



PRESS RELEASE

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Inhalation Sciences AB (publ) releases Annual Report 2022

(Stockholm, Sweden, 11 April 2023) **Inhalation Sciences AB announces that its Annual Report for 2022 is now available on the company's website. To read the whole report (in Swedish), visit: <http://inhalation.se/investors/finansiella-rapporter/>**

CEO comments

In 2022, we changed our corporate strategy to focus more on our inhalation services (IRS). During the year, the strategy shift has meant significantly shorter sales cycles, the opportunity to reach a broader customer segment, increased sales and improved margins in customer projects.

The strategy has delivered the desired result and approximately 85% of our Sales in 2022 was generated by our IRS services. Net Revenue for 2022 increased by 29%, the increase in our Sales was 74% for the full year and 23% for the 4th quarter.

Given the many newly added IRS assignments, the company has not had to lift the previously communicated credit line in 2022. The available credit line for the company as of December was SEK 4M and we chose to lift a subset of this in January 2023 with a sum of SEK 1.8M. To continue our expansion with a focus on IRS services, the board decided on 6 April 2023 on an 80% secured rights issue of 17.1 MSEK.

We attended two international conferences, the MVIC symposium in Lund in October and the DDL meeting in Edinburgh in December. During DDL, we presented for the first time the outcome of our clinical phase I study with positive data, which was received with great enthusiasm by the participants. In addition, AstraZeneca presented results from their study where Preciselnhale had been used with successful results.

The study collaboration with the US FDA, which began during the year and includes DissolvIt, is proceeding according to plan. We expect to complete the study by the end of 2024. The company has also updated its Quality Management System in accordance with ISO 13485.

In order to continue to deliver accurate and reliable data and to improve our unique platform technology, we have continuously maintained our product portfolio. Due to the increasing growth of our IRS missions, we have also expanded the capacity of our laboratory with more instruments.

One of our key objectives for the coming year is to continue to build on our positive sales momentum, maintain the quality and delivery reliability of our customer projects and achieve

a positive cash flow at the end of the year. In parallel, our management and board are evaluating further growth opportunities.

We confidently look forward to 2023 and continuing to deliver on our strategy, together with our dedicated staff, management and board, thereby creating added value for our customers and shareholders.

Huddinge, 11 April 2023
Manoush Masarrat
CEO

Selected financial data in summary

	2022 Jan-Dec	2021 Jan-Dec
Net Revenue kSEK	12,194	9,422
Operating profit kSEK	-12,026	-16,571
Profit after tax kSEK	-12,125	-16,609
Balance sheet total kSEK	12,985	26,112
Cash flow for period, kSEK	-12,556	-6,348
Cash flow for period per share (SEK)	-1.10	0.63
Cash and cash equivalents kSEK	1,839	14,395
Earnings per share before dilution kSEK	-1.07	-1.46
Earnings per share after dilution kSEK	-1.07	-1.46
Equity, kSEK	7,553	19,678
Equity per share (SEK)	0.66	1.73
Equity ratio, %	58.17%	75.36%
R&D costs/operating costs	40.80%	45.59%
Number of shares	11,375,734	11,375,734

Financing

ISAB's continued investment in commercialisation and expansion of its sales organisation and IRS services is deemed to require additional financing other than existing cash and the current loan credit of SEK 4 million. The Board has therefore on 6 April, 2023, decided to carry out a rights issue of a total of SEK 17.1 million. Approximately 80% of the issue is secured through subscription commitments and guarantee commitments.

Total investment in R&D expenditure is shown in the table below.

R&D expenditure, costs and investments, kSEK	2022	2021
R&D costs	-8,840	-9,931
Investments in capitalised R&D costs	0	0
Amortisation of R&D costsFoU kostnader	1,179	1,180
Total R&D expenditure	-7,661	-8,796

Significant events during the financial year

- On 18 February, ISAB announced a new IRS (Inhalation Research Services) order from a new customer with a total value of SEK 584,000.
- On 14 March, the company announced a new order from RISE (The Research Institute of Sweden) for a new Nebuliser, with a total value of EUR 23,500.
- On 18 March, ISAB announced a new IRS order from a Swiss generic company, with a total value of EUR 74,000.

- On 1 April, the company announced an IRS order from a repeat customer with a value of SEK 491,000.
- On 6 May, ISAB's annual general meeting was held via postal voting, where all proposals were approved.
- On 24 May, the company announced that it has received a credit line from a consortium of lenders of up to SEK 4 million. Since the credit was not deemed to be relevant to lift in 2022 and in consultation with the lenders, extended. consultation with the lenders, the term of the agreement was extended from June 2023 to December 2023 and the maximum ceiling of the loan amount was reduced to SEK 4 million.
- On 23 June, ISAB announced a new IRS order from a repeat customer with a value of SEK 581,000.
- On 18 July, the company announced an IRS order from a new pharmaceutical company in the US with a value of SEK 1,450,000.
- On 4 August, the company announced that the FDA has approved the submitted application for the planned DissolvIt study and that it is planned to start in the autumn of 2022.
- On 15 August, board member Klaus Gottwald announced his intention to leave the company's board of directors. The nomination committee proposed that Jan Hellqvist be elected as a new member.
- On 5 September, the company announced a new order from a global pharmaceutical company for the development of their software with a value of SEK 360,000.
- On 15 September, the company announced an IRS order from a new pharmaceutical company in the US with a value of SEK 1,390,000.
- On 16 September, the company announced a new order from the University of Vienna for a value of SEK 620,000.
- On 29 September, the company announced a new IRS order from a repeat customer with a value of SEK 806,000.
- On 28 October, the company announced an IRS order from a large generic company with a value of SEK 1,017,000.
- On 14 November, the company announced the start of the planned study with the FDA through a joint start-up meeting. The FDA will co-finance the project for the entire two-year project period with a total of USD 408,329.
- The company participated in the annual DDL (Drug Delivery to the Lungs) meeting in December, presenting positive results from the Phase I clinical study and a poster on ISAB's dissolution module DissolvIt. In addition, AstraZeneca presented its study results where PreciseInhale was used with positive results.
- On 23 December, the company announced IRS assignments from two different customers with a total value of SEK 2,157,000.

Significant events after the reporting period

- On 16 January, the company lifted a part of the loan credit with a sum of 1800 000.
- On 31 January, the company announced an IRS (Inhalation Research Services) order from a new American pharmaceutical company with a value of SEK 914,000.
- On 7 February, the company announced a pre-booking order of EUR 50,000 for an upcoming IRS project later in the spring.
- On 7 March, the company received the complete order with a total value of EUR 118,483.
- On 6 April, the company announced that the board had decided on an 80% secured rights issue of a total of SEK 17.1 million.

Expected future developments

ISAB is steadily expanding the measures for the commercialisation of its services (IRS) and Preciselnhale and its modules. In collaboration with leading pharmaceutical companies and universities that have invested in Preciselnhale, the IRS services and Preciselnhale modules are being developed, resulting in increased functionality and thus a broader product range.

Financial performance

Operating revenues

ISAB's revenues consist of sales of contract research services (Inhalation Research Services), Preciselnhale and its various modules such as DissolvIt and XposeALI.

Contract research services through the Inhalation Research Services (IRS) business area amounted to approximately 85% (29%) of operating income during the reporting period.

Operating expenses

Amounts are stated in SEK thousand (thousands of Swedish kronor). Figures in brackets refer to the corresponding period last year unless otherwise stated.

Results and financial position - reporting period (Jan-Dec)

Operating income, relating to goods and services, amounted to SEK 12,194 (9,422) thousand. Operating expenses amounted to SEK 22 020 (21,807) thousand.

Selling expenses

Sales and marketing expenses during the reporting period totalled KSEK 7,961 (6,470). The marketing functions have been carried out by consultants to a greater extent than in the previous year, whereby the consultancy costs for this have increased.

Business development and administration costs

Business development and administration costs during the reporting period totalled SEK 5,218 (5,406) thousand.

Business development costs have to a greater extent than last year been carried out by employed personnel.

Research and development costs

Research and development costs during the reporting period amounted to SEK 8,840 (9,931) thousand. The costs relate to consumables, consultancy fees for development activities and depreciation of the Preciselnhale systems and its modules. The costs have increased in comparison with the previous year largely related to the clinical study.

Personnel costs amounted to SEK 9,827 (9,294) thousand, which have been allocated to the cost items R&D, sales and business development costs according to an allocation key with 40%, 40% and 20% respectively. The cost increase is due to new hires, no layoff support and a return to normal employer contributions after the COVID-19 reduction in 2020.

Depreciation amounted to SEK 1,179 (1,180) thousand and is included in R&D costs.

The operating result amounted to SEK -12 026 (-16 571) thousand.

Result after financial items amounted to -12 125 (16,609) kSEK.

Result after tax amounted to SEK -12 125 (16,609) thousand.

Earnings per share before dilution amounted to SEK -1.07 (-1.46).

Earnings per share after dilution amounted to SEK -1.07 (1.46).

Cash flow during the period amounted to SEK -12 556 (6 348) thousand. Cash flow per share amounted to SEK -1.10 (0.63).

The cash flow included items from financing activities of SEK -509 (25 286) thousand. Cash flow per share excluding items from financing activities amounted to SEK -1.06 (-1.91).

Cash and cash equivalents as of 31 December 2022 amounted to KSEK 1,839 compared to KSEK 14,395 on 31 December 2021.

The company's equity as of 31 December 2022 amounted to SEK 7,553 thousand compared to SEK 19,678 thousand on 31 December 2021.

Equity per share as of 31 December 2022 amounted to 0.66 compared to SEK 1.73 on 31 December 2021.

The company's equity ratio as of 31 December 2022 was 58.17% compared to 75.36% on 31 December 2021.

The earnings trend follows the forecast and expectation prepared by management during the year.

Multi-year overview

kSEK	2022	2021	2020	2019	2018	2017	2016
Net Revenue	12,194	9,422	10,137	8,949	5,441	8,022	7,216
Profit after net financial terms	-12,125	-16,609	9,875	-4,345	-11,883	-6,358	-5,365
Balance sheet total	12,985	26,111	18,488	23,198	19,653	23,313	10,427
Equity ratio, %	58	75	57	22	55	68	40
Average no. of employees	9	9	8	7	6	5	5

To read full report (in Swedish) go [HERE](#).

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About Inhalation Sciences Sweden AB (publ)

Inhalation Sciences Sweden AB (publ) develops and commercializes world-leading instruments and services for research into inhalation. The company's patented lab instruments PreciseInhale® and DissolvIt® enable researchers in the pharma industry to make drug pipeline decisions at an early stage, saving time and resources for R&D departments, and enables researchers in academic institutions to define how aerosols and small particles impact our lungs, and so our health, when being inhaled.