

SIMRIS ALG INTERIM REPORT

JANUARY–MARCH 2022

THE PERIOD IN BRIEF – GROUP

SEK thousands	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Net revenue	3 206	492	6 137
Operating result / EBIT	-4 144	-7 462	-28 928
Result before tax	-4 007	-6 853	-28 343
Cash flow from operating activities	-3 291	-7 478	-18 137
Cash at the end of the period	942	8 463	961

Q1, JANUARY–MARCH 2022

- Net revenue was 3 206 (492) kkr of which US was 275 (308) kkr.
- Operating result was -4 144 (-7 462) kkr.

KEY EVENTS IN Q1

- The Board convened an Extraordinary General Meeting to carry out a rights issue of approximately 25.1 mkr, a directed set-off issue and the issuance of warrants.
- Two orders were received for biomass of microalgae totaling 3.0 mkr. They were delivered during the quarter.
- The number of shares and votes in Simris Alg AB was changed as a result of the conversion of 250 000 A shares into B shares. In accordance with the conversion reservation specified in the Articles of Association §7 Conversion reservation, shareholders of Class A shares have requested conversion to Class B shares.
- Simris Alg withdrew its EFSA application for Omega-3 oil from the microalgae strain *Phaeodactylum tricornutum* as the company found other strains that are more cost-effective to grow for Omega-3 oil.

KEY EVENTS AFTER Q1

- Simris Alg has appointed Julian Read as CEO, starting on May 16, 2022. Julian was most recently Managing Director (Nordics) for Dyson, and before that marketing director (Nordics) for Omega Pharma.
- On Friday, April 8, 2022, an Extraordinary General Meeting was held in Simris Alg AB (publ). Decisions were made on a rights issue of shares, on a directed issue of shares with payment by set-off and on directed issues of warrants. The incumbent CEO, Julian Read, has the right to subscribe for the warrants.
- The Board resolved to change the language of communication to English as a result of the company having an international board where only 1 in 4 members has a Swedish background.
- The Board resolved to postpone the company's Annual General Meeting until May 25, 2022..
- Simris Alg published investment memorandum regarding Rights Issue on 20 April, 2022.

ABOUT SIMRIS ALG

Simris Alg is a pioneering biotechnology company dedicated to the enormous potential of microalgae in the discovery and production of high-quality bioactive substances and alternatives to unsustainable marine ingredients. We are engaged in research, development, and production of bioactive substances from microalgae, for nutraceutical, cosmetic and pharmaceutical applications. Our technology provides access to bioactive substances with new functions, while at the same time replacing unsustainable raw materials from endangered marine species and ecosystems. Simris Alg's share is traded on Nasdaq First North Growth Market with the ticker SIMRIS and ISIN-code SE0008091664. Mangold Fondkommission AB is the Company's Certified Adviser, reachable by tel: 08-503 015 50 and email: ca@mangold.se.



DEAR SHAREHOLDER

The first quarter of this year has been a most encouraging one, especially when we compare it with the two previous quarters.

As you are now aware, the new Board of SIMRIS (appointed May 2021) took the view that to turn the business around would require some very tough and painful decisions to be made. These included a full organisational re-boot, an aggressive approach to cost cutting, and an equally aggressive approach to revenue generation.

Effectively, in the second half of 2021, we spent almost all of our time and energy just fixing problems. This is never pleasant for entrepreneurs: by nature we are business builders, with a deep desire to focus our energy on developing sales.

I am proud to say that as we entered Q1 of 2022, almost all of that hard and unpleasant work had been done. Along the way we successfully developed new strategic relationships that enabled us to sell our high-quality fucoxanthin, and in this quarter we have processed and shipped two large orders with a combined value of approximately 3.0 mkr. Full credit for this success must go to our strong team for their valued work and technical capabilities. Significantly, revenue for this quarter is up 550 percent on the same quarter last year.

Recognising that we want to be a business that is about much more than just fucoxanthin, or EPA Omega 3, we have made a lot of effort to strengthen our R&D. In so doing we have conducted (for the first time in the history of SIMRIS) a scientific hot-water extraction on defatted microalgae biomass under the close supervision of our CSO Prof. Dr. Claudia Grewe from the Anhalt University of Applied Science. This process was conducted in-house, at our facility in Hammehög, and represents a major milestone as we progress toward our goal of adding value to what we produce by downstream processing internally.

This hot-water extraction can be compared to making a "tea" and in this "tea" we search for natural compounds that are desirable as skincare actives. Once identified, the next step is for us to isolate these compounds, evaluate them in the lab for performance (in vitro testing) and then later we test on human skin (in vivo testing) to develop claims. This sequence enables us to verify and support any marketing claims that attest to the performance of these actives, which is critical if we are to sell these actives to the major players. Already we are seeing some encouraging signs that are in line with our expectations, and our two PhD students are progressing this work in our labs.

This quarter has also been memorable (at least for me personally) for another important reason: I spent a lot of my time in the second half of last year looking for a CEO that I felt could lead SIMRIS, not just for the next few years, but for its foreseeable future as we build it to be a major player in the global microalgae space. Great CEO's are not available "off the shelf". They are almost never looking for a job, and they are always held onto tightly by their current employers who value them highly. Fortunately for me it was in this quarter that my most favoured CEO candidate decided that he and SIMRIS were finally aligned and thus the appointment of Julian Read as SIMRIS' CEO has recently been announced. Julian starts with us on 16th May and I am hugely excited about this.

Finally, as would be expected after all this time spent fixing the business and repositioning it for an ambitious future, we must "put fuel in the tank" to ensure that the company is on a secure financial footing. No CEO should begin a new journey with one hand tied behind their back, and hence the Board have committed to a substantial Rights Issue and concomitant Bridge Loan conversion. This ensures no dilution under the Rights Issue for those shareholders that take up their Subscription Rights, and also ensures that the new Board directors have "skin in the game" by converting the full value of their bridge loans.

The next few years are promising to be transformative, as we build an agile and adaptive organisation with a profit focus. As always, thank you for your support and loyalty – it is greatly appreciated.

Regards

Steven Schapera
Chairman



Steven Schapera
Chairman

BUSINESS DESCRIPTION

Simris Alg is a biotechnology company that develops natural, biologically active substances from microalgae for applications in skincare, nutrition and biopharmaceuticals. The company's core capacity consists of its photobioreactor growth platform for the extraction of high-value ingredients and products from microalgae, which is cultivated on an industrial scale.

Simris harnesses the natural diversity of microalgae, replacing unsustainable raw materials sourced from marine animals and endangered marine ecosystems. Historically, Simris' focus has been on the extraction of vegan EPA, an important Omega 3 fatty acid, for use in Simris' own brand of Omega 3 supplements sold directly to consumers mainly in the US market. Beginning in mid-2021, strategy has shifted to becoming a B2B supplier of high-value bioactive substances. The company currently has two revenue streams:

- **NOVEL FOODS** – dietary supplement ingredients, currently EPA and fucoxanthin
- **SIMRIS®** – vegan dietary supplements consumer brand

PLAN GOING FORWARD

Simris has taken its photobioreactor platform from lab to industrial scale and validated the concept by launching its SIMRIS® products as well as selling its fucoxanthin product. Following the extensive strategic and organizational restructure, the company is set to further advance the science of microalgae and develop its commercial potential. The Board have identified great potential in the cosmetics, nutrition, and biopharma space. Importantly these are industries well familiar to the Board. The company plans to operate through four B2B revenue streams:

- **NOVEL FOODS** – dietary supplement ingredients
- **SIMRIS®** – vegan dietary supplements consumer brand
- **BIOMIMETICS** – skincare and biopharma ingredients
- **INNOVATION** – R&D as a service

THE ALGAE FARM

The company's facility in Hammenhög, Österlen consists of 2,000 square meters of greenhouses for cultivation of micro algae. The company also has modern laboratories for discovery and development of different micro algae strains with high farming potential for cultivation of desired bioactive ingredients. Production is led by Mr. Hannes Hall, who holds an MSc in biology, and has been with Simris since 2014. R&D is led by internationally respected CSO Prof. Dr. Claudia Grewe of the Anhalt University of Applied Science (Germany).

Microalgae grow by photosynthesis while simultaneously producing biomass substances (proteins, polysaccharides, fats). Because of photosynthesis, where the algae consume carbon dioxide and transform it into oxygen, Simris technology has beneficial effects on climate.

BUSINESS MODEL

The business model is based on R&D of bioactives that target large and growing markets and which allow for comparatively high margins when sold B2B through strategic alliances; successful R&D leads to at-scale cultivation of microalgae followed by extraction and subsequent sale of biologically active substances.



OVERVIEW

NET REVENUE AND PROFIT

Net revenue during the first quarter amounted to 3 206 (492) kkr of which the United States amounted to 275 (308) kkr. The strong increase consists of sales of B2B biomass.

Operating result amounted to -4 144 (-7 462) kkr. The inventory change during the first quarter amounted to -2 434 (-51) kkr and at the end of the period amounted to 914 (8 867) kkr. The remaining inventory contain both raw materials and products in work as well as finished products.

INVESTMENTS

The total value of the Group's fixed assets amounted to 22 681 (28 491) kkr at the end of the period. Depreciation of fixed assets were made according to plan with 724 (766) kkr during first quarter. Fixed assets are depreciated over 5–10 years for most fixtures and fittings, and up to 40 years for the buildings.

LIQUIDITY AND FINANCING

Cash flow from operating activities amounted to -3 291 (-7 478) kkr during the first quarter. Cash flow after investments and financing amounted -19 (-8 049) kkr. At the end of the period Cash and cash equivalents amounted to 942 (8 463) kkr. The total liabilities at the end of the period amounted to 13 936 (8 217) kkr.

During the third quarter of 2021, Simris Alg secured bridge financing of up to 7 mkr in the form of loans from board members, shareholders and external financiers. The loans were raised on market terms and paid out according to the company's liquidity needs. 3 500 kkr was drawn down during the first quarter. The full amount of total of 7 mkr has now been drawn down.

At an Extraordinary General Meeting on April 8 a decision was made to carry out a rights issue of approximately 25.1 mkr, with a subscription period of 21 April to 5 May. The ongoing rights issue is guaranteed via guarantees and a subscription commitment of 20.2 mkr. The Board's assessment is that the issue will cover the company's capital needs for the financial year 2022.

At the Extraordinary General Meeting on April 8 a decision was made to carry out a private placement of 19 276 182 B shares to the company's bridge loan issuer, with payment by set-off. In connection with the conclusion of the bridge loan agreements, the lenders were given the opportunity to subscribe for shares instead of cash repayment corresponding to the current receivable (including interest) according to the bridge loan agreements, with the possibility of payment by set-off. In order to strengthen the company's balance sheet the board offered the lenders to also receive repayment in the form of shares. Six out of seven bridge lenders have accepted the proposal.

EQUITY

The Group's equity amounted to 13 902 (40 006) kkr at end of the period. The solidity was 49.9 percent, compared with 62.4 percent on December 31, 2021.

THE SHARE AND THE OWNERS

The number of shares and votes in Simris Alg AB has changed as a result of conversion of 250 000 A shares into B shares. According to conversion reservation specified in the Articles of Association §7

Conversion reservation, shareholders of A shares have requested conversion to B shares. After the conversion, the total number of registered and outstanding shares in the company amounts to 78 547 046 B shares. The number votes have decreased by 250 000 from 78 797 046 to 78 547 046.

As of March 31, 2022, Simris Alg AB had 6 595 shareholders (6 815), of which the ten largest had 23 percent of the share capital and 23 percent of the votes. Simris Alg's B share has been listed on Nasdaq First North Growth Market since April 22, 2016. During the quarter, the highest price paid for the share was 0.908 and the lowest was 0.557 kronor. The last payment price at the end of the period was 0.649 kronor which gives a market value of approximately 51 mkr. A total of 11.7 million shares were traded during the quarter. More information is available at simrisalg.se/investerare.

OPTION PROGRAM

At the end of the period, Simris Alg had three outstanding option programs. Series 2019/1 consists of 43 438 warrants as of May 2019 was issued to employees of the company. The options have a term of five years and for each option, 1.45 B shares can be subscribed for at a price of SEK 4.44 per share. Exercise of outstanding options corresponds to a dilution of the share capital by approximately 0.1 percent.

Series 2021/2024: S consists of 2 000 000 warrants as in May 2021 was issued to the Board. The options have a term of three years and each option gives the right to subscribe for one B share at the subscription price 1.90 kr. Exercise of outstanding options corresponds to a dilution of the share capital by 2.4 percent.

Series 2021/2024: L consists of 1 820 000 warrants as in May 2021 was issued to senior executives and employees in the company. The options have a term of three years and each option gives the right to subscription of a B share at a subscription price of SEK 1.90. Utilization of outstanding options correspond to a dilution of the share capital by 2.4 percent.

At the Extraordinary General Meeting on April 8, a decision was made to issue 3 500 000 warrants in order to attract a new CEO.

STAFF AND ORGANIZATION

During the quarter, one new employment was made. The average number employees amounted to 7 (17).

PARENT COMPANY

As the group to such a significant extent consists of the parent company assets, liabilities and results are referred to in the comments as submitted to the Group's earnings and position.

TRANSACTIONS WITH RELATED PARTIES

Chairman of the Board Steven Schapera and the Board members Robert Quandt and Frank Puccio have participated in the company's bridge loan with 1 mkr each. The bridge loan comprises a total of 7 mkr as of 31 March. The loan has a set-up fee of 5 percent and the interest rate is 1 percent per month.

In addition to normal board work during the first quarter, board members performed consulting services for the company, of which Steven Schapera 277 kkr, Robert Quandt 17 kkr and Frank Puccio 8 kkr.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 25, 2022 at 11.00 on the algae farm, Herrestadsvägen 24A in Hammenhög. Summons and agenda announced in accordance with the Articles of Association no later than four weeks before the date of the Annual General Meeting.

ACCOUNTING PRINCIPLES

Simris Alg prepares its accounts in accordance with the Annual Accounts Act and the Accounting Boards general advice 2012:1(K3). Information on accounting principles in general is provided in the Financial Statement for 2021.

AUDIT

This report has not been reviewed by Simris Alg's auditor.

RISKS AND UNCERTAINTIES

Simris Alg's operations, financial position and earnings can be affected by a number of risks and uncertainties. These are described in Simris Alg's Financial Statement for 2021, available on simrisalg.se/investera.

Simris Alg assesses that the current covid situation does not constitute a risk to the business.

The current situation in Ukraine has no direct impact on Simris Alg's operations. Indirect impact are increased energy prices.

The Board of Directors and the CEO assure that the interim report provides a fair overview of the group's operations, position and results.

Steven Schapera
Chairman

Robert Quandt
Board member

Magnus Högström
Acting CEO and Board member

Frank Puccio
Board member



INCOME STATEMENT – GROUP

SEK thousands	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Net revenue	3 206	492	6 137
Change of finished goods and work in progress	-2 526	-62	-5 136
Capitalized own work	0	113	230
Other operating income	6	9	392
Raw materials and consumables	-589	-1 117	-3 298
Other external expenses	-2 098	-3 390	-12 316
Personnel expenses	-1 419	-2 741	-9 134
Depreciation and amortization	-724	-766	-5 803
OPERATING RESULT / EBIT	-4 144	-7 462	-28 928
Financial net	137	609	585
RESULT BEFORE TAX	-4 007	-6 853	-28 343
Tax	-25	24	-13
RESULT FOR THE PERIOD	-4 032	-6 829	-28 356
Attributable to the parent company's shareholders	-4 032	-6 829	-28 356

BALANCE SHEET – GROUP

SEK thousands	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS			
FIXED ASSETS			
Intangible assets	0	2 732	0
Tangible assets	22 632	25 670	23 356
Financial assets	49	89	70
TOTAL FIXED ASSETS	22 681	28 491	23 426
CURRENT ASSETS			
Inventory	914	8 867	3 348
Other receivables	3 301	2 479	1 466
Cash and bank balances	942	8 463	961
TOTAL CURRENT ASSETS	5 157	19 809	5 775
TOTAL ASSETS	27 838	48 300	29 201
EQUITY AND LIABILITIES			
EQUITY	13 902	40 006	18 221
PROVISIONS			
Deferred tax	91	77	87
LIABILITIES			
Long-term Liabilities	1 580	2 315	1 808
Short-term Liabilities	12 265	5 902	9 085
TOTAL LIABILITIES	13 936	8 294	10 980
TOTAL EQUITY AND LIABILITIES	27 838	48 300	29 201

CASH FLOW ANALYSIS – GROUP

SEK thousands	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Cash flow from operating activities before changes in working capital	-3 570	-6 700	-23 599
Cash flow from working capital	279	-778	5 462
CASH FLOW FROM OPERATING ACTIVITIES	-3 291	-7 478	-18 137
Cash flow from investing activities	0	-262	-253
Cash flow from financing activities	3 272	-309	2 839
CASH FLOW FOR THE PERIOD	-19	-8 049	-15 551
Cash and cash equivalents opening balance	961	16 512	16 512
CASH AND CASH EQUIVALENTS CLOSING BALANCE	942	8 463	961

CHANGES IN EQUITY – GROUP

SEK thousands	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Opening balance	18 221	47 423	47 423
Issue (including issue costs)	0	21	10
Stock option program	0	0	191
Translation differences	-287	-609	-1 047
Result for the period	-4 032	-6 829	-28 356
CLOSING BALANCE	13 902	40 006	18 221

KEY FIGURES – GROUP

	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Net revenue (kkr)	3 206	492	6 137
Operating result (kkr)	-4 144	-7 462	-28 928
Cash at the end of the period (kkr)	942	8 463	961
Equity (kkr)	13 902	40 006	18 221
Earnings per share (kr)	neg.	neg	neg.
Earnings per share after full dilution (kr)	neg.	neg	neg.
Equity per share (kr)	0,18	0,51	0,23
Equity per share after full dilution(kr)	0,18	0,51	0,23
Number of shares, average (thousands)	78 547 046	78 540 690	78 543 868
Number of shares, end of period (thousands)	78 547 046	78 540 690	78 547 046
Number of shares after full dilution (thousands)*	78 547 046	78 547 046	78 547 046
Solidity (%)	49,9	82,8	62,4
Balance sheet total (kkr)	27 838	48 300	29 201
Cash liquidity (%)	35	185	27
Average number of employees	7	17	12

* Simris Alg has three outstanding warrant programs. Dilution effects have not been taken into account for any of the programs for any of the above period, as the average price of Simris Alg's share in each period has been less than the subscription price in the programs. If full subscription takes place within the framework of the option programs, the number of shares will increase by 3 882 985.

KEY FIGURE DEFINITIONS

Balance sheet total – The sum of all assets in the balance sheet or sum of all liabilities and equity.

Equity per share – Adjusted equity (equity and untaxed reserves less deferred tax) divided by the number of shares at the end of the period.

Equity per share after full dilution – Adjusted equity (equity and untaxed reserves less deferred tax) divided by the number shares at the end of the period taking into account offer conversion and adjusted for effect of share-based payments.

Cash liquidity – Current assets excluding inventories and work in progress as a percentage of current liabilities.

Net revenue – Operating main income, invoiced costs, side income and income corrections.

Earnings per share – Earnings for the period divided by the number of shares after the end of the period.

Earnings per share after full dilution – Earnings for the period divided by number shares after the end of the period, taking into account offer conversion and adjusted for effect of share-based payments.

Operating result – Result before financial expenses and tax.

Solidity – Adjusted equity at the end of the period as a percentage of total asset.

INCOME STATEMENT – PARENT COMPANY

SEK thousands	Jan–Mar 2022	Jan–Mar 2021	Full year 2021
Net revenue	2 931	633	5 887
Change of finished goods and work in progress	-2 207	253	-4 531
Capitalized own work	0	113	230
Other operating income	6	9	392
Raw materials and consumables	-590	-1 117	-3 298
Other external expenses	-1 989	-2 663	-10 504
Personnel expenses	-1 419	-2 741	-9 134
Depreciation and amortization	-718	-762	-5 788
OPERATING RESULT / EBIT	-3 986	-6 275	-26 746
Financial net	-185	730	-12 308
RESULT BEFORE TAX	-4 171	-5 545	-39 054
Tax	-3	0	-10
RESULT FOR THE PERIOD	-4 174	-5 545	-39 064

BALANCE SHEET – PARENT COMPANY

SEK thousands	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS			
FIXED ASSETS			
Intangible assets	0	2 732	0
Tangible assets	22 632	25 653	23 350
Financial assets	9	9	9
TOTAL FIXED ASSETS	22 641	28 394	23 359
CURRENT ASSETS			
Inventory	640	8 425	2 840
Receivables from group companies	0	11 809	0
Other receivables	3 176	2 220	1 368
Cash and bank balances	658	8 120	753
TOTAL CURRENT ASSETS	4 474	30 574	4 961
TOTAL ASSETS	27 115	58 968	28 320
EQUITY AND LIABILITIES			
EQUITY	13 249	50 761	17 423
PROVISIONS			
Deferred tax	91	77	87
LIABILITIES			
Long-term Liabilities	1 580	2 315	1 808
Short-term Liabilities	12 195	5 815	9 002
TOTAL LIABILITIES	13 866	8 207	10 897
TOTAL EQUITY AND LIABILITIES	27 115	58 968	28 320



FINANCIAL CALENDAR:

Annual General Meeting 2022: 25 May 2022
 Interim Report January–June 2022: 17 August 2022
 Interim Report January–September 2022: 9 November 2022
 Year-end Report 2022: 15 February 2023

FOR MORE INFORMATION:

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This information is information that Simris Alg is obliged to make public pursuant to the EU Market Abuse Regulation.
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