

Simris

INVESTMENT TEASER



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MANGOLD

SIMRIS IN BRIEF

Simris Alg AB ("Simris" or "the company") is a multi-awarded innovation-based company and pioneers in the development of microalgae as a novel crop and biotechnological production platform. The company was founded in 2011 by Fredrika Gullfot, PhD. The purpose of the business is to save and protect endangered marine habitats, by producing ingredients from farmed microalgae instead of fish and other marine animals.

Simris has developed an industrial process for growing microalgae to produce omega-3, as an alternative to fish oil and krill. Simris owns the entire value chain from farm to bottle, i.e. from cultivation to finished product. The products are sold under the proprietary Simris® Algae Omega-3 consumer brand, targeted at the globally growing markets for wellness products and plant-based alternatives. Pending Novel Foods approval in the European Union, the products are currently launched on the US market, including trendsetting retailers such as Goop and Erewhon Market. The company also has a distribution agreement in South Korea, and retail agreements with Sweden's major department store Åhléns and largest pharmacy chain Apoteket.

Simris is one of the first publicly listed vegan companies, and was listed on the Nasdaq First North Growth Market in 2016. The company is still in development phase and aims to create long-term sustainable profit for its shareholders, in harmony with our society, our environment and the climate.

REASONS FOR THE OFFERING

The company has recently initiated the market launch of its first consumer products at limited scale. Marketing and sales efforts need to ramp up significantly, with focus on the US market where the conditions are considered most favourable to achieve desired growth and profitability.

Simris needs to increase its sales efforts both through retailers and direct to consumer via e-commerce. To this purpose, recruitments are needed to strengthen the organisation with necessary skills and resources for a successful market launch. Furthermore, the company needs to increase marketing and raise awareness for omega-3 from algae as the better alternative. This includes creative collaborations and ocean advocacy campaigns where microalgae are important to support a more sustainable marine supply chain.

The purpose of the offering (the "Offering") is to obtain working capital to continue the company's expansion (50 percent), strengthen the company's financial resources to pursue above marketing efforts (20 percent), as well as repayment of outstanding debt (30 percent). The offering is structured as a preferential rights issue, which at full subscription will raise approximately SEK 29.1 million before issue costs. These are estimated at approximately SEK 3.6 million, mainly consisting of underwriting fees and remuneration for financial and legal advisers concerning the Offering.

TERMS OF THE OFFERING

Issue amount	SEK 29.1 Million
Pre-money valuation	SEK 19.4 Million
Subscription price	2,70 SEK per unit, corresponding to 0,90 SEK per share
Unit	One (1) unit consists of three (3) issued shares and two (2) warrants of series 2020/1
Subscription period	24 June 2020 – 8 July 2020
Warrants	One (1) warrant of series 2020/1 entitle the owner to subscribe for one (1) share during the exercise period 2 October - 16 October 2020. The subscription price will correspond to 70 percent of the volume weighted average price (VWAP) of the company's share during 17 September - 30 September 2020, however no less than the nominal value and not more than SEK 1.80 per share.
Underwriting	The rights issue is secured to 50 percent through subscriptions and underwriting commitments



TECHNOLOGY

Microalgae, or phytoplankton, are microscopically small aquatic plants. Just as land-based plants, microalgae grow by photosynthesis, where atmospheric carbon dioxide is converted to oxygen with the help of sunlight. Microalgae constitute the basis of the marine food chain, meaning that many nutrients that are crucial for human and animal health ultimately originate from microalgae. These substances eventually accumulate in higher marine organisms such as fish and seafood through the marine food chain. Many of these marine species are under the threat of extinction, due to overfishing and the destruction of marine habitats. Furthermore, marine commodities often contain high levels of mercury, PCB, PFAS and dioxins. By sourcing marine commodities directly from microalgae instead of via fish or krill, we obtain better alternatives that are entirely plant-based and without the environmental toxins. In this way, the products are both safer for consumers, but also superior in terms of positive environmental impact.

Cultivation of microalgae is a relatively novel technology at the intersection between biotechnology and precision aquaculture. The commercial potential is considered vast in a number of industries including food, pharma, skincare and advanced materials. However, commercial applications for modern microalgae technology are still limited, as most technology is yet at research stage or restricted to smaller development companies. Simris is one of the leading companies in the field and one of few companies globally that have succeeded to prove their technology at industrial scale and reached market phase for its products.

Contrary to industry standard which uses yeast-like algae grown in closed tanks on sugar substrate, Simris uses photosynthetic algae for the production of omega-3. This process has positive climate effects through the conversion of carbon dioxide to oxygen. Also, Simris exclusively grows natural algae strains without genetic modifications that are common in conventional bioprocess engineering.



PRODUCTS

Omega-3s are essential poly-unsaturated fatty acids, meaning we need to obtain them from our diet. In particular, the marine omega-3 fats docosahexaenoic acid (DHA) and eicosapentaenoic acid (EPA) belong to the most important building blocks in our bodies, with numerous important physiological functions. Land-based plants only contain alpha-linolenic acid (ALA), a shorter omega-3 form. Our capacity to obtain DHA and EPA from conversion of ALA is limited, and hence it is recommended that we also obtain EPA and DHA from our diet.

Normally, we would obtain these essential fats from eating fatty fish. But not everybody eats enough fatty fish for optimal omega-3 intake, and the levels of environmental toxins and heavy metals in wild fish and fish oil are a matter of concern in many regions. Also, fish is no alternative for vegans, vegetarians, or those allergic to fish.

Simris® Algae Omega-3 is a series of supplements based on the company's unique algae oil with naturally high content of EPA and DHA. Simris has launched three formulations: one classic omega-3 product, one product for athletes and fitness enthusiasts, and a third product developed for pregnant and nursing women.

Simris® Algae Omega-3 (original) and Simris® Algae Omega-3 for Athletes are unique on the market and contain omega-3 from farmed diatom algae. These algae have long been known for their high levels of omega-3 and safety for food applications, but have not previously been used as food ingredients on the market. Pending Novel Foods approval in the European Union, these products are currently sold in the US and South Korea.

Simris also develops food and wellness products from algae grown by other European suppliers, under the Simris® Select brand. Furthermore, the company has recently started to develop further substances and ingredients, to replace additional commodities from endangered marine species and ocean habitats at risk.

ADDITIONAL INFO

Simris Alg AB (publ) National registry no. 556841-9187

LEI 529900P0ACIS2UI3ZX27

Shares SIMRIS ISIN SE0008091664

Warrants TO 2020/1 ISIN SE0014555470

Company website: <https://www.simris.com>

Investor relations: <https://simrisalg.se/en/investors/>

SUBSCRIPTIONS

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INVESTMENT CASE

1. MACRO TRENDS DRIVE HIGH MARKET GROWTH

The market for vegan alternatives is growing at exponential rate in line with new diet trends, growing health interest and increased awareness of the climate impact of food. Investments in vegan alternatives totalled USD 930 million in Q1 2020 alone, compared with USD 824 million for the entire year 2019. Half of the US population is thought to be following some type of restriction diet that involves increased consumption of plant foods, whether due to allergies and intolerances, trend diets such as paleo and keto, health reasons, or lifestyle choices.

In addition, wellness is emerging as a major consumer trend, defined by the Global Wellness Institute (GWI) as an active pursuit of activities, choices and lifestyles that lead to holistic health. As a whole, the wellness market is estimated at USD 4.2 trillion value, and showed a growth rate of 6.4 percent between 2015 and 2017. Simris targets the growing prestige wellness category as the basis for its product and market strategy, and choice of retailers.

3. READY FOR EXPANSION

Simris has built a strong foundation for its growth as a company. The company has all the resources needed to meet full production, and only needs to allocate the necessary resources to execute its marketing strategy, and thereby generate sales revenue.

The current production capacity permits the company to reach break-even without further investments. The technology has been proven at industrial scale in commercial operation since 2016, and is prepared to scale further in response to growing market demand. The company owns land to triple its production capacity.

Distribution is in place on several markets, through agreements with retailers in Sweden and the US, and a distributor in South Korea. A US subsidiary, Simris Inc., is in place with warehouses in New York to serve US retail customers and e-commerce consumers. Sales are still at early phase, but are showing growth both online and through retail customers.

2. COMPETITIVE ADVANTAGE THROUGH ENVIRONMENTAL IMPACT

93 percent of the oceans are already fished at their limit or even overfished, according to the UN Fisheries and Agriculture Organisation. As a highly profitable product of large-scale reduction fisheries, fish oil for omega-3 supplements is one of the major contributors to the devastation of our oceans. Furthermore, the entire ecosystem in the Antarctic is at risk of collapse, due to increased fishing for krill to meet the growing market demand for omega-3 supplements.

In contrast, Simris' products preserve fish stocks and marine habitats, with a production process that also has positive climate effects. In this way, Simris sets new standards on the market where consumers are increasingly aware of the link between consumption and environmental issues. Simris has a strong competitive advantage through authentic and unique products, that are better for the climate, the environment, and for ocean health.

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