

Arctic Bioscience – company update Q1 and YTD 2021

Highlights

- Raised NOK 300 million to fund pharmaceutical development program and new production facility
- Listed at Euronext Growth on February 24th
- Signed 3-year agreement with Smerud Medical Research International for phase II study of mild to moderate psoriasis drug candidate
- HRO350 pharmaceutical project developing according to plan
- Initiated research collaboration for development of new drug candidate for extremely premature infants
- Maintain full year revenue growth target of 40%+, mainly driven by H2 sales

“The year this far has been an eventful one for Arctic Bioscience. We continued our ambitious plan for pharmaceutical development of the investigational medicinal product HRO350 and announced a new development project for extremely premature infants. The nutraceutical business has experienced revenue growth vs 2020, with interesting opportunities in the pipeline. In addition, we are well on our way with the state-of-the-art production facility in Ørsta, which will support both the pharmaceutical and nutraceutical businesses when finalized. Combined with financial support from our shareholders, we are in a good position to develop the company further”, says CEO Ole Arne Eiksund in Arctic Bioscience.

Operations

Arctic Bioscience is a biotech company with a clinical phase pharmaceutical business unit and a commercial nutraceutical business unit. The company is built upon expertise in bioactive herring roe compounds and proprietary platform technology.

During the first quarter of 2021, Arctic Bioscience completed a private placement raising NOK 300 million. The proceeds from the transaction will be used to invest in the development of the company’s novel treatment against mild-to-moderate psoriasis and to invest in a new state-of-the-art production and process facility. The proceeds will also be used to strengthen the company’s financial capacity, to investigate new pharmaceutical indications, and conduct other selected pre-clinical trials.

The company is in the process of developing a pharmaceutical drug candidate (HRO350) based on herring roe – a novel oral treatment for mild-to-moderate psoriasis. Psoriasis prevalence rates range from 2% to 6% of the population in western countries, and approximately 90% of patients suffering from mild-to-moderate disease. This corresponds to around 21 million psoriasis patients based in the USA and the EU-5 alone and an annual revenue opportunity of more than \$1 billion. A large, randomized Phase IIb study scheduled to start in 2022. The company plans to manufacture HRO350 at the company's new facility in Ørsta.

On March 3rd, Arctic Bioscience signed a 3-year agreement worth NOK 75 million with Smerud Medical Research International to conduct a phase IIb clinical study on psoriasis. The purpose of the study is to investigate the efficacy and safety of HRO350 and to establish the optimal dose. The study will include more than 500 patients and is planned to be conducted in seven countries, including Norway. Recruitment of patients will start in H1 2022, with a planned 6-month inclusion time and 6-month data read-out in mid-2023.

Nutraceuticals from Arctic Bioscience are sold worldwide as bulk ingredients to companies making dietary supplements and as finished goods under the ROMEGA™ brand. Arctic Bioscience’s go-to-market strategy for nutraceutical products is multi-dimensional including: 1) B2C sales of premium branded ROMEGA products on a subscription basis, 2) B2B sales of finished goods and bulk ingredients globally and 3) B2B2C strategic partnerships where all sales, marketing and distribution is outsourced to a partner with specific geographic capabilities. Through its strategic partnership with Kotler Marketing Group, Arctic Bioscience has developed a strong relationship for efficient market entry and sales growth in China.

Financials

<i>(NOK million)</i>	Q1 2021
Revenues	5.01
Gross profit	1.97
EBITDA	-14.77
Adjustments *	8.47
Adjusted EBITDA	-6.30
CAPEX	4.72
Cash holdings	282.41

** Adjustments to operating expenditures are made for costs associated with the listing on Euronext Growth.*

Sales revenues during the first quarter amounted to NOK 5.01 million. This is in line with expectations and full year forecast, with a significant part of revenues skewed towards the second half of the year.

Adjusted EBITDA during the quarter amounted to NOK -6.30 million which is again in line with quarterly and full year expectations.

Total capital expenditures (CAPEX) amounted to NOK 4.72 million during the period, including the start of clinical material preparation for the HRO350 project and the basic design phase of the factory. CAPEX is expected to increase in line with plans from Q2 onwards for the Phase IIb development program and the construction of the factory.

Following the capital raise in February, the company has a solid financial position with liquidity to fund planned and ongoing projects through 2023. At the end of Q1, the company's cash and cash equivalents amounted to NOK 282.41 million.

Subsequent events

On May 25th, Arctic Bioscience and Smerud Medical Research International announced the initiation of a collaboration to develop a new drug candidate for extremely premature infants based on phospholipid esters from herring roe. Docosahexaenoic acid (DHA) is important for normal development of brain and vision in the fetus. Herring roe is a natural source of the omega-3 fatty acid DHA. Thus, there is a sound scientific rationale for a drug candidate based on phospholipid esters from this raw material. Based on patented technology, Arctic Bioscience will develop a new liquid drug formulation with a high content of phospholipid bound DHA which can be administered through feeding tubes.

Outlook

Arctic Bioscience will continue to pursue commercialization of its pharmaceutical business as well as revenue growth and profitability within its nutraceutical business. The company maintains its annual revenue growth target of 40%+, with the majority of revenue in the second half of the year as expected.

Based on successful completion of the Phase IIb study, the company currently expects to run a Phase III clinical trial in collaboration with a commercial partner between 2024 to 2026, with plans to have results reviewed by the European Medicines Agency (EMA) and the Food & Drug Administration (FDA) for marketing authorization application thereafter.

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About Arctic Bioscience

Arctic Bioscience is a biotech company developing pharmaceutical and nutraceutical products based on the unique properties of herring roe oil, composed of complex bioactive marine compounds, including lipids essential to maintaining cell membranes. The nutraceutical products contain lipids which contribute to the normal functioning of brain, heart and vision.

The company is developing a novel drug candidate (HRO350) for mild-to-moderate psoriasis, a large global patient population where there is substantial need for effective, convenient and cost-effective new medicines with beneficial safety profiles. Nutraceuticals from Arctic Bioscience are sold worldwide as bulk ingredients to other companies making dietary supplements (B2B) and as finished goods under the ROMEGA™ brand (B2C), with significant expansion potential all channels and regions.

To support its long-term growth strategy, Arctic Bioscience is planning a state-of-the-art manufacturing facility in Ørsta. Easy access to the raw material and proprietary production processes will increase control of the value chain, improve margins and enable large-scale, high-quality manufacturing.

Arctic Bioscience is led by a highly competent team with significant expertise developing marine oils and extensive experience from some of the world's leading pharmaceutical, technology and financial services companies.