



1st Quarter

Quarterly Report

www.arcticzymes.com

2022

Highlights for Q1 2022

- ArcticZymes Technologies (AZT) had Q1 sales of NOK 49.2 million growing by 21% (Q1 2021: NOK 40.9 million)
- Positive EBITDA of NOK 27.9 million (Q1 2021: NOK 25.8 million)
- Cash flow for Q1 was positive NOK 14.2 million (Q1 2021: NOK 23.2 million) giving a cash balance of NOK 214.6 million (Q1 2021: NOK 163.3 million)
- Signed a new OEM supply deal with a leading global Life Science company
- Established new application laboratory at ShareLab in Oslo

CEO Jethro Holter comments:

“We are delighted with the strong performance of our first quarter for 2022. The ArcticZymes team has delivered the best-ever quarterly performance achieving sales revenues of NOK 49.2 million and an EBITDA of NOK 27.9 million. Both Molecular Tools and Biomanufacturing were instrumental in delivering growth.

Furthermore, ArcticZymes is proud to expand its operational activities outside of Tromsø and strategically establish itself at ShareLab in Oslo. Initial activities at Sharelab will focus on application development.”

Key financial figures:

NOK 1.000						
	Q1 2022	Q1 2021	Change	YTD 2022	YTD 2021	Change
Sales	49 162	40 947	+ 20 %	49 162	40 947	+ 20 %
Total revenues	49 188	41 501	+ 19 %	49 188	41 501	+ 19 %
Operating expenses	21 336	15 696	+ 36 %	21 336	15 696	+ 36 %
EBITDA	27 852	25 805	+ 8 %	27 852	25 805	+ 8 %
EBIT	26 745	25 181	+ 6 %	26 745	25 181	+ 6 %
Changes in cash	14 204	23 162	- 39 %	14 204	23 162	- 39 %

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 achieved its best-ever quarterly sales performance. Sales for the quarter attributed 32% towards the annual sales target for 2022. Both Biomanufacturing and Molecular Tools continue to contribute towards growth of the business. The geographical distribution of quarterly sales was 46% in the EMEA, 41% in the Americas and 13% in the APAC region.

Biomanufacturing

Biomanufacturing sales continue to grow through the Salt Active Nuclease (SAN) product line. The business achieved its highest quarterly sales performance. Biomanufacturing contributed 38% towards total Q1 2022 sales.

The upturn in sales is correlated with customer engagement and activities returning to normal following the pandemic. The main growth driver continues to be towards the utility of SAN products in gene therapy, vaccine development and other biomanufacturing processes. This is mirrored by the increased number of customer audits during the quarter (*see below*). The Company continues to leverage business in all regions. European sales have bounced back with strong quarterly sales accounting for 39% of total biomanufacturing sales during Q1 2022.

Beyond the SAN product line, AZT has been in active discussions with numerous customers regarding their future needs towards RNA therapeutic applications and other biomanufacturing applications. The Company has attended several dedicated conferences and trade events specific to RNA therapeutics and

biomanufacturing^{1,2,3,4}. Such activities and engagements are instrumental in steering AZT’s commercially driven innovation pipeline and generation of new business opportunities. Furthermore, several of AZT’s existing enzyme technologies are gaining interest from customers for potential utility in therapeutic RNA manufacturing processes. This may lead to innovation projects to reformulate or reengineer existing enzymes tailored to specific customer and application requirements.

Overall, AZT is supporting 100+ biomanufacturing customers in the EMEA, the Americas and the APAC.

Molecular Tools (Diagnostics & Research)

Molecular Tools serve both molecular diagnostics and molecular research through the whole of AZT’s enzyme portfolio. The business continues to deliver consistent performance and achieved its greatest quarterly sales performance edging slightly ahead of Q1 2021. Molecular Tools contributed 62% towards total Q1 2022 sales.

Molecular research sales contribution towards total Q1 2022 sales was 23%. The main product driving half of molecular research sales was the recombinant Shrimp Alkaline Phosphatase (rSAP) enzyme which has traditionally shown large quarterly fluctuations. However, over the last three quarters the demand for rSAP has increased. In particular, the Company’s main rSAP customer and other key customers have changed their purchasing behaviour in placing more frequent orders. The growth demand in rSAP is suspected to be related to the increased use of Sanger sequencing for infectious disease applications. The remainder of the enzyme portfolio accounts for 50% of molecular research sales during Q1 2022.

Molecular diagnostics sales contribution towards total Q1 2022 sales was 39%. Cod UNG and the DNases remain the primary growth drivers where their use dominates in infectious disease testing of viruses such as HIV, Hepatitis C and

Coronavirus. Although Coronavirus-related sales still strongly influence sales, such sales are considered established business as customers will continue to support long-term endemic testing.

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 more recently proteomics.

AZT is supporting 200+ research or diagnostics customers through its Molecular Tools business.

Other

AZT has signed an original equipment manufacturer (OEM) agreement with a renowned and leading international Life Science company. The undisclosed partner will incorporate several of AZT's enzymes into their extensive and synergistic portfolio. The partnership indirectly extends AZT's commercial reach towards In Vitro Diagnostics (IVD) and bioprocessing development organizations. Such partnerships are integral to AZT's commercial strategy to expand commercial presence and awareness throughout the industry via direct and indirect representation.

The partner is a global Life Science tools and solution provider with a workforce of more than 20,000 employees. AZT's enzymes complement gaps in our partner's portfolio.

The agreement is a mutual starting point to build a long-term strategic partnership with the prospect to extend activities through other existing enzymes and new pipeline developments.

Innovations

The Company announced in March 2022 that it will establish a new application development laboratory at ShareLab in Oslo. AZT has signed an agreement with ShareLab AS to lease laboratory facilities at its premises in the Oslo Science Park. These facilities will support application development activities to demonstrate the utility of the Company's enzymes in customer relevant workflows and technologies. This is an essential part of the innovation process and strengthens the commercial value proposition of the Company's product offerings.

ShareLab is a service platform provider of laboratory and office facilities to biotechnology companies. It conveniently provides the necessary amenities and shared core equipment suited to AZT's requirements which means minimal capital investments to get started. Furthermore, ShareLab's location in the Oslo Science Park is central to the Norwegian biotechnology industry and life science research.

The Oslo location will allow access to a broad talent pool of commercially experienced application scientists. Also, as the Company continues to grow it has strategic relevance to locate part of AZT in the centre of the Norwegian biotech industry.

Dr. Darren Ellis has been hired to lead the activities at ShareLab and is currently recruiting two application scientists. Dr. Ellis brings over 20 years of industrial R&D experience (from Solexa (now Illumina) and Thermo Fisher Scientific) in leading and developing molecular research and In Vitro Diagnostic (IVD) applications, technologies, and products. Furthermore, he has global expertise in Business-to-Business (B2B) application development, successfully helping commercial partners/customers to bring their technologies and product developments to market.

In Tromsø, the innovation pipeline is progressing with several products anticipated to be ready for

launch in 2022. These include DNA polymerases, a reverse transcriptase, a heat tolerant dsDNase, SAN HQ 2.0 ELISA kit and potential new formulations of existing enzymes.

Furthermore, the Company decided last year to expand innovations efforts to develop a complete suite of enzymes to serve the manufacturing of therapeutic RNA. Innovation activities have started well and are on track to bring the first enzymes to market during 2023.

Operations

The new production facility at the SIVA Innovation Centre in Tromsø is fully operational with all production processes transferred. All future manufacturing will be supported from the new facility.

During the quarter, three customers conducted cGMP audits of the Company and the new production facility associated with SAN manufacturing. One of the audits represented the first onsite audit conducted following the pandemic. The audits are part of a mandatory process our customers must perform to qualify AZT as a critical component supplier and a requirement for any regulatory approvals.

Strategic growth initiatives

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

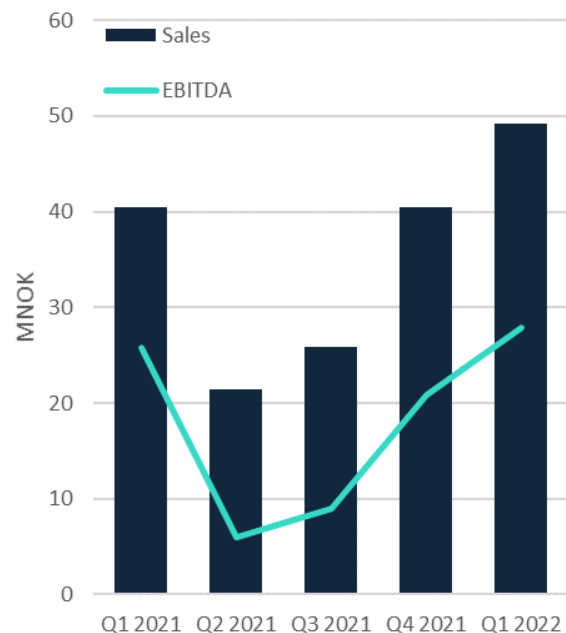
In supporting organic growth, AZT continues to invest incrementally in talent acquisition. AZT currently has a recruitment drive ongoing where it is strengthening the organisation cross functionally (e.g. quality assurance, quality control, production, R&D and applications, customer service and business development). Following the earlier decision to broaden growth initiatives in Biomanufacturing (i.e. RNA therapeutics), greater competences/support in quality and cGMP product development and commercialisation are demanded in order to leverage the future potential of the Company.

The Company continues to intensify activities towards its inorganic growth initiatives. Discussions continue with earlier acquisition targets. In addition, AZT has identified new potential targets which are under consideration. M&A activities continue to be a priority for the Company and with the goal to secure a deal within 2022.

Financial review

AZT reported sales of NOK 49.2 million (Q1 2021: 40.9 M) for the first quarter of 2022. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 27.9 million (Q1 2021: 25.8 M) and earnings before interest and tax (EBIT) were NOK 26.7 million (Q1 2021: 25.2 M) in the quarter. Net financial income was a loss of NOK 0.06 million (Q1 2021: -0.2 M) due to currency fluctuations.

Sales & EBITDA

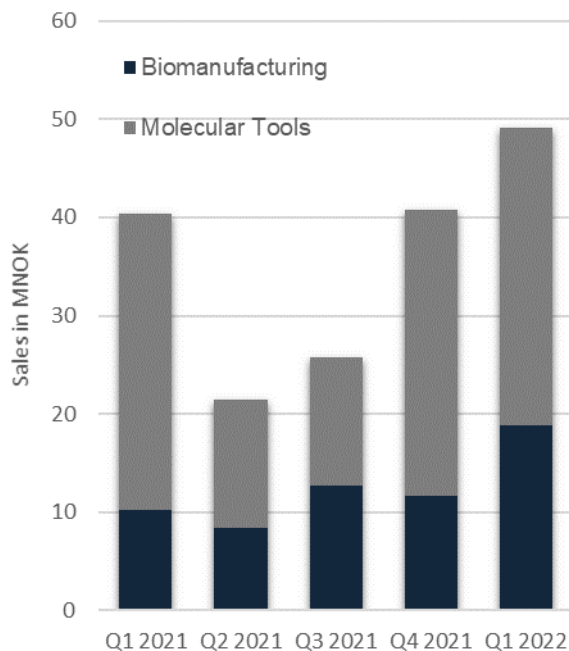


Improvement in EBITDA is primarily explained by strong underlying sales.

The Company's revenues are primarily denominated in Euro and USD which impacts the financial statements. 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 0.6 million lower for the first quarter in 2022.

We continue to see the Covid pandemic influencing our figures, but the estimation of figures is becoming more complex as ArcticZymes products are integrated in a wider range of solutions. Covid-related sales are an integral part of ArcticZymes business moving forward and will not be reported separately.

Sales per area



Biomanufacturing experienced a solid growth of 83% in Q1 2022 with sales of NOK 18.8 million compared to NOK 10.2 million in the same quarter last year. The increase is explained by increased customer engagement activities and a "normalised" post pandemic situation.

For Molecular Tools, sales are up by NOK 0.1 million from NOK 30.3 million to NOK 30.4 million.

Expenses in operations are increased by NOK 5.6 million in Q1 2022 compared to Q1 2021. The increases are explained by NOK 3.0 million in personnel expenses, NOK 1.4 million in general operating expenses due to higher activity levels and NOK 1.2 million related to changes in inventory and cost of goods. The Company continues to recruit personnel as the company is growing and utilising more external services.

Taxes

For Q1 2022 the Company recognised NOK 5.9 million (Q1 2021: 5.6 M) in tax expense, which will be offset against the deferred tax assets.

Extraordinary items for the period

EBITDA for the first quarter is impacted positively by NOK 0.45 million in accrued employer's national insurance contribution after "2018 option rights" were earned on 31.05.2021. The accrual and expense will fluctuate moving forward together with fluctuations in the share price.

Financial position

Total equity amounted to NOK 266.1 million at the end of Q1 2022 compared to NOK 244.8 million at the end of Q4 2021.

Total assets were NOK 293.7 million at the end of Q1 2022, up from NOK 284.1 million at the end of Q4 2021.

The Company has no interest-bearing debt.

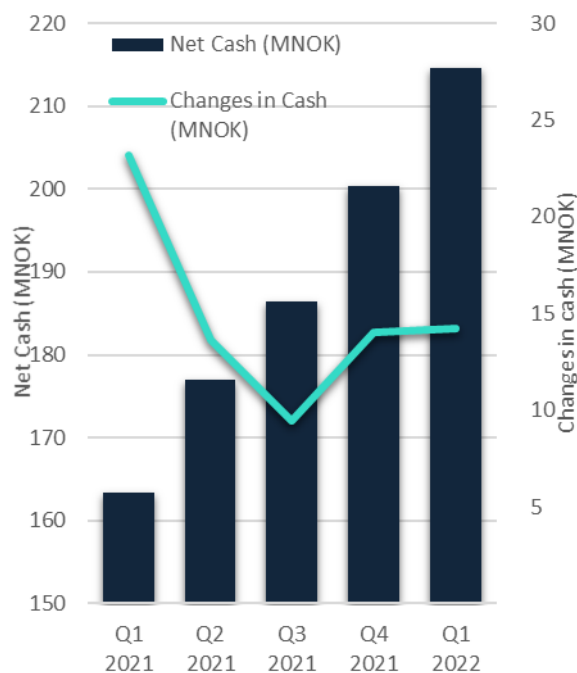
Cash flow

Net cash flow from operating activities was NOK 15.4 million in the Q1 2022 compared to NOK 25.6 million in Q1 2021.

Cash flow from investing activities was NOK -0.4 million explained by investments in new equipment relating to premises.

Changes in cash and cash equivalents was NOK 14.2 million in Q1 2022. This generated a cash balance of NOK 214.6 million at the end of Q1 2022, compared to NOK 163.3 million at the end of Q1 2021

Cash position



Shareholder matters

The total number of issued shares was 50,371,390 at the end of the quarter. The share capital was increased by 1,836,717 shares in the second quarter 2021, explained by a contribution in kind where 4% ownership in ArcticZymes AS was transferred to the mother company, ArcticZymes Technologies ASA. Also, a further increase of 200,000 shares was made in the

fourth quarter 2021 after the execution of options by the CEO.

Furthermore, 400,000 options were earned and vested in the second quarter 2021 by other members of the senior management. 500,000 options under the Company's long-term incentive program were awarded to senior executives in the fourth quarter of 2021. Combined with previously awarded options, a total of 1.215.000 options are outstanding as of 31.03.2022.

See the annual report for 2021 and notes 3 and 6 in the Q1 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 diagnostic test solutions and production of potential vaccine candidates. Coronavirus-related sales are expected to gradually decline before reaching steady state. However, the risks are considered minimal because they will be compensated by sales in other areas of the business now that the pandemic is transitioning to an endemic state in most regions.

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 unchanged and includes the following:

- Topline sales growth with an annual sales target of NOK 155 million.
- 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 and upscaling the manufacturing process of relevant enzymes.
- Continue to invest in talent acquisition to support short- and long-term organic growth.
- M&A activities will be a priority with the goal to secure a deal within 2022.

Longer-term, AZT will concentrate its efforts to grow the Biomanufacturing and Molecular Tools segments via an expanded and more complete offering to leverage the greater potential. The Company has the goal to realise an annual sales potential of NOK 350 million by 2025 through organic growth.

1. *mRNA-Based Therapeutics Summit Europe, 25-27 January 2022.*
<https://mrnabased-therapeutics-europe.com>
2. *Phacilitate Advanced Therapies Conference, 25-28 January 2022.* https://advancedtherapiesweek.phacilitate.com/about-advanced-therapies-week-2022/?utm_source=third_party_list&utm_medium=email&utm_campaign=ISCT2
3. *RNA World Leaders Congress, 15-16 March 2022.*
<https://www.lxleaders.com/rna-leaders-world-congress>
4. *Pharma Contract Manufacturing, 29-31 March 2022.*
<https://www.pharma-ig.com/events-pharmacontractmanufacturing/agenda-mc>

The interim financial statement 31. March 2022 (Q1)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q1		YTD	
	2022	2021	2022	2021
Sales revenues	49 162	40 947	49 162	40 947
Other revenues	27	555	27	555
Sum revenues	49 188	41 501	49 188	41 501
Cost of goods	-1 605	-668	-1 605	-668
Change in inventory	-152	128	-152	128
Personnel expenses	-13 073	-10 044	-13 073	-10 044
Other operating expenses	-6 506	-5 112	-6 506	-5 112
Sum expenses	-21 336	-15 696	-21 336	-15 696
Earnings before interest, taxes, depr. and amort.	27 852	25 805	27 852	25 805
Depreciation and amortization expenses	-1 107	-625	-1 107	-625
Operating profit/loss (-) (EBIT)	26 745	25 181	26 745	25 181
Financial income, net	-58	-246	-58	-246
Profit/loss (-) before tax (EBT)	26 687	24 935	26 687	24 935
Tax	-5 871	-5 581	-5 871	-5 581
Net profit/loss (-)	20 815	19 354	20 815	19 354
Basic EPS (profit for the period)	0,41	0,40	0,41	0,40
Diluted EPS (profit for the period)	0,40	0,39	0,40	0,39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	31.03.2022	31.03.2021	31.12.2021
Non-current assets			
Deferred tax	14 651	27 562	20 522
Machinery, equipment and permanent fixtures	12 368	5 014	12 302
Intangible assets	1 741	377	1 790
Lease assets	14 741	10 271	16 079
Other non-current assets	-4	3	0
Total non-current assets	43 497	43 227	50 692
Current assets			
Inventories	6 730	4 017	6 882
Account receivables and other receivables	28 880	26 890	26 114
Cash and cash equivalents	214 628	163 339	200 424
Total current assets	250 237	194 246	233 420
Total assets	293 734	237 473	284 111
Equity			
Share capital	50 371	48 335	50 371
Premium paid in capital	260 256	151 039	260 256
Retained earnings	-44 506	13 511	-65 783
Non-controlling interests		3 012	
Total equity	266 121	215 898	244 845
Other long-term liabilities			
Lease liabilities	12 644	9 940	14 472
Total other long-term liabilities	12 644	9 940	14 472
Current liabilities			
Dividends to non-controlling interests		1 159	
Lease liabilities interest-bearing	3 110	2 368	3 097
Accounts payable	1 689	2 407	5 795
Other current liabilities	10 169	5 703	15 902
Total current liabilities	14 968	11 636	24 794
Total liabilities	27 613	21 576	39 266
Total equity and liabilities	293 734	237 473	284 111

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	31.03.2022	31.03.2021	31.12.2021
Cash flow from operating activities:			
Profit/loss (-) before tax	26 687	24 935	59 002
Profit/loss adjusted for			
Tax, payable			
Adjustment contract lease premises	-507		
Loss machinery			40
Depreciation	1 107	625	3 191
Employee stock options	462	212	1 238
Non-cash interest expense	115	141	694
Changes in working capital			
Inventory	152	-128	-2 993
Account receivables and other receivables	-2 766	3 814	4 592
Payables and other current liabilities	-9 826	-4 028	9 207
Net cash flow from operating activities	15 424	25 571	74 970
Cash flow from investing activities:			
Purchase of fixed assets	-422	-2 091	-10 035
Investment in intangible assets	0	0	-1 563
Change in long term receivables	4	27	34
Net cash flow from investing activities	-418	-2 064	-11 564
Cash flow from financing activities:			
Payment on lease liabilities	-774	-346	-2 896
Dividend to minority shareholders			-1 159
Capital increase			1 600
Payment other financing activities	-28		-703
Net cash flow from financing activities	-802	-345	-3 160
Changes in cash and cash equivalents	14 204	23 162	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	214 628	163 339	200 424

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. January till 31. March

(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			18 308		18 308
Adjustment minority shareholders				1 046	1 046
Transactions with owners:					
Share capital increase					0
Contribution in kind minority shareholders					0
Employees' share options			212		212
Equity as of 31.03.2021	48 335	151 039	13 511	3 012	215 898
Comprehensive income 2021			28 072		28 072
Adjustment minority shareholders			1 752	-3 012	-1 260
Transactions with owners:					
Share capital increase	2 037	109 218	-155		111 100
Contribution in kind minority shareholders			-110 203		-110 203
Employees' share options			1 238		1 238
Equity as of 31.12.2021	50 371	260 256	-65 783	0	244 845
Comprehensive income 2022			20 815		20 815
Transactions with owners:					
Share capital increase					0
Contribution in kind minority shareholders					0
Employees' share options			463		463
Equity as of 31.03.2022	50 371	260 256	-44 506	0	266 121

Notes to the interim accounts for 31. March 2022 (Q1)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2022 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 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 31. March 2022. 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 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

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

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 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, 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	
	2022	2021	2022	2021
Sales revenue:				
Enzymes	49 162	40 947	49 162	40 947
Group operating sales revenues	49 162	40 947	49 162	40 947
Gross profit				
Enzymes	47 405	40 407	47 405	40 407
Group gross profit	47 405	40 407	47 405	40 407
Other revenues				
Enzymes		555		555
Unallocated corporate expenses	27		27	
Group other revenues	27	555	27	555
Operating expenses:				
Enzymes	-17 223	-12 389	-17 223	-12 389
Unallocated corporate expenses	-2 355	-2 767	-2 355	-2 767
Group operating expenses	-19 579	-15 156	-19 579	-15 156
Operating profit/loss (-) (EBITDA)				
Enzymes	30 181	28 573	30 181	28 573
Unallocated corporate expenses	-2 329	-2 767	-2 329	-2 767
Operating profit/loss (-) (EBITDA)	27 852	25 806	27 852	25 806
Depreciation and amortization:				
Enzymes	-1 057	-435	-1 057	-435
Unallocated corporate expenses	-50	-189	-50	-189
Group depreciation and amortization	-1 107	-625	-1 107	-625
Profit/loss (-) before interest and tax (EBIT)				
Enzymes	29 124	28 137	29 124	28 137
Unallocated corporate expenses	-2 379	-2 956	-2 379	-2 956
Profit/loss (-) before interest and tax (EBIT)	26 745	25 181	26 745	25 181

Note 3 Share options

Per 31.03.2022, there were 1,215,000 outstanding 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		2021	
	Average exercise price	Number of share options	Average exercise price	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
Granted during the year			89,52	500 000
Exercised during the year			8,00	-200 000
Outstanding at 31. March		1 215 000		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 price
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	2021
		Number of share options	
2022, 31 December	8,00	400 000	
2025, 14 May	10,19	315 000	315 000
2026, 30 November	89,52	500 000	
Outstanding at 31. March		1 215 000	315 000
Exercisable options at 31. March		400 000	0

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 <i>(Amounts in NOK 1 000)</i>	Q1		YTD	
	2022	2021	2022	2021
Net book value (opening balance)	12 302	3 058	12 302	3 058
Net investment	422	2 091	422	2 091
Depreciation and amortization	-356	-135	-356	-135
Net book value (ending balance)	12 368	5 014	12 368	5 014

Intangible asset <i>(Amounts in NOK 1 000)</i>	Q1		YTD	
	2022	2021	2022	2021
Net book value (opening balance)	1 790	420	1 790	420
Net investment	0	0	0	0
Depreciation and amortization	-49	-43	-49	-43
Net book value (ending balance)	1 741	377	1 741	377

Lease assets <i>(Amounts in NOK 1 000)</i>	Q1		YTD	
	2022	2021	2022	2021
Net book value (opening balance)	16 079	10 515	16 079	10 515
New premises SIVA	8 252		8 252	
Adjustment and recalculation original contract SIVA	-8 932		-8 932	
Net present value adjustment 01.01	44	203	44	203
Depreciation	-703	-447	-703	-447
Net book value (ending balance)	14 741	10 271	14 741	10 271

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)

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. The Group adopted the new standard on the effective date using a full retrospective method.

ArcticZymes Technologies currently has two contracts that falls in under IFRS16. One is from 2011 when the company leased offices and lab facilities from SIVA whereas the other contract is for additional 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%.

(Amounts in NOK 1 000)

Financial position	31.03.2022	31.03.2021	31.12.2021
Lease assets	14 741	10 271	16 079
Fixed assets	12 368	5 391	12 302
Other non-current assets	16 388	27 565	22 312
Sum Fixed assets	43 497	43 227	50 692
Lease liabilities	12 644	9 940	14 472
Current liabilities	14 968	11 636	24 794
Sum Liabilities	27 613	21 576	39 266

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 consolidated Profit & Loss statement	31.03.2022	31.03.2021	31.12.2021
Lease of IT equipment	38	39	167
Overhead expenses related to premises	252	106	731
Total leased assets included in other expenses	290	145	898

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 2022:

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	200 000
Volker Wedershoven, Director	60 000	100 000
Jane Theaker, Director	0	0
Marit Sjo Lorentzen, Director (employee)	20 331	115 000
Jethro Holter, CEO	80 564	170 000
Børge Sørvoll, CFO	25 428	330 000
Olav Lanes, VP R&D and applications	2 000	100 000

*See note 3 for further details

Note 7 Shareholders

The 20 largest shareholders as of 31.03.2022	Shares	Ownership
Skandinaviska Enskilda Banken AB	4 804 010	9,54 %
Skandinaviska Enskilda Banken AB	3 490 868	6,93 %
Nordnet Bank AB	3 203 825	6,36 %
Avanza Bank AB	2 186 324	4,34 %
Pro AS	2 005 216	3,98 %
State Street Bank and Trust Comp	1 509 944	3,00 %
Clearstream Banking S.A.	1 203 046	2,39 %
State Street Bank and Trust Comp	1 035 998	2,06 %
Belvedere AS	1 015 684	2,02 %
RBC Investor Services Bank S.A	960 000	1,91 %
Tellef Ormestad	927 205	1,84 %
Danske Bank AS	836 768	1,66 %
Skandinaviska Enskilda Banken AB	700 000	1,39 %
Middelboe AS	629 512	1,25 %
Aos Holding AS	565 978	1,12 %
Danske Bank AS	562 000	1,12 %
Npw Invest AS	550 000	1,09 %
Dragesund Invest AS	521 739	1,04 %
Verdipapirfondet KLP Akjesenorge	509 243	1,01 %
Tøj Holding AS	500 000	0,99 %
20 largest shareholders aggregated	27 717 360	55,03 %

Note 8 Interim results

(Amounts in NOK 1 000)	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021
Sales revenues	49 162	40 515	25 589	21 419	40 947
Sales growth % (year-over-year)	20 %	84 %	16 %	10 %	122 %
Gross profit %	96 %	95 %	94 %	101 %	99 %
EPS	0,41	0,30	0,14	0,09	0,40
EPS fully diluted	0,40	0,30	0,13	0,10	0,39
EBITDA	27 852	20 849	8 986	5 982	25 806
Equity	266 121	244 845	227 244	220 115	215 898
Total equity and liabilities	293 734	284 111	263 777	251 201	237 473
Equity (%)	91 %	86 %	86 %	88 %	91 %

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	
	2022	2021	2022	2021
Sales	49 162	40 947	49 162	40 947
Cost of goods and change in inventory	-1 757	-540	-1 757	-540
Gross profit	47 405	40 407	47 405	40 407
Other revenues	27	555	27	555
Sum other revenues	27	555	27	555
Personnel expenses	-13 073	-10 044	-13 073	-10 044
Other operating expenses	-6 506	-5 112	-6 506	-5 112
Depreciation and amortization expenses	-1 107	-625	-1 107	-625
Sum expenses	-20 686	-15 781	-20 686	-15 781
Operating profit/loss (-)	26 745	25 181	26 745	25 181

Note 10 Accounts receivable and other receivables

(Amounts in NOK 1 000)	31.03.2022	31.03.2021	31.12.2021
Accounts receivable	21 851	22 029	20 281
Research grants	2 985	1 093	2 985
Tax grants	1 055	2 346	1 055
VAT	1 868	446	1 067
Other receivables	1 121	976	725
Total accounts receivable and other receivables	28 880	26 890	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, and we expect no future losses, no provisions were made in first quarter of 2022.

Note 11 Other current liabilities

(Amounts in NOK 1 000)	31.03.2022	31.03.2021	31.12.2021
Public taxes and withholdings	1 462	1 080	3 984
Bonus	1 533	1 190	4 392
Unpaid holiday pay	3 834	2 368	2 680
Other personnel	2 182		2 634
Other current liabilities	1 159	1 065	2 214
Other current liabilities	10 169	5 703	15 902

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. 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 separately.

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)	2022	2021	Change
Temporary differences			
Non current assets	207	1 787	1 580
Other temporary differences	-2 184	-3 374	-1 190
Gains and loss account	6 790	8 487	1 697
Pensions	4	0	-4
Total temporary differences	4 816	6 900	2 084
Financial instruments	433	549	
Tax assessment loss carried forward	-71 351	-100 729	
Calculation base deferred tax asset	-66 101	-93 280	
Change in deferred tax asset, 22%	-14 651	-20 522	5 871
Profit before income tax	26 687	59 002	
Non deductible expenses	117	-1 128	
Non taxable income		-1 054	
Changes in temporary differences	2 084	3 193	
Profit before tax loss carried forward	28 888	60 014	
Deferred tax loss carried forward	-28 888	-60 014	
Tax base	0	0	
Tax expense	5 871	-12 621	

Note 14 Events after balance sheet date, 31.March 2022

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 27.04.2022

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 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, 27.04.2022

The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Marit Sjo Lorentzen
Director- employee

Jane Theaker
Director

Jethro Holter
CEO

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