



PRESS RELEASE

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Inhalation Sciences Third Quarter Report 2018

Summary of Interim Report, first nine months 2018: Orders were received during the third quarter for Preciselnhale and CRO assignments totalling more than 5 MSEK, a record for the company in a single quarter.

During the reporting period the subsidiary Ziccum carried out a successful listing process, which after the end of the quarter resulted in a share issue which raised 15.8 MSEK and was listed on Spotlight Stock Market. Earlier in the year Lena Heffler succeeded Fredrik Sjövall as new CEO, the European Patent Office EPO gave approval notice on one of Inhalation Sciences' most important patents, and the company received 2 MSEK of EU funding within the FORMAMP framework, a research project targeted at developing new antibacterial-resistant therapies

Group: Third quarter (Jul-Sept) 2018

Group formed during the second quarter of 2017, dissolved in the fourth quarter 2018.

- Net sales 715 (2 002) KSEK
- Operating profit -4 398 (-807) KSEK
- Earnings per share before dilution -0.52 (-0.16) SEK
- Earnings per share after dilution -0.51 (-0.16) SEK

Group: Reporting period (Jan-Sept) 2018

- Net sales 1 745 (5 075) KSEK
- Operating profit -12 816 (-4 408) KSEK
- Earnings per share before dilution -1.53 (-0.88) SEK
- Earnings per share after dilution -1.50 (-0.88) SEK

Parent Company: Third Quarter (Jul-Sept) 2018

- Net sales 715 (2 002) KSEK
- Operating profit -2 684 (-707) KSEK
- Earnings per share before dilution -0.31 (-0.14) SEK
- Earnings per share after dilution -0.30 (-0.09) SEK

Parent Company: Reporting period (Jan-Sep) 2018

- Net sales 1 553 (5 075) KSEK
- Operating profit -10,373 (-4,196) KSEK
- Earnings per share before dilution -1.21 (-0.88) SEK
- Earnings per share after dilution -1.18 (-0.88) SEK

CEO statement

The pace during our Third Quarter has been intense at Inhalation Sciences—in fact it has been a record quarter when it comes to order intake, including two orders of PreciseInhale systems with modules, as well as a larger CRO assignment. Total order intake during Q3 amounted to approximately 5 MSEK. Our installed base, the growing number of instruments we have in operation with customers, serviced and supported according to contracted agreements, are driving revenues and providing good response from the market on how we will continue to develop our technology.

Ongoing discussions around many collaborations continue. In order to be ready immediately for when these are signed and should start we are now focusing on documentation like quality management and ISO9001 certification, all of which are requirements for Inhalation Sciences to be the attractive, quality-assured partner that the market requires.

In order to expand market awareness of the company and products, we have participated as speakers at an inhalation congress in Barcelona, as exhibitors at the Medicon Village Consortium Symposium 2018 in Lund, as well as at the Association Inhalation Toxicologists Conference in Durham, North Carolina, USA. These have generated new potential partners and provided important opportunities to continue discussions with already interested customers to make sure our order intake keeps growing.

Significant progress has been made during and after the reporting period, shown by these highlights:

- A research project, together with Chiesi Farmaceutici S.p.A, (Parma, Italy), Research Center Pharmaceutical Engineering (RCPE) and Medical University Graz, Technical University (Graz, Austria) have started ongoing work on new tools for developing inhaled drugs. As part of the project, Chiesi, as previously announced, will purchase another PreciseInhale system
- Regulatory entities such as Sweden's *Läkemedelsverket* and the FDA have participated as speakers at congresses we have attended and it is clear that they are investigating technologies that offer greater precision within the inhalation field. At the end of October, a UN Special Report based on an international study, revealed that 9-33 million asthma attacks are due to air pollution annually. Toxic contamination, including chemical, is one of the most common causes of death in the world, causing more deaths than AIDS, tuberculosis and malaria combined
- After the reporting period, a complete PreciseInhale system including *in-vivo* module has been delivered to Westchina-Frontier Pharma Tech Co., Ltd. (WCFP) and upcoming installation and training will be carried out by Inhalation Sciences staff

Financially, ISAB has been strengthened in the current year through the separate listing of our subsidiary, Ziccum AB (publ). The listing of Ziccum in October was positively received by the market, and despite an uncertain market situation, the stock has performed well on Spotlight. The share was over-subscribed by 334%, proof of interest in the offering. Following the listing, ISAB holds a significant holding of shares in Ziccum which, as of November 1, 2018, had a market value of approximately 15.9 MSEK.

We previously announced the goal that the capital generated in connection with the listing in September 2017 would make the company cash-flow positive on a full-year basis by 2020. We are committed to that goal, but in order to fund more development projects, increase investment in production and to ensure good liquidity during an expected increase in order intake over the next 18 months, the Board has decided to, through loans, continuously add capital to the Company starting in December. This, in combination with a successful listing of

Ziccum, means that we have a financially strong foundation on which to build moving forward.

I am confident and convinced, following my own deep immersion into the inhalation arena in the last few months, that PreciseInhale and its unique features are exactly right at present for the industry.

Huddinge, November 15, 2018

Lena Heffler
CEO

Highlights Third Quarter (Jul-Sept)

During July, ISAB received an order for a PreciseInhale system, including the platform and *in vivo* modules, from Westchina-Frontier Pharma Tech Co., Ltd. (WCFP), a leading Chinese CRO company. The order value initially amounted to approx. 1.2 MSEK. Delivery took place after the reporting period

During July ISAB reported it will take part in a 3-year research project entitled "Optimization of Biopharmaceutical Toolbox for Inhaled Compounds" led by Research Center Pharmaceutical Engineering (RCPE) in Graz, Austria. The project includes a commitment by the Italian pharmaceutical company Chiesi to purchase a PreciseInhale system, with an initial order value of at least 0.9 MSEK

In August, ISAB received an order for a Contract Research assignment valued at approx. 0.6 MSEK and including experimental studies using the PreciseInhale module DissolvIt

In September, ISAB received an order for a PreciseInhale system, including modules for *in-vitro* exposures initially worth approximately 2.4 MSEK. The current order includes PreciseInhale, DissolvIt and XposeALI modules

Highlights during reporting period (Jan-Sept)

The European Patent Office EPO has submitted its approval of one of Inhalation Sciences' most important patents. The patent covers key aspects of the company's core technology, PreciseInhale, and constitutes a combination of product and method patents. The patent lifespan extends through 2033

The subsidiary Ziccum AB generated capital by borrowing 2.25 MSEK in January and prepared for listing on Spotlight during the fourth quarter of 2018

Ziccum achieved proof-of-concept in anti-body tests. Recent results show that Ziccum's spray drying system, LaminarPace, can produce a dry, stable powder of immunoglobulin antibodies – which remain active

Ziccum received its first order for the development of laboratory substances for research purposes using its patented spray drying instrument LaminarPace

On April 19, 2018, we announced that Lena Heffler was appointed new CEO of Inhalation Sciences Sweden AB. Lena took office on May 7th. Lena holds an MSc in Biochemistry from Uppsala University and a Licentiate Degree in Clinical Immunology from Karolinska Institutet and has worked with sales in the Life Science industry for more than 15 years. Among her former clients are Agilent, Aerocrine and Addtech. Lena will increase ISAB's focus on sales and marketing. Lena Heffler succeeds Fredrik Sjövall.

At the Annual General Meeting on May 23, 2018, ISAB's former CEO, Fredrik Sjövall, was elected Chairman of the Board. Sonja Gerde and Tom Sundelin were elected new Board members, and Otto Skolling resigned from the Board.

In June, the company received 2 MSEK in the form of EU support as part of the FORMAMP project, aimed at developing new antibacterial-resistant therapies

Highlights after the reporting period (Jan-Sept)

In October 2018, the subsidiary Ziccum AB completed a new share issue amounting to 15.8 MSEK before issue costs and 14.8 MSEK after share issue costs

The subsidiary Ziccum AB was listed on Spotlight on October 25, 2018 (thereafter no longer a subsidiary)

Following the share issue ISAB holds a stake in Ziccum amounting to 36.5% of capital and votes.

The closing price of Ziccum on November 1, 2018 amounted to SEK 7.24, which means that the market value of ISAB's shareholding in Ziccum amounted to approximately 15.9 MSEK (Note 3)

PLEASE READ WHOLE PDF OF REPORT [HERE](#).

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About Inhalations Sciences Sweden AB (publ)

Inhalation Sciences Sweden AB (publ) develops and commercializes world-leading instruments for research in inhalation. The company's patented lab instrument, PreciseInhale®, enables researchers to characterize, with high precision, how aerosols and small particles impact our lungs, and so our health, when we inhale.

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