

# Arctic Bioscience

Presentation of financial results  
First half year 2022

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Developing and commercializing pharmaceutical and nutraceutical products based on **unique bioactive marine compounds**, utilizing proprietary technology and methodology

# Agenda

Intro and H1-2022 operational highlights

H1-2022 operational review

H1-2022 consolidated Group financial review

Business outlook

Q&A



# Intro and H1 -2022 operational **highlights**



# Arctic Bioscience in brief

**01**

HRO 350 – a novel oral drug candidate for mild-to-moderate psoriasis. Strong scientific rationale and promising clinical effects demonstrated in pilot trial

**02**

Significant unmet medical need for new treatment options in mild-to-moderate psoriasis. Large market opportunity: USD 20bn+ market for moderate psoriasis alone

**03**

Cash generating and growing global nutraceutical business with an especially strong partnership established in China

**04**

Proprietary technology platform with control over value chain underpins both businesses

**05**

Robust ESG footprint

**06**

Strong management team with broad experience within the pharmaceutical and nutraceutical industries

# H1 -2022 highlights

## Phase IIb clinical study on HRO350 in mild-to-moderate psoriasis largely on track

1<sup>st</sup> patient enrolled to clinical trial expected Q4-2022 (6 month inclusion period). 6-months data read out H2-2023

### 20 % y/y revenue growth

Positive sales prospects for H2-2022, including increased order intake from the Chinese market

### Financial results in line with expectations

Gross margin 27,6 % / EBITDA MNOK -14,4

### Strong liquidity position

NOK 177,8 million as of 30 June 2022

### Received positive opinion from EMA on Paediatric Investigational Plan

Outlines the Group's intention to investigate HRO350 for children with psoriasis

### New and extended strategic partnership agreement with Kotler

Opens access to a larger part of the Chinese market, and includes potential collaboration within Pharma space in China

### Changes in management team

CEO, CFO, SVP Sales & Marketing, Quality Manager



# H1 -2022 **operational review**







# Operational review **Nutra**



# Nutra performance on schedule for 2022

## B2B

- Continued growth with existing customers and gaining new customers in key markets
- 24 % y/y growth in B2B sales
- Increasing sales of finished products vs. bulk oil
- Participated in several trade conferences in Europe and USA during H1, which helped increase the pipeline for 2022
- COVID continued to impact ability to meet with customers, but the situation is improving

## B2C

- The Romega brain product is developing well in the market – high Romega DHA content supports brain health
- B2C subscriber base is stable
- B2C-team strengthened with a new SVP for Sales & Marketing



# Positive Nutra progress in China through the Kotler partnership

- ROMEGA Prenatal, Eye Health and Brain Health deployed via e-commerce platforms, five supporting channels and three business partners
- Kotler has increased its headcount for the Arctic Bioscience partnership to more than 50, indicating substantial resources are invested in the long-term growth strategy
- 7 nutraceutical observational studies in prenatal, brain and eye health with data gathered here also expected to contribute to long-term growth in ROMEGA sales
- Most important study will recruit 200 pregnant women to observe the benefit of ROMEGA prenatal for pregnant women as well as the brain development of baby and is sponsored by Guangdong Women and Children's Hospital

## E-COMMERCE CHANNELS

Product portfolio development and market positioning

Deployed products into various e-commerce platforms

	ROMEGA Prenatal Nutrient for healthy brain development	✓	✓	✓	✓	✓
	ROMEGA Eye health Nutrient for eye Health	✓	✓		✓	✓
	ROMEGA Brain Health Nutrient for brain Health	✓	✓		✓	

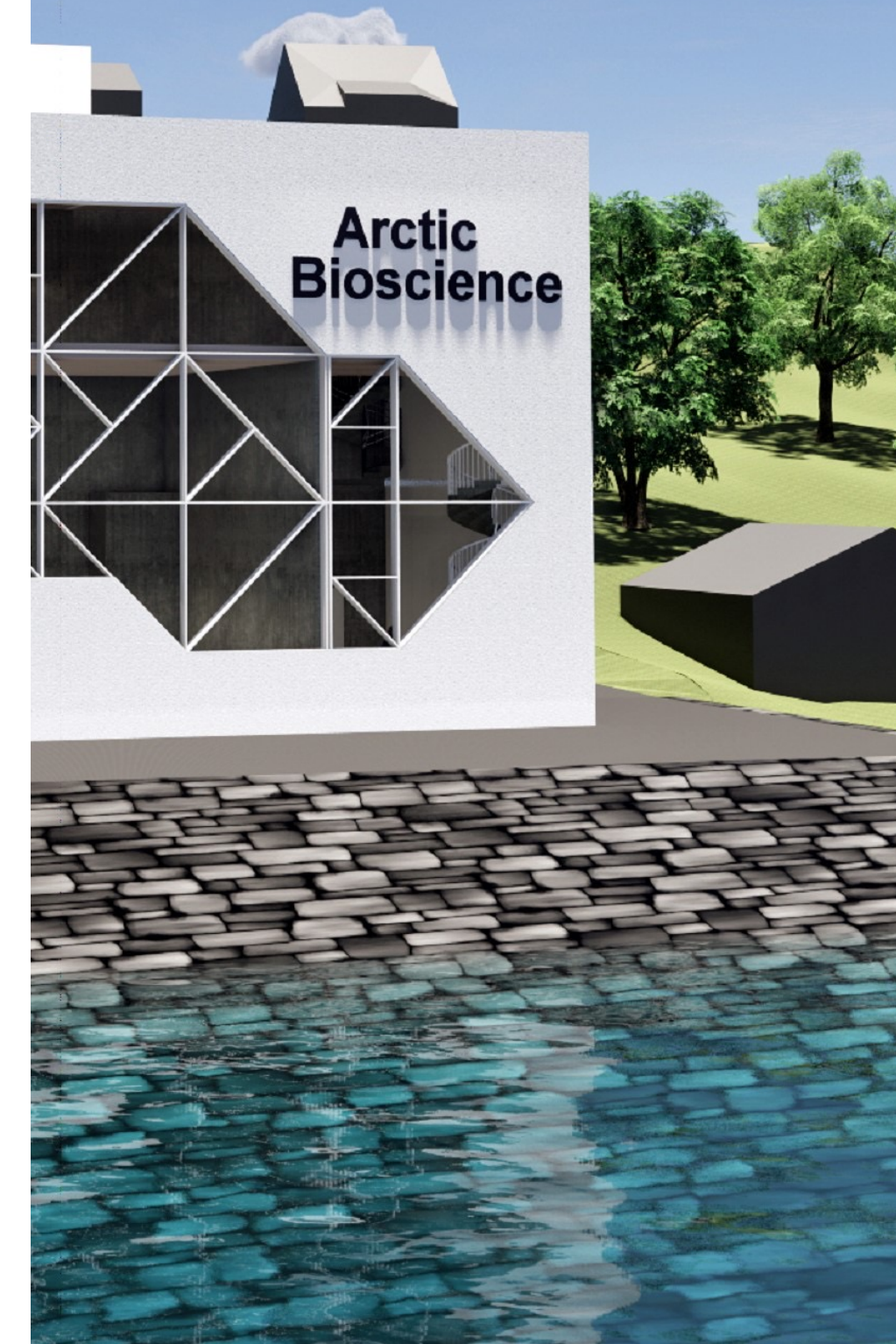
## OFFLINE MARKETING CHANNELS



- Academic seminars
- Professional salons
- KOL marketing
- Trade shows

# GMP manufacturing facility

- Due to global uncertainties, increased prices on materials and equipment, combined with extended delivery times, the Board of Directors of Arctic Bioscience in April decided to postpone the investment decision for the construction of a full-scale manufacturing facility
- The Group has evaluated alternative solutions to secure capacity to manufacture materials for the planned phase III clinical trial. A final decision on next steps is expected during the second half of 2022
- Financial implication is that overall, 2022 capex for Arctic Bioscience will be significantly lower than anticipated





# Operational review **Pharma**



# Properties of investigational medicinal product HRO350

HRO350 is a complex mixture of biologically important phospholipids

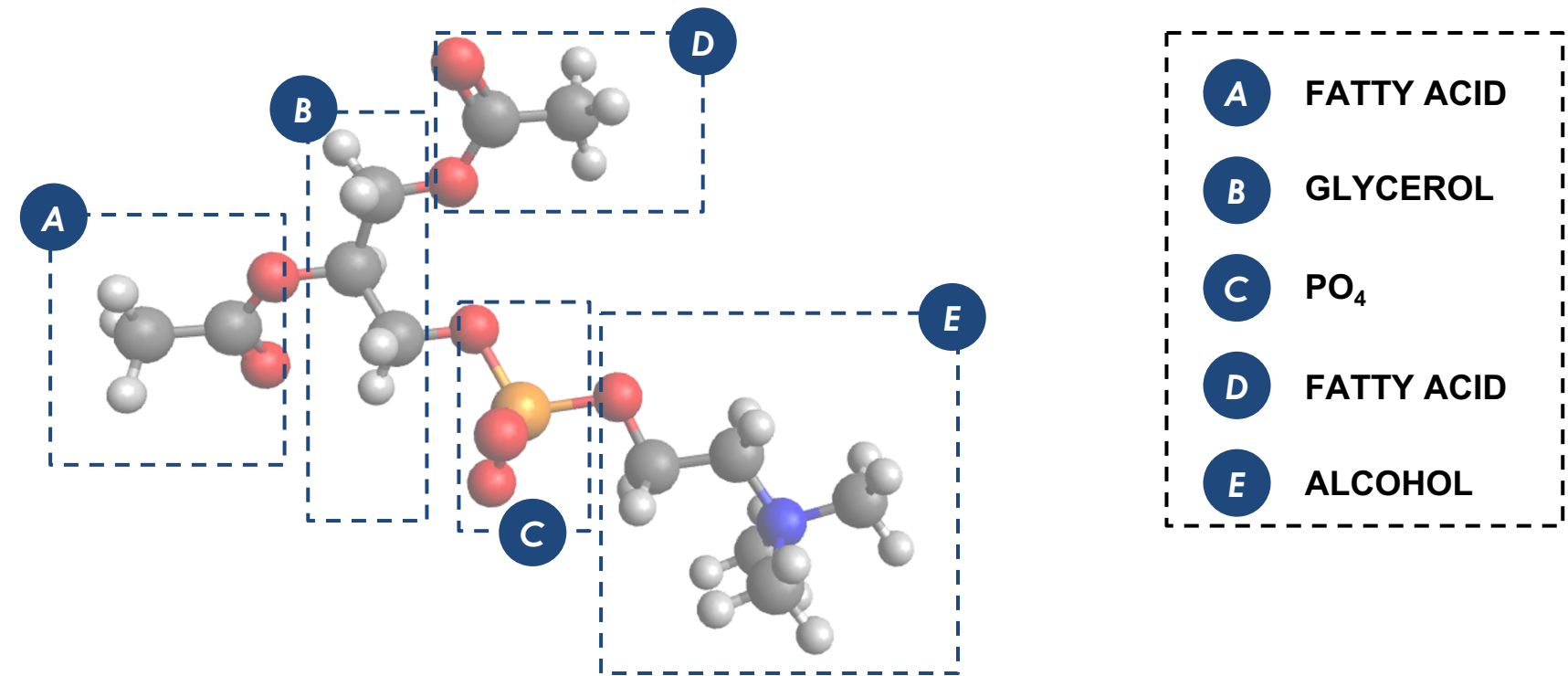
Herring roe is unusually rich in specific phospholipid esters, which are extracted and encapsulated for per-oral delivery

Composition of several lipid classes and their metabolites with immunoresolving properties

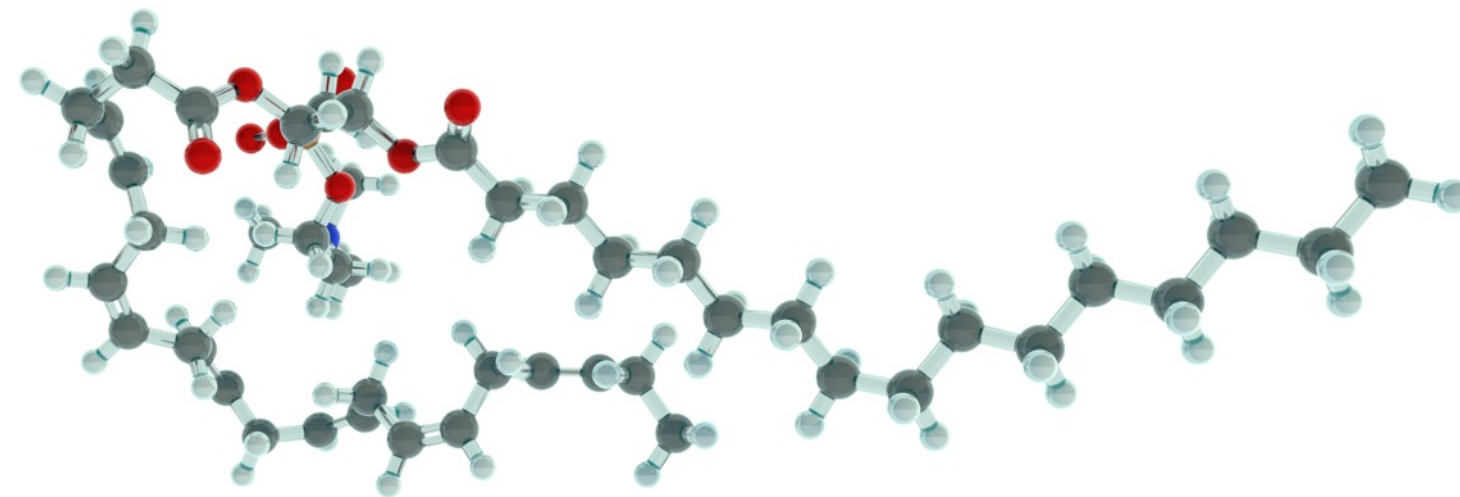
GMP production, oral soft capsules

Conducting cellular studies with Norwegian R&D institutions to further investigate mode-of-action in psoriasis

Core structure of phospholipid esters from herring roe



Example phospholipid:  
PC(22:6n3/16:0)






Proprietary extract of phospholipid esters from herring roe

# Developing HRO350 - a novel oral drug for mild-to-moderate psoriasis with significant market potential

21 million mild-to-moderate psoriasis patients in EU and US alone

Split of disease severity in 5 largest countries in EU5<sup>1</sup>

Mild	Moderate	Severe
This usually means isolated patches on limbs and scalp.	The disease will usually be spread to the arms and legs. It may also affect the patient's quality of life.	The disease will usually be spread to the arms, legs, torso and scalp. It is likely affecting the patient's quality of life.
		
66% of patients <sup>1</sup>	25% of patients <sup>1</sup>	11% of patients <sup>1</sup>
PASI < 3/5	3/5* < PASI < 10	PASI > 10

“

“There is a large proportion of patients who cannot be put on biologics and it is lot trickier and not so straight forward to put them on existing treatments. They need effective new topicals or orals.”

– Clinical lecturer, Dermatology, UK

“

“We need cheaper options for moderate patients. We have majority of patients with PASI 5-10 but we do not want to give biologics to all and phototherapy is not feasible for everyone”

- Senior Physician, Department of Dermatology, Germany

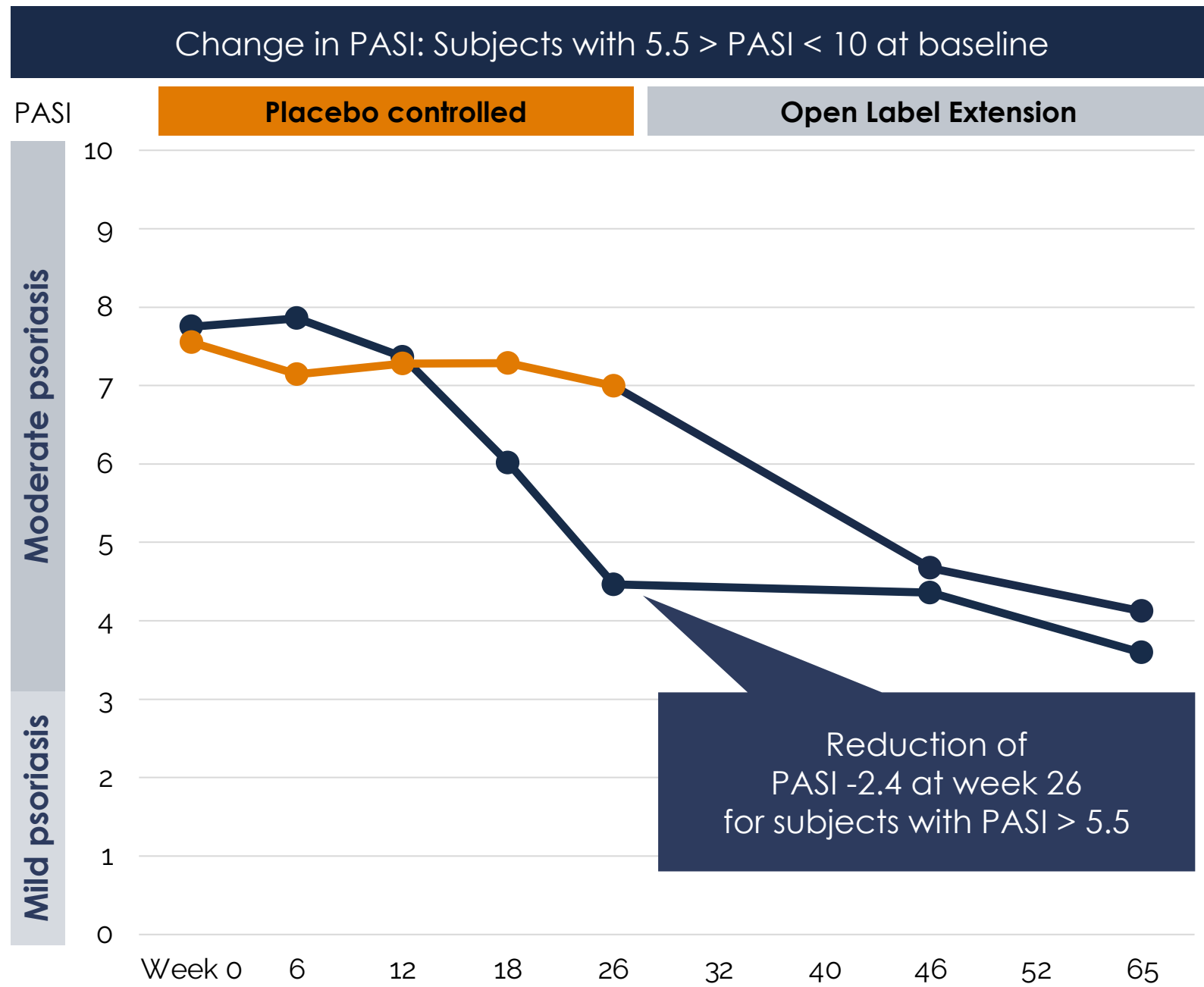
Source: HRO350 Commercial Opportunity Assessment in Psoriasis, IQVIA report  
Notes: 1) Severity split based on figures from the UK, Germany, France, Italy and Spain

# Primary endpoint met in pilot clinical trial

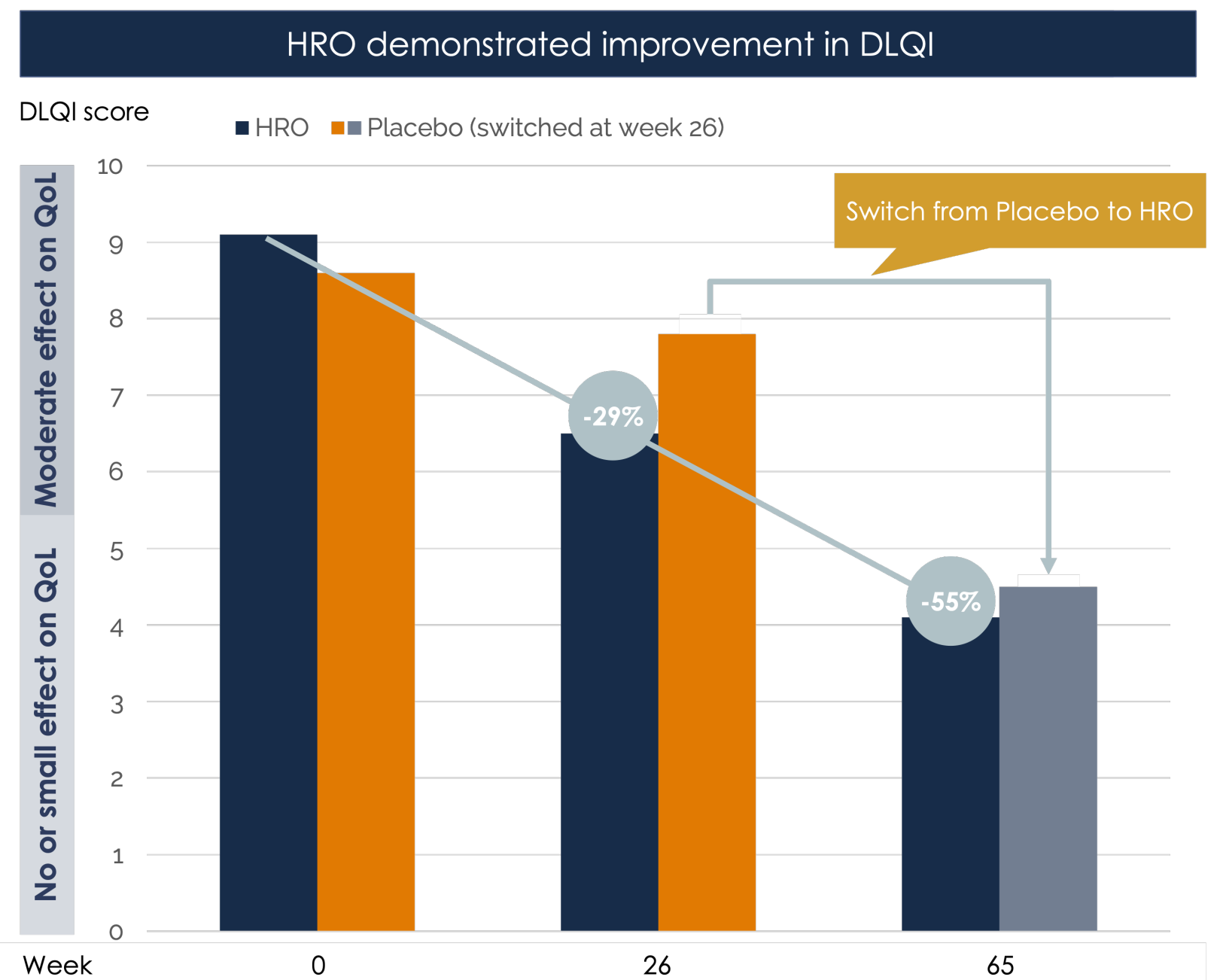
## Improvement in Quality of Life

Primary endpoint: change in PASI vs placebo at week 26

Open Label Extension to week 65 showed effect is sustained and increases further over time



\*Mean change in PASI score at week 26 for subjects with PASI baseline equivalent to moderate psoriasis, estimated to -2.4 with a 95% confidence interval <-4.3, -0.5>, p=0.0157 (n=31)



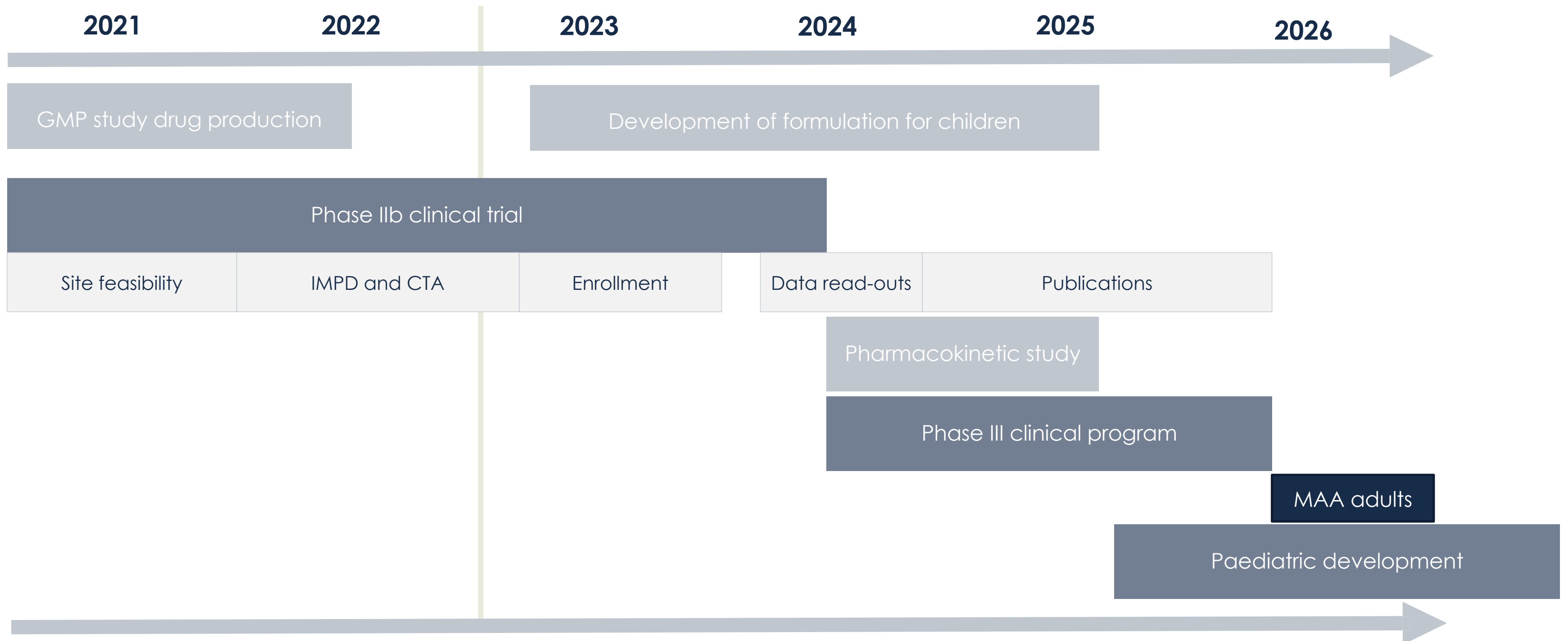
All patients who completed the study (n=58)  
Week 26 – 65 was an open label extension with no placebo-control

DLQI: Dermatology Life Quality Index (0-30 point scale)  
DLQI 6-10: Moderate effect on patient's life



# Milestone overview HRO350 drug development

Plan as presented at listing and tasks on track, certain tasks took longer than expected



HRO350 is an investigational medicinal product

MAA: Marketing Authorization Application; IMPD: Investigational Medicinal Product Dossier; CTA: Clinical Trial Application; GMP: Good Manufacturing Practice

# First half 2022

Key pharma focus: Keeping on track with phase IIb clinical trial

- Production of HRO350 Investigational Medicinal Product for the clinical trial
- Compiling documentation and writing Investigational Medicinal Product Dossier
- Preparing submission of Clinical Trial Application
- Preparing international GMP shipments to sites
- Agreed with EMA on Paediatric Investigation Plan for HRO350





# Pharma Pipeline



# Paediatric Investigation Plan (PIP) for HRO350 agreed with EMA

PIP agreed with the Paediatric Committee\*  
of the EMA Q1 2022

Component of the regulatory drug  
development journey for HRO350

Prerequisite for filing for marketing  
authorization (MA) for new medicines in  
Europe

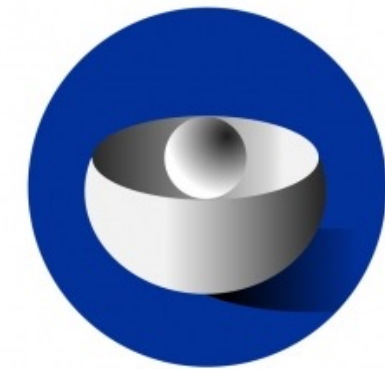
Requirement before starting the phase IIb  
study in adults

High unmet medical need

1% of children under age 18 suffer from  
psoriasis

Limited treatment options

A future paediatric indication could increase  
patient population who could have benefit of  
HRO350



EUROPEAN MEDICINES AGENCY  
SCIENCE MEDICINES HEALTH

\*The Paediatric Committee of the EMA provides opinions on the quality, safety and efficacy of a medicine for use in the paediatric population

Reference: Augustin M, Glaeske G, Radtke MA, Christophers E, Reich K, Schäfer I. Epidemiology and comorbidity of psoriasis in children. Br J Dermatol. 2010 Mar;162(3):633-6. doi: 10.1111/j.1365-2133.2009.09593.x. Epub 2009 Nov 18. PMID: 19922529.

# Novel drug candidate for brain development in extremely premature infants

## Collaboration with Smerud Medical Research International

Smerud cover cost of clinical program

Arctic Bioscience to cover cost of formulation development

Orphan designation to be sought

In parallel with HRO350 clinical program for psoriasis

## High unmet medical need

~15 million premature births annually worldwide<sup>1</sup>

~5% are extremely premature (< 28 weeks)<sup>2</sup>

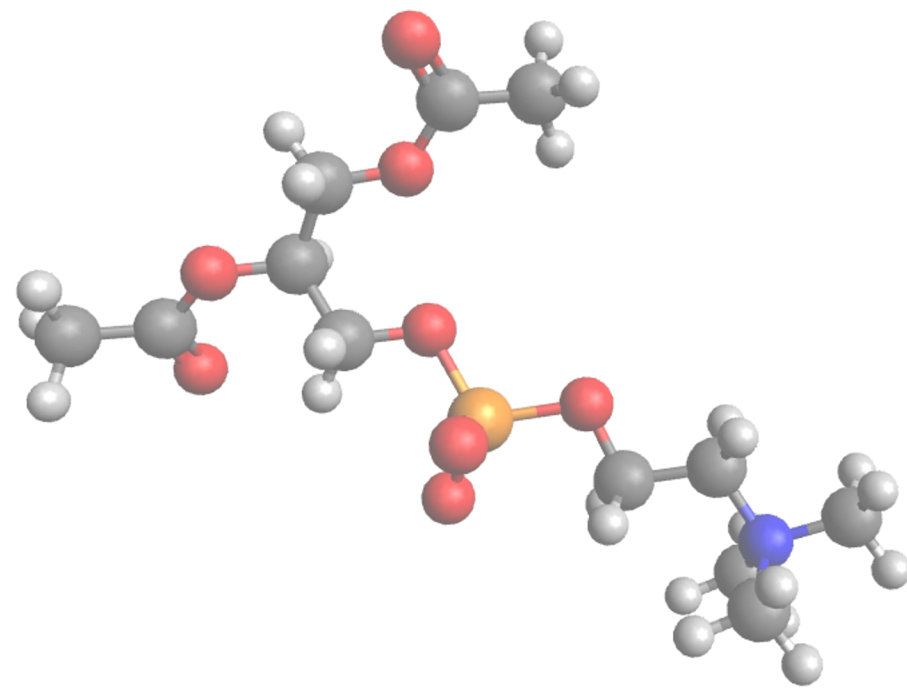
Babies born this early do not have fully developed brains, and therefore a high risk of disability and complications



# Platform technology with potential beyond psoriasis

Properties of HRO350 may have relevance in inflammatory diseases

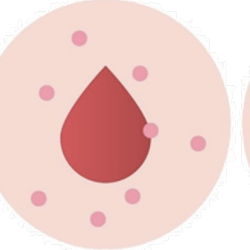
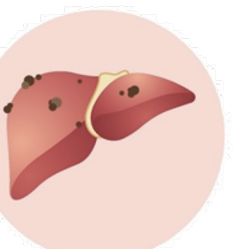
Phospholipid esters and metabolites



HRO350 contains active substances with the potential to affect inflammatory processes

Potential relevance in diseases associated with inflammatory pathologies



 <b>Multiple Sclerosis</b>	 <b>Allergy</b>	 <b>Scleroderma</b>	 <b>Celiac Disease</b>	 <b>Type 1 Diabetes</b>	 <b>Rheumatoid Arthritis</b>
 <b>Asthma</b>	 <b>Addison's Disease</b>	 <b>Psoriasis</b>	 <b>Raynaud's Phenomenon</b>	 <b>Lupus</b>	 <b>Graves Disease</b>
 <b>Vitiligo</b>	 <b>Polymyalgia Rheumatica</b>	 <b>Sarcoidosis</b>	 <b>Alopecia</b>	 <b>Crohn's Disease</b>	 <b>Autoimmune Hepatitis</b>

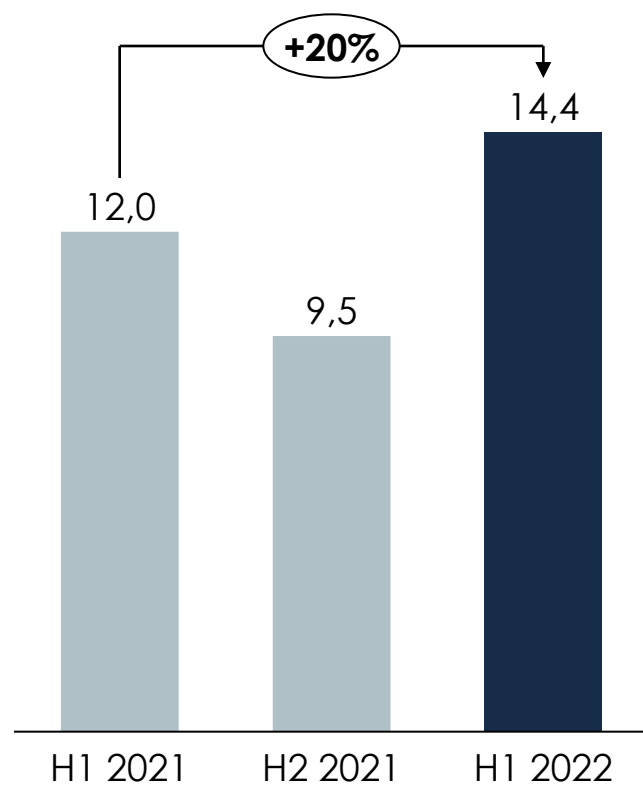


# H1-2022 consolidated group **financial review**

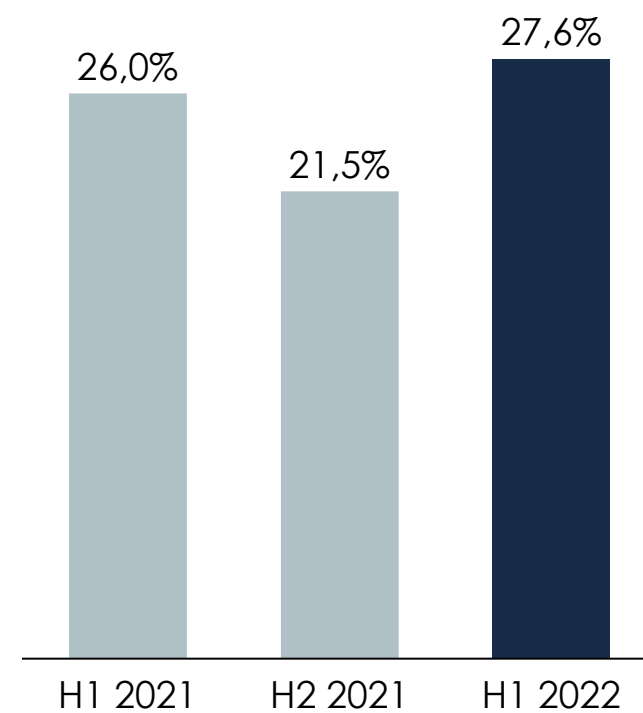


# Key financial figures

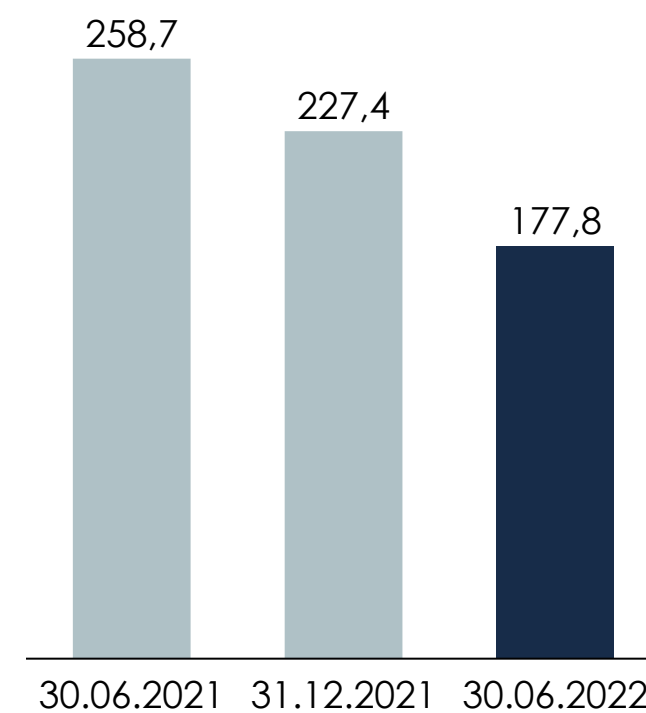
## REVENUE



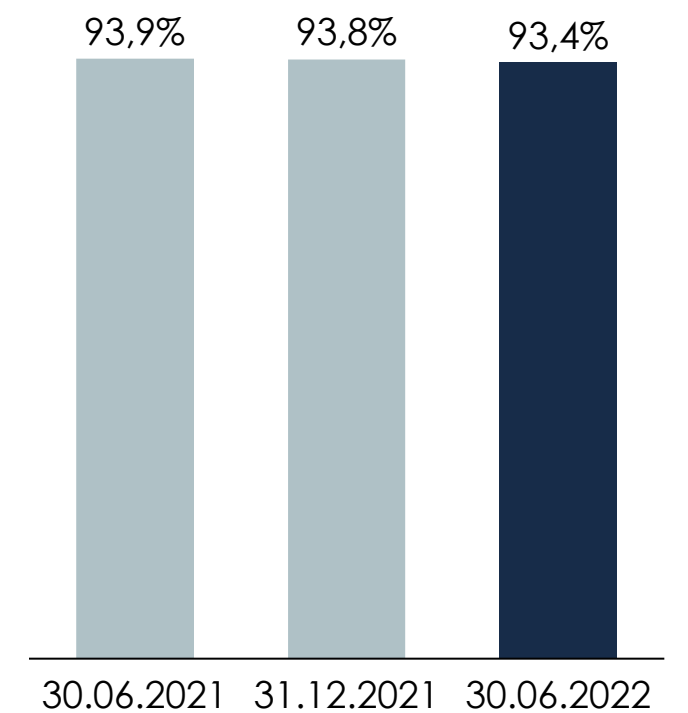
## GROSS MARGIN



## CASH POSITION



## EQUITY RATIO





TNOK	H1-2022	H1-2021
<b>Total revenues</b>	<b>14 402</b>	<b>11 968</b>
Cost of goods sold	10 431	8 862
<b>Gross profit</b>	<b>3 971</b>	<b>3 106</b>
<b>Gross margin %</b>	<b>27,6 %</b>	<b>26,0 %</b>
Employee benefits expenses	7 472	9 653
Depreciation and amortisation expenses	1 802	826
Other expenses	10 915	13 392
<b>Operating profit (loss)</b>	<b>-16 218</b>	<b>-20 765</b>
Finance income	1 593	1
Finance expenses	320	464
<b>Net financial items</b>	<b>1 273</b>	<b>-463</b>
<b>Net profit (loss) for the period</b>	<b>-14 945</b>	<b>-21 228</b>

# Income statement

**Revenue up 20% y/y to 14,4 MNOK, with also positive sales prospects for H2-2022, including increased order intake from Chinese market**

- Stable revenue development in B2C-segment in line with expectations
- B2B revenue ex. China up 7,3 %
- Revenue from the Chinese market has had a very positive development, and is expected to have an increasing relative share going forward

**Increased gross margin of 27,6 % vs. 26,0 % first six months**

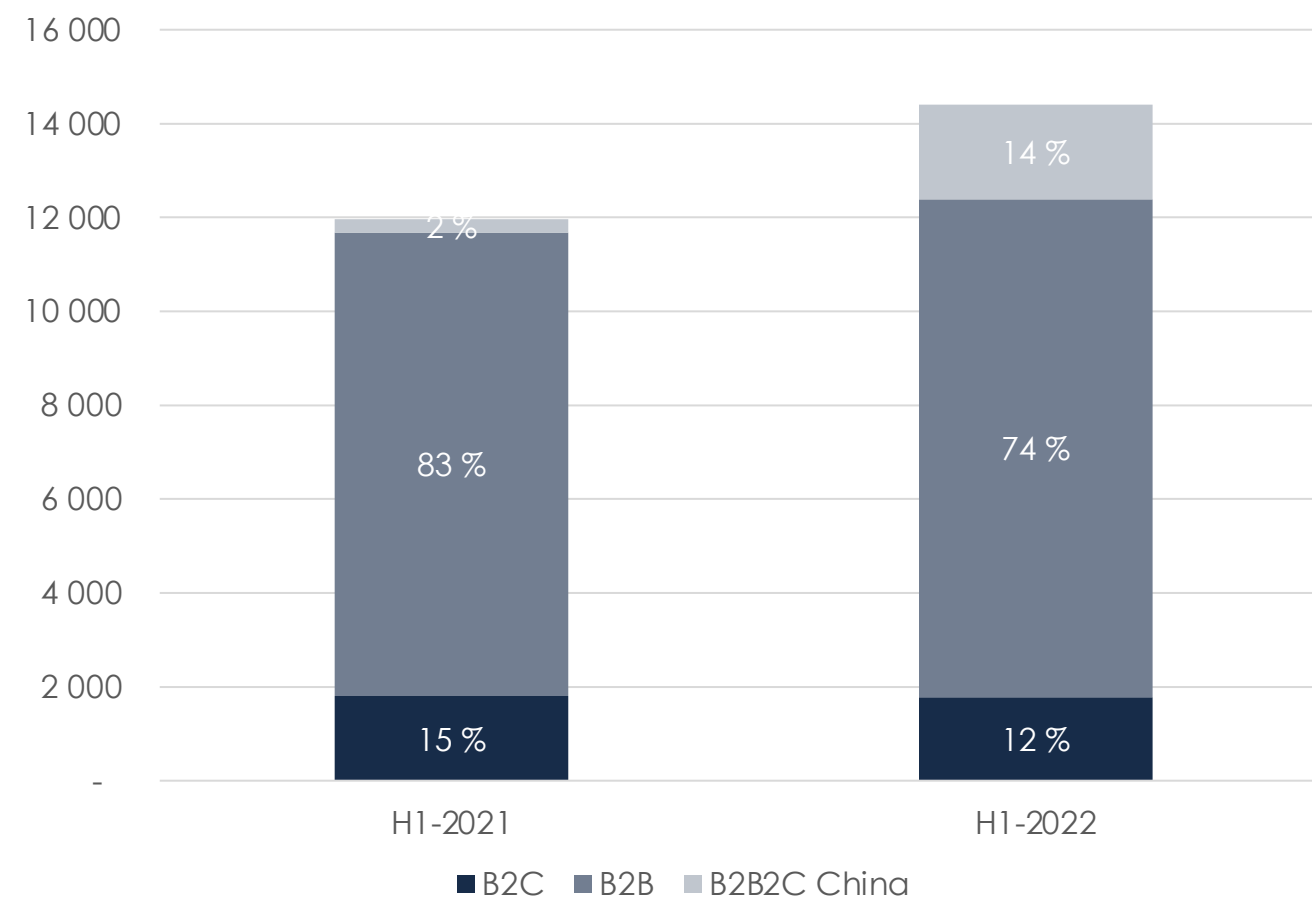
- Experienced cost increases from our suppliers, especially related to sub-production costs and freight

**Operating loss of -16.2 MNOK in line with expectations**

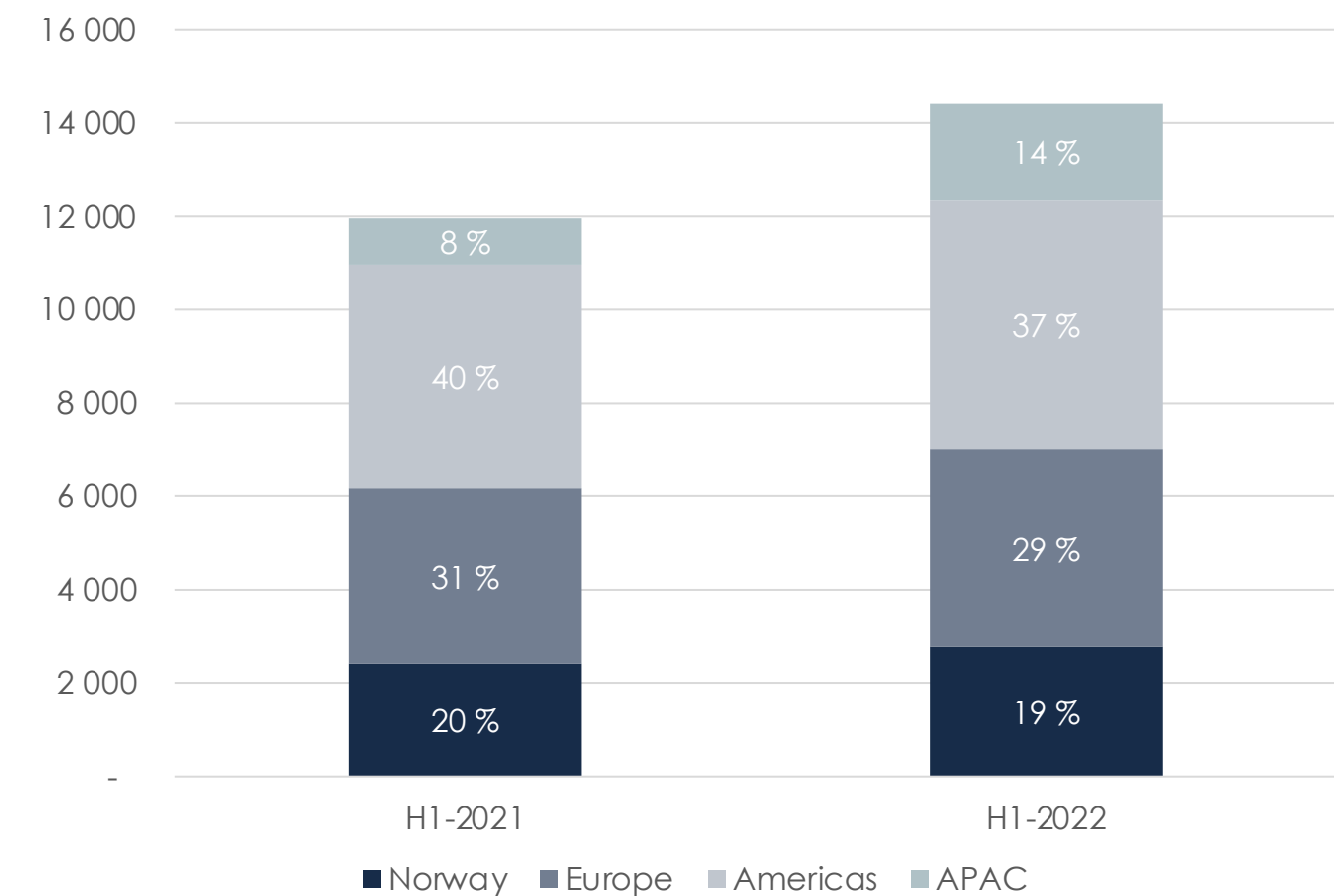
- Listing costs related to IPO included in H1-2021 figures
- Total OPEX in H1-2022 below budget, increased cost focus implemented during first half of 2022

# Breakdown of Nutra revenue

REVENUE BY BUSINESS LINE



REVENUE BY REGION



TNOK	H1-2022	H1-2021
Profit/loss before tax	-14 945	-21 228
Ordinary depreciation	1 802	826
Change in inventory	-4 274	-3 637
Change in AR	-2 827	3 938
Change in AP	-349	-5 378
Change in other accrual items	1 649	-2 649
<b>Net cash flow from operating activities</b>	<b>-18 944</b>	<b>-28 129</b>
Investments in tangible and intangible assets	-31 400	-22 589
<b>Net cash flow from investment activities</b>	<b>-31 400</b>	<b>-22 589</b>
Repayment of long-term liabilities	0	-541
Net change in bank overdraft	0	-4 618
Proceeds from equity	750	302 012
<b>Net cash flow from financing activities</b>	<b>750</b>	<b>296 853</b>
Net change in cash	-49 594	246 135
Cash at the start of the period (1.1)	227 362	12 600
<b>Cash at the end of the period (30.6)</b>	<b>177 768</b>	<b>258 735</b>

# Cash flow statement

**Strong cash position at end of period of 177,8 MNOK**

**Cash flow from operations -18,9 MNOK mainly driven by negative operating result and increases in current assets**

**Cash flow from investments -31,4 MNOK**

- 24,5 MNOK for HRO350 phase IIb study
- 5,9 MNOK for GMP new factory facility (prelim. project)

**Limited changes due to financing activities**

- Share capital and share premium increased with a total of 0,75 MNOK due to exercise of share options first half of 2022

TNOK	30.06.2022	31.12.2021
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Intangible assets	81 697	58 548
Property, plant and equipment	22 441	15 993
<b>Total non-current assets</b>	<b>104 138</b>	<b>74 541</b>
<b>Current assets:</b>		
Inventories	32 800	28 526
Accounts receivable	10 532	7 705
Other current assets	2 681	3 341
Cash	177 768	227 362
<b>Total current assets</b>	<b>223 781</b>	<b>266 934</b>
<b>TOTAL ASSETS</b>	<b>327 919</b>	<b>341 475</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity:</b>		
Share capital	2 438	2 430
Share premium reserve	303 921	318 124
<b>Total equity</b>	<b>306 359</b>	<b>320 554</b>
<b>Short-term liabilities:</b>		
Liabilities to financial institutions	0	4
Accounts payable	8 011	8 360
Public duty payables	1 619	2 422
Other current liabilities	11 930	10 135
<b>Total short-term liabilities</b>	<b>21 560</b>	<b>20 921</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>327 919</b>	<b>341 475</b>

# Financial position

## Solid financial position at end of period

### Total assets 327,9 MNOK

- Fixed assets of 104,1 MNOK mainly comprised of intangible assets related to pharma R&D
- Current assets of 233,8 MNOK mainly comprised of 177,8 MNOK in cash and 32,8 MNOK in inventory

### Total equity 306,4 MNOK, corresponding to a equity ratio of 93,4 %

The Group has no long-term debt, and the level of total liabilities, 21,6 MNOK, has been stable during the first half of 2022



# Business outlook



# H2-2022 objectives

## PHARMA

- Submit Clinical Trial Application (CTA) in Q3-2022
- First patients to be enrolled in phase IIb clinical study on HRO350 in Q4-2022 with a 6 month inclusion period
- Continue research collaboration with Smerud on new drug candidate for brain development in extremely premature children
- Process regarding commercial partner will start and run concurrently with the clinical trial of HRO350

## NUTRA

- Materialize on positive sales prospects and received order intake for H2-2022
- Enter new geographies for B2B, including South America and further access to APAC regions
- Intensify participation at customer/clients events, post Covid
- Continue to benefit from the relationship with Kotler on sales & marketing activities and regulatory approvals in China

## TECHNOLOGY / R&D

- Continue to establish GMP manufacturing of materials for the planned phase III clinical trial according to timeline in previously disclosed plans
- Decision and action to be taken regarding a down-scaled production facility solution
- Continue with product development for Nutra

# H2-2022 financial guidance

## HRO350 phase IIb study fully funded

Overall budget for phase IIb study in line with earlier guiding. Major value creating milestone expected with the 6-month data read out H2-2023

## Cash position year-end will be strong

ABS continues to invest in operations. Year-end cash position will be dependent on decisions on alternative investments regarding production facilities, and the progress in the Pharma projects

## y/y revenue growth higher than earlier guiding

Positive sales prospects and received order intake for H2-2022 indicates a y/y revenue growth for 2022 in the range of 60 – 70 %

## FY EBITDA around -35 to -30 MNOK

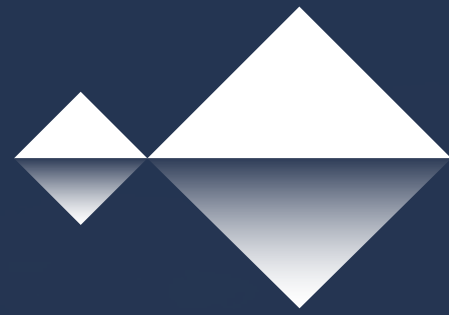
Increased COGS will partly be balanced by cost focus on other opex. New hires will increase personnel expenses compared to H1-2022



# Q&A







ARCTIC  
BIOSCIENCE

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