

Diagonal Bio AB

Year-end Report

2023

2023-01-01 – 2023-12-31



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Summary

Summary of Year-end Report 2023

2023-10-01 — 2023-12-31 (October — December)

- Net sales amounted to 23 KSEK (0 KSEK), capitalised development contributed with 405 KSEK (846 KSEK), and other operating income amounted to 7 KSEK (3 KSEK).
- Operating profit amounted to -2 462 KSEK (-3 938 KSEK).
- Operating profit per net weighted average share amounted to -0.06 SEK (-0.33 SEK).
- Cash flow during the fourth quarter amounted to -1 745 KSEK (2 817 KSEK).
- Cash and cash equivalents at the end of the period amounted to 2 972 KSEK (13 585 KSEK).

2023-01-01 — 2023-12-31 (January — December)

- Net sales amounted to 23 KSEK (203 KSEK), capitalised development contributed with 3 128 KSEK (3 503 KSEK) and other operating income amounted to 25 KSEK (28 KSEK).
- Operating profit amounted to -11 566 KSEK (-15 163 KSEK).
- Operating profit per net weighted average share amounted to -0.32 SEK (-1.7 SEK).
- Cash flow during the period amounted to -10 613 KSEK (-7 181 KSEK).

- The Board will recommend to the Annual General Meeting to not pay any dividend.
- Q1 report to be published on May 31, 2024.
- Annual General Meeting to be held on June 11, 2024.

Significant Events during the Fourth Quarter of 2023

- On November 14, 2023, Diagonal Bio announced the initiation of a pilot study with Techtum Lab AB to identify genetic markers for herpes and influenza viruses in horses.
- On November 23, 2023, Diagonal Bio announced the appointment of board member Karin Wehlin as interim CEO, following a mutual agreement between the previous CEO and the board.
- On November 27, 2023, Diagonal Bio communicated that the Company had signed an agreement with Hörsholms Hästpraxis for a paid test period using the LAMPlify® system, marking Diagonal Bio's first customer revenue.

Significant Events after December 31, 2023

- On February 2, 2024, Diagonal Bio updated its financial situation, indicating efforts for a long-term financial solution to be announced in connection with Year-end Report for 2023.
- On February 16, 2024, Diagonal Bio signed a distribution agreement with Techtum Lab AB.

Interim CEO, Karin Wehlin



Dear Shareholders, Partners and Colleagues,

It is my pleasure to reflect on our journey and I'm thrilled to share the outstanding progress we have made in the fourth quarter of 2023, culminating in the launch of our first commercial pilot test with a key customer, as well as other important milestone achievements.

Looking back at 2023, I am proud to point out the significant steps we have made in our development, including key achievements such as CE-marking of LAMPLify® according to Low Voltage Directive (LVD) 2006/95/EC. A highlight of our fourth quarter was the commencement of LAMPLify® commercialisation. We initiated the pilot study together with Techtum Lab AB in Sweden, and signed the first commercial pilot testing agreement with a veterinary clinic in Denmark, exemplifying our commitment to commercialise the LAMPLify® technology. Starting in the veterinary sector, we believe that these partnerships can extend LAMPLify® into various other fields, and open doors to new opportunities. We are excited about this development, as it aligns perfectly with our vision of broadening the impact of our diagnostic solutions across diverse sectors.

We continue to make significant strides in the process of reaching our regulatory milestones for market access of our innovative diagnostic product Panviral®, with the singular goal to revolutionise infectious disease testing. Offering rapid, accurate, and accessible diagnostics, Panviral® shall be essential for healthcare and diagnostics providers and patients worldwide, which we believe will reform multiple segments within the diagnostics and healthcare industries.

Our research and development efforts are the core of our operation, constantly driving us towards promising and impactful outcomes. As we explore new and existing sectors for the application of LAMPLify®, we are keenly aware of the vast potential this technology holds for global health both for animal welfare and human diagnostics. With both LAMPLify® and Panviral® in consideration, our focus remains steadfast on creating long-term value and sustainable

growth. The optimism among our team, partners, and customers is palpable. We are navigating an era of transformation, driven by technological advancements, commercialisation, and a deep understanding of our market's needs. Our efforts in research and development are yielding promising results, and we are excited about the potential impact on diagnostics through our product portfolio.

In line with our strategic direction, we are actively seeking cooperation partners to broaden our market reach, a goal we communicated in our strategy update. The partnership with OIM Sweden AB is particularly promising and we believe it will yield significant benefits in the future. Parallel to these strategies, we are also in the process of identifying a permanent CEO to ensure that Diagonal Bio continues to be guided by leadership that is visionary and aligned with our core values of innovation, integrity, and impact.

Our approach moving forward is to concentrate on the future, actively seeking to enhance and expand our commercial efforts in the field and ensuring steady progress. I extend my deepest appreciation to all who have supported us - our dedicated team, our loyal investors, and our strategic partners.

Thank you for your continued trust and support.

Karin Wehlin

Interim CEO, Diagonal Bio AB (publ)

Lund 2024

About Diagonal Bio AB (publ)

Background

Diagonal Bio AB is a Swedish medical technology company founded in 2020 with the vision of limiting the spread of infectious diseases by creating a ultra-rapid, user friendly, cost-effective diagnostic platform with high accuracy. Based on its patented platform technology, Diagonal Bio develops analytical systems that have the potential to fulfill the vision and thereby facilitate the challenge of rapidly and accurately identifying genetic markers for infectious diseases.

Platform Technology

Diagonal Bio's technology offers the same accuracy as the leading analytical methods of today – PCR – but without the dependency on complex logistics or large central laboratories. This results in a significantly faster and more cost-effective solution. The Company's technology enables the analysis of current and future infectious diseases within 10–15 minutes from sampling, as needed at primary care. The applications of Diagonal Bio's technology also extend beyond the in-vitro diagnostics market segment, for instance, identifying bacteria in food, animal feed, and water, or detecting pests, pathogens, and diseases in animals and crops, all with the same high accuracy as current PCR-based techniques but more rapidly, simply, and cost-effectively.

Product Families

Diagonal Bio is developing two product families based on its patented platform technology: LAMPlify® and Panviral®. LAMPlify® is designed for less regulated market segments as a customised system for general laboratory and veterinary use. Panviral® is tailored for the in-vitro diagnostic market segments, with the potential to revolutionise healthcare and significantly improve the fight against the spread of infectious diseases.

LAMPlify®

LAMPlify® can be used to identify the presence of specific genetic markers, such as those for viruses, bacteria and fungi. As a uniquely user-friendly, portable, quick and accurate molecular diagnostic system that can run up to eight different tests simultaneously, it is suitable for use both in the field and in laboratory environments.

Market Potential for LAMPlify®

LAMPlify® can address markets including general laboratory and veterinary diagnostics, where PCR-based methods have traditionally been used to identify genetic markers. The global market for PCR-based methods is valued at approximately \$7.1 billion and is expected to grow to \$13.75 billion by 2028. The goal is to position LAMPlify® in this market as a fast, reliable, and cost-effective method for identifying genetic markers.

Panviral®

Panviral® can be adapted to detect various types of infectious diseases, enabling ultra-rapid, accurate, cost-effective and parallel diagnosis. With the potential of reducing the assay time to up to 10-15 minutes, the product finds applications in both diagnostic laboratories as well as point-of-care. Panviral® can also run up to eight different tests simultaneously.

Market Potential for Panviral®

The Company aims to revolutionise infectious disease diagnostics through large-scale, cost-effective, and accurate testing products. Achieving this requires sufficient financial resources to complete the regulatory documentation for the approvals of Panviral® within in-vitro diagnostics, i.e., CE marking according to EU-IVDR and/or US-FDA, before market introduction can occur.

Targeting a rapidly growing in-vitro diagnostics market, expected to reach \$106 billion by 2030, where over 70% of healthcare decisions are influenced by diagnostic tests, Panviral® is designed for rapid and accurate detection of pathogenic diseases.



About Diagonal Bio AB (publ)

Revolutionary Platform Technology

Diagonal Bio's groundbreaking universal platform technology could end the current difficult trade-offs between speed, user-friendliness, accuracy, and cost for detecting genetic markers (DNA and RNA) from all organisms (humans, plants, animals, viruses, bacteria, fungi, etc.). This is achieved by eliminating the need for centralised laboratory tests that require expensive and complicated logistics for sample delivery. The Company's products can uniquely run up to eight tests simultaneously, with the same accuracy as today's costly and complex PCR techniques.

Business and Revenue Model

Diagonal Bio aims to build a commercial organisation and/or establish partnerships with existing distributors or major players in the market for the launch of LAMPlify® and, later, Panviral®. Initially, the focus for LAMPlify® may be on establishing partnerships and licensing agreements outside Diagonal Bio's main market segment, i.e., in-vitro diagnostics. The Company plans to target the initial commercialisation of LAMPlify® towards selected market segments in general laboratory tests and in the agricultural and veterinary fields.

Diagonal Bio is currently focusing its initial efforts on partnerships or licence agreements with distributors,

KOL's and collaborators in the market for the launch of LAMPlify®, and at a later stage Panviral®.

Diagonal Bio plans to sell LAMPlify® and Panviral® according to the "Razor-Blade model". The model is based on selling or leasing the instruments at a relatively low cost and aim for recurring revenues from the consumables - Diagonal Bio's cartridges, lysis buffer and reaction mixes.

Commercial Scale Production

Diagonal Bio has partnered with OIM Sweden AB, a Swedish product development company focusing on early stage innovative companies, for the manufacturing of LAMPlify® and future production of Panviral® on a commercial scale.

Strong Patent Protection

Diagonal Bio's platform technology has been granted patent approval in Europe, providing exclusive protection until 2041, and has already been granted at the national level. In addition, Diagonal Bio registered a design protection for sampling containers in 2022, offering further protection related to the consumables used in the system's analysis platform.



Financial Overview

Financials

Results and Financial Position October-December 2023

Net sales amounted to 23 KSEK (0 KSEK), capitalised development contributed with 405 KSEK (846 KSEK), and other operating income amounted to 7 KSEK (3 KSEK).

The net income after financial items amounted to –2 530 (–4 187) KSEK, while net income per share amounted to –0.06 (–0.33) SEK.

Cash flow during the fourth quarter amounted to –1 745 (2 817) KSEK. At the end of December 2023, Diagonal Bio had a cash position of 2 972 (13 585) KSEK. During the period 1 800 KSEK from share issue decided in September was paid to Diagonal Bio.

Investments

During the fourth quarter of 2023, investments in intangible assets (patents and trademarks) amounted to 133 (484) KSEK. During the fourth quarter, investments in tangible assets amounted to 23 (0) KSEK.

Results and Financial Position January-December 2023

Net sales amounted to 23 KSEK (203 KSEK), capitalised development contributed with 3 128 KSEK (3 503 KSEK) and other operating income amounted to 25 KSEK (28 KSEK).

The net income after financial items amounted to –11 678 (–16 164) KSEK, while net income per share amounted to –0.32 (–1.7) SEK.

Cash flow during 2023 amounted to –10 613 (–7 181) KSEK. At the end of December 2023, Diagonal Bio had a cash position of 2 972 (13 585) KSEK.

Investments

During 2023, investments in intangible assets (patents and trademarks) amounted to 1 098 (1 453) KSEK. During 2023, investments in tangible assets amounted to 23 (0) KSEK.

Staff and Organisation

As of December 31, 2023, Diagonal Bio had 4 employees.

The share

There is one class of shares in Diagonal Bio AB.

The share was listed on July 16, 2021 at Nasdaq First North Growth Market.

The Share	2023-10-01 2023-12-31	2022-10-01 2022-12-31	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Number of shares end of the period	39 975 779	9 148 663	39 975 779	34 765 534
Weighted number of share during the period	39 610 465	9 148 663	35 986 722	9 499 579
Operating income before and after dilution	-0.06	-0.33	-0.32	-1.70

Shareholders

The table below presents major shareholders in Diagonal Bio AB as per December 31, 2023:

Shareholders 31st of December 2023	Number of shares	Votes & capital (%)
Nordnet Pensionsförsäkring AB	2 579 003	6.45%
Avanza Pension	2 258 162	5.65%
Kushagr Punyani (including Nested Bio)	1 986 292	4.97%
Peter Nilsson	1 420 000	3.55%
Dick Södergren	1 382 239	3.46%
Stig Aune	1 178 000	2.95%
Christofer Bergstrand	1 070 036	2.68%
Andreas Nyberg	927 528	2.32%
Martin Milanov	800 000	2.00%
Other shareholders (approx. 2 700)	26 374 519	65.98%
Totalt	39 975 779	100.00%

Financial Overview

Key Ratios

Key Ratios	2023-01-01 2023-12-31	2022-01-01 2022-12-31	Helår 2022
(1) Working capital, KSEK	-2 527	11 720	11 720
(2) Quick ratio, %	51	522	522
(3) Solvency, %	75	92	92
(4) Deby ratio, %	20%	0	0
(5) Employees	4	5	5

(1) Total current assets minus total current liabilities at the end of the period

(2) Total current assets excluding inventory in percentage of current liabilities at the end of the period

(3) Equity in percentage of total balance sheet at the end of the period

(4) Interest bearing debts in percentage of equity at the end of the period

(5) Average employees during the period

Related Party Transactions during January-December 2023

Related party transactions (KSEK)	2023-10-01 2023-12-31	2022-10-01 2022-12-31	2023-01-01 2023-12-31	2022-01-01 2022-12-31
CFO - Treeridge AB	153	203	750	674
CEO - WW Advise AB	130	0	130	0
Total	283	203	880	674

Principles for Preparation of the Year-end Report

This report has been established in accordance with Swedish Annual Accounts Act and BFNAR 2012:1 (K3). The same accounting policies and calculation methods have been applied for the Company as in the 2022 Annual Report.

Number of Shareholders 2023-12-31

Approx. 2 700 shareholders

Information about Risks and Uncertainties

Diagonal Bio's business is exposed to several risks, including both operational and financial risks. The operational risks mainly comprise uncertainty concerning product development, supplier agreements, product liability and distribution. For a more detailed description of the risks and uncertainties to which Diagonal Bio is exposed, see the risk analysis in the Annual Report 2022, available on Diagonal Bio's website: [Diagonal Bio AB publ-Arsredovisning 2022.pdf \(diagonal-bio.com\)](https://diagonal-bio.com/publications/arsredovisning-2022)

Auditor's Review

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

Financial Calendar

Diagonal Bio AB publishes financial reports every quarter. The following dates have been decided for 2024-2025:

- Year-end report 2023 2024-02-28
- Q1 report 2024-05-31
- Q2 report 2024-08-22
- Q3 report 2024-10-31
- Year-end report 2024 2025-02-25

Contact person for further information:

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Financials

Income Statement

KSEK	2023-10-01 2023-12-31	2022-10-01 2022-12-31	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Income				
Net sales	23	0	23	203
Capitalised development	405	846	3 128	3 503
Other operating income	7	3	25	28
Total Income	435	850	3 176	3 734
Operating expenses				
Raw materials and consumables	-18	-610	-18	-1 652
Other external expenses	-1 755	-2 307	-9 574	-10 028
Staff costs	-1 107	-1 866	-5 102	-7 193
Other operating expenses	-15	-4	-46	-24
Depreciation	-2		-3	
Total operating expenses	-2 897	-4 787	-14 743	-18 897
Operating profit/loss	-2 462	-3 938	-11 566	-15 163
Income from financial items				
Interest	88	0	94	0
Interest expenses and similar items	-156	-249	-206	-1 001
Income after financial items	-2 530	-4 187	-11 678	-16 164
Taxes	0	0	0	0
Income for the period	-2 530	-4 187	-11 678	-16 164

Financials

Balance Sheet

KSEK	2023-12-31	2022-12-31
Assets		
Intangible Fixed assets		
Balanced expenses for development	20 871	17 744
Patents and intellectual rights	2 882	1 784
Tangible fixed assets		
Equipment	21	0
Total fixed assets	23 774	19 528
Current assets		
Inventories		
Rax materials and consumables		
Commercial goods	1 028	0
Receivables		
<i>Accounts receivables</i>	23	
Other receivables	500	680
Prepaid expenses and accrued income	211	234
Total receivables	733	914
Cash and bank	2 972	13 585
Total current assets	4 734	14 499
TOTAL ASSETS	28 508	34 027
Equity and liabilities		
Equity		
<i>Restricted equity</i>		
Share capital	3 998	3 477
Non registered share capital	0	0
Development expenditure fund	23 753	19 528
Total restricted equity	27 751	23 005
<i>Non restricted equity</i>		
Warrants	88	0
Capital surplus	57 250	56 183
Accumulated profit or loss	-52 164	-31 774
Profit/loss for the period	-11 678	-16 164
	-6 504	8 245
Total equity	21 247	31 250
Liabilities		
Accounts payable	1 911	1 610
Other payables	4 345	339
Accrued expenses and deferred income	1 004	830
Total current liabilities	7 260	2 779
TOTAL EQUITY AND LIABILITIES	28 508	34 027

Financials

Change in Equity

2023-01-01 – 2023-12-31

KSEK	Restricted equity		Unrestricted equity		
	Share capital	Fund for development	Share premium fund	Other unrestricted	Total
Equity 2023-01-01	3 477	19 528	56 126	-47 883	31 248
Share capital	0	0	0	0	0
Non registered share capital	0	0	0	0	0
Capitalisation of development costs	0	4 225	0	-4 225	0
Warrants	0	0	0	32	32
Share capital	521	0	1 276	0	1 797
Costs related to share issue	0	0	0	0	0
The result of the period	0	0	-153	-11 678	-11 831
Equity at the end of the period	3 998	23 753	57 250	-63 754	21 247

2022-01-01 – 2022-12-31

KSEK	Restricted equity		Unrestricted equity		
	Share capital	Fund for development	Share premium fund	Other unrestricted	Total
Equity 2022-01-01	915	14 572	45 139	-26 761	33 864
Share capital	0	0	0	0	0
Non registered share capital	0	0	0	0	0
Capitalisation of development costs	0	4 956	0	-4 956	0
Warrants	0	0	0	0	0
Share capital	2 562	0	14 858	0	17 420
Costs related to share issue	0	0	0	0	0
The result of the period	0	0	-3 871	-16 164	-20 035
Equity at the end of the period	3 477	19 528	56 126	-47 881	31 250

Financials

Cash Flow Statement

KSEK	2023-10-01 2023-12-31	2022-10-01 2022-12-31	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Operational cash flow	-1 050	-3 652	-5 231	-15 773
Cash flow from investing activities	-539	-1 331	-4 248	-4 956
Cash flow from financing activities	-156	7 800	-1 134	13 548
Cash flow for the period	-1 745	2 817	-10 613	-7 181
Cash flow at the beginning of the period	4 717	10 768	13 585	20 766
Cash at the end of the period	2 972	13 585	2 972	13 585



DIAGONAL BIO

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