

Abbreviated interim report january-september 2020

Good progress in customer projects

Key figures in TSEK unless otherwise indicated	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net turnover	5,754	3,474	10,111	11,737	11,737
Operating profit/loss	-2,304	-2,036	-13,104	-4,567	-11,774
Cash flow for the period	-3,640	-4,908	-17,069	-12,299	36,106
Earnings per share (SEK) before full dilution	-0.25	-0.26	-1.62	-0.57	-1.68
Cash and cash equivalents	72,087	40,751	72,087	40,751	89,156
Equity	97,245	60,125	97,245	60,125	108,794
Number of shares at period-end	7,776,000	6,776,000	7,776,000	6,776,000	7,776,000
Number of royalty agreements**	4	3	4	3	3

**Number of agreements at the end of the period.

Significant events 1 July – 30 September

- Iconovo has signed a regional know-how licensing agreement with BNC Korea Co Ltd. The agreement gives exclusive rights to manufacture, market, sell and distribute two capsule formulations together with ICOcap in the territory. The deal has a milestone value of TEUR 550 and additional future royalties of a medium single-digit percentage of sales.
- The United States Patent and Trademark Office issued an intention to approve (*Notice of Allowance*) a patent for the ICOres inhalation platform.

Significant events 1 January – 30 June

- Amneal joined as a new partner in the development of Iconovo's project with generic Symbicort. Amneal is taking over all obligations under the current agreement from CBC. The project will proceed according to plan.
- The ICOcap capsule inhaler has become CE-marked for use in clinical trials and can be purchased directly from Stevanato, which is the manufacturing and distribution partner.
- Iconovo only anticipates a limited impact from COVID-19 currently and in the future. The company has the required goods in stock, and sales are not physical. The greatest potential impact would be some delay in development in the event that company employees fall ill.
- Gunnar Gårdemyr was elected to the Board at the Annual General Meeting. Gunnar has a degree in economics from Lund University and over 35 years of experience in the pharmaceutical and biotech industry. Previous positions include CEO of Targovax AS, SVP Commercial development/M&A at Nycomed, Global marketing director at Ferring.

- Orest Lastow took the role of company Chief Technology Officer (CTO), and Johan Wåborg was hired as the new CEO of Iconovo in April. Orest Lastow, one of the co-founders, is one of the largest shareholders together with the company's Chairman of the Board. Orest previously combined the position of CEO and CTO. He will now devote all of his time to the role of company CTO. Orest is the inventor behind Iconovo's three inhaler platforms and will now focus on the development of the new ICOpres platform.
- On 11 March 2020, an Extraordinary General Meeting was held which decided on an incentive programme and the issue of 200,000 warrants to the future CEO. Subsequently, there was subscription of 200,000 warrants for a total of SEK 1,224,000.
- The Chinese Patent Office issued an Intention to Grant notification regarding a patent for the ICOpres inhalation platform. The European Patent Office, EPO, issued an *Intention to Grant* notification for the third European patent for the ICOpres inhalation platform (which is already covered by three approved Swedish patents, two European patents, and one Japanese patent). The patents describe the technology used in Iconovo's many customer projects, including generic Symbicort.
- The European Patent Office, EPO, issued an Intention to Grant notification for the first European patent for the ICOne inhalation platform (which is already covered by two approved Swedish patents). The patent describes the technology used in Iconovo's vaccine project.

Significant events after the end of the third quarter

- Iconovo recruited a Director Project Management and a Director Alliance Management. These roles will focus on customer needs and enable the delivery of high-quality customer projects in a planned, efficient manner.

A word from the CEO

Strongest quarter in three years

During the third quarter, significant progress was made in the projects, and several milestones were achieved and could be invoiced to Amneal and Intas. Sales for the quarter amount to SEK 5.8 million, making it the strongest quarter in three years.

Generic Symbicort

The Amneal project with a generic version of Symbicort in ICOpres is now in its final phase and work with the final milestones will take place in the next quarter. The final technical delivery will then take place at the beginning of next year and the customer will begin pharmacokinetic studies. The purpose of the studies is to verify that our product gives the patient the same uptake of drug as the original product.

With the technical delivery completed at the beginning of next year and an assumption that the studies will be positive, we can assume that launch in European countries should be possible from early to mid-2023. This timepoint will also mark the start of royalty income for Iconovo from this product.

Important new agreement

In early July, we were able to announce a new customer agreement with BNC Korea. In connection with signing, a *technology access fee* of EUR 150 000 was paid. The agreement relates to the development of generic formulations of Seebri and Ultibro, which will be used in our ICOne inhaler.

It is an important agreement for several reasons. Having active customers and business in Asia will help us establish more projects in this part of the world. The contracted territory currently has about 2.7 billion inhabitants, and they are increasing sharply in both number and purchasing power. In the near future, this part of the world may drastically increase its need and consumption of inhalation drugs. The territory currently accounts for approximately 15% of global Seebri and Ultibro sales, which means that the remaining 85% is left as an opportunity for a new contract.

The agreement also serves as verification that a model with early in-house development of certain interesting formulations makes our projects even more commercially viable. Since this leads to a more finished product, it will also be easier for the customer to enter into an agreement.

Other progress during Q3

Our ICORes project with Intas also made good progress in Q3, with subsequent invoicing of milestones. The Intas project will enter a new phase at the beginning of next year, when a period of technical delivery begins. We expect the entire project to be fully delivered by the end of 2022.

COVID-19

COVID-19 has had minimal impact on Iconovo and the work with our projects is progressing according to plan. In business development, it is also possible to maintain a high level of activity through virtual meetings. We look forward to and are planning to reconnect with our customers via physical meetings as soon as possible.

Investments for increased capacity and customer focus

We have recently made many investments that will help us expand our capacity, put further focus on project implementation, and make us even better in attracting new customers.

During the period July-October, we appointed four new highly qualified people: a formulation specialist, a mechanical design engineer, a person responsible for commercial partnerships and customer relationships, and a senior project manager.

We are also building efficiency and capacity through several investments, including adaptation of the quality system to meet the requirements of the US Food and Drug Administration (FDA), acquisition of modern HPLC equipment, and setup of two new formulation labs. The new labs will lead to higher capacity and efficiency. At the same time, several patents, design protection and trademarks have also been registered. Last, but not least, we are making investments in the development of the new ICOPre platform according to plan.

I consider the investments we are now making, absolutely necessary in order to help the company grow, keep up our pace, and increase our commercial success.

Our investments affect our cash flow, but at the same time are balanced by good invoicing. We are currently well capitalised and had SEK 72 million in cash and cash equivalents at the end of September. At our current *burn rate*, our capital is estimated to last just over 3 years. This takes us into a period when we are expected to receive royalties, which will provide good profitability in the company.

Optimistic about next quarter

We are now keeping the same high pace in our delivery of current milestones for the rest of the year. We therefore expect to be able to invoice to the same extent in Q4 as we were in Q3.

Johan Wäborg, CEO

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About Iconovo

Iconovo was founded in 2013 by people with long experience in inhalation development. The company develops inhalers and associated drug preparations that are used to treat asthma and COPD. However, Iconovo also has the competence to develop products for new types of inhaled drugs such as vaccines.

By working with Iconovo, pharmaceutical companies and generic companies can access a complete pharmaceutical product, thereby eliminating the complex and costly early stages of the development phase. Iconovo licenses its patented products to customers and offers a faster way to the inhalation market with lower risk and at a lower cost.

More information about the company can be found at www.iconovo.se.

Iconovo is based in Lund and its share (ticker ICO) is listed on Nasdaq First North Growth Market, Stockholm since April 6, 2018. The Company's Certified Adviser is Erik Penser Bank AB, Box 7405, SE-103 91 Stockholm, phone +46 8 463 80 00, email: certifiedadviser@penser.se.

Attachments

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