

Nanoform reports continued progress in 2022 and sets new targets for 2023

Company Announcement

Nanoform Finland Plc

February 28, 2023

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Nanoform reports continued progress in 2022 and sets new targets for 2023

After three years of large investments in personnel, systems and equipment, the focus has shifted from building capacity to improving productivity and the operating free cashflow. The fourth quarter saw a new quarterly record in customer meetings and proposals sent as the pharma community broadly again joined conferences after finally leaving covid behind. Revenues recognized also reached a new high as the ongoing GMP projects started to impact the topline, which led to the second quarter in a row with an improved EBITDA and cashflow vs the previous year. Two new business targets for 2023 were introduced: "Increased number of non-GMP and GMP projects signed in 2023 vs 2022" and "Improved operating free cashflow in 2023 vs 2022". Our balance sheet is strong with EUR 68m in cash and no debt.

10-12/2022 key financials:

- Revenue grew by 51% to EUR 0.99 million, compared with EUR 0.66m in 10-12/2021.
- The gross profit rose to EUR 0.81 million, with a gross margin of 82% (EUR 0.61 million, 93% in 10-12/2021).
- Total operating costs* grew by 5% to EUR 5.77 million (EUR 5.50 million).
- The number of employees grew by 20% to 150 (125) compared with one year ago.
- EBITDA improved slightly to EUR -4.78 million (EUR -4.85 million).
- The operating loss was flat at EUR -5.4 million (EUR -5.4 million).
- The loss for the period was flat at EUR -5.6 million (EUR -5.6 million).
- Basic EPS was EUR -0.07 (EUR -0.08).
- Cash position was EUR 68.7 million on December 31, 2022 (EUR 75.7 million).

1-12/2022 key financials:

- Revenue grew by 78% to EUR 3.49 million, stemming from 35 different customer projects (EUR 1.95m, 22 projects in 1-12/2021).
- The gross profit rose to EUR 3.15 million, with a gross margin of 90% (EUR 1.79 million, 92%).
- Total operating costs* grew by 14% to EUR 22.5 million (EUR 19.7 million).
- EBITDA came in at EUR -19.0 million (EUR -17.7 million).
- The operating loss was EUR -21.4 million (EUR -19.7 million).
- The loss for the period was EUR -22.1 million (EUR -19.7 million).
- Basic EPS was EUR -0.29 (EUR -0.29).
- EUR 25 million (gross) was raised in a new share issue in the first quarter.

(Numbers in brackets refer to the corresponding last year reporting period, unless otherwise mentioned.)

*Defined as materials & services expenses, employee benefit expenses, and other operating expenses

CEO's review

Holding the course, focus on operational efficiency and growth.

Nanoform has continued to make solid progress on its journey to become a technology platform provider for the global pharma industry, while the macroeconomic environment continued to throw curveballs. In 2020 we had covid, draconian lockdowns, and fiscal & monetary expansion like never before. In 2021 we saw the storming of the US Capitol, global supply chain chaos, and crypto frenzy. In 2022 the volatility increased further, with a war breaking out in Ukraine, rampant inflation, and a rapid end to a decade of zero interest policy by the central banks, which led to significant losses on all financial markets. I'm proud of what we've achieved during these three years, focusing and executing on our growth strategy and being able to show significant progress in the tumultuous global macro environment. Personally, I believe that human optimism & ingenuity will once again prevail, and better times lie ahead of us.

For Nanoform 2020-22 were years of building a capable organization and making large investments. 2023-25 will be about productivity increases and improved operating cashflow, working relentlessly towards our 2025 midterm business target of becoming cash flow positive. The way to execute that is nontrivial but clear; continue to grow the topline and keep the operating costs and capital expenditure under control. In 2023 we see potential to progress on all three fronts. As first positive signs, 4Q22 was the second quarter in a row with both improved EBITDA and improved operating cashflow compared with the same quarters in the previous year.

We've now reached a critical mass where we can serve dozens of clients in parallel on non-GMP projects, manufacture GMP material for several clinical trials annually, while helping our clients overcome their pharmaceutical development challenges. At the same time, we see significant potential to improve the productivity and to increase the output of our quite impressive fleet of nanoforming lines and related capabilities. One concrete example is the number of projects we can do per line per year. Here we already ran five different client APIs on one of our non-GMP CESS[®] lines during 2022. If we can do that on all our ~20 lines, the productivity improvement will be significant. Another interesting insight during 2022 is that our Biologics lines should be able to do at least as many projects per line per year as the CESS[®] lines.

On the topic of our recent large investments, we are very excited about our two new GMP lines which substantially increase our GMP capacity. Both pharma partners and investors who visited us were impressed by these high potency lines which provide containment to 30 ng/m³, multi-API capability (wash in place & clean in place) and automation (process control). This cleanliness level equals ~1 grain of sand in a 50m Olympic swimming pool. Another large investment during 2022 was our ERP project, evident in the IT costs during the year; after hard work by many Nanoformers, we successfully went live with SAP S/4HANA on Jan 2, 2023. The new software platform enables and supports implementation of best practices from the pharma industry and accelerates the continued industrialization and scale-up of our nanoforming services in the coming years. Our Biologics team also did a great job by getting the Biologics pilot line for GMP up and running during the year. In addition, they built two new non-GMP lines, thereby doubling our capacity, which should come in handy, as it - based on the growth in proposals sent for Biological POCs - seems like our customers are warming up to the idea of nanoforming Biological assets.

Our commercial and business intelligence team made significant investments in 2022, both in personnel, brand building, BI, conferences & travel. After 2+ years of covid related travel bans among much of the pharma industry, H2/22 saw pharma experts again travel to conferences *en masse* and we ended 2022 with strong client interaction momentum and a record number of proposals sent in a quarter. The team looks forward to 2023 bringing further client engagements, many new interesting projects, and achieving our near-term business target of more new non-GMP and GMP projects signed in 2023 vs 2022.

We continue to expand our patent portfolio and during 2022 we filed patents in several new patent families. These filings cover the full spectrum of our service offering, from CESS[®], to our process for biologics, as well as pharmaceutical development, where we see mounting evidence that small is a powerful ingredient when formulating new drug products for our clients.

Nanoform is preparing several submissions to Fimea in 2023 to update our current Manufacturer's Authorization. The processing of Nanoform's notification to enable nanoforming of multiple APIs in the GMP facility is on-going at Fimea. Submissions will be made to include new production areas and equipment and Quality Control laboratory areas in Nanoform's GMP facility.

All in all, I look forward with confidence and excitement to the coming quarters and years. Although 2022 saw some slowness in small biotechs' signing of new deals due to higher interest rates, tighter financial conditions, and a tougher environment to raise funds, the problem with bioavailability is enormous in the pharma industry, the R&D budgets of large pharma companies are huge, the amount of money raised by biotech companies and life science funds during 2020-21 was record-breaking so we expect the interest in our technology to continue to grow. Our brand recognition and service offering have continued to grow stronger, the client response to that has been growing, and our strong balance sheet is a positive aspect when partners evaluate us. The strengthening trend of nearshoring, the strong dollar and significant price increases in the global CDMO industry during the last years help us as our focus from the start has been on Europe, UK, and USA and as our cost base is mostly in euros.

We'll continue to work relentlessly towards our 2025 mid-term business targets, while executing as fast as possible on our near-term targets. None of this can be done without our amazing employees and great partners. My sincere THANK YOU to you all for your continued dedication to Nanoform and for the inspiring and innovative work for which we're known.

Best Regards,

Prof. Edward Hægström, CEO Nanoform

Nanoform's complete Q4 and full year 2022 report can also be found at: <http://nanoform.com/en/financial-reports-and-presentations/>

Nanoform online presentation and conference call February 28, 2023, at 3:00 p.m. Helsinki time / 2:00 p.m. Stockholm time

Nanoform will publish its Q4 and full year 2022 report February 28, 2023, at 8.10 a.m. Finnish time / 7.10 a.m. Swedish time. The company will hold an online presentation and conference call the same day at 3.00 p.m. Finnish time / 2.00 p.m. Swedish time. Nanoform will be represented by CEO Edward Hægström, CFO Albert Hægström and CCO Christian Jones. The presentation will be delivered in English.

The presentation will be broadcast live as a webcast available at:

<http://financialhearings.com/event/46521>

Teleconference dial-in numbers:

<http://conference.financialhearings.com/teleconference/?id=5009553>

Significant events during 1-12/2022

- On January 3, Nanoform announced two new near-term business targets for 2022: "At least 20 new customer non-GMP projects in 2022" and "At least 3 new customer GMP projects in 2022".

- In March, EUR 25 million (gross) was raised in a successful new share issue through an accelerated bookbuilding process. The considerably oversubscribed capital raise attracted strong interest from Nordic and international investors, including a considerable number of large global Tier 1 institutional investors.

- On May 4, 2022, Nanoform announced that it has launched its sparse-data AI solution, STARMAP[®] as a secure online portal. STARMAP[®] Online creates the opportunity for clients to perform large numbers of *in-silico* CESS[®] experiments from their desktop, prior to approaching Nanoform to perform

experimental validation. This approach further supports Nanoform's green ambition by ensuring that Nanoform progresses the molecules with the greatest probability of success. STARMAP® Online offers increased user confidence through:

- Security and safety – the interface has been developed in alignment with ISO27001:2017 standards.
- Client submissions are seen only by clients (not by Nanoform), allowing molecules to be screened without sharing structures. Outputs are presented directly to the client via the system.
- Scalability and agility: The ability to manage thousands of molecules in a single submission to support the selection of candidates from molecule libraries is possible.
- Novel insights: STARMAP® Online holds a database of over 17,000 pre-analyzed, public-domain disclosed drugs and candidates. Clients can request thematic evaluations and understand the power of CESS® in different therapeutic areas, target classes, and disease areas.

- During the second quarter AstraZeneca Plc concluded its thorough technology evaluation of Nanoform's proprietary CESS® Technology (see Nanoform's press release September 25, 2019: <http://nanoform.com/en/nanoform-and-astrazeneca-initiate-technology-evaluation/>). The outcome of the technology evaluation was positive, and AstraZeneca is now moving forward to an identification and implementation stage for the technology where it will look to implement the technology on current and future development projects.

- In July, Nanoform announced that it has partnered with Pharmanovia, a fast-growing specialty pharma business with a portfolio of over 20 branded drugs in 140 markets. The new strategic partnership aims to add value to branded prescription medicines. Pharmanovia will look to apply Nanoform's proprietary nanoparticle technologies and formulation know-how to leading established pharmaceutical brands. The partnership starts with an iconic branded medicine where both parties see value in enhancing bioavailability for patient benefit. The value of the stage-gated agreement is based on Nanoform's business model for non-GMP and cGMP work.

- On October 25, Nanoform and TargTex, a European biotech company, presented highly promising in-vivo data, enabled by a nanoformed drug product for the treatment of glioblastoma multiforme (GBM), at the PODD Conference in Boston, USA.

- The data was generated for a planned Phase 1/2a clinical trial, due to commence in early 2024. Nanoform will deliver GMP grade nanoformed material to TargTex for the clinical trial. The drug is a selective Ca2+ channel blocker delivered by implantation at the site of the resected tumor in the brain. Nanoform and TargTex have collaborated in the optimization of a hydrogel formulation enabled by nanoformulation of the drug.
- The study was conducted in a rat model for GBM in which tumor cells are injected into the brain. After 2-3 weeks, the nanoformulated hydrogel was delivered locally in the brain of the animal, on top of the tumor. The study results showed long term survival of 40 per cent of the treated animals and no microscopic tumor cells were detected in these animals at sacrifice.
- The nanoformed drug product provided a controlled release and deep drug diffusion across the brain parenchyma. The data showed no systemic exposure, and the drug was not toxic at maximum loading concentration. The study was performed at a sub-therapeutic dose that can be increased by at least 2-fold. Future studies are planned to be performed at increased drug concentrations with the goal to further improve long term survival.

- Nanoform previously disclosed on November 15, 2021, that it has signed an agreement to manufacture nanoformed GMP material for a European headquartered international company. Following 12 months of preclinical development work, two privately held European pharmaceutical development and manufacturing organizations have now decided to join Nanoform and the European headquartered international company in funding the development and commercialization of this more patient centric version of a current blockbuster drug. For this purpose, the parties entered into a collaboration agreement on November 17, 2022. Under the terms of the agreement, Nanoform and the three other parties will fund in equal shares the completion of this development program. As Nanoform will continue to be remunerated for its work, the development stage of the collaboration is not expected to have a negative cash flow effect on Nanoform. In the event that the commercialization is successful, Nanoform expects to retain a 25 % share of the net-income received by the parties. First clinical trials on the improved drug product are expected to commence in 2023.

- In November, Nanoform filed to Fimea a notification of an update to our manufacturer's authorization to enable the nanoforming of new API.

- At the end of the year, Niklas Sandler transitioned from CTO to technology advisor to the CEO.

- During 1-12/2022 17 new non-GMP and one GMP projects were signed, with more than a dozen customers, both new and repeat customers, both US and Europe based.

- During 1-12/2022 four new non-GMP lines were commissioned, taking the total number of lines to 18 non-GMP lines and one GMP line.

Significant events after 1-12/2022

- As of January 1, 2023, Antonio da Silva was appointed CBO and a member of the management team.

- A total of 29,000 Nanoform Finland Plc's new shares has been subscribed for with the Company's stock options 3/2019, 5/2019 and 1/2020 by 3 January 2023. The entire subscription price for subscriptions made with the stock options of EUR 34 thousand will be entered in the Company's reserve for invested unrestricted equity.

- Nanoform has established a new subsidiary in UK, Nanoform U.K. Ltd on January 3, 2023.

- On February 28, Nanoform announced two new near-term business targets for 2023: "Increased number of non-GMP and GMP projects signed in 2023 vs 2022" and "Improved operating free cashflow in 2023 vs 2022".

Company near-term business targets for 2023 (new)

- Increased number of non-GMP and GMP projects signed in 2023 vs 2022
- Improved operating free cashflow in 2023 vs 2022

Company mid-term business targets 2025 (reiterated)

- To nanoform at least 70 new Active Pharmaceutical Ingredients (API) annually
- To have in place 35 operating production lines of which 7 to 14 are expected to be GMP production lines
- Over 90 percent gross margin
- To have 200–250 employees

- To be cash flow positive

In conjunction with the approval of the Report of the Board of Directors and Financial Statements for the year ended December 31, 2022, the Board of Directors has in its meeting also approved the Corporate Governance Statement for Nanoform Finland Plc 2022 and the Remuneration Report for Governing Bodies of Nanoform Finland Plc 2022. These can be found on the Company's webpage at www.nanoform.com.

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About Nanoform

Nanoform is an innovative nanoparticle medicine enabling company. Nanoform works together with pharma and biotech partners globally to provide hope for patients in developing new and improved medicines utilizing Nanoform's platform technologies. The company focuses on reducing clinical attrition and on enhancing drug molecules' performance through its Nanoforming technologies and formulation services. Nanoform's capabilities include GMP manufacturing, and its services span the small to large molecule development space with a focus on solving key issues in drug solubility and bioavailability and on enabling novel drug delivery applications. Nanoform's shares are listed on the Premier-segment of Nasdaq First North Growth Market in Helsinki (ticker: NANO FH) and Stockholm (ticker: NANO FS). Certified Adviser: Danske Bank A/S, Finland Branch, +358 40 744 1900. For more information, please visit www.nanoform.com.

Forward-Looking Statements

This press release contains forward-looking statements, including, without limitation, statements regarding Nanoform's strategy, business plans and focus. The words "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "project," "potential," "continue," "target" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Any forward-looking statements in this press release are based on management's current expectations and beliefs and are subject to a number of risks, uncertainties and important factors that may cause actual events or results to differ materially from those expressed or implied by any forward-looking statements contained in this press release, including, without limitation, any related to Nanoform's business, operations, clinical trials, supply chain, strategy, goals and anticipated timelines, competition from other companies, and other risks described in the Report of the Board of Directors and Financial Statements for the year ended December 31, 2022 as well as our other past disclosures. Nanoform cautions you not to place undue reliance on any forward-looking statements, which speak only as of the date they are made. Nanoform disclaims any obligation to publicly update or revise any such statements to reflect any change in expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements. Any forward-looking statements contained in this press release represent Nanoform's views only as of the date hereof and should not be relied upon as representing its views as of any subsequent date.