ArcticZymes Technologies

3rd Quarter

Quarterly Report

www.arcticzymes.com

2022

Highlights for Q3 and first 9 months 2022

- ArcticZymes Technologies (AZT) had Q3 sales of NOK 29.3 million growing by 16% (Q3 2021: NOK 25.2 million) and sales for the first 9 months of NOK 108.8 million growing by 24% (9M 2021: NOK 87.5 million)
- AZT had a positive EBITDA for Q3 of NOK 2.8 million, a reduction of NOK 6.2 million (Q3 2021: NOK 9.9 million) and a positive EBITDA for the first nine months of NOK 40.2 million, a reduction of 0.6 million (9M 2021: NOK 40.8 million)
- Increased expenses correspond to investing in growth initiatives such as talent acquisition, expansion in Oslo, the Drug Master File (DMF) and external M&A support
- Cash flow for Q3 was positive NOK 7.6 million (Q3 2021: NOK 9.9 million) giving a cash balance of NOK 238.6 million (Q3 2021: NOK 186.9 million)
- Expression studies have yielded several promising R&D prototypes of RNA enzymes
- ArcticZymes intensifies the M&A process, entering discussions with a select group of international companies

CEO Jethro Holter comments:

"Sales continue to grow despite headwinds related to seasonal effects with customer vacations and the foreseen void created following the pandemic where demand for enzymes for Coronavirus-related applications has vastly reduced.

The main growth driver for the quarter was the Biomanufacturing business. Molecular tools achieved flat performance for the quarter but growth for the first nine months.

Inorganic growth initiatives advance to discussions with a select group of international companies."

Key financial figures:

MNOK	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change
Sales	29.3	25.2	+ 16 %	108.8	87.5	+ 24 %
Total revenues	29.7	26.1	+ 14 %	109.2	89.9	+ 21 %
Operating expenses	26.9	17.1	+ 57 %	69.0	49.1	+ 40 %
EBITDA	2.8	9.0	- 69 %	40.2	40.8	- 1 %
EBIT	1.5	8.1	- 81 %	36.5	38.4	- 5 %
Changes in cash	7.6	9.9	- 23 %	38.2	46.7	- 18 %

Introduction

ArcticZymes Technologies ASA, (hereinafter "AZT" or "the Company") is a Norwegian life sciences company with its core business focused on specialised and novel enzymes.

Operational review

Commercial

The Company continues to achieve sales growth. Sales for the first nine months of the year attributed 70% towards the annual sales target for 2022. However, the third quarter was unusual with slower sales in July and August compared to previous years. Two factors attributed to this: (i) seasonal effects: Many customers took longer vacations over the summer period and were unavailable. This was considered a direct consequence of the Coronavirus pandemic which limited international travel over the last two years. This was more noticeable in the EMEA compared to other regions. During September, sales experienced a sharp pick-up and business was back to normal with respect to customer availability; (ii) continue to experience market and supply chain readjustment to post-pandemic demand for components and raw materials for utility in Coronavirus-related applications.

The geographical distribution of sales for the first nine months of 2022 was 45% in the EMEA, 43% in the Americas and 12% in the APAC region.

Biomanufacturing

Biomanufacturing sales continue to grow through the Salt Active Nuclease (SAN) product line. The business builds on the increased momentum achieved post-pandemic. Biomanufacturing contributed 54% and 45% towards total Q3 2022 and first nine months 2022 sales, respectively.

The main growth driver continues to be towards the utility of the SAN products in gene therapy, vaccine development and other Biomanufacturing processes. The Company continues to leverage SAN product sales in all geographical regions with the Americas, for the first nine months, contributing 63% of Biomanufacturing sales. AZT anticipates the positive momentum in SAN products sales will continue in all geographical regions.

In supporting customers in the commercialisation of their therapeutic applications in the USA market, AZT has committed to establish a Drug Master File (DMF) for its SAN HQ enzyme. The DMF will be submitted to the U.S. Federal Drug Agency (FDA) once finalized. The DMF is progressing well and represents a key project for the Company. It is an extensive undertaking which is resource demanding. Subsequently, internal resources have been reprioritised and external support has been increased to ensure submission of the DMF during the first half of 2023. This will represent the Company´s first DMF. Other DMF filings will follow as AZT ventures further into building its Biomanufacturing product portfolio.

Beyond the SAN product line, AZT continues to be in active discussions with numerous customers regarding their future needs towards RNA therapeutic applications and other Biomanufacturing applications. Furthermore, AZT continues to be approached by other commercial entities to collaborate on RNA enzyme development and manufacturing. Such activities demonstrate the large commercial interest and potential of RNA enzymes. These engagements are instrumental in steering AZT´s commercially driven innovation pipeline, potential co-development/co-marketing partnership opportunities and inorganic growth initiatives with respect to potential M&A targets.

Overall, AZT continues to expand its commercial reach especially post-pandemic. Today it is supporting 180+ Biomanufacturing customers in the EMEA, the Americas and the APAC region.

Molecular Tools (Diagnostics & Research)
Molecular Tools serve both molecular diagnostics and molecular research through the whole of AZT´s enzyme portfolio. The business achieved a flat performance for the quarter but growth for the first nine months of 2022. Molecular Tools contributed 46% and 55% towards Q3 2022 and the first nine months of 2022 sales, respectively.

Beyond expected quarterly fluctuation and seasonal purchasing patterns, two key factors influence Molecular Tools sales: the gradual growth in the underlying business and the expected decline in Coronavirus-related sales which AZT has experienced during the last two quarters. Overall, AZT does expect a short-term impact on growth in the Molecular Tools business over the next six months because the corresponding previous quarters were dominated by Coronavirus-related sales. Beyond this, AZT does anticipate the underlying business to catch up and compensate for the void created by lower enzyme demand for Coronavirus-related applications.

Molecular research sales contribution towards total Q3 2022 sales was 19%. The main product driving sales in earlier quarters was the recombinant Shrimp Alkaline Phosphatase (rSAP) enzyme where purchases have been more consistent between quarters over the last 12 months. For Q3 2022, AZT did not receive any large rSAP orders from its key accounts. The lower quarterly demand corresponds with the seasonal effect related to extended customer vacations over the summer period. The dsDNases represented the main driver for the quarter accounting for two-thirds of molecular research sales.

Molecular Diagnostics (MDx) sales contribution towards total Q3 2022 sales was 27%. Following the Omicron outbreak, supply chain demand for Cod UNG in Coronavirus testing is greatly reduced. The market has largely readjusted, and future coronavirus-related demands are anticipated to remain stable and at lower levels than experienced during the pandemic. This consequently creates a short-term headwind with respect to Cod UNG sales over the next six months. Beyond this, the Company expects molecular diagnostics to re-establish grow through the broader product offering derived from planned organic and inorganic growth expansion. Furthermore, application development activities at the Oslo site will further broaden the utility of AZT´s synergistic enzyme offering in diagnostic applications.

In the Molecular Tools business, products across the portfolio continue to attract new business or serve ongoing opportunities where AZT´s enzymes are being integrated into customers product development pipelines. Examples include Next Generation Sequencing (NGS), LAMP based testing, multiplex (multiple indications) tests using different technologies, synthetic biology and proteomics.

AZT´s newer products such as the polymerases and ligases continue to gain traction for integration into new and novel technology platform developments by customers. For these products, the Company´s new application laboratory in Oslo as well as AZT´s ability to customise the formulation and tailor engineer enzymes will be important to support longer-term growth of these product lines. Like Biomanufacturing, there is an increased interest from commercial entities who have directly approached AZT to partner in co-development/co-marketing initiatives. Both organic and inorganic growth initiatives are equally important to fully leverage such potential.

AZT is supporting 200+ Molecular Tools customers in the EMEA, the Americas and the APAC region. Customers range from business established in the 1990´s and new customers who represent future long-term partners. Beyond purchasing customers, AZT has a rich opportunity funnel of potential new customers interested in existing products, tailored offerings and pipeline innovations.

Innovations

The Company continues to focus on progressing its innovation pipeline. In Molecular Tools, the short-term focus is towards launching the Company´s first reverse transcriptase and *Taq* DNA polymerase enzymes before the end of the year. Both enzyme classes are essential in most molecular research and MDx workflows. The application laboratory in Oslo will be important to demonstrate the utility of these new enzymes in combination with the Company´s other existing enzymes (e.g. Cod UNG, proteinase, and dsDNases) in complete workflows. The team is underway in establishing a complete virus-based workflow to demonstrate the utility of ArcticZymes enzymes for infectious disease diagnostic testing.

In Biomanufacturing, efforts are ongoing to launch a new ELISA kit to support sales of the SAN-HQ 2.0 enzyme for therapeutic applications. The product is expected to launch late Q4 or early 2023. Furthermore, the Company´s innovation efforts to develop a complete suite of enzymes to serve the manufacturing of therapeutic RNA is progressing. These include enzymes and proteins such as RNA polymerases, RNA capping enzymes, pyrophosphatases, 2-O-Meythl-transferases, RNase Inhibitors, and others. Several early prototypes have been successfully expressed at the R&D scale. As part of AZT´s innovation process, these prototypes will be tested by selected key customers before transitioning into product development. Overall, AZT is on track to bring the first RNA enzyme products to market during 2023.

Operations

The new production facility at the SIVA Innovation Centre in Tromsø continues to operate smoothly. There have been no customers audits during the quarter which is understandable considering the quiet holiday period.

Strategic growth initiatives

The Company remains committed to executing on its strategic growth initiatives.

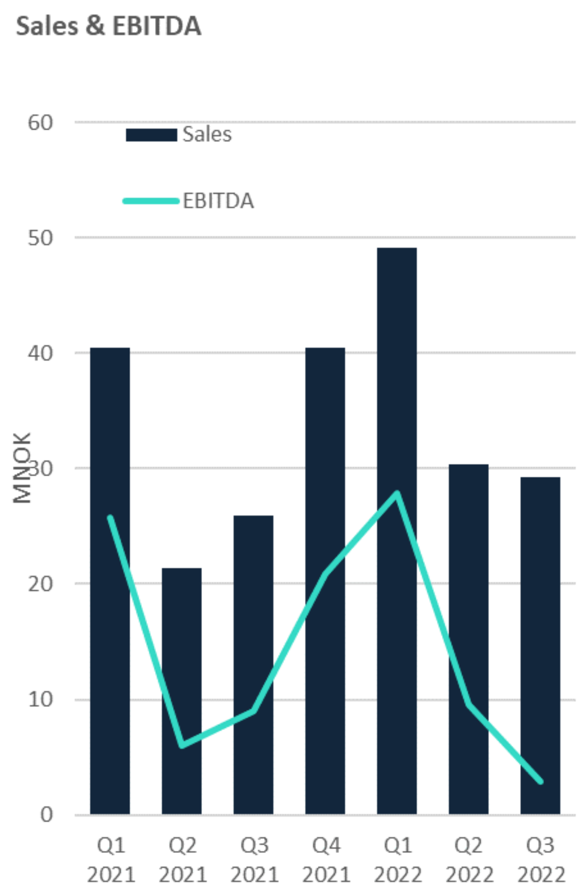
In supporting organic growth, the Company continues to invest incrementally in talent acquisition. AZT currently has a recruitment drive ongoing where it is strengthening the organisation cross functionally (e.g. quality assurance, quality control, production, R&D and applications, project management, customer service and business development). The global team surpassed 60 employees following recent recruitment activities. However, certain positions are proving difficult to recruit in Tromsø (e.g. candidates with cGMP and biopharma experience). AZT continues to broaden its scope to consider candidates who are remotely based but open to occasional travel. Personnel expansion in Tromsø, Oslo and other potential locations is becoming more important for attracting and acquiring broader international competences and industrially seasoned talent.

The Company continues to intensify activities around inorganic growth initiatives and is progressing discussions with a highly focussed and limited group of international companies. This M&A process is being led by Alira Health and strongly supported by both the Board of Directors and management. AZT is focussed on ensuring that any potential acquisition will be accretive to the Company and supports the overall growth strategy both in the short- and long-term. Therefore, an announcement of an acquisition may extend into early 2023.

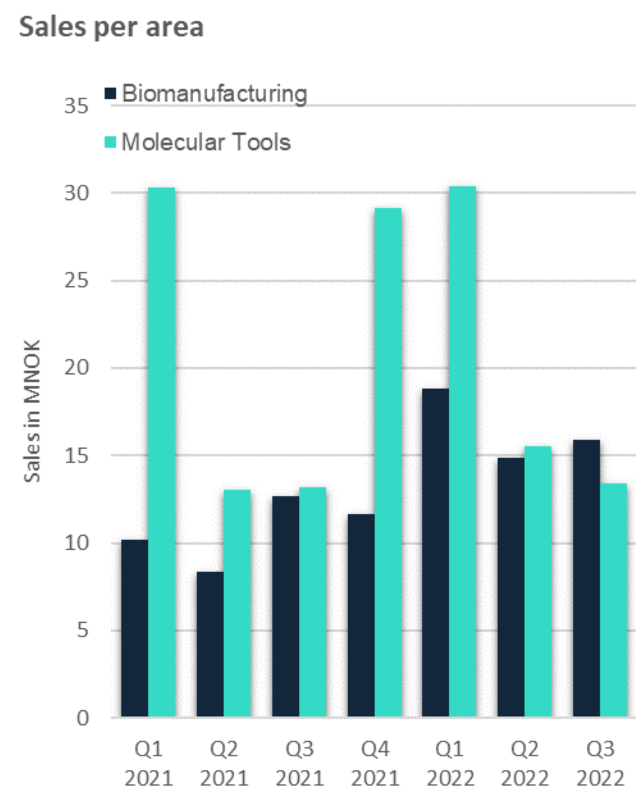
Financial review

AZT reported sales of NOK 29.3 million (Q3 2021: 25.2 M) for the third quarter of 2022. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 2.8 million (Q3 2021: 9.0 M) and earnings before interest and tax (EBIT) were NOK 1.5 million (Q3 2021: 8.1 M) in the quarter. Net financial income was a profit of NOK 1.7 million (Q3 2021: 0.4 M) due to currency fluctuations primarily in USD/NOK.

For the first 9 months of 2022, AZT reported sales of NOK 108.8 million (9m 2021: 87.5 M). Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 40.2 million (9m 2021: 40.8 M) and earnings before interest and tax (EBIT) were NOK 36.5 million (9m 2021: 38.5 M). Net financial income was a profit of NOK 4.5 million (9m 2021: 0.7 M).



The Company's revenues are primarily denominated in Euro and USD which impacts the financial statement. A strengthening or weakening of the NOK versus USD and EURO will influence underlying growth figures. By using equivalent exchange rates in 2022 as 2021, revenues would have been NOK 2.8 million and NOK 6.0 million lower for the third quarter and the first 9 months in 2022, respectively. Changes in USD versus NOK continues to be the key driver for the currency effects experienced during 2022.



In Biomanufacturing, positive growth continues and builds on the increased momentum achieved during the first two quarters. Biomanufacturing achieved Q3 sales of NOK 15.9 million or a growth of 26% compared to the same period last year. YTD sales are up by 59% or more than NOK 18.4 million compared to the same period last year.

For Molecular Tools, sales are increasing compared to the same period last year with sales of NOK 13.4 million versus NOK 13.2 million up by NOK 0.2 million. YTD sales are up from NOK 56.5 million to NOK 59.3 million or by an increase of 5%.

Expenses in operations increased by NOK 9.8 million or 57% in Q3 2022 compared to Q3 2021. The increase is explained by NOK 6.7 million in personnel expenses, NOK 1.0 million in Property, Plant and Equipment/ IT, NOK 2.6 million in external services and NOK 0.7 million in other operating expenses. Currency effects on receivables reduced Q3 operating expenses by NOK 1.3 million in Q3. The Company continues to recruit personnel across the business functions and is utilising more external services to support the strategic growth initiatives, which has had an impact on the cost base for the company.

Taxes

For Q3 2022, the Company recognised NOK 0.7 million (Q3 2021: 1.6 M) in tax expenses. NOK 9.0 million (9M 2021: 8.2 M) was recognised for the first 9 months of 2022 which will be offset against the deferred tax assets.

Extraordinary items for the period

EBITDA for the second quarter is impacted positively by NOK 0.4 million in accrued employer's national insurance contribution on options. The accrual and expense will fluctuate moving forward together with fluctuations in the share price.

Financial position

Total equity amounted to NOK 279.9 million at the end of Q3 2022 compared to NOK 244.8 million at the end of Q4 2021.

Total assets were NOK 313.4 million at the end of Q3 2022, up from NOK 284.1 million at the end of Q4 2021.

The Company has no interest-bearing debt.

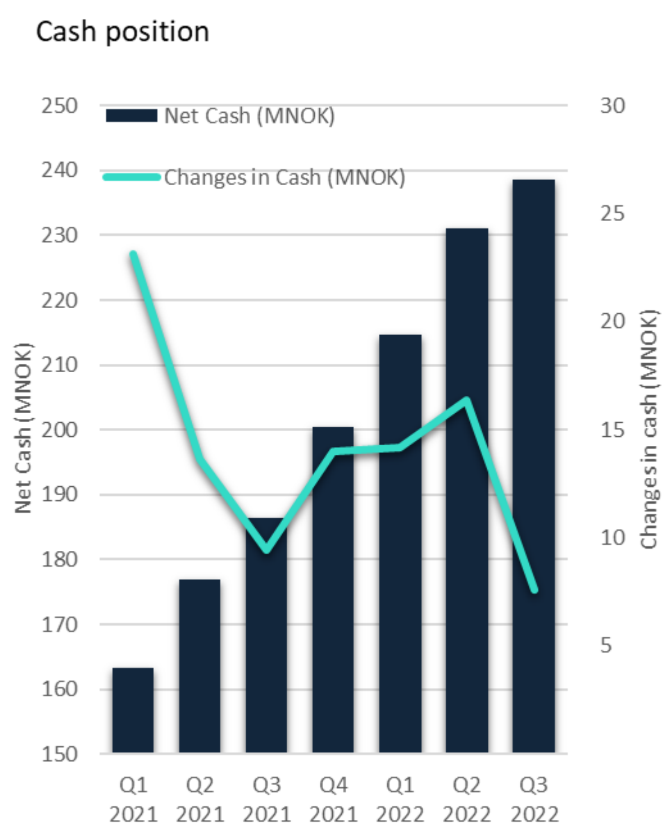
Cash flow

Net cash flow from operating activities was NOK 45.4 million for the first 9 months of 2022 compared to NOK 56.9 million in the first 9 months of 2021.

Cash flow YTD from investing activities was NOK -4.7 million explained by investments in new equipment relating to operations and investment in intangible assets.

Cash flow YTD from financing activities was NOK -2.6 million explained by payments on lease liabilities (premises)

Changes in cash and cash equivalents was NOK 38.2 million YTD 2022. This generated a cash balance of NOK 238.6 million at the end of Q3 2022, compared to NOK 186.9 million at the end of Q3 2021.



Shareholder matters

The total number of issued shares was 50,371,390 at the end of the quarter.

1,215,000 options are outstanding as of 30.09.2022.

See the annual report for 2021 and notes 3 and 6 in the Q3 2022 financial statement for further details on option programs.

Risk factors

AZT's business is exposed to several risk factors that may affect parts of or all the Company's activities.

The most important risk is the future commercial development followed by exchange rate fluctuations from year to year which impact underlying sales in the Company as most revenues are in USD and Euro.

The Coronavirus pandemic has had a net positive impact on the business in 2020-2021 and the first quarter of 2022 as the Company's products are used in Coronavirus diagnostic testing. Following the Omicron outbreak Coronavirus-related sales have declined and reached an anticipated steady state. There is short-term risk that growth in the Molecular Tools business will be impacted over the next six months. Beyond that, the risks are considered minimal because they will be compensated by sales in other areas of the business.

Also, see the risk factors which are described in the annual report for 2021 and published on the Company's website www.arcticzymes.com.

Outlook

The Company´s outlook for 2022 remains mostly unchanged and includes the following:

- Topline sales growth with an annual sales target of NOK 155 million. For Q4 2022, AZT will have less flexibility to leverage Coronavirus-related sales than earlier in the year. This will limit any upside potential.
- Quarterly fluctuations will continue to be inherent in the business.
- Lower contribution is expected from coronavirus-related sales.
- Expanded application activities beyond Tromsø and into the Oslo region.
- New product launches.
- Continue to invest in talent acquisition to support short- and long-term growth.
- M&A activities will be a priority with the goal to announce a deal within 2022. However, an announcement may extend into early 2023 *(see earlier).*

Longer-term, AZT will concentrate its efforts to grow the Biomanufacturing and Molecular Tools segments via an expanded and more complete offering to leverage a greater potential. Furthermore, Biomanufacturing offers the highest growth potential. Hence, the most recent and future investments heavily lean towards leveraging such potential. The Company has the goal to realise an annual sales potential of NOK 350 million by 2025 through organic growth.

Tromsø 26th October 2022
The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow	Jane Theaker	Bernd Striberny	Jethro Holter
Chairman	Director	Director- employee	CEO

The interim financial statement 30. September 2022 (Q3)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Sales revenues	29 299	25 241	108 817	87 466
Other revenues	403	850	407	2 402
Sum revenues	**29 702**	**26 091**	**109 224**	**89 869**
Cost of goods	-1 186	-1 936	-3 682	-4 244
Change in inventory	234	401	-334	2 331
Personnel expenses	-18 315	-11 631	-44 499	-34 196
Other operating expenses	-7 596	-3 938	-20 482	-12 986
Sum expenses	**-26 864**	**-17 105**	**-68 996**	**-49 095**
Earnings before interest, taxes, depr. and amort.	**2 837**	**8 986**	**40 228**	**40 774**
Depreciation and amortization expenses	-1 308	-901	-3 680	-2 318
Operating profit/loss (-) (EBIT)	**1 530**	**8 085**	**36 549**	**38 455**
Financial income, net	1 703	368	4 544	657
Profit/loss (-) before tax (EBT)	**3 233**	**8 453**	**41 093**	**39 112**
Tax	-741	-1 566	-9 035	-8 169
Net profit/loss (-)	**2 492**	**6 886**	**32 059**	**30 943**
Basic EPS (profit for the period)	0,05	0,14	0,64	0,62
Diluted EPS (profit for the period)	0,05	0,13	0,62	0,61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.09.2022	30.09.2021	31.12.2021
Non-current assets			
Deferred tax	11 488	24 974	20 522
Machinery, equipment and permanent fixtures	13 057	10 174	12 302
Intangible assets	4 376	1 722	1 790
Lease assets	14 698	16 722	16 079
Other non-current assets	-4	-1	
Total non-current assets	**43 614**	**53 590**	**50 692**
Current assets			
Inventories	6 548	6 220	6 882
Account receivables and other receivables	24 678	17 043	26 114
Cash and cash equivalents	238 596	186 923	200 424
Total current assets	**269 823**	**210 187**	**233 420**
Total assets	**313 436**	**263 777**	**284 111**
Equity			
Share capital	50 371	50 171	50 371
Premium paid in capital	260 256	259 405	260 256
Retained earnings	-30 710	-82 332	-65 783
Total equity	**279 917**	**227 244**	**244 845**
Other long-term liabilities			
Lease liabillities	11 175	17 602	14 472
Total other long-term liabilities	**11 175**	**17 602**	**14 472**
Current liabilities			
Lease liabilities interest-bearing	3 692	592	3 097
Acconts payable	4 578	5 934	5 795
Other current liabilities	14 073	12 404	15 902
Total current liabilities	**22 344**	**18 930**	**24 794**
Total liabilities	**33 519**	**36 532**	**39 266**
Total equity and liabilities	**313 436**	**263 777**	**284 111**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	30.09.2022	30.09.2021	31.12.2021
Cash flow from operating activities:			
Profit/loss (-) before tax	41 093	39 112	59 002
Profit/loss adjusted for			
Adjustment contract lease premises	-1 435		
Loss machinery		716	40
Depreciation	3 680	1 602	3 191
Employee stock options	3 014	667	1 238
Non-cash interest expense	371	497	694
Changes in operating assets and liabilities			
Inventory	334	-2 331	-2 993
Account receivables and other receivables	1 436	13 661	4 592
Payables and other current liabilities	-3 045	2 943	9 207
Net cash flow from operating activities	**45 447**	**56 867**	**74 970**
Cash flow from investing activities:			
Purchase of fixed assets	-1 938	-7 671	-10 035
Investment in intangible assets	-2 731	-1 462	-1 563
Changes in long term receivables	4	6	34
Net cash flow from investing activities	**-4 664**	**-9 127**	**-11 564**
Cash flow from financing activities:			
Payment on lease liabillities	-2 611	-1 776	-2 896
Dividend to minority shareholders		-1 159	-1 159
Capital increase		1 837	1 600
Payment other financing activities		104	-703
Net cash flow from financing activities	**-2 611**	**-995**	**-3 160**
Changes in cash and cash equivalents	38 172	46 745	60 246
Cash and cash equivalents at the beginning of period	200 424	140 178	140 178
Cash and cash equivalents at end of period	**238 596**	**186 923**	**200 424**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. January to 30. September

(Amounts in NOK 1 000)	Share capital	Premium paid-in capital	Retained Earnings	Non-controlling interests	Total equity
Equity as of 31.12.2020	**48 335**	**151 039**	**-5 009**	**1 966**	**196 330**
Comprehensive income 2021 Q1-Q3			29 896		**29 896**
Adjustment minority shareholders			2 317	-1 966	**351**
Transactions with owners:					
Share capital increase	1 837	108 366			**110 203**
Contribution in kind minority shareholders			-110 203		**-110 203**
Employees' share options			667		**667**
Equity as of 30.09.2021	**50 172**	**259 405**	**-82 332**	**0**	**227 244**
Comprehensive income 2021 Q4			15 980		**15 980**
Transactions with owners:					
Share capital increase	200	1 400			**1 600**
Contribution in kind minority shareholders		-549			**-549**
Employees' share options			571		**571**
Equity as of 31.12.2021	**50 371**	**260 256**	**-65 781**	**0**	**244 845**
Comprehensive income 2022 Q1-Q3			32 059		**32 059**
Transactions with owners:					
Employees' share options			3 013		**3 013**
Equity as of 30.09.2022	**50 371**	**260 256**	**-30 709**	**0**	**279 917**

Notes to the interim accounts for 30. September 2022 (Q3)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2022 that may affect the use of accouting principles, book values of assets and liabilities, revenues and expenses are similar to the assumtions found/used in the financial statement for 2021.
These financial statements are the unaudited interim consolidated financial statements (hereafter “the Interim Financial Statements”) of ArcticZymes Technologies ASA and its subsidiaries (hereafter “the Group”) for the period ended 30. September 2022. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34) and should be read in conjunction with the Consolidated Financial Statements for the year, ended 31. December 2021.
(hereafter “the Annual Financial Statements”), as they provide an update of previously reported information.
The quarterly reports require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.
Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year.

Note 2 - Analysis of operating revenue and -expenses and segment information

The Group recognise revenues according to IFRS 15 when it transfers control over a good or service to a customer.
Control is transferred to the customer according to the agreed delivery terms for each order. Delivery terms are based on Incoterms 2020 issued by International Chamber of Commerce, and the main term for the Company is FCA, where the customer arranges and pays for the main carriage. Control is transferred when the goods are collected by the carrier engaged by the customer.
The goods are normally sold with standard warranties where the goods comply with agreed-upon specifications. ArcticZymes does not have any other significant obligations for returns or refunds. Freight services are included in sales revenues.
ArcticZymes sales revenues are enzymes for use in molecular research, In Vitro Diagnostics and biomanufacturing.
Most of the goods are delivered to USA and Europe. All goods are invoiced when the Group transfers control of the goods to a customer, normaly when they leave the warehouse. The maturity of the invoices range from 30 to 90 days, depending on customer.
Most of the revenues are from quotes or non binding supply agreements where the price has been agreed upon in advance.
Other operating income are government tax grants, research grants and administration service to the divested subsidiary.

According to IFRS 15 sales revenues shall be presented at gross values without agio/disagio on sales receiveables. Agio/disagio on sales receivables have previousely been classified as sales revenues. These are reclassified to other operating expenses in 2022. 2021 figures are adjusted for comparison purposes. Per Q3 2021 and per 9M 2021 this reclassification accounts for MNOK -0.3 and MNOK +0.0 in sales revenues.

The operating segments in these statements are consistent with the internal reporting provided to the chief operating decision maker. The operating decision maker, who is responsible for allocating resources and for assessing performance of the business segments, has been identified as the Board of Directors. An operating segment is engaged in providing products or services that are subject to risks and returns that are different from other operating segments.

Services provided by the parent company are expensed at segment according to agreements with actual subsidiary.
Corporate overhead costs remains unallocated.

	Q3		YTD	
(Amounts in NOK 1 000)	2022	2021	2022	2021
Sales revenue:				
Enzymes	29 299	25 241	108 817	87 466
Group operating sales revenues	**29 299**	**25 241**	**108 817**	**87 466**
Gross profit				
Enzymes	28 346	23 706	104 802	85 553
Group gross profit	**28 346**	**23 706**	**104 802**	**85 553**
Other revenues				
Enzymes	403	534	380	1 657
Unallocated corporate expenses		316	27	745
Group other revenues	**403**	**850**	**407**	**2 402**
Operating expenses:				
Enzymes	-21 211	-12 408	-52 546	-35 431
Unallocated corporate expenses	-4 701	-3 162	-12 434	-11 751
Group operating expenses	**-25 911**	**-15 570**	**-64 980**	**-47 182**
Operating profit/loss (-) (EBITDA)				
Enzymes	7 538	11 833	52 636	51 780
Unallocated corporate expenses	-4 701	-2 846	-12 408	-11 007
Operating profit/loss (-) (EBITDA)	**2 837**	**8 986**	**40 228**	**40 774**
Depreciation and amortization:				
Enzymes	-1 195	-714	-3 424	-1 754
Unallocated corporate expenses	-113	-187	-256	-564
Group depreciation and amortization	**-1 308**	**-901**	**-3 680**	**-2 318**
Profit/loss (-) before interest and tax (EBIT)				
Enzymes	6 343	11 118	49 212	50 026
Unallocated corpoate expenses	-4 813	-3 034	-12 663	-11 571
Profit/loss (-) before interest and tax (EBIT)	**1 530**	**8 085**	**36 549**	**38 454**

Note 3 Share options

Per 30.09.2022, there were 1,215,000 outstanding options options in the Group. The fair value of the historic services received from the associates in return for the options granted is recognized as an expense in the consolidated profit and loss statement.
Total expense for the options are accrued over the vesting period based on the fair value of the options granted, excluding impact of any vesting conditions that are not reflected in the market. Management updates the estimated number of options that will vest each period end. A change in the estimated number of options that will vest is recognised as an adjustment in the accumulated expense with a corresponding change in equity.

The net value of proceeds received less directly attributable transaction expenses are credited to the share capital (nominal value) and the share premium reserve when the options are exercised.

	2022 Average exercise price	2022 Number of share options	2021 Average exercise price	2021 Number of share options
As of 01.01.	42,12	1 215 000	10.19	315 000
Earned during the year			8.00	600 000
Outstanding at 30. September		**1 215 000**		**915 000**
Granted during the year			89.52	500 000
Exercised during the year			8.00	-200 000
Outstanding at 31. December				**1 215 000**

CEO J. Holter, CFO B. Sørvoll and R.Engstad (former employee) has been given the right to receive 200 000 options each with the following assumptions:

Awarded options	Option exercise price	Options earned at share
40 000	NOK 8.00 per share	NOK 11.00 per share
40 000	NOK 8.00 per share	NOK 14.00 per share
40 000	NOK 8.00 per share	NOK 17.00 per share
40 000	NOK 8.00 per share	NOK 20.00 per share
40 000	NOK 8.00 per share	NOK 23.00 per share

The vesting period is 2,5 years (31.12.2018-31.05.2021), with an additional 1,5 year declaration period (until 31.12.2022).
All the granted options were earned and vested on 31 May 2021 as the share price was NOK 87.95 per share end May 2021
Jethro Holter exercised 200,000 options in December 2021.

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2022 Number of share options	2021
2022, 31 December	8.00	400 000	600 000
2025, 14 May	10.19	315 000	315 000
2026, 30 November	89.52	500 000	
Outstanding at 30. September		**1 215 000**	**915 000**
Exercisable options at 30. September		**400 000**	**600 000**

The fair value of employee rights to receive options (2022 program) are calculated according to the Black-Scholes method with barrier most important parameters are share price at grant date (NOK 3,52 per share), risk free rate (1,49%), expected term of 5 years, options. The expected dividend yield (0%), strike (NOK 8,00 per share) and volatility last 5 years (55,25%).
The fair value of the boards options (2025 options) are calculated according to the Black-Scholes method. The most important parameters are share price at grant date (NOK 22.80 per share) , risk free rate (1,49%), expected term of 5 years, expected dividend yield (0%), strike (NOK 10,19 per share) and volatility last 5 years (59,02%).
The fair value of employee options (2026 program) are calculated according to the Black-Scholes method. The most important parameters are share price at grant date (NOK 85.10 per share), risk free rate (1,50%), expected term of 5 years, expected dividend yield (0%), strike (NOK 89,52 per share) and volatility last 5 years (60,43%).
The fair value is expensed over the vesting period. The Company has no obligations, legal nor implied, to repurchase or settle the options in cash unless general assembly declines to renew its authorization to issue new shares.

Note 4 Fixed assets

Machinery, equipment and permanent fixtures	Q3		YTD	
(Amounts in NOK 1 000)	2022	2021	2022	2021
Net book value (opening balance)	12 816	5 961	12 302	3 058
Net investment	675	3 437	1 938	6 280
Work in progress lab facility		981		1 382
Depreciation and amortization	-433	-204	-1 183	-547
Net book value (ending balance)	**13 057**	**10 174**	**13 057**	**10 174**

Intangible asset	Q3		YTD	
(Amounts in NOK 1 000)	2022	2021	2022	2021
Net book value (opening balance)	1 693	313	1 790	420
Net investment	2 731	1 462	2 731	1 462
Depreciation and amortization	-48	-54	-145	-161
Net book value (ending balance)	**4 376**	**1 722**	**4 376**	**1 722**

Lease assets	Q3		YTD	
(Amounts in NOK 1 000)	2022	2021	2022	2021
Net book value (opening balance)	15 517	17 365	16 078	10 515
New premises SIVA			8 252	7 606
Adjustment and recalculation original contract SIVA			-8 932	
Addition to the Siva contract			938	
New premises Share Lab Oslo			668	
Net present value adjustment 01.01			44	203
Depreciation	-819	-643	-2 351	-1 602
Net book value (ending balance)	**14 698**	**16 722**	**14 698**	**16 722**

Intangible assets (Research and development, patents and licenses):

Research expenses are expensed when incurred. Development of products are capitalized as intangible assets when:

- It is technically feasible to complete the intangible asset enabling it for use or sale.
- Management intends to complete the intangible asset and use or sell it.
- The Company has the ability to make use of the intangible asset or sell it.
- A future economic benefit to the Company for using the intangible asset may be calculated.
- Available technical, financial and other resources are sufficient to complete the development and use of or sale of the intangible asset
- The development expense of the intangible asset can be measured reliably.

Intangible assets are depreciated by the linear method, depreciating the acquisition expense to the residual value over the estimated useful life, which are for each group of assets: Product rights and own product development (10-12)

Other development expenses are expensed when incurred. Previously expensed development costs are not recognized in subsequent periods. Capitalised development costs are depreciated linearly from the date of commercialization over the period in which they are expected to provide economic benefits. Capitalised development costs are tested annually by indication for impairment in accordance with IAS 36.

Note 5 Lease assets and liabilities

IFRS 16 Leases was implemented 01.01.2019 and regulates matters relating to leased assets and leased liabilities. The lease standard requires lessees to recognise right-of-use asset and liabilities, which is a significant change from requirements under the previous accounting standard IAS 17.

ArcticZymes Technologies have two contracts under IFRS16. One is from 2011 when the company leased offices and lab facilities from SIVA wheras the other contract is for additinal production facilities at the same location contracted in 2021. 2,97% is used as discount rate for the contract in 2021.
Both contracts follows the same term as the initial contract and has expiry in 2026 after 2 extension options has been called upon.
As of Q1 2022 the original "2011 contract" has been recalculated due to changes in the lease and the discount rate for the recalculated contract is 2,97%.
As of Q2 2022 Arcticzymes Technologies secured additional office space at Siva in Tromsø under same terms as the inital 2011 contract.
ArcticZymes has signed a contract with Share Lab in Oslo for 3 years with 2,97% in discount rate.

(Amounts in NOK 1 000)

Financial position	**30.09.2022**	**30.09.2021**	**31.12.2021**
Lease assets	14 698	16 722	16 079
Sum lease assets	**14 697**	**16 722**	**16 079**
Lease liabilites	11 175	17 602	14 472
Sum lease liabilities	**11 175**	**17 602**	**14 471**

1. Right of use is calculated from inception of contract
2. Net present value of liability maturing more than 12 months
3. Next years instalment is part of current liabilities

Short-term leases

The Group also lease computers and IT equipment with contract terms from 1 to 3 years. The Group has decided not to recognize leases where the underlying asset has a low value, and thus does not recognize lease obligations and lease assets for any of these assetes. Instead, payments for leases are expensed when they occur.

Overhead expenses related to premises in contracts are expensed when they occur.

(Amounts in NOK 1 000)

Summary of other leased assets presented in the consolidated Profit & Loss statement	30.09.2022	30.09.2021	31.12.2021
Lease of IT equipment	192	107	167
Overhead expenses related to premises	686	461	731
Total leased assets inc. in other op. expenses	**878**	**568**	**898**

Note 6 Related party disclosures

Shares owned or controlled by directors and senior management per 30. September 2022:

Name, position	No of shares	No of options
Marie Roskrow, Chairman		200 000
Volker Wedershoven, Director	57 871	100 000
Jane Theaker, Director*		
Bernd Striberny, Director (employee)	200	
Lill Hege Henriksen, Observer (employee)	3 088	
Jethro Holter, CEO	80 564	170 000
Børge Sørvoll, CFO	25 428	330 000
Marit Sjo Lorentzen, Director of Operations	20 331	115 000
Olav Lanes, VP R&D and applications	2 000	100 000

See note 3 for further details

**According to AGM2022 resolution, Jane Theaker is awarded NOK 500.000 to procure shares for in ArcticZymes Technologies ASA. The shares shall have 3 years lockup before they can be sold. No shares are acquired per 30.09.2022.*

Note 7 Shareholders

The 20 largest shareholders as of 30.09.2022	Shares	Ownership
Skandinaviska Enskilda Banken AB	4 688 913	9,31 %
Skandinaviska Enskilda Banken AB	3 810 717	7,57 %
Nordnet Bank AB	3 045 657	6,05 %
Avanza Bank AB	2 051 997	4,07 %
Pro AS	2 005 216	3,98 %
State Street Bank and Trust Comp	1 547 995	3,07 %
Skandinaviska Enskilda Banken AB	1 512 000	3,00 %
Clearstream Banking S.A.	1 302 616	2,59 %
State Street Bank and Trust Comp	1 259 313	2,50 %
Belvedere AS	1 015 684	2,02 %
Tellef Ormestad	857 607	1,70 %
Skandinaviska Enskilda Banken AB	815 000	1,62 %
Danske Bank AS	792 040	1,57 %
Middelboe AS	602 500	1,20 %
Danske Bank AS	562 000	1,12 %
Kvantia AS	554 714	1,10 %
Avkast Invest AS	500 000	0,99 %
Skandinaviska Enskilda Banken AB	500 000	0,99 %
Verdipapirfondet KLP AksjeNorge	497 479	0,99 %
Dragesund Invest AS	491 739	0,98 %
20 largest shareholders aggregated	**28 413 187**	**56,41 %**

Note 8 Alternative Performance Measures

Information provided is based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA
ArcticZymes Technologies ASA reports EBITDA as performance measure that is not defined under IFRS but which represents an measure used by the Board as well as by management in assessing performance as well as for reporting both internally and to shareholders. ArcticZymes Technologies ASA belives that to use EBITDA will give the readers a more meaningful understanding of the underlying financial and operating performance of the company when viewed in conjunction with our IFRS financial information.

EBITDA & EBIT

We regard EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes. EBITDA is widely used by investors when evaluating and comparing businesses, and provides an analysis of the operating results excluding depreciation and amortisation. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.
The definition of EBITDA is "Earnings Before Interest, Tax, Depreciation and Amortization" and EBIT is "Earnings Before Interest and Taxes". The reconciliation to the IFRS accounts is as follows:

	Q3		YTD	
(Amounts in NOK 1 000 - exept EPS)	2022	2021	2022	2021
Sales	29 299	25 241	108 817	87 466
Cost of goods and change in inventory	-953	-1 535	-4 016	-1 913
Gross profit	**28 346**	**23 706**	**104 802**	**85 553**
Other revenues	403	850	407	2 402
Sum other revenues	**403**	**850**	**407**	**2 402**
Personnel expenses	-18 315	-11 631	-44 499	-34 196
Other operating expenses	-7 596	-3 938	-20 482	-12 986
Depreciation and amortization expenses	-1 308	-901	-3 680	-2 318
Sum expenses	**-27 219**	**-16 471**	**-68 660**	**-49 501**
Operating profit/loss (-)	**1 530**	**8 085**	**36 549**	**38 455**

Note 9 Accounts receivable and other receivables

(Amounts in NOK 1 000)	30.09.2022	30.09.2021	31.12.2021
Accounts receivable	20 758	11 831	20 281
Research grants	906	2 979	2 985
Tax grants	39	762	1 055
VAT	1 332	872	1 067
Other receivables	1 643	599	725
Total accounts receivable and other receivables	**24 678**	**17 043**	**26 114**

Accounts receivables arise from the sale of goods or services within the normal operations. Settlements that are due in 12 months or less are, classified as current assets. If this is not the case, they are classified as non current assets.

Historically, the group has not incurred losses on accounts receivable. Based on this and the fact that there were no losses in 2021, Q1-Q3 2022 and we expect no future losses, no provisions were made in third quarter of 2022.

Note 10 Other current liabilities

(Amounts in NOK 1 000)	30.09.2022	30.09.2021	31.12.2021
Public taxes and withholdings	1 696	1 200	4 215
Bonus	3 942	3 505	4 392
Unpaid holiday pay	2 809	1 867	2 680
Other personnel	4 637	4 803	2 634
Other current liabilities	988	1 029	1 982
Other current liabilities	**14 073**	**12 404**	**15 902**

Note 11 Impacts of COVID-19

The Group's sales are impacted by COVID-19 effects. Since COVID-19 will continue in the forseeable future, effects will be presented as underlying business in presentations. Historic figures for COVID-19 effects are internal estimates based on historic purchasing patterns and communications with customers. COVID-19 revenues from customers moving forward will be harder to estimate and will not be reported seperately.

Note 12 Taxes

The tax expense is comprised of current and deferred tax. Tax is recognised, except when it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income.
The tax expense is measured in accordance with the tax laws and regulations that are enacted at the balance sheet date.
Deferred tax is measured as temporary differences between tax values and consolidated accounting values of assets and liabilities, using the liability method. If deferred tax arises from initial recognition of an asset or assets in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

(Amounts in NOK 1 000)	**2022**	**2021**	**Change**
Temporary differences			
Non current assets	2 458	1 787	-671
Other temporary differences	-4 844	-3 374	1 470
Gains and loss account	6 790	8 487	1 697
Pensions	-4	0	4
Total temporary differences	**4 400**	**6 900**	**2 501**
Financial instruments	480	549	
Tax assessment loss carried forward	-57 093	-100 729	
Calculation base deferred tax asset	**-52 213**	**-93 280**	
Change in deferred tax asset, 22%	**-11 487**	**-20 522**	**9 035**
Profit before income tax	41 093	59 002	
Non deductable expenses	42	-1 128	
Non taxable income		-1 054	
Changes in temporary differences	2 501	3 193	
Profit before tax loss carried forward	43 636	60 014	
Deffered tax loss carried forward	-43 636	-60 014	
Tax base	**0**	**0**	
Tax expense	**9 035**	**-12 621**	

Note 13 Events after balance sheet date, 30. September 2022

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 26.10.2022

STATMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that the financial statement for the period 1. January to the 30. September 2022 have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation.

We also confirm, to the best of our knowledge, that the quarterly report includes a true and fair overview of the Company's and the Group's development, results and position, together with a description of the most important risks and uncertainty factors the Company and the Group are facing.

Tromsø, 26.10.2022
The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Jane Theaker
Director

Bernd Striberny
Director- employee

Jethro Holter
CEO

ArcticZymes Technologies

ArcticZymes Technologies ASA
Sykehusveien 23
N-9294 Tromsø, Norway

T (47) 7764 8900
E ir@arcticzymes.com
I www.arcticzymes.com

www.arcticzymes.com