



Arctic Bioscience H1 2022 results:

REVENUE GROWTH AND HRO350 PHASE IIb CLINICAL TRIAL ON TRACK

Highlights

- HRO350 development on track with further projects in pipeline
- First patient expected to be enrolled in Q4 2022
- Total revenue increased 20 % y/y to NOK 14,4 million in H1 2022, from NOK 12 million in H1 2021
- EBITDA of NOK -14,4 million in H1 2022 (NOK -19,9 million), with a gross margin of 27,6 % (26,0 %)
- Solid financial position with NOK 177,8 million in cash by 30 June
- Positive revenue prospects for H2 2022, including increased order intake from the Chinese market
- Strong Management team in place, including new CEO, new CFO and new SVP Sales & Marketing. Strengthened the QA focus with the hire of a new Quality Manager

Arctic Bioscience performance during the first half year was good, with strong sales growth for the nutraceutical business, and the clinical program for HRO350, an oral drug candidate for mild to-moderate psoriasis, developing according to plan. During the period, the company also obtained a positive opinion on its Paediatric Investigational Plan, outlining the development of the oral drug candidate for children with psoriasis.

"The entire organization has worked hard to stay on track with the development plan for HRO350, and we are now in a position to take the next steps in this development plan. This, together with the other projects in our pipeline, give us some exciting next few months. The financial situation has developed as expected during the period. Given new sales prospects and order intake for the second half of 2022, we expect a positive development in revenues for the remaining of the year", says CEO Christer L. Valderhaug.

Arctic Bioscience' revenues for the first half year of 2022 totaled NOK 14,4 million, an increase of 20 % compared to 2021. All revenues stem from the nutraceutical activities. Gross margin was 27,6 %, up 1,6 %-points from H1 2021. EBITDA was negative NOK 14,4 million, compared to negative NOK 19,9 million in first half year 2021. The liquidity position for the Group is strong, ending at NOK 177,8 million by end of June 2022.

Order intake for the Nutra business was strong during the period, especially from the Chinese market. In June, Arctic Bioscience signed a new and extended strategic partnership agreement with Kotler Marketing Group China. The expansion of the partnership opens for access to a larger part of the Chinese market for Romega products. It further includes a potential collaboration within the Pharma space in China.

The company has experienced some cost increases from suppliers. This may impact gross margin the second half of 2022 due to lag in price increases to address the higher costs.

The time schedule for manufacturing of clinical materials has been somewhat delayed, mainly due to sourcing issues impacted by the pandemic and current geopolitical conditions. The issues were successfully resolved, and production of HRO350 for clinical testing is ongoing, including compiling regulatory documentation for its Clinical Trial Application (CTA), allowing the first patients to be enrolled to the clinical trial in Q4 2022. The CTA is expected to be submitted in Q3 2022. Sites are secured in five European countries, and a sufficient number of patients to complete the study is secured.

During the period the company made major changes to the organization. In January Christer L. Valderhaug was appointed new CEO, and he started in his position 1 March. Jone R. Slinning took place as new CFO in April. In addition, the sales and marketing organization was strengthened with a new senior vice president for Sales & Marketing, and a Quality Manager was appointed which further strengthen the QA focus. In September, the Nutra team will be extended with a new EVP Nutra Sales B2B.

Outlook

The Clinical Trial Application is expected to be submitted in Q3 2022, allowing first patients to be enrolled to the clinical trial in Q4 2022. With a 6-month inclusion period, it is expected that the 6-months data read out will be available in second half of 2023. Concurrently to the clinical trial, a process regarding pursuing a commercial partner for HRO350 will start in the second half of 2022.

Arctic Bioscience has several drug-development projects in pipeline, including a novel drug candidate for support of brain development in extremely premature infants. An ongoing research project with Møreforskning and Nofima is investigating underlying mechanisms of action for HRO350. This research may be relevant for the treatment of other inflammatory diseases.

Based on new sales prospects and received order intake for the remaining of the year, Arctic Bioscience expects a positive development in revenues during the second half of 2022, forecasting a 60-70 % y/y revenue growth in 2022.

The company's liquidity situation at the end of the year is expected to be strong, and sufficient to handle the pharmaceutical phase IIb clinical trial.

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Results presentation

Arctic Bioscience will host a webcast and Q&A session to present the results today at 10:00 CET. The presentation can be accessed through the Company's website, or with the following link:

https://channel.royalcast.com/landingpage/hegnarmedia/20220825_11/

Contacts:

- Christer L. Valderhaug, CEO, Mobile: +47 920 84 601
- Jone R. Slinning, CFO, Mobile: +47 948 75 469

About Arctic Bioscience

Arctic Bioscience is a biotech company developing and commercializing pharmaceutical and nutraceutical products based on unique bioactive marine compounds.

The company is developing HRO350 - a novel oral drug candidate. HRO350 is being developed for treatment of patients with mild-to-moderate psoriasis. This is a large patient group in need of new effective medicines with beneficial safety profile.

Nutraceuticals from Arctic Bioscience are sold globally as bulk ingredients as well as finished goods under the ROMEGA brand.

Arctic Bioscience is led by a team of highly competent people with experience in developing marine oils and experience from global pharmaceutical companies.