



1st Quarter
Quarterly Report

www.arcticzymes.com

2021

Highlights for Q1 2021

- ArcticZymes Technologies (AZT) had Q1 sales of NOK 40.4 million growing by 119% (Q1 2020: NOK 18.5 million)
- Coronavirus-related sales are estimated at NOK 16.5 million in Q1 2021 (NOK 3.8 million in Q1 2020)
- Gross profit improved to NOK 39.9 million with 99% margin (Q1 2020: NOK 18.5 Million)
- AZT delivered a positive EBITDA of NOK 25.8 million (Q1 2020: NOK 9.0 million)
- Cash-flow for Q1 was positive NOK 23.2 million (Q1 2020: NOK 4.4 million) giving a cash balance of NOK 163.3 million (Q1 2020: NOK 35.7 million)
- Successfully upscaled the SAN HQ production process

CEO Jethro Holter comments:

“We are delighted with the performance of our first quarter as a pure enzymes company. The ArcticZymes team has delivered the best ever quarterly performance achieving sales revenues of 40 million NOK and an EBITDA of 26 million NOK. All market segments have experienced quarterly growth including re-establishment of molecular research sales to pre-pandemic levels.

Furthermore, the SAN HQ enzyme production process was successfully upscaled 100-fold. The innovation pipeline and the infrastructure expansion project of R&D and operations are progressing. Such activities are key to leveraging the greater potential AZT can accomplish through organic growth.”

Key financial figures:

NOK 1.000	Q1 2021	Q1 2020	Change	YTD 2021	YTD 2020	Change
Sales	40 447	18 475	+ 119 %	40 447	18 475	+ 119 %
Total revenues	41 001	19 605	+ 109 %	41 001	19 605	+ 109 %
Operating expenses	14 656	10 660	+ 37 %	14 656	10 660	+ 37 %
EBITDA	25 806	8 985	+ 194 %	25 806	8 985	+ 194 %
EBIT	25 181	8 322	+ 203 %	25 181	8 322	+ 203 %
Changes in cash	23 162	4 378	+ 429 %	23 162	4 378	+ 429 %

Note: all financial figures are excluding discontinued operations (Biotec BetaGlucans)

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

Therapeutics

The therapeutic segment continues to grow through sales of the Salt Active Nuclease (SAN) product line. The segment achieved 36 % quarterly growth compared to Q1 2020 and a 25 % contribution towards total Q1 2021 sales.

Two large SAN customers, who are utilising SAN in their gene therapy developments, conducted cGMP audits of the AZT facilities in Tromsø. The audits are part of a mandatory qualification process our customers must perform to qualify us as a critical component supplier and subsequent to any regulatory approvals.

AZT continues to support ReiThera in their efforts to develop a GRAd-COV2 Covid-19 vaccine. ReiThera has initiated phase 2/3 trials and expects to market the vaccine later on in 2021^{1,2}.

Overall, AZT is supporting 100+ customers in the therapeutic segment through its SAN product line in N. America, Europe and Asia.

Molecular Diagnostics & Research (Molecular)

The combined molecular diagnostics and molecular research segment is served by the whole of the AZT enzyme portfolio. The segment achieved 176 % quarterly growth compared to Q1 2020 and a 75 % contribution towards total Q1 2021 sales.

Molecular research sales have re-established to previous levels observed before the pandemic.

Several large orders from all geographical regions were expedited. Overall, molecular research sales accounted for 25 % of total sales for Q1 2021. The main product driving sales is the recombinant Shrimp Alkaline Phosphatase (rSAP) enzyme which has traditionally shown large quarterly fluctuations. Such quarterly fluctuations are expected to remain.

Sales continue to grow across AZT’ molecular diagnostics customer base. Cod UNG remains the primary contributor to quarterly growth. Furthermore, the demand for our DNases, Proteinase and Polymerases continues to grow with respect to driving new business. Overall, molecular diagnostics sales accounted for 50 % of total sales for the quarter.

A supply agreement was signed with a molecular diagnostic company in the USA. The customer is developing a multiplex diagnostic platform for the simultaneous detection of Covid-19 and other respiratory viruses. The development project has made a small contribution to Q1 2021 sales.

A large increase in sales for molecular products was achieved in Japan. One of our largest Japanese customers has extended the use of the AZT enzymes into Covid-19 applications. The customer is a renowned molecular research/diagnostic company with a strong market position across the Asian continent.

Sales growth to the combined segment remains robust and is supported by the 200+ customers the Company serves today.

Coronavirus-Related Sales

Coronavirus-related sales are estimated to account for 41 % of total Q1 sales. The majority of sales are recurring business rather than one-off orders. AZT has established long-term business with numerous companies who have launched robust Coronavirus-relevant products onto the market. Furthermore, AZT is a supplier to one of the world’s largest provider of Coronavirus diagnostic tests.

Innovations and operations

The project to upscale the SAN HQ enzyme was successfully completed. The upscaling achieved greater than a 100-fold increase in fermentation yield. Enzyme manufactured from this upscaled process will be commercially available to our therapeutic customers from Q2. The upscaling is timely so that customers can receive large quantities of enzyme from a single production batch. The project was partially funded by a National Grant received in May 2020 from Innovation Norway. We are grateful to Innovation Norway for supporting the project and recognizing its underlying value.

The innovation pipeline is progressing with several products anticipated to be ready for launch in 2021. These include: M-SAN ELISA kit, Taq DNA Polymerase, Reverse Transcriptase, new SAN products, and other enzymes.

Strategic growth initiatives

Most of the efforts have been towards the infrastructure expansion of R&D and operations at the SIVA innovation Centre. Renovation work is currently underway to modify the infrastructure and install the necessary utilities required before any production or laboratory equipment can be moved in. The project is progressing as planned. The expansion fits timely to cater for increasing commercial demands for AZT' expanding product portfolio. Also, it will allow the company to capitalize on ramping up its innovation pipeline.

In the meantime, AZT continues to incrementally hire new personnel in Tromsø to support its growth initiatives.

Corporate

Following the divestment of the Biotec BetaGlucans segment last year, management has restructured parts of the organization to optimise its activities as a pure enzymes company.

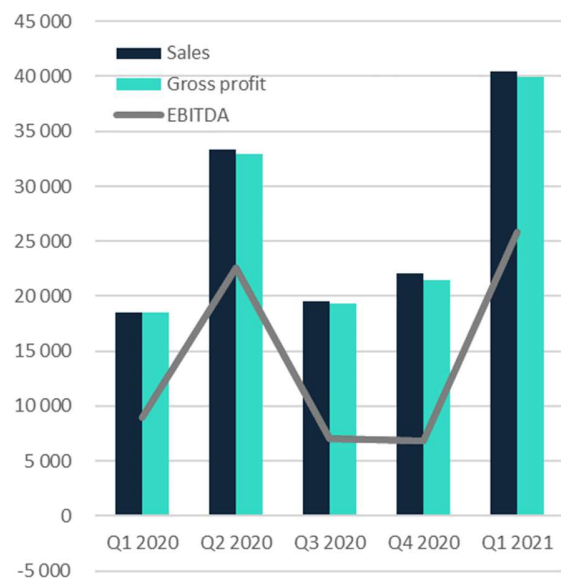
The Company continues to attract substantial interest from the capital markets. Management

has subsequently participated in virtual investor road shows as well as numerous meeting requests from banks and financial institutions in the Nordics, other parts of Europe, and the USA.

Financial review

All 2020 figures presented are excluding discontinued operations (Biotec BetaGlucans), unless otherwise stated. This is in alignment with current IFRS rules. Biotec BetaGlucans was divested on 31.12.2020.

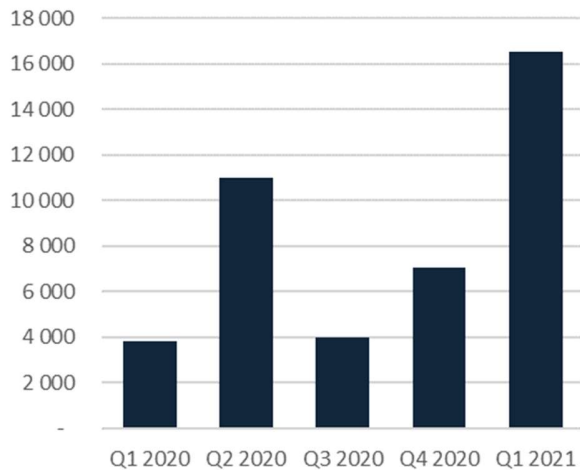
Sales, Gross profit & EBITDA



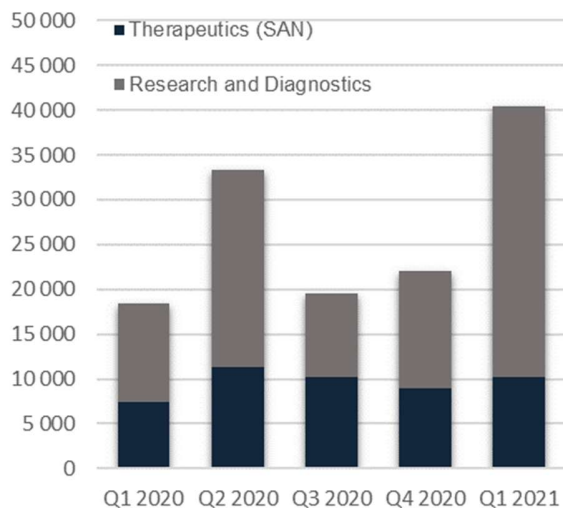
AZT reported sales of NOK 40.4 million (Q1 2020: 18.5 M) for the first quarter of 2021. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 25.8 million (Q1 2020: 9.0 M) and earnings before interest and tax (EBIT) were NOK 25.2 million (Q1 2020: 8.3 M) in the quarter. Net financial income was a loss of NOK 0.2 million (Q1 2020: 0.9 M).

Of the NOK 40.4 million in quarterly sales, an estimated NOK 16.5 million are Covid-19-related. Covid-19-related sales are expected to continue to fluctuate going forward.

Estimated Covid-19 related sales



Sales per segment



Improvement in EBITDA is explained by strong underlying- and Coronavirus-related sales in Q1 2021. A strong NOK in the quarter compared to end of last year resulted in a currency loss of NOK 0.5 million related to sales recognition.

Expenses in operations are increased by NOK 4.0 million in Q1 2021 compared to same quarter last year. The increases are explained

by more personnel as the company is growing and utilising more external services.

Taxes

Due to the positive development in financial figures, divestment of Biotec BetaGlucans and forecast for the future, the Company recognised profit loss carried forward as a deferred tax asset on the balance sheet per 31.12.2020. For Q1 2021 the Company recognised NOK 5.6 million in tax expense, which will be offset against the deferred tax assets.

Discontinued operations

AZT and Danstar Ferment AG (subsidiary of Lallemand Inc.) signed a share purchase agreement on 14th December 2020 for the divestment of Biotec BetaGlucans AS. The transaction was based on an Enterprise value of NOK 70 million plus cash, minus debt, and normalised working capital adjustment on closing of the transaction per 31st December 2020.

The transaction adjustments were closed on 31st March giving AZT NOK 16.2 million in further cash settlement.

The Company continued to support Biotec BetaGlucans and Lallemand in the first quarter, but certain administrative tasks are now transferred to Lallemand.

Financial position

Total equity amounted to NOK 215.9 million at the end of Q1 2021 compared to NOK 196.3 million at the end of Q4 2020.

Total assets were NOK 237.5 million at the end of Q1 2021, up from NOK 221.9 million at the end of Q4 2020.

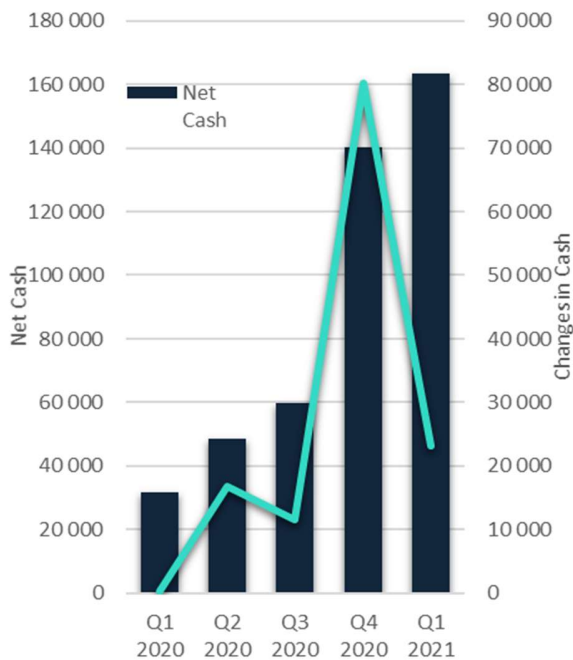
The Company has no interest-bearing debt.

Cash flow

Net cash flow from operating activities was NOK 25.6 million in the Q1 2021.

The operating cash flow from continued operations reflects a change in working capital of NOK -0.3 million compared to the end of Q4 2020. This is explained by a decrease in receivables by NOK 3.8 million, increase in inventory of NOK 0.1 million and a decrease in liabilities of NOK 4.0 million.

Cash position



Changes in cash and cash equivalents was NOK 23.2 million in Q1 2021. This generated a cash balance of NOK 163.3 million at the end of Q1 2021, compared to NOK 140.2 million at the end of Q4 2020.

Shareholder matters

The total number of issued shares was 48,334,673 at the end of Q1 2021. See the annual report for 2020 and note 3 & 6 in the Q1 2021 financial statement for further details on option programmes.

Risk factors

AZT' 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.

The Coronavirus pandemic has had a positive impact on the business in 2020 and in Q1 of 2021 as the Company's products are used in several diagnostic test solutions and potential vaccine candidates.

Coronavirus-related sales will depend on global development of the pandemic and test strategies. However, the risks are considered minimal because they will be mitigated and counteracted by sales in other areas of the business as lockdowns are eventually lifted.

Also, see the risk factors which are described in the annual report for 2020 and published on the Company's website www.arcticzymes.com.

Outlook

AZT entered 2021 as a pure enzyme company. The Company's outlook for 2021 remains unchanged. The focus will be towards sales growth and increasing profitability. Furthermore, 2021 will be a year for investing to leverage the greater growth potential in the business. Investments in new and expanded facilities as well as talented personnel will be core to the Company's organic growth strategy. New product launches during the year will bring the Company closer to achieving a complete portfolio offering of molecular biology enzymes over the next 2-3 years. M&A activities will also be important to support this goal.

¹ <https://reithera.com/2021/03/18/reitheras-covid-19-vaccine-candidate-enters-phase-2-3-clinical-study/>

² https://www.ansa.it/english/news/general_news/2021/01/27/covid-italian-vaccine-to-be-available-from-september-aifa_8eb3e496-9eeb-420f-9880-05e4aef8f707.html

The interim financial statement 31. March 2021 (Q1)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q1		YTD	
	2021	2020	2021	2020
Sales revenues	40 447	18 475	40 447	18 475
Other revenues	555	1 130	555	1 130
Sum revenues	41 001	19 605	41 002	19 605
Cost of goods	-540	40	-540	40
Personnel expenses	-10 044	-8 142	-10 044	-8 142
Other operating expenses	-4 612	-2 518	-4 612	-2 518
Sum expenses	-15 196	-10 620	-15 196	-10 620
Earnings before interest, taxes, depr. and amort.	25 806	8 985	25 806	8 985
Depreciation and amortization expenses	-625	-663	-625	-663
Operating profit/loss (-) (EBIT)	25 181	8 322	25 181	8 322
Financial income, net	-246	879	-246	879
Profit/loss (-) before tax (EBT)	24 935	9 201	24 935	9 201
Tax	-5 581	0	-5 581	0
Net profit/loss (-) before discontinued operations	19 354	9 201	19 354	9 201
Net profit from "Discontinued operations"	0	4 543	0	4 543
Net profit/loss (-)	19 354	13 744	19 354	13 744
Basic EPS (profit for the period)	0,40	0,28	0,40	0,28
Diluted EPS (profit for the period)	0,39	0,28	0,39	0,28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	31.03.2021	31.03.2020*	31.12.2020
Non-current assets			
Deferred tax	27 562	0	33 143
Machinery and equipment	5 014	4 688	3 058
Intangible assets	377	611	420
Lease assets	10 271	14 118	10 515
Other non-current assets	3	0	5
Total non-current assets	43 227	19 417	47 141
Current assets			
Inventories	4 017	4 663	3 889
Account receivables and other receivables	26 890	24 661	30 705
Cash and cash equivalents	163 339	35 667	140 178
Total current assets	194 246	64 991	174 771
Total assets	237 473	84 409	221 912
Assets classified as "Assets held for sale"	0	7 334	0
Total assets	237 473	91 743	221 912
Equity			
Share capital	48 335	48 335	48 335
Premium paid in capital	151 039	151 039	151 039
Retained earnings	13 511	-140 870	-4 954
Non-controlling interests	3 012	1 768	1 909
Total equity	215 898	60 273	196 330
Other long-term liabilities			
Lease liabilities	9 940	14 144	9 595
Total other long-term liabilities	9 940	14 144	9 595
Current liabilities			
Accounts payable and other current liabilities	11 636	17 284	15 987
Total current liabilities	11 636	17 284	15 987
Liabilities classified as "Assets held for sale"		43	
Total equity and liabilities	237 473	91 743	221 912

*31.03.2020 Includes Biotec BetaGlucans AS

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q1		YTD	
	2021	2020	2021	2020
Cash flow from operating activities:				
Profit after tax	19 354	13 744	19 354	13 744
Adjustment:				
Tax	5 581		5 581	
Depreciation	178	316	178	316
Depreciation IFRS	447	643	447	643
Employee stock options	212	60	212	60
Non cash interest expense	141	178	141	178
Changes in working capital				
Inventory	-128	635	-128	635
Account receivables and other receivables	3 814	-9 992	3 814	-9 992
Payables and other current liabilities	-4 028	305	-4 028	305
Net cash flow from operating activities	25 571	5 889	25 571	5 889
Cash flow from investing activities:				
Purchase of fixed assets	-2 091	-1 066	-2 091	-1 066
Change in long term receivables	27		27	
Net cash flow from investing activities	-2 064	-1 066	-2 064	-1 066
Cash flow from financing activities:				
Interest expense on lease liability	-141	-178	-141	-178
Prinicpal portion of the lease liabillity	-203	-268	-203	-268
Net cash flow from financing activities	-345	-445	-345	-445
Changes in cash and cash equivalents	23 162	4 378	23 162	4 378
Cash and cash equivalents at the beginning of period	140 178	31 289	140 178	31 289
Cash and cash equivalents at end of period	163 339	35 667	163 339	35 667

Note: 2020 figures includes cash flow from discontinued operations (Biotec BetaGlucans).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q1		YTD	
	2021	2020*	2021	2020*
Equity at the beginning of period	196 330	46 476	196 330	46 476
Shared based compensation	212	51	212	51
Retained earnings	18 251	13 312	18 251	13 312
Changes in non-controlling interests	1 103	432	1 103	432
Equity at the end of period	215 897	60 271	215 896	60 271

* 31.03.2020 Includes Biotec BetaGlucans AS

Notes to the interim accounts for 31. March 2021 (Q1)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2021 that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses are similar to the assumptions found/used in the financial statement for 2020.

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 31. March 2021. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year, ended 31. December 2020 (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, segment information and discontinued operations

Services provided by the parent company are expensed at segment according to agreements with actual subsidiary. Corporate overhead costs remain unallocated. Biotec BetaGlucans was divested on 31.12.2020. This segment note includes financial effect of BBG up and until closing of the transaction on 31.12.2020.

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.

The Group has divided its business into two operating segments; enzymes and beta-glucans. The segment enzymes consists of sales revenues and operating expenses associated with the subsidiary ArcticZymes AS, while the segment beta-glucans is related to revenues and operating expenses of the subsidiary Biotec BetaGlucans AS. The parent company provides a range of administrative services to the subsidiaries. Invoicing is based on service agreements. Corporate overhead cost within the parent company remains unallocated.

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. AZT does not have any other significant obligations for returns or refunds. Freight services are included in sale of goods.

ArcticZymes sales revenues are enzymes for use in molecular research, In Vitro Diagnostics and therapeutics. Biotec BetaGlucans has products used for consumer- and animal health and within wound care.

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, normally 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 and research grants.

(Amounts in NOK 1 000)	Q1		YTD	
	2021	2020	2021	2020
Sales revenue:				
Beta-Glucans (discontinued operations)		15 798		15 798
Enzymes	40 447	18 475	40 447	18 475
Group operating sales revenues	40 447	34 273	40 447	34 273
Gross profit				
Beta-Glucans (discontinued operations)		7 654		7 654
Enzymes	39 907	18 515	39 907	18 515
Group gross profit	39 907	26 169	39 907	26 169
Other revenues				
Beta-Glucans (discontinued operations)		147		147
Enzymes	555	1 130	555	1 130
Group other revenues	555	1 277	555	1 277
Operating expenses:				
Beta-Glucans (discontinued operations)		-3 518		-3 518
Enzymes	-11 889	-9 182	-11 889	-9 182
Unallocated corporate expenses	-2 767	-985	-2 767	-985
Group operating expenses	-14 656	-13 685	-14 656	-13 685
Operating profit/loss (-) (EBITDA)				
Beta-Glucans (discontinued operations)		4 283		4 283
Enzymes	28 572	10 463	28 573	10 463
Unallocated corporate expenses	-2 767	-985	-2 767	-985
Operating profit/loss (-) (EBITDA)	25 806	13 760	25 806	13 760
Depreciation and amortization:				
Beta-Glucans (discontinued operations)		-361		-361
Enzymes	-435	-542	-435	-542

Unallocated corporate expenses	-189	-56	-189	-56
Group depreciation and amortization	-625	-959	-625	-959
<i>Profit/loss (-) before interest and tax (EBIT)</i>				
Beta-Glucans (discontinued operations)		3 922		3 922
Enzymes	28 137	9 920	28 137	9 920
Unallocated corporate expenses	-2 956	-1 041	-2 956	-1 041
Profit/loss (-) before interest and tax (EBIT)	25 181	12 801	25 181	12 801

Note 3 Share options

Per 31.03.2021, there were 315,000 outstanding options plus 600,000 right to receive 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. Criteria's not reflected in the market, affect the assumptions about the number of options expected to be exercised. It recognizes the importance of the revision of original estimates in the consolidated profit and loss statement with a corresponding adjustment 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.

	2021		2020	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01.01.	10.19	315 000		0
Granted during the year		0		0
Expired during the year		0		0
Outstanding at 31. March	10,19	315 000		0

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

Awarded options	Option strike 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).

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2021	2020
		Number of share options	Number of share options
2025, 14 May	10.19	315 000	0
Outstanding at 31. March		315 000	0
Exercisable options at 31. March		0	0

The fair value of employee rights to receive options are calculated according to the Black-Scholes method with barrier options. The most important parameters are share price at grant date (NOK 3,52 per share), risk free rate (1,49%), expected term of 5 years, expected dividend yield (0%), strike (NOK 8,00 per share) and volatility last 5 years (55,25%).

The fair value of the boards 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 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 (Amounts in NOK 1 000)	Q1		YTD	
	2021	2020*	2021	2020*
Net book value (opening balance)	3 058	3 875	3 058	3 875
Net investment	2 091	1 066	2 091	1 066
Depreciation and amortization	-135	-253	-135	-253
Net book value (ending balance)	5 014	4 688	5 014	4 688

* 31.03.2020 Includes Biotec BetaGlucans AS

Intangible asset (Amounts in NOK 1 000)	Q1		YTD	
	2021	2020*	2021	2020*
Net book value (opening balance)	420	6 808	420	6 808
Net investment	0	0	0	0
Depreciation and amortization	-43	-63	-43	-63
Net book value (ending balance)	377	6 745	377	6 745

* 31.03.2020 Includes Biotec BetaGlucans AS

Lease assets (Amounts in NOK 1 000)	Q1		YTD	
	2021	2020*	2021	2020*
Net book value (opening balance)	10 515	14 470	10 515	14 470
Initial measurement IFRS 16	0	0	0	0
Net present value adjustment 01.01	203	293	203	293
Depreciation	-447	-643	-447	-643
Net book value (ending balance)	10 271	14 118	10 271	14 118

* 31.03.2020 Includes Biotec BetaGlucans AS

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 (5-10 years) and own product development (10-12 years)

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

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.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset").

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease or the group's incremental borrowing rate.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

At the commencement date, the Group recognised a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The Group has separately recognised the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has adopted the new standard on the effective date using a full retrospective method and a 3%/4,6% discount rate.

The lease period includes options. There is only one contract relating to offices and lab at SIVA Innovation Centre which is impacted by IFRS16.

Due to divestment of Biotec BetaGlucans on 31.12.2020, all IFRS16 calculations relating to production facilities at Nordøya is eliminated from leased assets and liabilities.

(Amounts in NOK 1 000)

Financial position	31.03.2021	31.03.2020*	31.12.2020
Lease assets	10 271	14 118	10 515
Fixed assets	5 391	11 433	3 478
Other non-current assets	27 565		33 148
Sum Fixed assets	43 227	25 551	47 141
Lease liabilities	9 940	14 144	9 595
Current liabilities	11 636	17 284	15 987
Sum Liabilities	21 576	31 428	25 582

* 31.03.2020 Includes Biotec BetaGlucans AS

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

Summary of other leased assets presented in the	31.03.2021	31.03.2020	31.12.2020
Lease of IT equipment	39	0	48
Overhead expenses related to premises	106	114	921
Total leased assets included in other expenses	145	114	969

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 assets. Instead, payments for leases are expensed when they occur.

Overhead expenses related to premises in the SIVA Innovation Centre contract are expensed when they occur.

Note 6 Related party disclosures

Shares owned or controlled by directors and senior management per 31. March 2021:

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	200 000
Volker Wedershoven, Director	80 000	100 000
Marit Sjo Lorentzen, Director	20 331	15 000
Jethro Holter, CEO	564	*
Børge Sørvoll, CFO	25 429	*
Olav Lanes, VP R&D and applications	2 000	0

*See note 3 for further details

Note 7 Shareholders

The 20 largest shareholders as of 31. March 2021	Shares	Ownership
Skandinaviska Enskilda Banken AB	4 082 540	8,45 %
Nordnet Bank AB	3 389 408	7,01 %
Avanza Bank AB	2 305 590	4,77 %
Pro AS	2 005 216	4,15 %
Skandinaviska Enskilda Banken AB	2 002 187	4,14 %
Tellef Ormestad	1 364 776	2,82 %
Clearstream Banking S.A.	1 264 506	2,62 %
State Street Bank and Trust Comp	1 045 794	2,16 %
Belvedere AS	1 015 684	2,10 %
Vinterstua AS	958 165	1,98 %
Danske Bank A/S	951 113	1,97 %
State Street Bank and Trust Comp	831 872	1,72 %
Nordea Bank ABP	744 645	1,54 %
J.P Morgan Bank	670 014	1,39 %
Middelboe AS	663 992	1,37 %
Danske Bank A/S	600 000	1,24 %
Dragesund Invest AS	597 891	1,24 %
DNB Markets Aksjehandel	508 336	1,05 %
Avakst Invest AS	500 000	1,03 %
Verdipapirfondet KLP AksjeNorge	484 078	1,00 %
20 largest shareholders aggregated	25 985 807	53,76 %

Note 8 Interim results

(Amounts in NOK 1 000)	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020
Sales revenues	40 447	22 054	19 546	33 373	18 475
Sales growth % (year-over-year)	119 %	19 %	63 %	271 %	135 %
Gross profit %	99 %	97 %	100 %	99 %	100 %
EPS	0,40	0,76	0,13	0,45	0,15
EPS fully diluted	0,39	0,75	0,12	0,45	0,15
EBITDA	25 806	6 837	22 536	7 072	8 985
Equity	215 898	197 325	95 629	86 324	60 271
Total equity and liabilities	237 473	221 747	119 719	112 681	91 743
Equity (%)	91 %	89 %	80 %	77 %	66 %

Noe. All 2020 figures are adjusted for discontinued operations

Note 9 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 believes 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:

(Amounts in NOK 1 000 - except EPS)	Q1		YTD	
	2021	2020*	2021	2020*
Sales	40 447	18 475	40 447	18 475
Cost of goods	-540	40	-540	40
Gross profit	39 907	18 515	39 907	18 515
Other revenues	555	1 130	555	1 130
Sum other revenues	555	1 130	555	1 130
Personnel expenses	-10 044	-8 142	-10 044	-8 142
Other operating expenses	-4 612	-2 518	-4 612	-2 518
Depreciation and amortization expenses	-625	-663	-625	-663
Sum expenses	-15 281	-11 323	-15 281	-11 323
Operating profit/loss (-)	25 181	8 322	25 181	8 322

* 31.03.2020 does not include discontinued operations.

Note 10 Accounts receivable and other receivables

(Amounts in NOK 1 000)	31.03.2021	31.03.2020*	31.12.2020
Accounts receivable	22 029	18 988	10 575
Research grants	1 093	1 472	1 505
Tax grants	2 346	2 071	1 138
VAT	446	293	791
Other receivables	1 009	1 103	16 696
Total accounts receivable and other receivables	26 923	23 927	30 705

* 31.03.2020 Includes Biotec BetaGlucans AS

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 31.03.2021	17 008	1 617	2 858	107	439
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss	0	0	0	0	0
Provision for losses	0	0	0	0	0

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 31.03.2020	6 095	1 153	201	33	213
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss - %	0 %	0 %	0 %	0 %	0 %
Provision for losses	0	0	0	0	0

ArcticZymes's main customers are large corporations and Universities. Historic losses on receivables are close to zero. Due to payment system in the US and interaction with Norway, all payments from the US will be recorded later than actual payment.

Note 11 Accounts payable and other current liabilities

(Amounts in NOK 1 000)	31.03.2021	31.03.2020*	31.12.2020
Accounts payable	2 407	8 205	3 456
Public taxes and withholdings	1 080	1 070	1 301
Unpaid holiday pay	2 856	3 356	2 015
Other personnel	1 190	2 055	4 335
Other current liabilities	4 137	2 598	3 721
Total account payable and other current liabilities	11 669	17 284	14 828

*31.03.2020 Includes Biotec BetaGlucans AS

Note 12 Impacts of COVID-19

The Group's sales are impacted by COVID-19 effects. Since COVID-19 will continue in the foreseeable future, effects will be presented as underlying business in presentations. Figures for COVID-19 effects are internal estimates based on historic purchasing patterns and communications with customers.

(Amounts in NOK 1 000)	Q1		YTD	
	2021	2020	2021	2020
Estimated COVID-19 related sales	16 500	3 796	16 500	3 796

Other operating expenses related to the COVID-19 pandemic is only marginal and not reported as a separate item

Note 13 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)	31.03.2021	31.12.2020	Change
Non current assets	1 590	473	-1 117
Unrealized gain/losses	-389	-777	-388
Other temporary differences	-217	-217	0
Gains and loss account	8 487	10 609	2 122
Pensions	5	5	0
Total temporary differences	9 477	10 093	617
Tax assessment loss carried forward	-134 759	-160 744	25 985
Calculation base deferred tax asset	-125 281	-150 649	25 368
Deferred tax asset, 22%	-27 562	-33 143	5 581
Changes in temporary differences	5 581	0	
Tax expense	5 581	0	

Figures adjusted for discontinued operations in Q1 2020

	Continued operations	Discontinued operation		Group before reclass.	Reclas. to disc. Operations	Group
(Amounts in NOK 1 000)	31.03.20	31.03.20	Elimination	31.03.20	31.03.20	31.03.20
Sales	18 475	15 798		34 273	-15 798	18 475
Other revenues	1 130	147		1 277	-147	1 130
Sum revenues	19 605	15 945	0	35 550	-15 945	19 605
Cost of goods	40	-8 144		-8 104	8 144	40
Personnel expenses	-7 760	-2 143	382	-9 903	1 761	-8 142
Other operating expenses	-2 407	-1 375	111	-3 782	1 264	-2 518
Sum expenses	-10 127	-11 663	493	-21 790	11 169	-10 621
EBITDA	9 478	4 282	-493	13 760	-4 776	8 984
Depreciation and amortization	-598	-361	64	-959	297	-663
Operating profit	8 880	3 921	-557	12 801	-4 479	8 321
Financial income, net	916	27	37	943	-64	879
Profit/loss (-) before interest & tax	9 796	3 948	-595	13 744	-4 543	9 201
Taxes	0	0	0	0	0	0
Net profit	9 796	3 948	-595	13 744	-4 543	9 201

Note 15 Events after balance sheet date, 31. March 2021

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 21.04.2021

STATEMENT 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 31. March 2021 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, 21.04.2021

The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Marit Sjo Lorentzen
Director- employee

Jethro Holter
CEO

ArcticZymes Technologies ASA

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