a growing area

Reformulation involves the alteration of an already existing drug currently administered – for example, via tablets or injections. With substantial markets, shorter development times, and lower development risks, reformulation sits in the middle, risk-wise, between generics and new drugs. Since the drug already is approved, we know it works in humans; in this context, reformulation is about demonstrating its efficacy via inhalation into the lungs. This approach enables the discovery of exciting new features in the drug, such as faster absorption, fewer side effects, or simpler storage and transportation.

A current example of reformulated medication is Iconovo's licensing agreement with Kiox Pharma, where ICOCap® is used to provide inhaled therapy for interstitial lung disease (ILD), based on an FDA-approved drug.

"Iconovo's business strategy is scalable with high potential within large established markets."

Generics form the foundation of Iconovo

Generics have long been the cornerstone of Iconovo's operations. Several of these products are nearing launch, such as ICOPre®, Iconovo's generic counterpart to GSK's Ellipta® inhaler. As patents expire, a market worth over USD 5 billion opens up.

The patents for ICORES® budesonide/formoterol (equivalent to Symbicort®) have already expired, and the product, currently undergoing pharmacokinetic studies by Amneal, is planned for launch in the EU in 2025.

Sustainability

Iconovo currently has no formal requirements to report on sustainability but has chosen to report voluntarily. Rules may change in 2027, requiring even smaller companies to begin sustainability reporting. Additionally, operating in a world where many of our customers and partners must report on sustainability, we are already prepared to meet these requirements.

Throughout the year, Iconovo has continued to focus on our three selected areas within the framework of the UN's Sustainable Development Goals. Our focus areas are: *#3 Good Health and Well-being, #8 Decent Work and Economic Growth, and #13 Climate Action.*

Organization

Iconovo fosters an open and inclusive culture where employees thrive, resulting in low turnover. We actively invest in continuously enhancing employees' skills, ensuring ongoing development. Being an attractive employer is key to securing our expertise base in inhalation technology in the long run.

Iconovo's organization is stable with 29 employees. Following last year's workforce adjustment, the organization is now better suited to our current needs and to meet profitability requirements.

By 2027, Iconovo aims to achieve revenue of MSEK 250 and a profit margin of approximately 50 percent. With a sharpened strategy and increased focus on profitability, Iconovo is now approaching the point where our efforts bear fruit. With significant potential for major deals and several products progressing through development programs toward the market, our projected full-year profitability for 2026 is clearly visible on the horizon.



Johan Wäborg
CEO, Iconovo AB



Targets and Strategy

Diversifying risks across markets in varying stages or levels of maturity is a wise approach. With strategic investments that complement and reinforce one another, Iconovo lays the groundwork for long-term growth and value creation across several markets.

Targets

Profitability in 2026-2027

Iconovo's long-term goal is to achieve profitability on an annual basis by 2026. As an indication that several significant deals are expected to be completed in the near future, the goal of reaching a profitable quarter in 2024 and another in 2025 is also stated. For the year 2027, revenues of MSEK 250 are expected with an EBITDA margin of 50 percent.

A well-balanced business strategy

Iconovo's strategy aims to generate increasing revenues and profitability based on a business model consisting of three revenue models.

CDMO

Iconovo has recently successfully expanded its CDMO operations, which involve contract development of both originator and generic drugs in the company's inhaler platforms. The company also manufactures less complex inhalers offered to customers through direct sales. Iconovo achieves a steady and solid profit margin on the work performed here. Companies engaged in specialized CDMO operations, according to industry standards, generate a margin of 20-40%.

There are strong drivers for developing new inhaled medications: The market for current inhaled medications for asthma and COPD alone amounts to more than SEK 315 billion. As blockbuster inhaled medications lose their patents, significant commercial opportunities arise for generic companies. Moreover, substantial patient benefits can be achieved by developing new inhaled originator medications that can replace treatments currently administered as tablets or injections.

Sales of medications and vaccines for diseases where inhalers can provide significant advantages amount to nearly USD 100 billion. Asthma, COPD, pulmonary hypertension, rapid-acting insulin for diabetes treatment, and various types of vaccinations are some examples.

Iconovo already has five active customer contracts under the CDMO model and is expected to add three to five new contracts annually until 2027. By 2027, CDMO operations are estimated to generate approximately 15 percent of the company's total revenue. In the years beyond, this area will continue to represent a significant proportion of turnover. An important factor for the company's long-term value creation is that new and



existing customer contracts in this area also have the potential to lead to licensing agreements or inhaler sales.

License agreements

Iconovo offers licensing agreements for the development of both generics and originator medications based on the company's unique inhaler platforms. Iconovo receives an initial payment upon

the agreement's execution and is entitled to milestone payments during the development process, as well as royalties on future product sales. For new originator drugs, the royalty rate typically falls within the lower, single digit percentage range of sales, and for generic products, it ranges between five and ten percent. Each individual project is usually profitable for Iconovo throughout the development period, but significant financial leverage comes when a final product is launched. Some projects are developed by Iconovo using its own funds to offer them for licensing at an appropriate time.

Iconovo currently has four licensing development agreements and plans to sign additional agreements in the coming years, including for its ICOpre[®] inhaler, which is expected to reach agreements by 2024 and be launched in Europe by 2027. The company plans to initiate projects with reformulated originator drugs in 2024, the first of which is expected to be licensable by 2026. In 2027, approximately 50 percent of the company's total revenue is expected to be generated through this type of licensing agreement, with 35 percent for generics and 15 percent for originator drugs. The two products expected to contribute most to the revenue target are ICOres[®] budesonide/formoterol (a generic equivalent of Symbicort[®] expected to be launched in 2025) and ICOpre[®] fluticasone furoate/vilanterol (a generic equivalent of Relvar[®]/Breo[®] expected to be launched in 2027).



Product sales

In 2027, product sales are estimated to generate approximately 35 percent of the company's total revenue – 25 percent through the Iconovo Pharma subsidiary's drug sales in the Nordic region, and 10 percent through sales of inhalers to customers in the global pharmaceuticals industry.

Inhalers

Iconovo manufactures less complex inhalers through contract manufacturers and sells them directly to partners and external customers. The sales margin is comparable to the royalty the company is entitled to in its licensing development agreements. This part of the business also includes future direct sales of drugs in the Nordic region via Iconovo Pharma. Iconovo has the capacity to manufacture and sell ICOone[®] and the company has recently taken over the responsibility for

selling ICOcap[®] from Stevanato Group, which now acts as a contract manufacturer.

Iconovo Pharma

Iconovo Pharma's drug portfolio is expected to largely consist of products developed in collaboration with current partners. Moreover, Iconovo's globally established partner network opens opportunities for licensing other commercially attractive products. The company holds the Nordic rights to sell ICOres[®] budesonide/formoterol following potential market approval. The product is a generic version of Symbicort[®], estimated to generate sales of approximately MSEK 900 in the Nordic region, of which around MSEK 500 in Sweden. The total sales of asthma drugs in the Nordic region amount to approximately SEK 4.3 billion. ICOres[®] budesonide/formoterol is expected to be launched in 2025.

Strategy

The road to profitability

Iconovo's strategy is to generate increasing revenue and profitability based on a business model consisting of three strategic areas.

New originator drugs including reformulated medicines

Iconovo currently has active collaborations with six companies developing new originator drugs and vaccines based on the company's inhaler platforms. These collaborations have the potential to generate increasing revenue during development in the form of compensation for additional contract development services, inhaler sales, and potential licensing agreements that can generate royalty income after market approval of developed drugs.

Generic drugs

The market for inhaled drugs for asthma and COPD is approximately USD 30 billion, with half of it being dry powder inhalation. As blockbuster inhaled drugs lose patents, significant commercial opportunities arise for generic companies. Iconovo's products have the potential to replace drugs administered in inhalers such as Turbuhaler® and Ellipta®. Sales of Symbicort Turbuhaler® in 2023 amounted to USD 2.36 billion, and sales of Ellipta® inhalable drugs amounted to USD 5.05 billion.

The most advanced project in the generic segment is ICORES® budesonide/formoterol, where the next important milestone is the result of a pharmacokinetic pilot study to determine if the product is ready for a registration-enabling bioequivalence study. The product is expected to reach the market in 2025, subject to necessary regulatory approvals.

Through its subsidiary Iconovo Pharma, Iconovo can also launch generic products in the Nordic region. The first product launch is expected in 2026 following EU approval of ICORES® budesonide/formoterol in 2025, a generic version of Symbicort®, the sales for which in the Nordic region are estimated at approximately MSEK 900. The company's drug portfolio is expected to be expanded with additional products developed in collaboration with current partners.

Based on the successful development of ICOPRE®, a new and significant commercial opportunity for Iconovo has opened – to challenge the blockbuster inhaler Ellipta®. The company has engaged the global investment bank Stifel to lead a structured process to license ICOPRE®. The licensing process is expected to be completed in the first half of 2024, meaning ICOPRE® has a good chance to become the first challenger to Ellipta® in both the EU and the USA. The first opportunity for launch within the

portfolio is estimated to be for a generic version of Relvar® in 2027.

Iconovo's customer collaboration model provides low risk and high commercial potential

The revenues from Iconovo's customer collaborations consist of initial access payments for access to the company's technology, milestone payments during development work, and royalties. For new originator drugs, the royalty rate typically falls within the lower, single digit percentage range of sales, and for generic products, it ranges from five to ten percent. Each individual project is usually profitable for Iconovo throughout the development period, but significant financial leverage comes when the final product is launched. Iconovo always finances the development of new inhaler platforms, but in selected projects, the company also finances the initial development of both the inhaler and drug formulation to increase the projects' value before establishing partnerships. Iconovo currently has seven collaboration projects with international pharmaceutical companies and research organizations and is ready to establish more.



Iconovo enhances access to inhaled treatment

Pharmaceutical companies worldwide are in constant pursuit to develop more effective medicines to treat and prevent diseases. Iconovo stands alongside these companies, **pushing the boundaries** of what's achievable with **inhaled therapies**.

As a leading partner to the pharmaceutical industry, Iconovo facilitates rapid development of new inhalation products. With four fully developed, patented inhalation platforms and formidable expertise, **we deliver tailored solutions** that meet all requirements and expectations. Our **comprehensive approach**, optimizing inhalers and dry powder formulations to desired functionality, is an attractive means to shorten time-to-market.

Iconovo enables pharmaceutical challengers to **swiftly and cost-effectively** develop generic inhalation products, with lower costs directly benefiting patients. Additionally, we assist innovative companies in developing new, inhaled originator drugs.

Our vision is to **fundamentally revolutionize inhalation therapy**, replacing injections with safer and more cost-effective inhalation or improving medical efficacy by replacing tablet treatment with inhalation. The end result: better health for people worldwide.

Iconovo, as an expert collaborator with pharmaceutical companies, empowers them to accelerate their businesses and build their future product portfolios through **close partnerships**.

Offering

Iconovo is a highly specialized CDMO that develops inhalation products in patented, innovative inhalers, enabling customers to take their medications all the way to market. With our ability to both optimize inhaler platforms and develop powder formulations that constitute the inhaled medication, we have a unique position that few companies in the world can match.

Iconovo's offering

Iconovo's expertise, resources, and experience enable the company to offer complete development of inhalation products for customers with an Active Pharmaceutical Ingredient (API), whether it's a generic or originator drug. Iconovo provides comprehensive development of dry powder formulations for optimal functionality alongside any of the company's inhaler platforms.

Four platforms

Iconovo currently has four product platforms for inhalation medications, allowing the company to offer pharmaceutical product development for both generic drugs and new drug candidates.

ICOres® – Iconovo's counterpart to Turbuhaler®

ICOres® is a dry powder inhaler similar to AstraZeneca's top-selling Turbuhaler®. Unlike Turbuhaler®, ICOres® features a dose counter that allows the patient to always know exactly how many doses remain. Another advantage is that the patient receives visual confirmation when a dose is inhaled correctly, minimizing the risk of misuse. ICOres® is the only reservoir inhaler that can be filled with up to three different drugs, a significant competitive advantage as triple products are expected to become the next major area in inhalation therapy.

¹ Breezhaler® is a registered trademark owned by Novartis.



ICOpre® - Iconovo's counterpart to Ellipta®

ICOpre® is a multi-dose inhaler with pre-filled doses that can be customized for all types of inhalation powders. It features the same easy handling as the well-known Ellipta® inhaler from GSK. ICOpre® can be pre-filled with up to three different active pharmaceutical ingredients for simultaneous inhalation. The inhaler includes an accurate dose counter displaying the number of remaining doses. ICOpre® is based on a unique, patent-pending principle that minimizes the risk of infringement on the intellectual property rights of other inhalers.

ICOcap® - Iconovo's counterpart to Breezhaler® and RS01

ICOcap® is an inhaler for capsule-based medications loaded one at a time. It boasts a robust and uniquely user-friendly design, a patented integrated cap, and low inhalation resistance. ICOcap® is available in two versions,

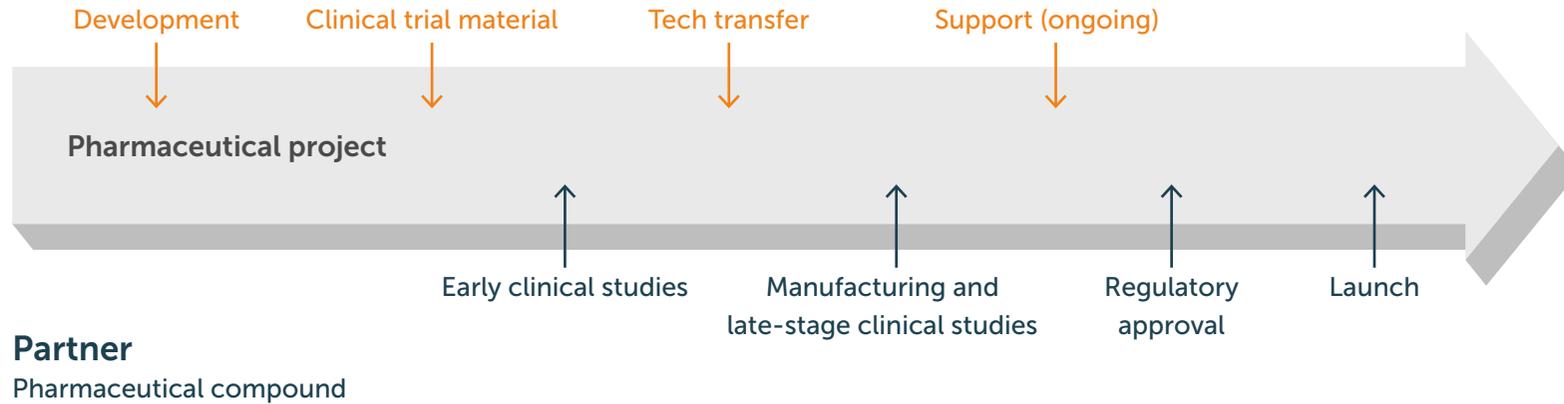
offering the same functionality and performance as the established Breezhaler®¹ from Novartis and RS01 from Berry Global Healthcare. A standard version of ICOcap® is available off-the-shelf, and the inhaler can also be optimized to provide maximum product performance for a given active pharmaceutical ingredient. Although new innovative inhalers such as ICOone® are more user-friendly, capsule inhalers are still commonly used in the execution of clinical trials with entirely new drug candidates.

ICOone® - a unique single-use inhaler

ICOone® is a unique and patented dry powder inhaler designed for single use. Its design makes it easy to quickly learn how to handle the inhaler and results in remarkably low manufacturing costs. ICOone® can deliver large inhalation doses that are well protected from moisture, which is important for many biological drugs

Iconovo

Expertise in inhalation technology and drug formulation



and vaccines. The inhaler is designed with one or two cavities (compartments) - a significant advantage in the development of drugs based on two or more active compounds.

ICOone® is also available in a version for nasal inhalation, ICOone® Nasal - a unique, patented inhaler with very low manufacturing costs. It is especially suitable for short-term treatments, vaccination, and as-needed medication, offering many medical and practical benefits at an unmatched low treatment cost. ICOone® Nasal is driven by the user's own inhalation, ensuring even distribution of the drug or vaccine across the airways. By adjusting the size of the particles, the drug can be targeted to stay in the nose, either wholly or partially, or be transported further down into the airways.

Comprehensive development process

Iconovo employs a product development process where development functions are integrated. Inhaler development, formulation, and analysis are conducted collaboratively during product development. An integrated development process for inhaler and formulation is crucial for the successful development of an inhalation product and reduces lead times, costs, and risks. Iconovo has invested in its specialized laboratory resources for inhaler development, powder formulation development, and characterization of inhaler, dry powder, and inhalation product.

Ensuring quality to meet high standards

Adhering to international standards and directives is paramount in the pharmaceutical industry. Iconovo's quality management system meets the requirements

of the current version of ISO 13485 (standard for quality management systems for medical devices) and FDA's Quality System Regulation, 21 CFR Part 820. Iconovo's combination product development is conducted in accordance with FDA requirements (21 CFR 4) and follows the guidelines of EMA, FDA, and ICH for combination products.

Inhalation products for originator drugs

Innovative inhalers are essential for future treatments of lung diseases to reach their full potential. Additionally, other types of medications and vaccines can advantageously be administered through inhalers, especially biologic drugs that otherwise require injection. However, developing complete inhalation products requires a technological platform and formulation expertise that most research-based pharmaceutical companies lack. Iconovo

can develop a complete inhalation product from an originator drug and an existing inhalation platform in less than a year. Typically, it takes 18 months from project initiation to the start of clinical trials. The process involves developing a dry powder formulation tailored to the inhaler, potential modifications to the inhaler, and characterization work. Subsequently, knowledge and the product are transferred to the client for further clinical documentation and commercial scaling.

Generic inhalation products

Developing generic inhalation products is a highly challenging process compared to medications administered in tablet or capsule form. Inhalation medications are approved based on both the inhaler's ability to deliver the medication to the lungs in the correct quantity and particle size, and ensuring the product is equivalent to the original. Inhalation medications can contain multiple compounds, and it's crucial that all compounds are delivered in the correct quantity every time.

To launch a generic inhalation medication, a new inhaler is required that does not infringe on the original manufacturer's patent, and the compounds must be formulated to work with the new inhaler. Iconovo can offer the market complete development of generic inhalation products.







Product sales

Iconovo manufactures less complex inhalers through contract manufacturers and sells them directly to collaborative partners and external customers. Initially, volumes are low as the inhalers are used in clinical development but are expected to increase significantly as the inhalation products reach the market. This part of the business also includes future direct sales of medication in the Nordic region through Iconovo Pharma, a subsidiary of Iconovo. Iconovo has also initiated the establishment of an organization for sales and marketing of medication in-house in the Nordic region through this subsidiary. Iconovo Pharma's medication portfolio is expected to largely consist of products developed in collaboration with current partners.

Agreement models

Iconovo's offering is unique; only a few companies worldwide can offer both formulation development and customized inhalers for the development of complete

inhalation products. Iconovo's strategy is to generate increasing revenue and profitability through four agreement models:

CDMO

Iconovo has recently expanded its CDMO business, which involves contract development of both originator and generic products in the company's inhaler platforms. Iconovo typically receives a fixed fee and solid margin for the work performed. Payments are made continuously during the development work. Before pharmaceutical companies are willing to enter into a license agreement or supply agreement with Iconovo, they often seek to conduct some early contract development to evaluate the possibility of creating an inhalable product with the selected compounds. The results of the early contract development provide the customer with a basis for a business assessment of continued development.

Licensing agreements

Iconovo offers licensing agreements for the development of both generic and originator drugs based on the company's unique inhaler platforms. Iconovo receives an initial revenue at the time of the agreement and is entitled to milestone payments during the development process, as well as royalties on future product sales. Iconovo develops and manufactures complete products up to the first clinical study. After that, production shifts to the customer's facility, and Iconovo receives revenue in the form of royalties. For new drug candidates, royalty rates are usually in the low single digits percentage of sales, and for generic products, they range between five and ten percent.

Proactive development for future licensing deal

In some selected projects, Iconovo finances the initial development of both inhaler and drug formulation to increase the value of the projects before entering into a partnership agreement. This opens up opportunities for licensees without their own development capacity in inhalation but with a strong market position. Currently, ICOpre® fluticasone furoate/vilanterol (Relvar®/Breo®) is being developed for a future global licensing agreement and ICOcap® indacaterol/glycopyrronium (Ultibro) for a future licensing agreement in Europe.

Inhaler sales

There is a demand for inhalers from companies developing their own formulations. Some companies choose to develop an inhalation formulation before selecting a commercial inhaler. They want to first investigate the possibility of formulating a stable powder formulation with sustained therapeutic efficacy. Here, Iconovo can provide access to inhalers for both early studies and as a final commercial inhaler. Inhaler sales also occur to Iconovo's contract development customers with the aim of using Iconovo's inhaler in their commercial inhalation product. In addition to receiving revenue from contract development, Iconovo can capture value equivalent to a royalty in the margin on the sale of inhalers. This is a more attractive offer to customers developing original products, as the inhaler cost will be included in the production cost. Iconovo currently has the capacity to manufacture and sell ICOone® and has recently taken over the responsibility for selling ICOcap® from Stevanato Group, which now acts as a contract manufacturer.

Expertise and resources



Iconovo boasts a large, experienced development team with high levels of scientific expertise – a quarter hold PhDs.

Inhaler development

The company's engineers and innovators have invested thousands of hours in the company's inhalation platforms, significantly shortening customers' development time for new products. By starting with internally developed inhalers adapted alongside dry powder formulations, development time is considerably reduced compared to a company without the collective expertise and product platform in place. The design team collaborates with the company's chemists and formulators in optimizing the inhalers.

Resources in Inhaler development include:

- Industrial design
- 3D printing for prototyping
- Computational fluid dynamics (CFD) for optimizing inhaler geometry
- Dose testing analysis laboratory for optimizing inhaler geometry
- Equipment for design verification
- User study capabilities

Formulation

Iconovo possesses world-leading expertise in formulating pharmaceutical compounds for inhalation. The formulation and manufacturing process must be optimized around the quality and quantity of additives, process parameters, and filling. This impacts the amount of active compounds that reach the lungs or nasal cavity, which is crucial for the medication's effectiveness. The work requires solid pharmaceutical knowledge and extensive experience in working with inhalation products. Iconovo's formulation laboratory, located at Ideon Science Park in Lund, was inaugurated in September 2022 and is a state-of-the-art facility for formulating inhalation products.

Resources in Formulation:

- Laboratories where humidity can be carefully controlled, critical for manufacturing and filling powder formulations
- Ability to condition pharmaceutical compounds
- Complete set of equipment for manufacturing at various scales
- Filling equipment for powder formulations

Pharmaceutical analysis

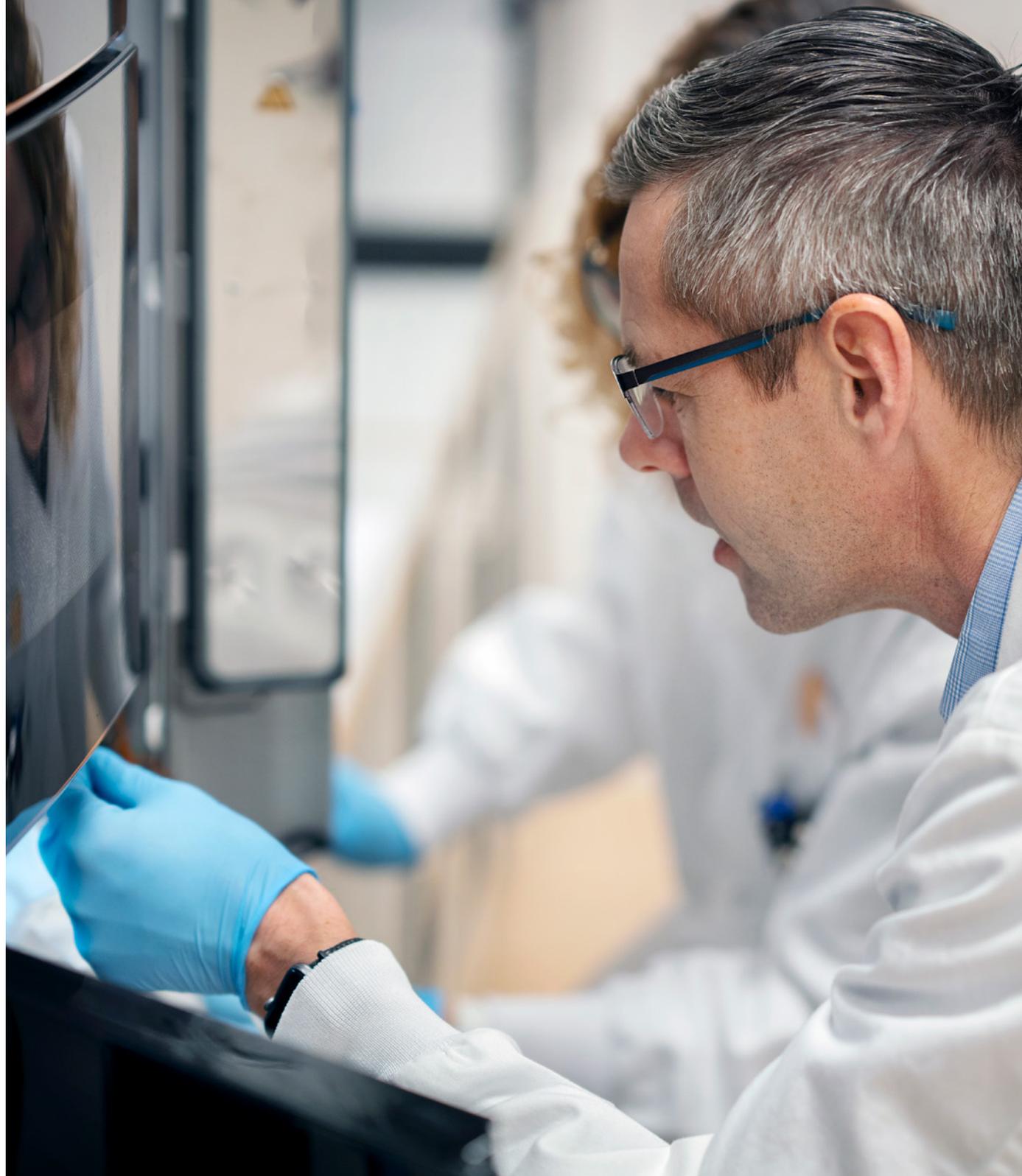
Analyzing pharmaceutical performance is an indispensable component in the development of an inhalation product. Iconovo has competent personnel, facilities, and equipment for analyzing inhalation products. For certain specialized analyses, Iconovo collaborates with other companies in the immediate vicinity with solid expertise and experience.

Resources in Analysis and Characterization:

- Laboratories where humidity can be carefully controlled – valuable for ensuring product performance under different climatic conditions
- Climate chambers to verify product stability under various climate conditions
- Modern and well-equipped analytical laboratories with impactors and HPLC equipment for dose testing
- Capability for advanced powder characterization using techniques such as LALLS, Microcalorimetry, DSC, TGA, XRPD, IR, Raman, and GVS
- Capability for aerosol characterization using specialized techniques like Laser Diffraction, Plume Ge-ometry, and Plume Front Velocity Characterization
- Capability for release testing of lung doses
- Capability for computer modeling of expected lung doses and In vitro In vivo correlation – valuable for preclinical studies

Clinical trial material

Iconovo has the capacity to deliver clinical trial material according to Good Manufacturing Practice (GMP) to its customers, including inhalers, powder formulations, and pre-filled and packaged inhalation products. Through Iconovo's new partnership with the development and manufacturing company Galenica, standardized processes and efficient collaboration methods can shorten the manufacturing time of GMP-classified clinical trial material and facilitate the technology transfer to the customer's production facility. This partnership can therefore provide significant time savings for Iconovo's customers. The collaboration primarily aims to facilitate the production of clinical trial material for companies developing new drugs using Iconovo's single-dose inhaler, ICOone®.



Sustainability

In 2026, we will have fully integrated the UN's global goals into our business and our culture, with clearly implemented examples across our three strategic areas.

– *Johan Wäborg, CEO, Iconovo AB*



Sustainable development

Iconovo works focused and committed with sustainability through three of the UN's global sustainable development goals. The company adopted an ESG policy in 2023, and this now constitutes a framework for Iconovo's sustainability efforts. ESG stands for Environmental, Social, and Governance.

Environment

Iconovo develops medicines that are safe and effective while striving to minimize their environmental impact. The company aims to reduce the environmental footprint of its inhalers throughout their lifecycle, from manufacturing to disposal. This aligns with UN Goal 13 for sustainable development.

Iconovo strives to reduce its environmental impact by implementing sustainable practices in all aspects of its operations. This aligns with Goals 12 and 13 for sustainable development. The company will use its resources responsibly and efficiently and is driving several initiatives in this regard.

Life Cycle Analysis

During 2023, Iconovo conducted lifecycle analyses for two of its inhaler platforms: ICOone® Nasal and ICOcap®. A treatment with ICOone® Nasal was compared to corresponding injection-based treatment regarding:

- Manufacturing (plastic, foil, packaging)
- Filling
- Transportation
- Usage (need for cleaning supplies, equipment, personnel)
- Waste and recycling

The results from the lifecycle analyses provide Iconovo with a basis for optimizing the products to be resource-efficient in all phases. Sustainable products are also easier to market to customers.

Plastic

In the development of Iconovo's products, climate and environmental impact are part of the decision-making process when selecting materials. The company works directly with material producers to choose materials with a strong sustainability profile, for example, by selecting suppliers with ISCC certification. The International Sustainability and Carbon Certification (ISCC) is the most recognized organization for monitoring and certifying companies that use renewable raw materials, including plastics. By making such choices early in the development process, the company facilitates its customers and partners in producing inhalers with low climate and environmental impact. The goal is to develop the new inhaler ICOpre® using exclusively ISCC-certified materials.



Social Responsibility

Iconovo's primary goal and core business is to improve people's health through inhalation therapy. This aligns with the third global goal Good Health and Well-being, ensuring healthy lives and promoting well-being for all at all ages. The company will strive to make healthcare accessible to everyone by developing affordable inhalers, such as ICOone®, that can meet the need for effective and safe treatment in regions with limited economic resources and inadequate infrastructure. Collaboration with the Bill & Melinda Gates Foundation supports efforts toward this goal. Iconovo aims to create a healthy and safe workplace for all employees, in line with UN global goal 8.8 for sustainable development. Employees are Iconovo's most valuable resource, and the workplace is an inclusive community characterized by joy in work, respect, and mutual support. Internal organizational development and inclusion is achieved through conscious recruitment of employees where diversity is an important factor, through regular follow-ups on all employees' satisfaction with work life, and annual investments in training and health for employees.

Through regular pulse surveys, employees provide feedback to management on aspects such as leadership, physical work environment, or opportunities for

development. A healthy lifestyle is encouraged and facilitated by a generous wellness allowance and an active health group organizing activities. Employees are offered flexible working hours and remote work opportunities. Through its global reach, Iconovo can work to ensure that the company's partners, customers, and suppliers provide a good working environment for their employees and promote sustainable economic development. This aligns with Goal 8 for sustainable development.

Corporate Governance

A sustainable company requires effective governance processes. Iconovo will be transparent and accountable to its stakeholders by publishing annual ESG reports and holding regular meetings with investors and other stakeholders. Each Iconovo employee has individual goals linked to the company's sustainability objectives. Goal achievement is evaluated in performance assessments and affects employee compensation. The company works to maintain a responsible corporate governance structure, including an independent board and a robust audit process. Iconovo is committed to upholding high ethical standards in all its business dealings. The company will adhere to relevant and applicable laws and regulations. Iconovo has a framework for risk management in place to identify, assess, and mitigate risks to the company's operations.



Iconovo as an investment

There are several compelling reasons to invest in Iconovo, from market potential to long-term organic growth with high profitability. Overall, these reasons provide an investment case that spans three strategic areas. Combined, they provide a well-balanced investment opportunity with the prospect of high margins, especially as pharmaceutical products are poised to enter the market within two to three years.



An investment with promising potential

There are several compelling reasons to invest in Iconovo, ranging from market potential to long-term organic growth with high profitability. Collectively, these factors create an investment case that spans three strategic areas, offering a well-balanced investment opportunity with the potential for high margins as pharmaceutical products begin to be marketed within two-three years.

Road to profitability



Generics

- 2025 – Potential royalty from ICORES® budesonide/formoterol
- 2025 – Potential royalty from ICOCAP® indacaterol/glycopyrronium
- 2027 – Royalty from ICOPRE® fluticasone furoate/vilanterol
- Increasing revenues from CDMO



Originator drugs

- 2023 – Ongoing revenues from CDMO, reformulation, and inhaler sales
- Potential future royalty revenues
- Continuously expanding the portfolio of medications.

Goal: to ensure that the development of originator drugs becomes profitable with potential future royalty upside.



Iconovo Pharma

- ICORES® budesonide/formoterol
- 2025: Launch of ICORES® budesonide/formoterol
- 2025–2027: Potential launch of internally developed generic products

The share and shareholders – presentation of the Iconovo share

Iconovo's share has been listed on Nasdaq First North Growth Market since 6 April 2018. The market value at the end of 2023 amounted to MSEK 136, with 2,083 shareholders. For the 2023 financial year, the board proposes no dividend to be paid at the 2024 annual general meeting.

Stock performance and trading

Iconovo's share was introduced at a price of SEK 38.50 per share on 6 April 2018. In 2023, the stock price decreased by 76 percent from SEK 49 to SEK 11.55, which is worse than the NASDAQ OMX SMALL CAP SWEDEN PI, which increased by 10 percent during the same period. In 2023, Iconovo's stock reached a high of SEK 51.00 and a low of SEK 8.52. At the end of 2023, Iconovo's market value amounted to SEK 136 million. During the period, 2,722,606 Iconovo shares were traded, equivalent to a turnover of 26 (8) percent, a significant increase compared to 2022.

Share structure

At the end of 2023, Iconovo AB's share capital amounted to SEK 1,175,587.5 and was distributed among 11,755,875 shares. The quota value per share is SEK 0.10. Each share entitles to one vote, and each voting shareholder may vote for the full number of owned and represented shares at the company's general meeting. All shares carry equal rights to a share in the company's assets and results.

Ownership structure

The number of shareholders at the end of the year amounted to 2,083 (2,204), representing a decrease of approximately 5 percent during the year. The ten largest shareholders held 62.1 (62.6) percent of the company's shares as of 31 December 2023. Swedish ownership amounted to 92 (89) percent of the votes. The total Swedish institutional ownership amounted to 28 (32) percent. The board and management collectively owned approximately 22 (23) percent of the shares at the end of the year.

Capital increases

In 2023, Iconovo conducted two directed share issues. In February 2023, Iconovo carried out a directed share issue of 1,375,000 shares at a subscription price of SEK 40.00 per share, raising SEK 55 million in gross proceeds. Among the participants in the share issue were funds managed by Eiffel.

In September 2023, Iconovo conducted a directed share issue of 1,533,375 shares at a subscription price of SEK 12.50 per share to a limited number of existing shareholders in the company, including Gerald Engström, who became the company's largest shareholder through the share issue. Additionally, participants included the 2nd Swedish National Pension Fund, Humle Funds, Cicero Funds, and board member Mats Johansson. Iconovo raised SEK 19.2 million in gross proceeds through this share issue.

After the end of the reporting period, in February 2024, Iconovo conducted a directed share issue of 4,162,500

shares at a subscription price of SEK 8.00 per share. Iconovo raised gross proceeds of SEK 33.3 million through this share issue. Existing shareholders, including Gerald Engström, 4th Swedish National Pension Fund, 2nd Swedish National Pension Fund, and Cicero Funds, took part. After the latest share issue, the total number of shares outstanding is 15,918,375.

Incentive Programs

At the Annual General Meeting in 2021, shareholders decided to adopt a long-term performance-based incentive program for employees in the company, LTI 2021. Participants in the program could acquire shares in Iconovo (Saving Shares) with their own funds from 1 July 2021 to 31 December 2021. The term of LTI 2021 is three years until 1 July 2024. Participants who retain the Saving Shares during the term will, at the end of the period, receive, at no cost, shares in Iconovo (Matching Shares), where the CEO and senior executives receive two Matching Shares per Saving Share, and other employees receive one Matching Share per Saving Share. The allocation of Matching Shares is subject to the participant being employed at the end of the period and the predetermined performance target regarding the total return of Iconovo shares being met.

The Annual General Meeting in 2022 decided to establish a qualified stock option program for employees and senior executives in the company, LTI 2022. The purpose of establishing LTI 2022 was to enable the company to recruit, retain, and motivate driven employees. The Board considers it essential for employees to have increased ownership engagement

with an interest aligned with the shareholders. Such ownership engagement is expected to stimulate increased interest in the business and performance development, raise motivation, and foster a sense of unity. LTI 2022 includes a maximum of 200,000 qualified stock options. The qualified stock options shall be offered, free of charge, to employees and senior executives, who are or become employed in the company before 17 May 2023, at one or more occasions, but no later than 17 May 2023. Earned qualified stock options vest 36 months after the date of the qualified stock option agreement. The vesting of the qualified stock options further requires that the Company, no later than 25 May 2025, has entered into agreements for ICOpre and has entered into at least five new customer agreements. If the conditions for vesting are not met, and as soon as it is determined that they will not be met, regardless of the reasons, the employee's right to exercise the allocated qualified stock options lapses. Each earned qualified stock option entitles the holder to acquire a new share in the company during the period from 25 May 2025 to 25 May 2026, by paying an exercise price of SEK 80. The timing of the exercise of earned qualified stock options may be brought forward or postponed, and the exercise price and the number of shares each qualified stock option entitles the holder to acquire may be subject to adjustment.

The Annual General Meeting in 2023 decided to establish a qualified stock option program for employees and senior executives in the company. The purpose

of establishing LTI 2023 was to enable the company to recruit, retain, and motivate driven employees. The Board considers it essential for employees to have increased ownership engagement with an interest aligned with the shareholders. This program includes a maximum of 93,500 qualified stock options. Each earned qualified stock option entitles the holder to acquire a new share in the company during the period from 25 May 2026 to 25 May 2027, by paying an exercise price of SEK 65.

An Extraordinary General Meeting in 2023 decided to establish a warrant-based incentive program for the CEO and CFO. The program includes a maximum of 250,000 warrants. Each warrant entitles the holder to subscribe for a new share in the Company by paying a strike price of SEK 50. The subscription right may be exercised during the period from 1 October 2026 to 1 April 2027.

As of December 31, 2023, there were no outstanding convertible bonds.

Dividends

Iconovo is in an expansion phase, which is why no dividend is planned for the coming years. In the future, when the group's results and financial position allow, dividends may be considered. Therefore, the Board proposes to the Annual General Meeting in 2024 that no dividend be paid for the financial year 2023.

Analyst reports

During the year, Iconovo analyst report have been produced by:

Penser Bank, Peter Sellei

Danske Bank, Lars Hevrenng

Redeye, Gustaf Meyer

Share price development





Board of Directors



**Gunnar
Gårdemyr**

Born in 1959. Board member since 2020. Chairman since 2021. Member of Iconovo's Remuneration Committee.

Gunnar Gårdemyr holds a degree in economics from Lund University. For over 40 years, Gunnar has worked internationally in starting, developing, and financing numerous life science companies, serving as CEO, chairman, and board member.

Other assignments: Chairman of the Board at Iconovo Pharma AB and board member at Unimedica Pharma Holding AB.

Ownership in Iconovo: 32 500 shares



**Berndt
Axelsson**

Born in 1959. Board member since 2013. Chairman of Iconovo's Audit Committee.

Berndt Axelsson holds a degree in economics from Växjö University and has a 20-year background in PwC as a management consultant. Berndt has since worked in the industry as CFO and CEO with a focus on M&A, Legal & Risk, and international distribution.

Other assignments: CEO and board member at BAN Business Consulting AB. Chairman of the Board at INVID Jönköping AB and Nässjö Näringsliv AB.

Ownership in Iconovo: 320 000 shares



**Agneta
Walhagen**

Born in 1960. Board member since 2019. Chair of Iconovo's Remuneration Committee.

Agneta Walhagen holds a PhD in Analytical Chemistry and a Master of Science in Chemical Engineering, both from Lund University. She has extensive experience in R&D within the pharmaceutical industry, focusing on inhalation and inflammatory diseases in the lungs and skin.

Other assignments: Senior Director R&D Science Information and Alliance Management at LEO Pharma A/S until August 2022, and independent consultant thereafter.

Ownership in Iconovo: 4 500 shares



**Mats
Johansson**

Born in 1961. Chairman of the Board from 2013 to 2020. Board member since 2021. Member of Iconovo's Audit Committee and Remuneration Committee.

Mats Johansson has over 30 years of experience in founding and long-term development of companies, as well as listing companies on Nasdaq Stockholm.

Other assignments: Chairman of the Board at Abraxas Holding AB, Easy Depot AB, Volubus AB, and SIB Solutions AB. Board member at KlaraBo Sverige AB and Nudging Capital AB.

Ownership in Iconovo: 1 250 725 shares



**Orest
Lastow**

Born in 1964. Board member since 2013.

Orest Lastow holds a Master's degree in Engineering Physics from Lund University and a PhD in Aerosol Physics from Brunel University in the United Kingdom. With over 30 years of experience in inhaled pharmaceuticals, he has invented around thirty inhalers, including all of Iconovo's inhalation platforms. He is the author of over 50 patent applications and several research articles and books.

Other assignments: Board member at Lastow Consulting AB and Torna Hällestad Fastighets AB.

Ownership in Iconovo: 826 400 shares



**Ann
Gidner**

Born in 1966. Board member since 2021.

Holds an MSc in Biotechnology Engineering and an MBA. With over 25 years of leadership experience in the international pharmaceutical industry, focusing strongly on strategic development and B2B sales growth, including the establishment of leading CDMO companies and licensing platforms. Has held executive positions in the USA and Germany. Served as CEO and board member for several Swedish biotech companies.

Other assignments: CEO, Ziccum AB. CEO & Owner, Agiris.

Ownership in Iconovo: 0 shares



**Carl
Lindgren**

Born in 1968. Board member since 2023. Member of Iconovo's audit committee.

Education: BSc in Business Administration and Economics from Lund University. More than 25 years of experience in senior commercial positions within the Life Science industry, including roles at companies such as AstraZeneca plc, Lundbeck A/S, Karo Healthcare AB, and EQL Pharma AB.

Other assignments: Chief Business Development Officer at EQL Pharma AB (publ) and board member of BioMedica AB.

Ownership in Iconovo: 17 500 shares

Executive Management



**Johan
Wäborg**

Born 1977. CEO since 2020.

Has over 20 years of experience in commercial management, commercial development, business start-up, and business partner roles within the pharmaceutical industry across multiple regions including the Nordic countries, Europe, Russia, Latin America, the Middle East, and North Africa.

Other engagements: Board member and owner of Phigalia AB, JW squared AB, and WSquared AB.

Ownership in Iconovo: 74 286 shares, 268 823 options



**Roger
Lassing**

Born 1965. Vice President Business Development since 2019.

Has 30 years of experience in business development, marketing, sales, and analysis in the pharmaceutical industry. Has been involved in over 30 pharmaceutical transactions. Held roles such as VP Business Development, Global Brand Manager for Symbicort at AstraZeneca plc, and market analyst at Astra Draco. Prior to that, worked for three years at McKinsey & Co in healthcare in Brussels.

Ownership in Iconovo: 16 937 shares, 46 000 options



**Vesna
Åkerberg**

Born in 1974. Director Development since March 2023.

Holds 17 years of experience in the development of inhalation products from AstraZeneca and Iconovo. With over 10 years of experience in line positions across various companies in product/process/analytical development.

Ownership in Iconovo: 2 651 shares, 29 677 options



**Mikael
Arinder**

Born in 1964. Vice President of Operations since 2016.

Brings 14 years of experience in the development of inhalation products from AstraZeneca plc and Iconovo. Has served as a project leader for pharmaceutical, medical device, and technology projects at AstraZeneca plc, J&J, and Atos Medical.

Other engagements: Owner of the sole proprietorship Mikael Arinder.

Ownership in Iconovo: 10 000 shares, 46 000 options



**Henrik Damkjær
Simonsen**

Born in 1963. CFO since April 2023.

Brings over 30 years of experience from various leadership positions in the life science industry, both on the banking and corporate side. Previously served as Finance Director at SAGA Diagnostics AB and has previously worked as CFO at Nuevolution AB (publ) and as Head of Life Science, Corporate Finance at SEB.

Ownership in Iconovo: 0 shares, 80 000 options

Financial reporting

Directors' report

The Board of Directors and CEO of Iconovo AB, 556938–0156, hereby present the Annual Report for 2023 in English in abbreviated form. The Annual Report is presented in Swedish kronor, SEK. The company's registered office is in Lund.

General information

According to WHO, there are globally over 500 million people suffering from the lung diseases asthma and COPD who need medication via inhalation. Many top-selling inhalation products lost their patents during the period 2014-2018, but despite this, their combined sales still amounted to approximately USD 6.0 billion in 2023.

This has opened up a very large market for generic products. The next major wave of patent expirations will affect, among others, the Ellipta® portfolio from GSK, whose products collectively had sales of around USD 5.0 billion in 2023. The first product to lose patent protection will be Relvar®/Breo® in 2025 in the USA and 2027 in the EU.

Competition from new generic inhalation products is expected to drive down drug costs and increase the availability of inhaled medications. Inhalation products consist of two parts: a drug formulation in the form of

dry powder and an inhaler for dry powder, the container from which the drug formulation is inhaled.

Iconovo's business strategy is to supply this market with inhalers and specially developed drug formulations by developing its own inhalers for licensing to pharmaceutical companies. The long-term vision is to become an internationally leading developer and supplier of inhalers.

Iconovo has developed four product platforms based on four different inhalers and variations of these. The four inhalers are ICOres®, a reservoir-based dry powder inhaler, ICOcap®, a capsule-based inhaler, ICOone®, a single-dose inhaler, which also includes a nasal version, and ICOpre®, a pre-filled dry powder inhaler.

Based on a platform product, Iconovo adapts the inhaler and drug formulation to the customer's requirements and completes the product until it is ready for clinical trials and registration on the customer's behalf. While Iconovo works on customizing a customer-specific product, the customer pays milestone payments, and when the customer launches the product on the market, Iconovo will receive sales-based royalties. Upon entering into a licensing agreement, Iconovo also receives a technology access fee, which is a one-time payment for the custo-

mer to obtain exclusive rights for the specific product in specific markets.

The development of the fourth inhalation platform and other developments has led to an increase in the number of employees in the company, and at the end of the year, Iconovo had 29 employees.

The majority of the employees work on the company's development projects, resulting in a significant increase in investments in development projects during the year. The company is driving customer projects across all product platforms except for ICOpre® and expects the first products to be launched in Europe by Iconovo's customers within a few years.

Ownership

As of 31 December 2023, the top ten shareholders accounted for 62.1 percent of the total number of shares. Shareholders with holdings of over 10 percent include Gerald Engström with 12.7 percent and Mats Johansson with 10.6 percent.

Significant events during the financial year

During the year, four agreements were signed with existing and new customers within CDMO.

The collaboration project on Arcede's drug candidate for the treatment of COPD, RCD405, progressed with good results. The next step in the project is a technical stability study before the compound can be tested clinically. The project is supported by SweLife and is part of the collaboration between **Arcede Pharma**, Iconovo, and Lund University. Iconovo and the two partners together received over MSEK 2.0 from Vinnova. Iconovo has received MSEK 0.5 to develop a dry powder formulation and an inhalation product, based on the ICOone® inhaler.

The company also initiated a collaboration with the Danish biotechnology company **Kiox Pharma** in 2023 for the development of a new inhalable treatment for interstitial lung disease. The project is based on a reformulation of an FDA-approved drug in ICOcap®. The collaboration has generated revenues of MSEK 1.6 in 2023. In early 2024, an additional feasibility agreement was signed for the product, resulting in revenues of MSEK 2.7 in 2024. In the next step, a potential licensing agreement could generate additional revenues through contract work, milestone and royalty payments, or the sale of inhalers.

In addition, Iconovo entered into a collaboration agreement with the French biotechnology company **Afflogic** for the implementation of a feasibility study of inhalable affinity proteins, Nanofitins®, based on Iconovo's inhaler platform ICOone®. The project aims to develop a new treatment for lung diseases.

An agreement was reached with **ENA Respiratory Pty Ltd** to evaluate ICOone® Nasal for the administration of INNA-051, a broad-spectrum immunomodulatory treatment being developed to prevent complications associated with viral respiratory infections. Iconovo is entitled to compensation totaling up to MSEK 0.9.

A restructuring of Iconovo's agreement with **Stevanato Group** for **ICOcap®** was carried out in the middle of the year. For Iconovo, this means an expected increase in the company's future profit margin on sold ICOcap® inhalers and securing manufacturing capacity for volumes of up to one million units. Iconovo received a payment of MEUR 0.2 (MSEK 2.3) in connection with the agreement.

The structured process for licensing **ICOpre®**, supported by the global investment bank Stifel, progressed well in 2023. Several international pharmaceutical companies have entered into confidentiality agreements for further evaluation of the inhaler platform, and a licensing agreement for ICOpre® should be in place by the first half of 2024. The first launch opportunity in the ICOpre® portfolio is expected to be a generic version of the asthma drug Relvar® in 2027 in the EU.

During 2023, Iconovo reiterated its long-term financial goals for 2027 - to achieve MSEK 250 in revenue with a 50 percent EBITDA margin. Furthermore, the company expects to achieve profitability in individual quarters in both 2024 and 2025, and then full-year profitability in 2026.

Since communicating its long-term financial goals in June 2022, Iconovo has increased its focus on its CDMO offering. The company has expanded its customer base, and several pharmaceutical projects are entering the clinical development phase, which could lead to larger orders for contract development and licensing agreements.

Iconovo Pharma, the subsidiary, was granted a wholesale license by the Swedish Medical Products Agency. This is an important quality stamp on the company's successful work in preparing for the sale of drugs under its own auspices in the Nordic market.

Net sales for 2023 amounted to 7.1 (17.1) MSEK and consisted of fees from six smaller projects. In 2022, sales consisted of milestone payments from a large project. Other operating income for 2023 was higher than the previous year at 8,142 (2,754) TSEK, mainly due to higher revenues from project grants and a payment from Stevanato. Capitalized development costs amounted to 21,035 (30,358) TSEK in 2023.

Costs for raw materials and supplies amounted to 10,536 (30,230) TSEK in 2023. In 2022, high costs were incurred in a customer project for inhalable COVID-19 vaccine, which was completed in the fourth quarter of 2022.

Other external expenses during 2023 amounted to 25,683 (21,705) TSEK, including an increased provision for uncertain customer receivables of 7,931 TSEK.



Excluding provisions, other external expenses decreased by over 1,260 TSEK. Costs for the year decreased due to lower expenses for rent, consultants, and marketing. Through the above provisions, the company believes that any risks related to customer receivables are adequately managed for future financial reporting.

Personnel expenses for 2023 decreased to 35,623 (37,210) TSEK, reflecting lower salary costs and savings. The operating result improved to -45.8 MSEK in 2023 from -48.4 MSEK in 2022. The net profit improved by over 2.3 MSEK, while earnings per share in 2023 amounted to -4.39 SEK (-5.44).

Cash flow from operating activities amounted to -38,602 (-43,704) TSEK in 2023. Cash flow from investing activities amounted to -22,910 (-36,951) during 2023, while cash flow from financing activities amounted to 66,547 (-936) TSEK during the same year. In February and September 2023, the company conducted two directed new share issues, which provided the company with 68,773 TSEK after issuance costs.

Thus, the total cash flow for the year amounted to 5,034 (-81,591) TSEK, and the group's cash and cash equivalents at the end of the year were 18,480 (13,446) TSEK. There are no interest-bearing liabilities in the operations.

Shareholders' equity at the end of 2023 increased to 113.5 (89.3) MSEK, primarily driven by the capitalization of development costs for ICOpre®.

Significant events after the end of the year

In February 2024, Iconovo conducted a directed new share issue of 4,162,500 shares at a subscription price of SEK 8.00 per share. Through the new share issue, Iconovo raised gross proceeds of 33.3 MSEK. Existing shareholders such as Gerald Engström, Fourth AP Fund, Second AP Fund, and Cicero Funds participated in this issuance. After the latest share issue, the number of shares amounts to 15,918,375.

In February 2024, Iconovo also signed an additional agreement with Kiox Pharma for the development of a new inhalable treatment for interstitial lung disease and received an order from a top-ten pharma company for the evaluation of Iconovo's multi-dose inhaler.

Sustainability

During the year, Iconovo's management continued to work on identifying goals that best match the company's operations and the current phase of development. Iconovo will be transparent and responsible to its stakeholders by publishing annual ESG reports and holding regular meetings with investors and other stakeholders. The goals have been integrated into the overarching company objectives, and all employees have reflected these sustainability goals in their individual objectives. Goal achievement is evaluated in performance assessments and affects employee compensation.

Iconovo has primarily prioritized three of the 17 global goals. These three goals are important for Iconovo's employees, customers, and shareholders and represent a goal within each dimension of sustainability, i.e., environment, social and governance.

Significant risks and uncertainties

Iconovo's sales are influenced by the willingness to invest on the part of the company's customers, which currently consist of generic companies, smaller biotechnology firms, and a major pharmaceutical company. The willingness to invest in inhalation products is influenced by several factors such as economic conditions and political decisions. Increased competition from existing or new players, or a decline in Iconovo's ability to meet the demand for the company's products and services, could have an adverse impact on Iconovo's operations, financial position, and earnings. The time leading up to market launch is largely governed by the customer's commitments such as commercial manufacturing, clinical trials, and registration.

The market for inhalable medicine is greatly influenced by technological advancements. Delays in the company's development work or inability to keep pace with technological advancements may therefore result in a reduction or loss of competitiveness for the company.

Iconovo is evolving its business model to include industrial collaborations where the company licenses its patented products primarily to generic companies. Iconovo's licensing revenues depend largely on the sales of its collaborative partners.

Iconovo relies on qualified personnel in various positions. The ability to retain current staff as well as the ability to recruit new personnel is critical to the company's future development.

Iconovo also relies on internally developed products and proprietary product designs. Most of the company's intellectual property rights are protected by patents or other intellectual property right.

Iconovo's customers are located in many parts of the world, and sales are conducted in both EUR and SEK. Exchange rates relative to the Swedish krona tend to fluctuate over time, and there is a risk that future fluctuations may have a negative impact on the company's earnings and financial position.

Iconovo has a complete insurance program for the company's operations. There is a risk that the insurance coverage obtained may prove to be insufficient in the event of damage, and that Iconovo may not receive full

compensation for any damages that may occur or for claims that may be brought against the company. Iconovo is currently not involved in any litigation. However, there is always a risk that the company could become involved in litigation or be subject to legal claims from customers, competitors, authorities, and other market participants in the future. In order to reduce the level of risk, if possible, the company has developed a legal contract process over the years, containing multiple steps and levels of review.

Proposed appropriation of the company's profit and loss

	2023
Share premium reserve	262 414 621
Retained earnings	-179 166 582
Profit/loss for the year	-44 201 626
Total	39 046 143
The Board proposes the following amount to be carried forward	39 046 143

As regards the other earnings and financial position, please refer to the income statement and statement of financial position in this annual report (English); for related notes please refer to the Swedish annual report (Årsredovisning).

Financial tables

Consolidated statement of income

SEK	Note	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Net sales	4	7 078 288	17 116 165
Other operating income		8 141 868	2 754 160
		15 220 156	19 870 325
Capitalized work for own account		21 035 351	30 357 867
Raw material and supplies		-10 535 985	-30 229 532
Other external expenses	5	-25 683 062	-21 704 639
Personnel expenses	6	-35 622 876	-37 210 406
Depreciation of tangible and intangible fixed assets	11,12	-10 082 384	-9 088 149
Other operating expenses		-107 964	-353 733
Operating result		-45 776 764	-48 358 266
Financial income	7	401 566	540 098
Financial expenses	8	-518 633	-344 614
Profit before tax		-45 893 831	-48 162 782
Tax	9	-	-
Profit for the period		-45 893 831	-48 162 782
Profit for the period attributable to the equity holders of the parent company		-45 893 831	-48 162 782
Earnings per share before dilution, SEK	10	-4,39	-5,44
Earnings per share after dilution, SEK	10	-4,39	-5,44

The notes in the Financial tables on pages 45-48 refer to the Notes in the Swedish annual report (Årsredovisning).

Consolidated statement of comprehensive income

SEK	Note	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Profit for the period		-45 893 831	-48 162 782
Other results in total		-	-
Result in total for the period		-45 893 831	-48 162 782
Profit for the period attributable to the equity holders of the parent company		-45 893 831	-48 162 782

Consolidated statement of financial position

SEK	Note	2023-12-31	2022-12-31
Fixed assets			
<i>Intangible fixed assets</i>	11		
Capitalized expenditures for development work and similar		78 808 169	62 655 505
Capitalized expenditures for software		372 918	556 266
Concessions, patents, licenses, trademarks and similar rights		5 688 456	5 129 767
		84 869 543	68 341 537
<i>Tangible fixed assets</i>			
Improvement leasehold	12	2 926 835	4 012 720
Right-of-use assets	13	8 345 290	10 967 040
Equipment, tools and installations	12	4 501 645	4 581 361
Ongoing new facilities and advances regarding tangible fixed assets	12	363 094	283 989
		16 136 864	19 845 109
Total fixed assets		101 006 407	88 186 647
Current assets			
Trade receivables	14	3 731 157	11 099 710
Tax receivables	14	1 403 159	1 705 484
Other assets	15	2 270 432	5 262 468
Prepaid expenses and accrued income	16	1 188 487	1 565 287
Cash and cash equivalents	24	18 480 245	13 446 338
Total current assets		27 073 480	33 079 288
Total assets		128 079 887	121 265 934

SEK	Note	2023-12-31	2022-12-31
Shareholders' equity			
Share capital	17	1 175 588	884 750
Share premium reserve	18	262 414 621	192 488 448
Retained earnings		-150 064 215	-104 170 384
		113 525 994	89 202 814
Long-term liabilities			
Leasing liabilities	19	4 906 898	7 699 072
		4 906 898	7 699 072
Short-term liabilities			
Accounts payable	20	608 542	9 072 558
Leasing liabilities	19	2 818 012	2 331 745
Other short-term liabilities	21	1 359 580	1 470 971
Accrued expenses and prepaid income	22	4 860 861	11 488 774
		9 646 995	24 364 048
Total shareholders' equity and liabilities		128 079 887	121 265 934

The notes in the Financial tables on pages 45-48 refer to the Notes in the Swedish annual report (Årsredovisning).

Consolidated statement of changes in equity

SEK	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance January 1, 2022	884 750	192 066 865	-55 916 758	137 034 857
Profit for the period			-48 162 782	-48 162 782
Other results in total				-
Result in total for the period	-	-	-48 162 782	-48 162 782
Owner transactions:				
Share related incentive programs		421 583		421 583
Correction			-90 844	-90 844
Sum of owner transactions	-	421 583	-	421 583
Closing balance December 31, 2022	884 750	192 488 448	-104 170 384	89 202 814

SEK	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance January 1, 2023	884 750	192 488 448	-104 170 384	89 202 814
Profit for the period			-45 893 831	-45 893 831
Other results in total				-
Result in total for the period	-	-	-45 893 831	-45 893 831
Owner transactions:				
Issue of shares	290 838	73 876 350		74 167 188
Transactions costs after tax		-5 313 990		-5 313 990
Share related incentive programs		1 363 813		1 363 813
Sum of owner transactions	290 838	69 926 173		70 217 011
Closing balance December 31, 2023	1 175 588	262 414 621	-150 064 215	113 525 994

The notes in the Financial tables on pages 45-48 refer to the Notes in the Swedish annual report (Årsredovisning).

Consolidated statement of cash flows

SEK	Note	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Operating result		-45 776 764	-48 358 266
Adjustments for items not included in the cash flow:			
Depreciation of tangible and intangible fixed assets		17 930 936	9 641 274
Expenses for share related incentive programs		1 363 813	421 583
Paid interest		401 566	540 098
Received interest		-518 633	-344 614
Paid income tax		-	-
Cash flow from operating activities before changes in working capital		-26 599 082	-38 099 925
Increase (-) / Decrease (+) of trade receivables		-562 398	-10 747 317
Increase (-) / Decrease (+) of other operating receivables		3 671 162	-5 289 033
Increase (-) / Decrease (+) of accounts payable		-8 464 016	4 798 378
Increase (-) / Decrease (+) of other operating liabilities		-6 648 460	5 633 980
Cash flow from operating activities		-38 602 795	-43 703 916
Investment activities			
Investments in tangible fixed assets		-712 346	-5 458 275
Investments in intangible fixed assets		-22 198 244	-31 492 403
Cash flow from investment activities		-22 910 590	-36 950 678
Financing activities			
Payment of leasing liabilities		-2 305 907	-936 222
Issue of shares		74 167 188	-
Transaction costs		-5 313 990	-
Cash flow from financing activities		66 547 291	-936 222
Cash flow for the period		5 033 906	-81 590 816
Cash and cash equivalents, beginning of period		13 446 338	95 037 155
Cash and cash equivalents, end of period	25	18 480 245	13 446 338

The notes in the Financial tables on pages 45-48 refer to the Notes in the Swedish annual report (Årsredovisning).

Notes

Note 1. General information

Iconovo AB with registration number 556938-0156 is a company registered in Sweden with its headquarters located in Lund. The address of the main office is Ideongatan 3B, 223 70 Lund. The company and its subsidiaries ("the Group") primarily consist of Iconovo AB and Iconovo Pharma AB. The composition of the Group is disclosed in note 24 in the Swedish annual report (Årsredovisning).

The financial reports are presented in Swedish kronor (SEK) unless otherwise stated.

Note 2. Accounting policies

This is Iconovo AB's second consolidated financial statements prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC). Furthermore, the Group applies the Annual Accounts Act and the Swedish Accounting Standards Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The Swedish annual report (Årsredovisning) has been prepared in accordance with the generally accepted accounting principles in Sweden, and the consolidated financial statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Swedish annual report and consolidated financial statements provide a true and fair view of the position and results of the Parent Company and the Group, and describe the significant risks and uncertainties faced by the parent company and the companies included in the group.

For a complete description of accounting principles, please refer to the notes in the Swedish annual report (Årsredovisning) pages 63-70.

The Swedish annual report (Årsredovisning) has been signed by the Board of Directors, Chief Executive Officer, and auditor (Maria Ekelund, authorized public accountant, Deloitte AB).

The Swedish annual report (Årsredovisning) has been externally audited and the auditor's report is included within this report.

In case of any discrepancies between the Swedish annual report (Årsredovisning) and the English abbreviated annual report, the Swedish annual report shall prevail.



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