



Annual Report

www.arcticzymes.com

2021

Dear Shareholders

2021 was an excellent year for the Company demonstrating its ability to operate as a high-growth and profitable standalone enzyme company following the earlier divestment of the Biotec BetaGlucans subsidiary.

We are delighted that the enzyme business continues to grow year-on-year. 2021 was no exception, with AZT delivering a 37% annual sales growth rate and exceeding its promise to achieve annual sales of NOK 120 million. Furthermore, both biomanufacturing and molecular tools contributed towards annual growth. Profitability remained a focus with the Company achieving a strong net profit performance of NOK 47 million, and a positive net cash flow of NOK 60 million resulting in a total cash balance of NOK 200 million at years end.

Growth initiatives were productive with the launch of four new products (ArcticZymes R2DTM Ligase, IsoPol® BST+ High Concentration Glycerol FREE, SAN HQ 2.0 and the M-SAN HQ ELISA Kit), the successful upscaling of the manufacturing processes for the SAN product line (M-SAN HQ and SAN HQ enzymes), and the completion of the new “world-class” production facility that will support the organic growth of the business over the next 4-5 years. In addition, the Company continues to progress an ambitious innovation product pipeline and has extended activities into the development of a complete suite of enzymes tailored for use in mRNA therapeutics. Also, the Company has



intensified efforts towards merger and acquisition activities through re-engagement with earlier targets and expansion of its search to identify new potential targets. Moving into 2022, AZT will continue to build and invest on its foundations with 100% commitment to further execute on its growth initiatives.

I would like to take the opportunity to thank our shareholders for your utmost support, our customers for your continued loyalty, our Board of Directors for your guidance and our greatest asset, all of my colleagues at ArcticZymes Technologies who are dedicated and have worked relentlessly in achieving an outstanding performance.

Sincerely
Jethro Holter
CEO

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Board of Directors' report 2021





1. About ArcticZymes Technologies

The ArcticZymes Technologies group (hereinafter “the Group” or “the Company”) is a Norwegian life science company focused on the development, manufacturing, and commercialization of novel and high-quality recombinant enzymes for use in molecular research, In Vitro Diagnostics (IVD) and biomanufacturing.

Listed on the Oslo Stock Exchange since 2005 originally under the [Biotec] ticker, as Biotec Pharmacon ASA, the Company rebranded as ArcticZymes Technologies ASA in June 2020 under the [AZT] ticker

The Company is creating value from innovative enzyme technologies which capitalise on more than three decades of world-class research at the Arctic University of Tromsø and in collaboration with other national and international partners to offer niche and high-quality life science products.

ArcticZymes Technologies' products and capabilities are protected via a large portfolio of patents and 20+ years of know-how in innovating and manufacturing enzymes.

ArcticZymes Technologies ASA

ArcticZymes Technologies ASA is the holding company providing support functions to the ArcticZymes AS subsidiary including distribution, administration, finance, IT and quality assurance. The headquarters and laboratories are located at the SIVA Innovation Centre in Tromsø Norway. During 2021, the production facilities were relocated from adjacent premises to a new world class manufacturing facility at the SIVA Innovation Centre. All Tromsø based employees are now located at a single site which is anticipated to improve communication and lead to productivity gains. As ArcticZymes is a global supplier of enzymes, most of the sales and marketing team are located remotely in Oslo, Central Europe, North America and Japan. In addition, the Company has established logistic hubs in the United States and the Netherlands to serve its customers more efficiently.

Subsidiaries

The Company operates the subsidiary ArcticZymes AS.

ArcticZymes AS represents the operational part of the enzymes business and became the Company's sole focus commencing the 1st January 2021.

Biotec BetaGlucans AS represents the former Beta-Glucans business which was divested to Lallemand Inc. on the 31st December 2020. ArcticZymes supported and concluded the successful transition of the subsidiary to Lallemand Inc. during 2021.

2. ArcticZymes AS

Product Offering

ArcticZymes enzymes are primarily derived from cold-water marine species and organisms from other relevant environments. Each enzyme or product offers novel functionality and other benefits to its customers. Product portfolios offered include:

- **Salt Active Nuclease's (SAN's)** – removal of nucleic acids during manufacturing of viral vectors, recombinant proteins, and other reagents. Also used in Next Generation Sequencing (NGS) and diverse molecular biology applications. ArcticZymes offers several different SAN enzymes optimised to support different viruses (e.g Adenovirus, Adeno-Associated Virus (AAV) and lentivirus) and other biomanufacturing processes. Furthermore, support products such as ELISA immunoassay kits which are sold in combination with the SAN enzymes provide our customers with a solution required for therapeutic application.
- **Shrimp Alkaline Phosphatase (SAP)** – utilised in clean-up prior to Sanger sequencing and NGS processes. SAP represents the Company's first product which has been sold since 1995. Even today, SAP still represents the golden standard utilised for enzymatic clean-up in Sanger Sequencing processes globally.
- **Cod UNG** – utilised in viral and other molecular diagnostic assays for the removal of contaminating DNA and provides assurance to eliminate false positives. Cod UNG has been a key enzyme adopted in numerous commercial diagnostic tests by ArcticZymes' customers; especially infectious disease testing such as in viral load testing of HIV, HCV, influenza and Coronavirus.
- **Double-strand specific DNases (dsDNases) and derived kits** – enable a broad range of applications and manufacturing processes that require the specific removal of double stranded DNA and genomic DNA. dsDNases are pivotal to RNA based workflows.
- **DNA polymerases** – enable technology development for life science, MDx (Molecular Diagnostics), NGS and Synthetic biology (i.e., building of artificial DNA and genomes). ArcticZymes offers several Isothermal Polymerases each offering different features which can be exploited for different applications.

Furthermore, ArcticZymes is developing Thermostable Polymerases that are used in PCR that's now in common parlance since coronavirus and other infectious diseases.

- **Proteinase** – breaks down proteins and offers broad application ranging from: i) direct lysis of cells in nucleic acid sample prep (i.e., isolation of DNA/RNA from cells). Enables applications in microbiological diagnostics and liquid biopsies (i.e., DNA/RNA tests using blood, saliva and urine); ii) In combination with other proteolytic enzymes used to dissociation cells in cell therapy applications; iii) potential utility in RNA therapeutic workflows.
- **Ligases** – join DNA/RNA fragments together. Enable a broad range of molecular biology applications (e.g. synthetic biology, NGS, molecular diagnostics, DNA/RNA therapeutics).

In addition, the Company is developing new enzymes and formulations, second generation enzymes and supportive products based on input and collaboration with its customers.

Markets served

The total market for molecular biology enzymes is estimated at USD 1.2 Billion with a CAGR of 9 – 20 % depending on enzyme type¹. However, the growth rate is expected to accelerate following the commercial adoption of molecular enzymes into nucleic acid based therapeutic applications (e.g. Gene and cell therapy, gene editing).

The Company focuses efforts in providing its molecular biology enzymes into two attractive and growing market areas:

- Molecular Tools (Research & Diagnostic)
- Biomanufacturing

Molecular Tools

Molecular enzymes resemble essential tools that are used in molecular biology workflows to perform specific tasks. Such enzymes have common utility in Molecular Research and Molecular Diagnostic (MDx) applications. This includes the whole range of ArcticZymes products and those in the innovation pipeline. Molecular Research and MDx represent highly attractive and fast-growing markets with estimated end user market values of USD 10.6 Billion (CAGR 16.1%)² and USD 10.4 Billion (CAGR 9.2%)³, respectively.

The classic and most common place technologies are PCR-based methods (Polymerase Chain Reaction) where their adoption is still growing. The majority of ArcticZymes enzymes are used to support PCR-based workflows.

Alternative amplification technologies such as LAMP (Loop-mediated isothermal AMPlification) are attracting great commercial interest. With the expiry of global patents, commercial diagnostic test developers are exploiting LAMP and other isothermal amplification technologies to innovate the next generation of MDx tests. Many academic institutes and companies have exploited LAMP for the development of Coronavirus MDx assays. ArcticZymes is well positioned to serve such assay developers by purposely engineering its IsoPol® Polymerases for optimal utility in LAMP. For example, the Company launched a high-concentration and glycerol-free formulation of its IsoPol® BST+ Polymerase during 2021 to cater for ongoing customer opportunities related to LAMP based Points Of Care (POC) applications. ArcticZymes has built a rich opportunity pipeline with MDx test developers.

At the forefront of the industry are fast-paced innovations around Next Generation Sequencing (NGS) technologies with the prospect of wider adoption, accessibility, and clinical utility. All ArcticZymes' enzymes as well as its pipeline innovations are attractive and represent integral key components for adoption into NGS technologies by leading international companies. Furthermore, ArcticZymes ability to customise and tailor enzymes is becoming a more important value driver for NGS platform developers.

Other technology areas ArcticZymes serves through its enzymes include:

- Synthetic Biology - a multidisciplinary area engaged in creating new biological parts, devices, systems, DNA and RNA based therapeutics (*see later*). ArcticZymes ligases (prototypes), polymerases and pipeline innovations show great promise for future utility in this market.
- Liquid Biopsies – DNA or other diagnostics tests are performed on blood or other body fluids. The market is growing rapidly (CAGR 18.1%) with an estimate market size of USD 2.5 Billion⁴. Unlike traditional invasive biopsies, liquid biopsies require a whole new set of molecular techniques to overcome the challenges of isolating very small amounts of DNA and amplifying it sufficiently to allow diagnosis. ArcticZymes' proteinase, DNases, and SAN enzymes are already supporting customer efforts in developing such technologies.



Sales in Molecular Tools continue to grow. The key contributors to annual growth include:

- An expanding and synergistic product portfolio which serves a broadening base of over 200 customers.
- The Coronavirus pandemic continued to have a positive impact through an established base of customers who were commercially successful with launching robust Coronavirus diagnostic tests. Over 26% of total revenue sales can be attributed to such sales during 2021.

Overall, Molecular Tools achieved 54% annual growth and a contribution of 66% towards total sales during 2021. Molecular Research and MDx contribution towards total sales were 26% and 40%, respectively.

Biomanufacturing

Until recently, ArcticZymes' focus towards biomanufacturing has been limited to viral-based gene therapies and vaccines through its Salt Active Nuclease (SAN) enzymes.

Today, ArcticZymes is serving customers with SAN products who are in the stages of their therapeutic or vaccine developments. The SAN portfolio optimally serves customers who utilise SAN for cleaning and removing unwanted nucleic acid from therapeutic viruses such as Adenovirus, Adeno-Associated Virus (AAV) and Lentivirus. This renders them safe for use in patients and mitigates the risk of adverse effects^{5,6,7}.

Collectively AAV and Lentivirus represent two-thirds of the vector technologies utilised in the manufacturing of gene therapies. Just with 2 enzymes, SAN HQ and M-SAN HQ, the Company can capitalise on the most utilised vector technologies.

ArcticZymes is supplying SAN products to over 100 customers. Most customers are gene therapy-related and represent a mix of academic/hospital laboratories, small/medium biotech companies, contract development manufacturing organisations (CDMOs) and large Pharma. Most of the SAN business is driven by the CDMOs who are developing and manufacturing therapeutic products on behalf of other companies. CDMOs are attractive because they drive sales directly and indirectly by promoting the utility of SAN to their clients, either directly or indirectly. ArcticZymes is supporting at least seven large pharmaceutical companies with SAN products

in viral vaccine and gene therapy developments. Overall, ArcticZymes is leveraging multiple contact points in its business development efforts to attract new business.

ArcticZymes visualises a greater potential beyond serving viral-based gene therapies and vaccines technologies by expanding its activities and capabilities to target other high-growth markets that require biomanufacturing tools in the broader biologicals market (USD 280.5 Billion; CAGR 10.7%)⁸. Within this market, the following technologies are strategically attractive and relevant to ArcticZymes both short- and long-term:

- **General biomanufacturing tools:** the launch of the SAN HQ 2.0 during 2021 expands the utility of SAN into general biomanufacturing processes where it is necessary to eliminate contaminating nucleic acid (e.g. enzymes, antigens, antibodies, proteins, and other biomolecules).
- **Cell biology/Cell therapy:** prototypic enzymes such as ArcticZymes Proteinase represent essential tools for the dissociation and isolation of cells from patients for *ex vivo* manipulation and treatment. ArcticZymes is scaling up and manufacturing a cGMP grade proteinase to support ongoing customer opportunities.
- **RNA Therapeutics:** The Coronavirus pandemic has demonstrated the commercial utility and acceptance of mRNA technology as a therapeutic tool in rapid vaccine manufacturing. The effectiveness and safety of RNA based vaccines, such as the BioNTech-Pfizer and Moderna Coronavirus vaccines, provide the proof. mRNA technology represents a promising and powerful technology that can be extended to the development of other vaccines or gene therapy applications. The market has lived up to ambitious predictions (USD 46.7 Billion, CAGR 16.8%)^{9,10} and this has been realised by several of ArcticZymes' key customers. The Company is in the process of expanding its innovation pipeline to include key enzymes that are used to manufacture therapeutic mRNAs to support further growth in the sector. Unlike viral vector manufacturing, multiple enzymes are required to manufacture therapeutic mRNAs where the need for novel and high-quality enzymes are in high demand. ArcticZymes proteinase has already attracted interest from customers for potential

utility in mRNA manufacturing. The Company expects to launch its first enzymes for RNA therapeutic applications during 2023.

- **Gene Editing:** technologies such as CRISPR are part of ArcticZymes longer-term ambition. Inorganic growth initiatives will be the likely route for the Company to enter this market as a significant commercial supplier to the industry.

Biomanufacturing achieved 13% annual growth and a contribution of 34% towards total sales during 2021. The annual growth rate is noticeable lower compared to previous years. The Coronavirus pandemic negatively impacted growth in 2021 where several European CDMO's continued to prioritise Coronavirus vaccine manufacturing over other client projects. In most cases, Coronavirus vaccines have been manufactured using standard processes and components rather than incorporating novel enzymes such as SAN. This was deemed necessary by vaccine developers in order to achieve rapid regulatory approval during the pandemic. Despite setback in Europe, ArcticZymes has continued to expand sales in North America and Asia.

Customer Focus

The vast majority of ArcticZymes' commercial efforts continues to be towards driving long-term business-to-business (B2B) relationships. Today B2B customers represent 98% of total sales.

The key advantage in serving B2B customers is the investment customers put into integrating ArcticZymes' enzymes into their kits/products, platform technologies and manufacturing processes. Once customers have commercialised their products, they have a product life cycle of 5 - 10+ years which translates into mutual long-term value. For customers who operate in regulated markets such as IVD and therapeutics, their success is highly dependent on forging long-term critical or primary supplier relationships with their component suppliers. Thus, the barrier to switching out suppliers are often prohibitive and costly.

Quarterly sales to B2B customers continue to fluctuate. Such fluctuations are normal and will always be inherent in the business irrespective of its size. However, the business has experienced annual sales growth for the last seven consecutive years (34% CAGR 2014-2021). During 2021 ArcticZymes experienced 37% annual growth in product sales.

The Company's strategy and business activities are orientated towards accelerating year-on-year growth. Much of the annual growth in sales is through a combination of:

- An increasing customer base of over 300+ customers. The number of actively purchasing customers expanded by more than 10% during 2021.
- Expanding product range with regular product introductions.
- Serving two attractive and growing markets: molecular tools and biomanufacturing.
- Expanding its geographical reach.

ArcticZymes has local business development and customer support representatives in Europe, North America, and Japan to assist global business coverage. Local support and use of highly skilled business developers are a prerequisite for driving B2B sales and maintaining long-term customer relationships. Furthermore, efforts to expand into new geographies through establishing a network of sales agents and specialised distributors in regions where ArcticZymes does not have direct representation are proving fruitful in developing our brand and local presence. Beyond direct representation, ArcticZymes has dedicated sales partners supporting it in India, China & Hong Kong, South Korea, Singapore, Thailand, and the Baltics.

With ArcticZymes current geographical reach, the contribution of 2021 product sales between regions were as follows: 39% Americas, 48% EMEA and 13% APAC. In particular, the Company's efforts to penetrate the APAC region has gained a healthy momentum.

To support sales activities, ArcticZymes has established strategically located warehouses and logistic centres in Europe and in the United States. These logistics centres have made it possible to build inventories and safety stocks, improve cost effectiveness of logistics, and most importantly, ensure on demand delivery to customers on a global basis. In supporting geographical expansion into China and Asia, ArcticZymes is in early discussions with potential logistic and warehousing partners.

Operations

All enzyme manufacturing is performed by recombinant production either in *E. coli* or *P. pastoris*. Other proprietary hosts are being considered for in-licensing for enzymes that are notoriously difficult to manufacture and scale. Recombinant production is a powerful technology enabling the production of far more consistent, robust, and cleaner enzymes and more environmentally friendly compared to extraction from natural sources. Hence, recombinant production fulfils the critical raw material requirements demanded by commercial customers. It also facilitates scalable manufacturing, caters for

growing commercial demand and provides economies of scale.

In supporting the increase in product demand and an expanding product portfolio, ArcticZymes has been working on several production upscaling projects (see *innovations section below*).

Furthermore, the Company completed a project to relocate enzyme production into a new and larger 500 m² facility at the SIVA Innovation Centre. It was opened and became operational in Q4. The new "World Class" facility caters for the scalable manufacturing of enzyme products and meets the strict requirements demanded by ISO13485: In Vitro Diagnostics (IVD) and cGMP. The facility has the capacity to support the increasing production demands of existing products, future innovations, and organic growth of the business over the next 4-5 years.

It is equipped with the latest and modern equipment, new production lines, dedicated area for key enzymes as well as new automation capabilities to handle the OEM/private labelling part of the business. Overall ArcticZymes invested 9.5 MNOK in the new facilities and will gradually invest in personnel, ensuring production grows ahead of commercial demand.

Lastly, all Tromsø based employees are now located under one roof at the SIVA Innovation Centre, leading to an anticipated productivity gain.

Innovations

ArcticZymes has an ambitious innovation pipeline to broaden its product range. It's goal over the next 2-6 years is to be able to provide its customers with a complete portfolio offering of synergistic enzymes within the different market it serves.

- **For Molecular Tools:** ArcticZymes pipeline innovations are focused on developing key enzymes classes it does not currently offer and deepen the offering by innovating a diverse portfolio for each enzymes class. Key enzymes classes include DNA/RNA Polymerases, Reverse Transcriptases, DNA/RNA Ligases, Nucleases, proteinases and others.
- **For Biomanufacturing:** ArcticZymes has expanded its ambitions beyond serving viral vector-based applications via the SAN products. The Company has initiated a R&D program to develop a complete suite of enzymes tailored



for use in RNA therapeutic development and subsequent manufacturing. ArcticZymes' first enzymes for RNA therapeutics are targeted for launch in 2023. Beyond RNA therapeutics, ArcticZymes innovation pipeline will focus on enzymes for other gene and cell therapy applications as well as general biomanufacturing.

In supporting the above ambitions, ArcticZymes launched the following products during 2021:

- **ArcticZymes R2D™ Ligase** – Patent-pending ligase with novel specificity enabling the ligation of DNA to both ends of RNA using a DNA splint. The enzyme is an enabling tool for new technology development and is expected to have broad applicability in Molecular Diagnostics (MDx), Next Generation Sequencing (NGS), and DNA/RNA synthesis applications for potential therapeutic applications.
- **IsoPol® BST+ High Concentration Glycerol FREE** – highly concentrated formulation of the DNA polymerase to support ongoing customer opportunities for utility in new NGS platform technologies and POC test developments. Glycerol-free formulations are essential for lyophilisation (or drying down) of reagent cocktails. This helps improve stability, shelf-life and reduce the volume of fluid in a diagnostic test or sequencing of a patient sample. Also, it removes the need for costly cold chain shipping. High concentration of the DNA polymerase is required to achieve the fastest-reaction activity following a large dilution of the lyophilised reagent cocktail in these technology platforms.
- **Salt Active Nuclease High Quality 2.0 (SAN HQ 2.0)** – represents the second generation of the enzyme. It has been optimised for wider compatibility with downstream processes used in biomanufacturing. In particular, SAN HQ 2.0 offers improved resolution in several chromatographic techniques, thereby simplifying the separation of the nuclease from the target product post-treatment. ArcticZymes anticipates that SAN HQ 2.0 will increase the Company's reach within the viral vector market and provide new opportunities in recombinant protein production and other biomanufacturing processes.
- **M-SAN HQ ELISA Kit** – The new ELISA immunoassay product is an essential support product for customers using the M-SAN HQ

enzyme in biomanufacturing processes for gene therapy and viral vaccine production. In combination with the M-SAN HQ enzyme, the new immunoassay product provides a complete solution for the critical elimination of nucleic acid contamination during biomanufacturing.

Other key innovation achievements during 2021 include:

- **M-SAN HQ enzyme (Upscaled)** - The upscaling of the M-SAN HQ enzyme was timed to coincide with the launch of the new ELISA kit. The M-SAN HQ enzyme manufacturing process has been upscaled and transitioned to large-scale fermentation. This successful upscaling achieved a greater than 100-fold increase in fermentation yield. The upscaling was necessary to meet the expected increase in demand following the launch of the ELISA kit and ensure customers can receive large quantities of enzyme from a single production batch.
- **SAN HQ enzymes (upscaled)** - The upscaling achieved a greater than 100-fold increase in fermentation yield. The upscaling was timely because customers can now 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.

Innovation activities continue to be supported through collaborative projects with national and international partners. National and international funding continues to support several of ArcticZymes' innovation initiatives.

ArcticZymes has continued to hire personnel in R&D to support its innovation efforts. Overall, more than 36 % of the Company's personnel are engaged in R&D activities. Hence, ArcticZymes has a strategy bias based on investing to leverage the longer-term growth potential from its innovations. Incremental investments in personnel are expected to continue especially towards innovations associated with biomanufacturing and application developments.

Impact of Coronavirus Pandemic

Overall, the Coronavirus pandemic had a positive net impact on the business. The Company maintained its support of pandemic efforts by developing recurring business with well-respected molecular diagnostics companies. Coronavirus-related sales attributed 26%

towards total sales in 2021.

However, the Company does not have full visibility to customers solutions and can only provide an educated estimate. Furthermore, the impact from Coronavirus-related sales is becoming increasingly more difficult to quantify as added products are being utilised in Coronavirus-related applications (e.g. SAP in Sanger sequencing of Coronavirus variants). Sales are expected to remain through numerous well-established customers as well as new business opportunities such as the utility of the Groups enzymes in sequencing applications to monitor and for the surveillance of variants, and multiplex assays and Point-of-Care (PoC) testing. Post-pandemic sales are expected to gradually decline to a new steady state, but fluctuations are expected to be triggered as new variants emerge.

Moving forward Coronavirus-related sales will be considered as an integral part of the underlying business as the pandemic subsides because diagnosis and vaccination will continue to be important clinical tools.

Strategic Aspects

2021 was a defining year for ArcticZymes demonstrating its ability to operate as a profitable and high-growth, standalone enzyme company.

The Company delivered on its promise by exceeding its financial guidance target as well as bringing new innovations to market. Furthermore, the continued development in financial performance and cash

position supports the Company's foresight in organic and inorganic growth strategies.

In supporting organic growth, the completion of the new 500 m² production facility will enable the organic growth of the business over the next 4-5 years. Furthermore, ArcticZymes is establishing a laboratory in Oslo which will focus on application development around its existing and new enzymes. The rationale for the Oslo location is to attract a talent pool of commercially experienced application scientists. A location has been identified and negotiations are ongoing to secure the facilities. A hiring process will be initiated to coincide with being operational within Q2 2022.

The Company has intensified activities toward its inorganic growth initiatives. It has re-engaged in discussions with earlier acquisition targets. Furthermore, ArcticZymes has expanded its search to identify new potential targets within both markets it serves and beyond European borders to include North America. Acquisition activities will be a priority with the goal to secure a deal within 2022.

3. Consolidated financial statements

In accordance with the Accounting Act § 3-3a, the financial statements have been prepared under the assumption of a going concern. This assumption is based on profit forecasts for the year 2022 and the Group's long-term strategic forecasts. The Group's economic and financial position is sound.

The Board is not aware of any matters of significant importance for the Company's financial position beyond what is disclosed in the financial statements.

Consolidated statement of profit and loss

The financial statements for the ArcticZymes Technologies group are prepared in accordance with International Financial Reporting Standards (IFRS). The ArcticZymes Technologies group had sales revenues of NOK 128.0 million in 2021, compared to NOK 93.4 million in 2020. These figures exclude revenues from the former subsidiary Biotec BetaGlucans AS, which was divested on 31.12.2020.

Sales revenues for the business grew 37 % compared to 2020, explained by good underlying growth as well as an estimated NOK 33.2 million in Coronavirus-related sales. ArcticZymes does not have full visibility to such sales and can only provide an educated estimate based on historic purchasing patterns and dialogue with customers.

Net profit after tax for the Group was NOK 46.4 million compared to NOK 84.9 million in 2020. The Company recognized profit loss carried forward as a tax asset in 2020. This contributed with NOK 33.1 million to the net profit in 2020. NOK 9.3 million of net profit in 2020 was related to the divested subsidiary Biotec BetaGlucans AS.

The enzyme segment had an operating profit of NOK 74.2 million versus NOK 53.6 million in 2020. Unallocated corporate overhead expenses for 2021 were NOK 15.7 million compared to NOK 8.5 million in 2020, where the increase is primarily driven by increase in personnel expenses and accruals relating to National insurance contribution (arbeidsgiveravgift) on options vested.

Total recognised expenses for R&D within the Group in 2021 was NOK 15.5 million, compared to NOK 14.7 million in 2020.

R&D expenses were increased by NOK 0.8 million compared to 2020. This was explained by higher personnel expenses and organic growth in the

organisation. NOK 1.6 million was spent on capital expenditures related to R&D in 2021.

Cash Flow

The Group had a cash flow from operating activities of NOK 75.0 million in 2021, compared to NOK 46.7 million in 2020. Cash flow from investing activities in 2021 was NOK -11.6 million against NOK 64.9 million in 2020. For 2021, investing activities is primarily explained by investments in new production facilities in SIVA Innovation Centre whereas 2020 is explained by divestment of Biotec BetaGlucans contributing with NOK 66.8 million in cash. Net cash flow from financing activities was NOK -3.2 million compared to NOK -3.1 million in 2020.

Net change in cash during 2021 was NOK 60.2 million, compared to NOK 108.5 million in 2020.

Consolidated statement of financial position

Total equity for the Group amounted to NOK 244.8 million at the end of 2021, compared to NOK 196.3 million at the beginning of the year. Increase in equity is primarily explained by underlying performance. Equity ratio was 86 %. Cash and cash equivalents amounted to NOK 200.4 million per 31.12.2021, compared to NOK 140.2 million at the end of previous year. The Group has no interest-bearing debt that is payable. All interest-bearing debt is related to lease of premises (FRS 16 calculations).

The parent company

Sales revenues for the parent Company ArcticZymes Technologies ASA were NOK 10.3 million in 2021. Net profit was NOK 44.0 million, explained by group contribution from the subsidiary of NOK 71.5 million. Sales revenues are intercompany sales of services to the subsidiary ArcticZymes AS and administrative services to the divested subsidiary Biotec BetaGlucans AS.

As of 31.12.2020, the Company decided to recognise deferred tax assets as part of the consolidated financial position. The justification for this was the financial performance over the last 3 years, expected plans for coming years and future profits will probably be offset against historic tax losses. Based on listed evidence there are limited negative criteria's opposing recognition of deferred tax asset:

The 2021 profit in the parent company ArcticZymes Technologies of NOK 44.0 million is transferred to retained earnings.





4. Shareholder matters

The ArcticZymes Technologies share ended 2021 with a closing price of NOK 94.0, compared to NOK 63.6 at the end of 2020. NOK 59.6 was the lowest closing price during the fiscal year, while the highest closing price was NOK 111.00 per share.

Share option programs have been offered to certain employees in the Group since 2010. CEO Jethro Holter, CFO Børge Sørvoll and former CSO Rolf Engstad were granted a right to receive options for 200,000 shares each back in 2018. All rights were earned and vested in 2021. CEO, Jethro Holter exercised all his options at the end of 2021.

A new 5-year Long Term Incentive (LTI) programme was initiated in December where 500,000 options were awarded to members of senior management, distributed with 170,000 to CEO Jethro Holter, 130,000 to CFO Børge Sørvoll and 100,000 to Director Operations Marit Sjo Lorentzen and VP R&D and Application Olav Lanes. The programme has a maximum potential award of 4% of outstanding shares.

The share option program is described in note 14 to the financial statement and in the remuneration report.

Share options may in extraordinary cases be granted to the Board to attract and retain individuals with international industrial expertise and knowledge that will benefit the Company. The Nomination Committee recommended an award of 315,000 options to Board members at the AGM in 2020 and this was supported by the Company's shareholders. See the Groups Corporate Governance report for further information

As of 31.12.2021, the Company has 50.371.390 shares registered with a nominal value of NOK 1.00, distributed on 4,366 VPS-registered shareholders.

5. Risk

The Group is exposed to various types of financial and operational risks.

There are risks associated with development and sales in ArcticZymes. The Company is actively entering new agreements to broaden the revenue base and secure business as a long-term critical component supplier. Success relating to new product introductions is not guaranteed and sales will be dependent on customer implementation. However, ArcticZymes innovations process is built around voice of customer and prototype testing to ensure that only commercially relevant innovations reach the market.

Future changes in taxes and regulations may represent a risk for the Group having a global scope for both business areas.

The Group seeks to protect its intellectual property through patent protection and trade secrets. There will always be a risk that other companies may dispute such rights or that other players secure rights that could restrict the technological freedom. There is also a risk that the Group must take on costs to defend its rights against patent infringement.

The ArcticZymes Technologies Group is a small company with few employees that are critical to the success of the Group's operations. Key personnel are involved in the development of products, technologies, production processes, quality control, purchasing, marketing and quality assurance, as well as other activities of the Group. The Company is also dependent on recruiting new qualified personnel. There is no guarantee that the Company will be able to retain key personnel or to be able to recruit new key personnel in the future. New locations such as setting up an applications laboratory in Oslo will aid the Company in attracting more scientific talent to ArcticZymes.

Currency risks arise since most of the Company's revenues are in USD and Euro, while most expenses are accrued in NOK. A higher exchange rate for the USD and Euro against the Norwegian krone will affect the outcome in a positive direction, while lower rates will have the opposite effect. The Group's exposure to currency will in the long run be altered if new product releases provide a change in the currency mix.

The Group has no interest-bearing debt. Financial investments are carried out only in the form of bank deposits, certificates, or money market funds with short maturities. The Group is thus not very exposed to interest rate risk. The Company shall not be exposed to any financial risk in the stock market. The Group has limited credit risk and recognised no losses on accounts receivable either in 2021 or 2020.

Coronavirus has in general terms impacted the business positively in 2021, but there is no guarantee that the Company will continue to have positive contributions from Coronavirus moving forward as the pandemic transitions to an endemic state.

The Board considers the liquidity situation to be satisfactory, provided that the estimated cash flow from operations and investment activities follows established plans and budgets for 2022.

6. The working environment and staff

The Company is strongly dependent on its employees. All innovation, manufacturing, quality oversight and commercial operations are supported by highly educated and committed personnel. The Company is committed to recruit and develop employment for all genders, and salaries are not influenced by gender.

At the end of 2021, there were 46 full and part time employees in the Group. There were 7 employees in the parent Company ArcticZymes Technologies AS, 38 employees and associates in ArcticZymes AS, an increase of 10 employees during the year.

Lost days due to sick leave in 2021 totalled 249 days, compared to 185 days in the previous year. Accumulated sick leave was 2.3 % compared to 2.4 % in 2020. No specific initiatives were taken during the year to influence the working environment, but the Company has followed national guidelines with regards to home office during the pandemic. The Company has also had flexibility with regards to quarantine and home office working. There were no work accidents causing injury to personnel or damage to machinery during 2021.

The Company is committed to recruit and develop employees of all genders. Equality between the genders is practiced in a way that all genders are considered equal regarding career opportunities and salary. At the end of the year, there were 27 women and 18 men employed within the Group. At the end of 2021, the Board consists of 4 directors, of which 3 are women. The employee-elected representative is a female.

The Company has a Board liability insurance covering the Board of Directors and the CEO in case the individual should become personal liable for damages on the basis of negligence. The insurance covers damages up NOK 30 million per claim.

7. Natural environment

The Company's activities have limited negative impact on the environment. Excipients and chemicals that cannot be recycled in the production processes are collected and returned to an approved manufacturer for environmentally and sound recycling. Procedures for the collection of various types of waste from laboratories and for separation by source of waste from other operations are established. This is considered to have minimal impact on the environment. Use of energy in the production process is modest.

See the Group's CSR statement for further information.



8. Principles of corporate governance

The Board has established principles for corporate governance in line with the Norwegian Accounting Act § 3-3 and the Norwegian Code of Practice for Corporate Governance. A detailed description of these principles can be found in the annual report under Corporate Governance or on the Company's website www.arcticzymes.com.

9. Corporate social responsibility

The Group is committed to develop socially valuable products. The life science products of the Company shall make laboratory processes and diagnosis more efficient and cost effective. The Company avoids using scarce natural resources and emphasises this by approving suppliers. Ethical guidelines are established, and all employees have confirmed individually in writing that they, through their position will work to prevent discrimination, promote equality, promote human rights and combat all forms of corruption. Please see the Groups Corporate Social Responsibility statement for further information.

1. Own Company information & <https://www.marketsandmarkets.com/Market-Reports/molecular-biology-enzymes-kits-reagents-market-164131709.html>
2. <https://www.marketsandmarkets.com/Market-Reports/molecular-biology-enzymes-kits-reagents-market-164131709.html>
3. <https://www.globenewswire.com/news-release/2022/02/14/2384658/0/en/Molecular-Diagnostics-Market-is-Expected-to-Grow-at-a-Substantial-CAGR-of-9-21-and-is-Contemplated-to-Reach-USD-16-12-Billion-by-2026-Estimates-DelveInsight.html>
4. https://www.marketsandmarkets.com/Market-Reports/liquid-biopsy-market-13966350.html?gclid=Cj0KCQiA09eQBhCxAARIsAAYRivIANAPipMgG7i93K3AsAkrXIn-s0logV7i_YHbJEw9WY-2biLfa3j2saAinnEALw_wcB
5. Refer to page 37 <https://www.fda.gov/media/78428/download>
6. Refer to pages 29-30 <https://www.fda.gov/media/113760/download>
7. Refer to pages 26-27 http://apps.who.int/iris/bitstream/handle/10665/42013/WHO_TRS_878.pdf;jsessionid=BB86F31B0D8710D596F59DDF79A672C0?sequence=1
8. <https://www.thebusinessresearchcompany.com/report/biologics-global-market-report>
9. <https://www.bccresearch.com/market-research/biotechnology/mrna-vaccines-and-therapeutics-market.html>
10. <https://www.rootsanalysis.com/reports/mrna-therapeutics-and-vaccines-market.html>

10. Outlook

ArcticZymes Technologies entered 2021 as a pure enzyme company. Going into 2022, the Company will build on these foundations through organic and inorganic growth initiatives.

The Company's outlook for 2022 is as 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 and with the goal to secure a deal within 2022.

Longer-term, AZT will concentrate its efforts to grow the Biomanufacturing and Molecular Tools markets 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.

Overall, it is the Board's view that several important decisions and milestones were achieved during 2021. These achievements provide a good foundation for the Company's ambitions for 2022 and beyond.

The Board would like to thank all employees for their efforts in 2021.

Tromsø, Norway, 22. April 2022



Marie Ann Roskrow
Chairman



Volker Wedershoven
Director



Jane Theaker
Director



Marit Sjo Lorentzen
Director – employee elected



Jethro Holter
CEO

Corporate Social Responsibility 2021



Business

ArcticZymes Technologies is creating value from innovative enzyme technologies which capitalise on more than three decades of world-class research at the Arctic University of Tromsø and in collaboration with other national and international partners to offer niche and high-quality products. ArcticZymes Technologies enzymes are primarily derived from cold-water marine species and organisms from other relevant environments. Each enzyme or product offers novel functionality and other benefits to its customers.

The vast majority of ArcticZymes' commercial efforts continues to be towards growing and driving long-term business-to-business (B2B) relationships. Today B2B customers represent 98 % of total sales. 98 % of total sales.

The key advantage in serving B2B customers is the investment customers put into integrating ArcticZymes' enzymes into their kits/products, platform technologies and manufacturing processes. Once customers have commercialised their products, they have a product life cycle of 5 - 10+ years which translates into mutual long-term value. For customers who operate in regulated markets such as IVD and therapeutics, their success is highly dependent on forging long-term critical or primary supplier relationships with their component suppliers. Thus, the barrier to switching out suppliers are often prohibitive and costly.

The Company's strategy and business activities are orientated towards accelerating year-on-year growth. Much of the annual growth in sales is through a combination of:

- An increasing customer base of over 300+ customers. The number of actively purchasing customers expanded by more than 10% during 2021.
- Expanding product range with regular product introductions.
- Serving two attractive and growing market segments: molecular tools and biomanufacturing.
- Expanding its geographical reach.

ArcticZymes has local business development and customer support representatives in Europe, North America, and Japan to assist global business coverage. Local support and use of highly skilled business developers are a prerequisite for driving

B2B sales and maintaining long-term customer relationships. Furthermore, efforts to expand into new geographies through establishing a network of sales agents and specialised distributors in regions where ArcticZymes does not have direct representation are providing fruitful in developing our brand and local presence.

ArcticZymes has an ambitious innovation pipeline to broaden its product range. It's goal over the next 2-6 years is to be able to provide its customers with a complete portfolio offering of synergistic enzymes within the different market segments it serves.

ArcticZymes Technologies' products and capabilities are protected via a large portfolio of patents and 20+ years of know-how in innovating and manufacturing enzymes.

Core values

ArcticZymes Technologies' (AZT) core values were refreshed in 2020 when the Company changed its name from Biotec Pharmacon ASA to ArcticZymes Technologies ASA. A third-party company together with key people in the Company worked on redefining the core values based on historic cultures and aspirations.

AZT's core values and strategy playbook defines how we will succeed as a company and to how generate a sustainable long term business where stakeholders are incorporated in the evaluations.

AZT' core values are:

We enable our partners to build superior products and solutions through:

- **Reliable** – through high quality, unique features and proven products, AZT shall deliver when and where the customer wants it.
- **Drive to excel** – through a high energy team, encouraged by innovation, we strive to excel in all business areas
- **Collaborative** – through long term partnerships, AZT shall be the preferred supplier discussing next generation products and solutions.

Our environmental responsibility

Each year, billions of ArcticZymes enzymes are distributed to customers ensuring their capabilities in driving next generation solutions and to create a better world. ArcticZymes takes pride in creating and innovating products that have close to zero negative impact on the environment. Raw materials for ArcticZymes's enzyme production are grown internally in closed systems by cultivating microorganisms that are genetically modified to make the enzymes. The Company thus does not harvest material from nature, nor does it seize natural areas for access to raw materials. Raw materials for internal cultivation are standard inorganic and organic chemicals and protein hydrolysates, a total of less than 100 kg / year. Emissions from upstream production (cultivation) are modest amounts of carbon dioxide and inactivated (autoclaved) microorganisms. After inactivation, organic waste that may contain microorganisms is delivered as hazardous waste to external recipient for correct destruction.

Raw material from the microorganisms undergoes a purification process that involves modest discharges of harmless chemicals, mostly sodium chloride in amounts below 100 kg / year.

Potentially toxic / harmful waste (radioactive isotopes, solvents, etc.) from the laboratory is handled according to instructions in the HSE data sheet, marked and delivered to an external recipient for correct destruction.

ArcticZymes considers its production of enzyme products to have little or no environmental impact and is very proud of its sustainable production methods.

ArcticZymes Technologies encourages environmental protection, by minimizing environmental damage and by developing, promoting, and utilizing environmentally friendly technology. Environmental effects shall be considered in work-related activities and Company shall choose environmentally friendly solutions as far as this is possible where there is an option.

ArcticZymes is currently in the process of doing a full ESG review where all aspects of the business is being considered. The Company plans to publish the full ESG report in Q3 2022.

Employees

ArcticZymes Technologies is committed to providing a work environment that is positive and professional. Every employees shall behave with respect and integrity towards anyone the person comes into contact with through work. The employee shall help create an environment free from any discrimination, be it due to religion, skin color, gender, sexual orientation, age, nationality, race or disability and free from bullying, harassment or similar behavior. Any behavior that can be perceived as degrading or threatening will not be tolerated.

ArcticZymes Technologies respects the individual employee's right to a private life and private interests, but demands openness and loyalty to the Group and the Group's interests. The employee shall not take actions nor have interests that make it difficult to perform the work objectively or effectively. Service to ArcticZymes Technologies should never be subordinated for personal gain or advantage. Conflicts of interest should, wherever possible, be avoided. The employee shall never take part in or attempt to influence a decision or settlement if there is a conflict of interest, which could give grounds to question one's impartiality.

Conflicts of interest could involve, but are not limited to, dealing with customers, suppliers, contractors, present or prospective employees, competitors, or outside business activities. Anything that would present a conflict for the employee would likely also present a conflict if it is related to a member of ones' family.

The Company's ability to attract and retain a skilled workforce is key for the company's success in future. AZT' encourages an active dialogue between all layers of the Company and are cautions of the employees wellbeing and is actively encouraging the input from all employees for at better health, both physiological and physical wellbeing.

The Company has implemented 1 hour of free training every week and has together with the employees created a running group where more than 80% of all employees in Tromsø have participated during the last 6 months of 2021 where the ambition has been to stimulate more activity and better wellbeing for all employees in the Group.

Anti-corruption

The Group operates with zero tolerance for corruption in any form. Anti-corruption guidelines are implemented through the Group's Code of Conduct, applicable to all employees, and shall be promoted as a part of the Group's corporate culture. Every employee in the Group need to annually confirm in writing that they have understood the Groups' Code of Conduct.

Human rights

The Group supports the protection of internationally proclaimed human rights and shall strive to ensure that the Group and its employees do not abuse, or are complicit in the abuse of, human rights.

Quality management system

ArcticZymes Technologies has implemented a comprehensive quality management system to ensure that products developed, manufactured, and sold are of high quality and are safe for users and patients. The quality management system is based on the principles of current good manufacturing practice (cGMP) and the requirements defined in the ISO 13485 standard for quality management systems in organizations involved in one or more stages of the life-cycle.

ArcticZymes Technologies' ambition is to be a leading supplier of safe, high-quality products, that meet customers' expectations as well as

regulatory requirements in the markets where we operate. This ambition is achieved by maintaining an effective quality management system that systematically identify, manage and control our hazards and risks to continuously improve our performance in product development, manufacturing and sales.

The quality management system ensures that we:

- Select suppliers based on their ability to meet our requirements for safe raw materials according to our specifications.
- Conduct manufacturing and quality control using validated procedures and qualified equipment.
- Continuously follow up on any quality related deviations or customer complaints
- Assess and approve all changes that can potentially affect product quality or external or internal requirements, by following a defined change control procedure.
- Conduct periodic audits to confirm our own, as well as our suppliers' performance according to the certifications that we hold.



Principles of Corporate Governance



Statement on corporate governance

In accordance with NUES's recommendation for good corporate governance and Article 3-3b of the Norwegian Accounting Act, the Board of Directors in ArcticZymes Technologies has prepared this policy statement on corporate governance. If the Company deviates from NUES recommendation, AZT will adhere to the "comply or explain" principle for each and every clause in the recommendation.

Business

ArcticZymes Technologies ASA (hereinafter "AZT") is a Norwegian life science company focused on the development, manufacturing, and commercialization of novel and high-quality recombinant enzymes for use in molecular research, In Vitro Diagnostics (IVD) and biomanufacturing.

The Company is creating value from innovative enzyme technologies which capitalise on more than three decades of world-class research at the Arctic University of Tromsø and in collaboration with other national and international partners to offer niche and high-quality products.

ArcticZymes Technologies' products and capabilities are protected via a large portfolio of patents and over 20 years know-how in innovating and manufacturing enzymes.

The Company's core values shall be defined by thoroughness, accountability, sustainability and equality for all areas relating to shareholders, employees, customers and suppliers. The Company has adopted ethical guidelines, which all employees and directors are obliged to comply with.

The Board of Directors has developed a plan where targets, risk assessment and strategies are evaluated on an annual basis.

The Company's activities are also described in Article 3 of the Articles of Association and are posted on the Company's website and published in the current annual report.

Equity and profits

As of 31. December 2021, the Company's equity amounted to NOK 244.8 million. The Board believes that end of year equity is satisfactory.

The Board does not recommend payment of dividends to its shareholders as the Company intends to grow the company inorganically through M&A activities.

At the Annual General Meeting on 20. May 2021, the Board was authorized to issue up to 600,000 shares in connection with employee share schemes. The authorization is valid until the Annual General Meeting in 2022 but no later than 30. June 2022. As of 22. April 2022, 200,000 shares were issued under this authorization. At the Annual General Meeting in 2022, the Board will propose a one-year renewal of the authorization to cover all exercisable options until the Annual General Meeting in 2023.

At the Annual General Meeting on 20. May 2021, the Board was authorized to issue up to 4,830,000 shares in connection with capital increases. The authorization is valid until the Annual General Meeting in 2022 but no later than 30. June 2022. As of 22. April 2022, no shares were issued under this authorization. At the Annual General Meeting in 2022, the Board will propose to update the current authorisation with a new one-year renewal that fits with current legislation and expected needs for inorganic growth initiatives.

At the Annual General Meeting on 20. May 2021, the Board was authorized to purchase up to 150,000 of the Company's own shares as an alternative to issue new shares. The authorization is valid until the Annual General Meeting in 2022 but no later than 30. June 2022. As of 16 March 2022, no shares were purchased under this authorization. At the Annual General Meeting in 2022, the Board will propose a one-year renewal of the authorization.

Equal treatment of shareholders and transactions with related parties

ArcticZymes Technologies has only one class of shares. Each share carries one vote. In the event of capital increases, shareholders' pre-emption rights may be waived in accordance with current authorizations. Transactions may deviate from current market price as exercise price on employee options were determined at allocation.



All material or extraordinary transactions between the Company and shareholders, directors, management or close associates of any such parties shall be evaluated independently by a third party.

The Directors and senior management are also obliged to notify the Board if they have a material interest in any transaction entered into by the Company.

Free marketability

The Company's Articles of Association place no restrictions on trading of shares or voting rights.

General Meetings

Through General Meetings, shareholders are guaranteed participation in the body that is the highest authority in the Company. This is where the

Company's Articles of Association are adopted. Notice of General Meeting's shall be distributed to shareholders no later than 21 days prior to the meeting and shall be posted on the Company's website. In general, supporting documents will only be posted on the Company's website. The registration deadline for General Meetings is normally the day before the meeting. Shareholders who cannot attend the meeting may vote by proxy. The Company will propose a person to vote as a proxy for shareholders and will facilitate proxies at the General Meetings so that shareholders can authorize the proxy in each case. The supporting documents describe procedures that apply for participation, proxy forms, procedures for submitting proposals for discussion and information on where documents are available. Generally, the Chairman of the Board opens the meeting and suggests a person to chair the meeting. Normally, members of the Board, election committee,

auditor and management will attend the meeting. Minutes of General Meetings will be made available on the Company website and on the stock exchange.

Nomination Committee

The Company has a Nomination Committee consisting of three members elected by the Annual General Meeting for two-year terms. According to article 6 of the Articles of Association, the members of the Committee shall be shareholders or representatives of shareholders. The Nomination Committee shall arrange for shareholders to propose candidates to the Board of Directors. The Annual General Meeting elects the chair of the Nomination Committee and determines the remuneration of its members. At the Annual General Meeting in 2021, Jon Sandberg was elected chairman, while Arne Handeland and Jan Gunnar Hartvig were elected as members. The election committee is independent of the Board and management in the Company. Instructions for the Nomination Committee have been adopted by the Annual General Meeting and are available on the Company's website.

Corporate assembly and Board, composition and independence

The Company has no corporate assembly. According to the Articles of Association, the Board must consist of between 3 and 8 members. The Board has currently 4 members, whereas 3 are elected by shareholders and 1 is elected by employees. The Board members are considered independent of the Company's main shareholders. Directors of the Board and the Chairman are elected by the Annual General Meeting in accordance with the Company's Articles of Association. The Director's term (election period) should not exceed two years. The employee elected board member is also part of the senior management team. This is not in line with NUES recommendation for good Corporate Governance. The employee elected board member was elected prior to current position in senior management team. The employee elected board member will not sign up for re-election when the term expires in April/May 2022. Information about the Directors is available on the Company's website.

The Work of the Board of Directors

The Board has the overall responsibility for managing, supervising the daily management and operations of the Company. Instructions have been prepared for the Board's work. At the end of each year, the

Board determines a plan for its work covering matters the Board is required by legislation and regulation to consider and other topics that are essential for the Board to follow-up in the following year. There subsists job descriptions for the CEO and other senior managers. The Board evaluates its own work and competence at least once a year. The evaluation is submitted to the Nomination Committee. The Board, together with the Compensation Committee evaluates the work of the CEO and other senior managers at least once per year. This includes evaluating the achievement of pre-defined and agreed goals.

The Board had 10 board meetings in 2021, where all were digital meetings.

The Board has established a Compensation Committee and an Audit Committee. Both committees have independent members chosen amongst the Board members. The Audit Committee is a preparatory body to assist the Board in meeting its responsibilities with regard to financial reporting, auditing and internal control while the Compensation Committee consider reimbursement for the CEO and senior managers. Specific instructions have been prepared for the work of both Committees.

Senior management representatives of the parent Company have been appointed as Directors of the Group's subsidiary.

Risk management and internal control

Together with the Company's auditor, the Audit Committee and the Board carry out an annual review of the Company's internal controls. A financial handbook describing the Company's financial management is established. The Company's quality system safeguards procedures for risk management and internal control processes and products in accordance with applicable regulations and customer requirements. The enzyme operation and ArcticZymes was ISO13485 approved in December 2017 and has annual audits to uphold the registration. The Board is of the opinion that the Company's internal control is sufficient. There exists various levels of risk related to the Company's operations. The Board considers that the Company's main areas of risk relate to:

- General risks associated with government regulation and competition

- Financial risks related to currency exchanges
- Risks associated with the result and commercial adaptation of long-term product development
- Patent risks
- Risks related to key personnel and the possibility of losing this type of personnel
- Product liability
- Key suppliers and dependence thereon
- Legal disputes which may arise

Procedures have been established for handling insider information and infringement of internal policies and procedures, which apply to all employees. The procedures reflect the guidelines of the Oslo Stock Exchange and MAR regulations implemented 1st March 2021. Procedures have also been established for the regular reporting of financial statements. Furthermore, management reports to the Board on the progress of the Company's development and other operational processes at least once a month. The Board must continuously verify that the Company lives up to its values and follows its ethical guidelines.

Remuneration of the Board

The Annual General Meeting, based on a proposal from the Election Committee, determines the Board's remuneration. The level of remuneration should reflect the Board of Directors' responsibility, expertise, the complexity of the Company, as well as time spent and the level of activity in both the Board of Directors and any board committees.

The remuneration of the Board of Directors shall not be linked to the Company's performance.

The Annual General Meeting in 2021 set the remuneration for the Chairman of the Board to NOK 425,000 and NOK 225,000 for each of the members. The remuneration of the employee representative constitutes 50% of the remuneration for the regular board member. The employee observer does not receive any remuneration. Remuneration for the Chairman of the Audit and Compensation Committee are NOK 50,000 and NOK 25,000 for each member. The board had 10 virtual meetings in 2021 plus some additional work meetings. The defined remuneration for the Board and subcommittees shall apply from the decision date until the next Annual General Meeting.

At the Annual General Meeting in 2020, the Chairman of the Board received 200,000 options whereas the

two other board members received 100,000 and 15,000 options, respectively. The options have 5 years to maturity, exercise period from year 3-5 and a strike of NOK 10.19 per share. This award is not in line NUES recommendation for good corporate governance, but it was proposed and recommended by the Nomination Committee.

Any consideration paid to members of the Board of Directors in addition to their board remuneration shall be specifically identified in the annual report.

Severance or pension schemes have not been established for the Board members.

Remuneration for senior managers

The Board shall establish guidelines for the remuneration of senior executives, which shall be presented to the Annual General Meeting. The Board shall determine the remuneration of the CEO in accordance with these guidelines. The CEO in consultation with the Board shall determine the remuneration of other senior executives. The Board's decision on remuneration of the CEO and the principles for reimbursement of other senior executives are based on proposals from the Compensation Committee. The Board determines the charter for the Compensation Committee. The Compensation Committee shall seek schemes to encourage long-term value creation in the Company. Overall remuneration shall be competitive with comparable companies. Option schemes have been established.

According to the Public Limited Liabilities Act § 6-16b, remuneration of senior executives is described in a separate report to the annual report.

Information and communication

The Board has established guidelines for information and reporting to the stock exchange. The guidelines have been formulated in accordance with applicable legislation and stock exchange regulations. The Company provides equal and simultaneous information to the stock market. The Company holds investor presentations in connection with the publication of quarterly reports. Generally, these quarterly presentations are published as webcasts. Notifications are posted on the Company's website at the same time the information is disseminated to the market. The Board has also established guidelines for communication with the media.

In addition to the Board of Directors' dialogue with the Company's shareholders in the general meetings, the Board of Directors should make suitable arrangements for shareholders to communicate with the Company at other times to enable the Board of Directors to develop and understand which matters affecting the Company from time to time are of particular concern to its shareholders. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in consideration of the principle of equal treatment of the Company's shareholders. In accordance with internal procedures, the CEO is the main contact for communication with shareholders.

Acquisition

The Board has not implemented measures intended to prevent or impede any offers for the Company's shares. The Board will obtain valuation from an independent expert and issue a recommendation on whether shareholders should accept a takeover offer or not. The Board is committed to ensure that all shareholders are treated equal.

In a take-over process, the Board of Directors and executive management each have an individual responsibility to ensure that there are no unnecessary interruptions to the Company's business activities. The Board of Directors has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

Audit

The Company's auditor, PWC, was elected at the Annual General Meeting in 2019. The responsible partner is Ørjan Renø. The auditor's plan for the audit work shall be presented to the Audit Committee. The Company's internal control procedures must be reviewed once a year in a meeting between the auditors, the Board and the Audit Committee. The auditor shall participate in Board meetings concerning the annual report. The Board and auditors shall meet once a year without the presence of the administrative management. The auditor has provided a written statement regarding compliance with independence requirements. An overview of the services the auditor carries out in addition to the audit is presented and approved by the Board in connection with the annual report. The Annual General Meeting shall be informed about how the remuneration of the auditor is divided between auditing and other services. The auditor shall participate in the Annual General Meeting if this is considered necessary.



Remuneration report



According to the Public Limited Companies Act § 6-16b, the Board of Directors shall prepare a report on remuneration to the CEO, other senior executives and employees who are members of the board and account for the executive remuneration policy and guidelines in the company which were approved by the Annual General Meeting in May 2021

Introduction - highlights

2021 was a defining year for ArcticZymes demonstrating its ability to operate as a profitable and high-growth, standalone enzyme company. The ArcticZymes Technologies group had sales revenues of NOK 128.0 million in 2021, compared to NOK 93.4 million in 2020. Net profit after tax for the Group was NOK 46.4 million compared to NOK 84.9 million in 2020. Net profit in 2020 included the extraordinary income from divesting the BBG business.

Jane Theaker joined as a director on the board and as a member of the remuneration committee in May 2021.

In 2021, focus and ambition of the company were towards five performance targets: EBITDA, complete transition of BetaGlucans following divestment, establishment of new production facilities for ArcticZymes, the release of five innovation products, and completion of upscaling the SAN HQ enzyme within Q1 2021. All targets were fully completed during the year except for new product launches which was only partially met. Bonus compensations were aligned to these targets and paid out accordingly.

A new option program was approved by the Annual General Meeting in May 2021. At any time, the number of allocated options is limited to 4% of the outstanding shares. 500,000 options were awarded to senior executives in December 2021 under this program.

Furthermore, CEO, Jethro Holter exercised 200,000 options in December 2021 which were related to the earlier option program awarded in 2018.

Total remuneration of Board of Directors and senior executives

Name, position	Year	1. Fixed Board remuneration	2. Remuneration for committee meetings	3. Total remuneration
Dr. Marie Roskrow, Chairman	2021	395 000	75 000	470 000
	2020	350 000	75 000	425 000
Volker Wedershoven, Director	2021	195 000	75 000	270 000
	2020	150 000	70 000	220 000
Jane Theaker, Director	2021	135 000	30 000	165 000
Marit Sjo Lorentzen, Employee Director	2021	97 500	10 000	107 500
	2020	105 000	15 000	120 000

Table 1a: Board remuneration in 2020 and 2021

Name, position	Year	1 Fixed Remuneration			2. Variable remuneration
		Salary paid	Board fees	Fringe benefits	One-year variable (earned, not paid)
Jethro Holter, CEO	2021	1 892		12	752
	2020	1 635		11	594
Børge Sørvoll, CFO	2021	1 451		12	362
	2020	1 340		11	350
Olav Lanes, VP R&D and applications	2021	1 072		10	130
	2020	972		11	48
Marit S. Lorentzen, Head of production	2021	1 001	108	10	152
	2020	908	120	13	48

Table 1b: Senior executive remuneration in 2020 and 2021. All remuneration figures are in NOK

Explanatory notes:

- CEO, Jethro Holter's compensation package was changed per 01 October 2021, to NOK 2.0 million (from NOK 1.8 million) in fixed salary and up to 40% (from 33%) in performance related variable pay
- CEO, Jethro Holter exercised 200,000 options in December 2021 with at market value of NOK 16.0 million. This is in addition to total remuneration above.
- CFO, Børge Sørvoll was offered as in 2020 a variable payment of 25% of his fixed salary for 2021
- In 2021 Marit S. Lorentzen and Olav Lanes were offered the first time a variable payment of up to 15% of their fixed salary due to their position and responsibility in the organisation
- Fringe benefits consist of taxable portion of insurance and electronic communication

Share-Option based remuneration

In 2018, the Board introduced an LTI scheme for the Chief Executive Officer and other senior executives. 200.000 "right to receive options" were awarded to CEO Jethro Holter, CFO Børge Sørvoll and former CSO Rolf Engstad, respectively. The right to receive options had the following performance conditions.

Potential 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

Table 2

3. Extraordinary items	4. Pension expenses	5. Total remuneration	6. Proportion of fixed and variable remuneration	
			% Fixed	% Variable
	83	2 739	73 %	27 %
	69	2 310	74 %	26 %
	91	1 917	81 %	19 %
	70	1 771	80 %	20 %
	71	1 284	90 %	10 %
	52	1 083	96 %	4 %
	65	1 336	89 %	11 %
	48	1 137	96 %	4 %

The right to receive options had a vesting period from 31st December 2018 to 31st May 2021 and an exercise period from 31st May 2021 to 31st December 2022. CEO, Jethro Holter exercised all of his options in December 2021.

A new share option program was introduced at the Annual General Meeting in 2021 where the Board proposed to introduce an annual LTI scheme to cover new allocations for the senior executive group, as well as for other key positions in the Company. Granted share options will have a waiting period (no vesting) of 12 months and 36 months vesting period, with 1/36

vested every month. Following the 36-month vesting period, there will be a 11,5-months exercise period. The exercise price for any new options awarded will be set at the market price of the share at the time of award. At any time, the number of allocated options is limited to 4% of the outstanding shares.

500.000 options under this scheme were granted on 17th December 2021 to senior executives. In case of termination of employment, all vested options not in the exercise period will lapse without compensation. Options in the exercise period shall be exercised as soon as possible after termination.

Name, position	1. Specification of plan	Main conditions of plan				
		2. Performance period	3. Award date	4. Vesting date	5. End of holding period	6. Exercise period
Jethro Holter, CEO	2018 LTI Award	31.12.2018 -31.12.2022	31.12.2018	31.05.2021	31.12.2022	31.05.2021 - 31.12.2022
	2021 LTI Award	17.12.2021-30.11.2026	17.12.2021	17.12.2022-16.12.2025	30.11.2026	17.12.2025-30.11.2026
Børge Sørvoll, CFO	2018 LTI Award	31.12.2018 -31.12.2022	31.12.2018	31.05.2021	31.12.2022	31.05.2021 - 31.12.2022
	2021 LTI Award	17.12.2021-30.11.2026	17.12.2021	17.12.2022-16.12.2025	30.11.2026	17.12.2025-30.11.2026
Olav Lanes, VP R&D and Applications	2021 LTI Award	17.12.2021-30.11.2026	17.12.2021	17.12.2022-16.12.2025	16.12.2025	17.12.2025-30.11.2026
Marit S. Lorentzen, Head of production	2021 LTI Award	17.12.2021-30.11.2026	17.12.2021	17.12.2022-16.12.2025	16.12.2025	17.12.2025-30.11.2026
	2020 Board award	14.05.2020-14.05.2025	14.05.2020	25.05.2022	14.05.2025	14.05.2023-14.05.2025
Marie Roskrow, Chairman of the board	2020 Board award	14.05.2020-14.05.2025	14.05.2020	25.05.2022	14.05.2025	14.05.2023-14.05.2025
Volker Wedershoven, Director	2020 Board award	14.05.2020-14.05.2025	14.05.2020	25.05.2022	14.05.2025	14.05.2023-14.05.2025
Rolf Engstad, former employee	2018 LTI Award	31.12.2018 -31.12.2022	31.12.2018	31.05.2021	31.12.2022	31.05.2021 - 31.12.2022

Table 3: Senior executive and Board of Directors long-term incentives

Information on how the remuneration complies with the remuneration guideline and how performance criteria were applied

The remuneration guidelines, which were approved by the Annual General Meeting on 20th May 2021, have served as a framework for all remuneration procedures during the second half of the year 2021 and for future performance criteria.

The performance and target driven approach for

the management as laid out in the remuneration guidelines have proven successful. The Company achieved the majority of the short-term and long-term targets in 2021 which resulted in an increase of shareholder value and a sound financial standing of the Company.

The board of directors is following strictly AZT guidelines 1 (c) a gender pay equity objective for the executive management. The remuneration of the

7. Strike price of the share	Information regarding the reported financial year					
	Opening balance	During the year		Closing balance		
	8 Share options held at the beginning of the year	9. Share options awarded	10. Share options vested	11. Share options subject to performance condition	12. Share options awarded and unvested	13. Share options subject to holding period
8,00	200 000		200 000			
89,52		170 000			170 000	
8,00	200 000		200 000			200 000
89,52		130 000			130 000	
89,52		100 000			100 000	
89,52		100 000			100 000	
10,19	15 000			15 000		
10,19	200 000			200 000		
10,19	100 000			100 000		
8,00	200 000		200 000			200 000
Total	915 000	500 000	600 000	315 000	500 000	400 000

members of the board of directors is the following the same objectives which is reviewed from time to time by the nomination committee and documented in the annual recommendations by the nomination committee.

The board of directors has advised the executive management to follow the same objectives for all employees of the group. One member of the board of directors has been nominated for all employees of the group to file complaints against fair treatment according to the guidelines.

The remuneration committee reviews the remuneration of the executive management from time to time and supplies recommendations to the board of directors. The committee's recommendation for the remuneration of the management is based on individual interviews with the management, the experience and competence of the persons and their position in the company, as well as a comparison of the geographical and market place specifics.

Name, position	1. Performance criteria	2. Relative weighting of performance criteria	3. Information on performance targets
			Minimum target/ corresponding award
Jethro Holter, CEO	Group EBITDA	70 %	Plan achievement 58 MNOK NOK 560.000
	Finalise BBG transition	5 %	TSA finalised NOK 40.000
	AZ expansion project	5 %	New production premises operational NOK 40.000
	Scale up project	5 %	SAN scale up completed and released NOK 40.000
	Innovation launches	15 %	3 products launched NOK 80.000
Børge Sørvoll, CFO	Group EBITDA	70 %	Plan achievement 58 MNOK NOK 253.575
	Scale up project	15 %	TSA finalised NOK 54.338
	AZ expansion project	15 %	New production premises operational NOK 54.338
Marit Sjo Lorentzen, Director of Operations	Group EBITDA	40 %	Plan achievement 58 MNOK NOK 60.858
	Scale up project	10 %	SAN scale up completed and released NOK 15.215
	AZ expansion project	50 %	New production premises operational NOK 76.073
Olav Lanes, VP R&D and applications	Group EBITDA	40 %	Plan achievement 58 MNOK NOK 65.205
	Scale up project	10 %	SAN scale up completed and released NOK 16.301
	Innovation launches	50 %	3 products launched NOK 48.903

Table 4: Senior executives targets and performance in 2021

	Maximum target/ corresponding award	4. Measured performance/outcome
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 560.000
	TSA finalised	TSA completed within deadline
	NA	NOK 40.000
	New production premises operational	Premises operational
	NA	NOK 40.000
	SAN scale up completed and released	Scale up completed and released within deadlines
	NA	NOK 40.000
	5 products launched	3 products launched
	NOK 120.000	NOK 80.000
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 253.575
	TSA finalised	TSA completed within deadline
	NA	NOK 54.338
	New production premises operational	Premises operational
	NA	NOK 54.338
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 60.858
	SAN scale up completed and released	Scale up completed and released within deadlines
	NA	NOK 15.215
	New production premises operational	Premises operational
	NA	NOK 76.073
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 65.205
	SAN scale up completed and released	Scale up completed and released within deadlines
	NA	NOK 16.301
	5 products launched	3 products launched
	NOK 81.506	NOK 48.903

Derogations and deviations from the remuneration guidelines and from the procedure for its implementation

The Board of Directors deviated from the remuneration guidelines in reference to chapter 3.3 Variable Remunerations point (a). The guidelines include a variable payment for the CEO of 33%. The Board of Directors decided to raise the performance-related payment of the CEO to 40% to further increase motivation to achieve the performance targets

Comparative information on change of remuneration in the company

Annual change	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	Total remuneration 2021 (TNOK)
Jethro Holter, CEO	-7 %	3 %	13 %	36 %	19 %	2 739
Børge Sørvoll, CFO	-8 %	6 %	9 %	20 %	8 %	1 917
Marit Sjo Lorentzen, Director of Operations	12 %	2 %	3 %	30 %	17 %	1 336
Olav Lanes, VP R&D and application	3 %	2 %	3 %	9 %	18 %	1 284
Company performance	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2021
Revenues (TNOK)	-6 %	0 %	-32 %	107 %	37 %	127 970
EBITDA (TNOK)	-21 %	62 %	124 %	2024 %	36 %	61 623
Net profit (TNOK)	-22 %	43 %	96 %	13355 %	-38 %	46 521
Average remuneration on a FTE basis of employees	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2021
Employees in the Group	7 %	-2 %	-11 %	15 %	33 %	38
Average salary change ex management (TNOK)	-10 %	18 %	-2 %	5 %	-2 %	774

Table 5: Comparative information

Explanatory notes:

- Revenues, EBITDA and Net Profit from 2016 to 2018 includes the divested subsidiary Biotec Betaglacans AS. For ArcticZymes Technologies as a standalone company, please look at comparisons from 2019 vs 2020 and onwards
- Historic changes in employees and salaries are based on employees in ArcticZymes Technologies ASA and ArcticZymes AS.

Adaptations of guidelines approved by the Annual General Meeting in May 2021

At the Annual General Meeting on 20th May 2021, 99.8% of represented shareholders voted for the Remuneration guidelines and 89.5% voted for the binding guidelines with regards to equity instruments.

The Board has not initiated any specific actions based on the advisory votes from the Annual General Meeting as 2021 is the first year where the company will present a remuneration report. The Board of Directors, will consider further actions based on the vote at the Annual General Meeting in 2022

Financial
statements
– Group



Consolidated statement of profit & loss – Group

1. January till 31. December

(Amounts in NOK 1 000)	Note	2021	2020
Sales revenues	5	127 970	93 449
Other income	21	3 078	4 374
Total income		131 048	97 823
Change in inventory	12	2 993	903
Cost of materials	12	-6 878	-2 034
Personnel expenses	18,20,22	-46 781	-34 564
Depreciation and amortization	6,7,8	-3 191	-2 639
Other operating expenses	19,20	-18 758	-16 696
Total operating expenses		-72 616	-55 029
Operating profit/loss(-)		58 432	42 793
Financial income	17	1 545	1 744
Financial expense	7,17	-975	-2 128
Financial net		570	-384
Profit/loss(-) before income tax		59 002	42 409
Income tax expense	16	-12 621	33 143
Net profit/loss (-) before discontinued operations		46 380	75 552
Net profit from "Discontinued operations"	23		9 356
Net profit/loss (-)		46 380	84 908
Net profit/loss(-) attributable to:			
Non-controlling interests		0	1 789
Equity holders of Arcticzymes Technologies ASA		46 380	83 119
Earnings per share:			
Basic EPS from net profit/loss	10	0,92	1,76
Diluted EPS from net profit/loss	10	0,91	1,73

Consolidated statement of other comprehensive income – Group

(Amounts in NOK 1 000)	Note	2021	2020
Net profit/loss for the year		46 380	84 908
Total comprehensive income		46 380	84 908
Comprehensive income attributable to:			
-shareholders of parent company		46 380	83 119
-non-controlling interests			1 789
Total comprehensive income		46 380	84 908

Consolidated statement of financial position – Group

As of 31. December

(Amounts in NOK 1 000)	Note	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Deferred tax asset	16	20 522	33 143
Machinery, equipment and permanent fixtures	6	12 302	3 058
Intangible assets	8	1 790	420
Lease assets	7	16 079	10 515
Other long-term assets			5
Total non-current assets		50 692	47 140
CURRENT ASSETS			
Inventory	12	6 882	3 889
Accounts receivable	9,11	20 281	10 575
Other receivables	11	5 833	20 130
Cash and cash equivalents	9,13	200 424	140 178
Total current assets		233 420	174 771
Total assets		284 111	221 912
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10,14	50 371	48 335
Premium paid-in capital		260 256	151 039
Retained earnings		-65 783	-5 009
Non-controlling interests			1 966
Total equity		244 845	196 330
LONG-TERM LIABILITIES			
Lease liabilities interest-bearing	7	14 472	9 595
Total long-term liabilities		14 472	9 595
CURRENT LIABILITIES			
Dividends to non-controlling interests			1 159
Lease liabilities interest-bearing	7, 9	3 097	2 368
Accounts payable	9,15	5 795	3 456
Other current liabilities	9,15	15 902	9 004
Total current liabilities		24 794	15 987
Total liabilities		39 266	25 582
Total equity and liabilities		284 111	221 912

Tromsø, 22. April 2022

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Jane Theaker
Director

Marit Sjo Lorentzen
Director – Employee elected

Jethro Holter
CEO

Consolidated statement of changes in equity

– Group

1. January till 31. December

(Amounts in NOK 1 000)	Note	Share capital	Premium paid in capital	Retained earnings	Non-controlling interest	Total equity
Equity as of 01.01.2020		48 335	151 039	-154 233	1 336	46 476
Comprehensive income 2020				73 762	1 789	75 551
Dividends to non controlling interests					-1 159	-1 159
Divestment discontinued operations				65 257		65 257
Result from discontinued operations				9 356		9 356
TRANSACTIONS WITH OWNERS:						
Employees' share options	22			848		848
Equity as of 31.12.2020		48 335	151 039	-5 009	1 966	196 330
Comprehensive income 2021				46 380		46 380
Adjustment minority shareholders				1 966	-1 966	0
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	22			1 238		1 238
Equity as of 31.12.2021		50 371	260 256	-65 783	0	244 845

Consolidated statement of cash flow – Group

1. January till 31. December

(Amounts in NOK 1 000)	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES *			
Profit/loss(-) before tax		59 002	51 765
Profit/loss adjusted for:			
Loss machinery		40	
Depreciation and amortization	6,7,8	3 191	9 954
Employees' options, share-based payment expense	22	1 238	848
Interest expense lease liability		694	708
Changes in working capital:			
Inventory	12	-2 993	1 932
Accounts receivables and other receivables	11	4 592	-15 898
Trade and other payables	15	9 207	-2 570
Net cash flow from operating activities		74 970	46 739
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in machinery and equipment	6	-10 035	-1 912
Investment in intangible assets	8	-1 563	
Divestment of subsidiary (Biotec BetaGlucans)		29	66 759
Changes in long-term receivables		5	4
Net cash flow from investing activities		-11 564	64 851
CASH FLOW FROM FINANCING ACTIVITIES			
Payment on lease liabilities	7	-2 896	-3 074
Dividends to minority shareholders		-1 159	
Capital increase		1 600	
Payment other financing activities		-703	
Net cash flow from financing activities		-3 160	-3 074
Net change in cash during the year		60 246	108 516
Cash and cash equivalents as of 01.01		140 178	31 662
Cash and cash equivalents as of 31.12		200 424	140 178

*See note 23 for discontinued operations

Notes to the financial statements for 2021

Note 1 General information

The ArcticZymes Technologies Group (the Company, the Group) is a Norwegian life science company focused on the development, manufacturing, and commercialization of novel and high-quality recombinant enzymes for use in molecular research, In Vitro Diagnostics (IVD) and biomanufacturing.

The Company is creating value from innovative enzyme technologies which capitalise on more than three decades of world-class research at the Arctic University of Tromsø and in collaboration with other national and international partners to offer niche and high-quality products.

The Groups products and capabilities are protected via a large portfolio of patents and 20+ years of know-how in innovating and manufacturing enzymes.

ArcticZymes Technologies ASA is headquartered at the SIVA Innovation Centre, Sykehusvegen 23, Tromsø, Norway, and listed on the Oslo Stock Exchange since 2005 under the "AZT" ticker.

The Board of Directors approved the consolidated financial statements on 22. April 2022.

Note 2 Summary of significant accounting policies

The following describes the principal accounting policies applied in the preparation of the consolidated financial statements. These principles have been consistently applied to all periods presented, unless otherwise stated.

Note 2.1 Financial reporting framework

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of IFRS as adopted by the EU. The consolidated financial statements are prepared on a historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of estimates. Furthermore, the application of the Company's accounting principles requires management to exercise judgment. For further information about this, see note 4.

The consolidated financial statements are prepared under the going concern assumption.

All new financial standards enforced over the last few years are implemented. The Company does not expect any new standards to have a significant impact on the profit & loss statement or the financial position statement of the Company.

Note 2.2 Principles for consolidation Subsidiaries

The consolidated financial statements include the parent company ArcticZymes Technologies ASA and the wholly owned subsidiary ArcticZymes AS. The wholly owned subsidiary Biotec BetaGlucans AS was divested 31. December 2020 and in the 2020 consolidated statement of financial position, numbers for Biotec BetaGlucans AS are excluded according to IFRS 5. In the consolidated statement of profit and loss for 2020, figures associated with discontinued operations (Biotec BetaGlucans AS) is presented as a net profit from discontinued operations. All internal transactions are eliminated from profit and loss calculations. Reference is made to note 23 in the Group for further analysis of discontinued operations and the parent company's note 9 for details on subsidiaries.

There is a presumption that if the Group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has decision over the entity, including ownership interests, voting rights, ownership structure and relative power, as well as options controlled by the group and shareholder's agreement or other contractual agreements. The assessments are done for each individual investment. The group reassesses whether it controls an entity if circumstances indicate that there are changes to control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated and may be considered as an impairment indicator for the asset transferred. Accounting policies of subsidiaries will be adjusted when deemed necessary to ensure consistency with the Group's accounting policies.

Note 2.3 Foreign currency translation

Functional and presentation currency

The accounts of the individual entities within the Group are measured by using the currency of the main economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency for all Group companies.

Transactions and financial position items

Foreign currency transactions are translated into the functional currency using the exchange rate at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary items (assets and liabilities) in foreign currency at year-end, are recorded in the consolidated statement of profit & loss.

Note 3 Financial risk management

Note 3.1 Financial risk factors

Certain activities expose the Group to financial risks like market risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management wants to minimise potential adverse effects of any unpredictability of financial markets. For the reporting period, the Group had no interest-bearing loans. Financial instruments are not used for trading purposes. Interest-bearing investments beyond bank deposits can be made in certificates or bond funds with short maturities.

Note 3.1.1 Market risk

Foreign currency risk

Revenues for 2021 to the Group are mainly denominated in USD and EUR; distributed 69% at USD and 29% at EUR. A majority of the Group's cost base is denominated in NOK with 82%, while expenses in EUR amounts to 12% and for USD 6%. A weaker NOK against the USD or EUR will influence the operating profit in a positive direction, while a stronger NOK against the USD or EUR will have the opposite effect.

By using an equivalent exchange rate in 2021 as 2020, sales revenues would have been NOK 10.7 million higher the whole year as the NOK strengthened towards both EUR and USD during the year.

The Group exchanges foreign currency into NOK when the balance of a foreign currency exceeds outstanding liabilities. The Group tries to minimise the balance of foreign currencies in its accounts.

The Group has little exposure to interest rate risk as the investment of liquid assets are in bank deposits, certificates and / or money market funds with short maturities. The Group has no interest-bearing debt.

Note 3.1.2 Credit risk

The Group is mainly exposed to credit risk related to accounts receivables. No single customer represents major outstanding credit records and the associated credit risk is considered to be low. The maximum exposure is expressed at the carrying value of accounts receivable. Losses on accounts receivables have been close to zero in every year.

Note 3.1.3 Liquidity risk

Based on planned activities and current cash position, the Group considers the liquidity risk to be low. There are no major investments or investments that will have a major impact on the Company's liquidity. If the Company moves forward with an M&A event, capital will need to be raised in order to reduce any potential liquidity risk in the short and medium term.

The Group has its cash in bank deposits or in interest-bearing securities with low risk. A majority of cash is invested in Norwegian bank deposits and money market fund. At the reporting date, the Group had bank deposits and money market fund of NOK 200.4 million.

The Group's current liabilities has maturity shorter than one year and will be settled at maturity:

(Amounts in NOK 1 000)	2021	2020
< 3 months	5 795	3 456
3 months – 12 months		
Total accounts payable	5 795	3 456
Other current liabilities < 12 months	18 999	12 531
Total accounts payable and other current liabilities	24 794	15 987

Book value of accounts payable and other current liabilities measured by currency:

(Amounts in NOK 1 000)	2021	2020
NOK	21 937	13 491
EUR	1 173	1 257
USD	1 454	1 111
GBP	181	104
SGD		23
DKK	3	
SEK	46	
Total accounts payable and other current liabilities	24 794	15 987

Note 3.2 Capital management

The Group's objectives when managing capital are to safeguard the continued operations of the Group and to provide returns for shareholders and other stakeholders and to maintain an optimal capital structure to reduce capital costs. Presently, the Group is equity financed, but with positive cash flow and potential acquisitions through M&A in the future, the Group will consider its capital structure.

The Group has no long-term debt and pays no dividends to shareholders as long as the Group has ambitions on inorganic growth initiatives.

The table below shows the Group's net cash position as of 31 December:

(Amounts in NOK 1 000)	2021	2020
Cash and cash equivalents	200 424	140 178
Less: Restricted cash equivalents	-1 647	-1 187
Net cash position	198 777	138 991

Note 4 Accounting estimates and judgments

Estimates and judgments undergo continuous evaluation based on historical experience and other factors, including expectations of future events believed to be reasonable under the present circumstances.

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are based on parameters available when the financial statements were prepared, but these assumptions may change due to market changes or circumstances arising beyond the control of the Group. These changes are reflected in assumptions when they occur.

Estimates and assumptions that might have a significant risk for adjustment in the carrying value in the following years are addressed below:

Assessment of capitalisation of development:

Capitalisation of development expenses of a defined product assumes that future cash flows from sales of this product exceed the expenses of development. The expected future cash flows are still subject to uncertainties, and may, if reduced, result in impairment of capitalised development expenses. During most of the development phase of a new product there is a significant uncertainty whether the product under development will be suitable for commercialisation. Because of this, the development projects will usually not qualify or recognition as an intangible asset before the latest stages of the development phase. See note 20 for development projects and note 8 for projects that are capitalised.

Assessment of useful life of intangible assets:

Useful life of intangible assets are based on an assessment of each individual asset. Maximum expected useful lifetime for capitalised development expense is the remaining lifetime.

Assessing start up for amortisation of intangible assets:

Amortisation of intangible assets related to capitalised development costs begins when the product is ready for distribution / sales, including the presence of necessary government approvals. Amortisation of other intangible assets starts with acquisitions.

Options

Options are measured at the fair value of the equity instruments at the grant date. Calculation of fair value involves estimates and assumptions. Measurement inputs include share price on measurement date, strike price, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. At the end of each reporting period, the group revises its estimates of the number of equity instruments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Note 5 Segment information**Principles for accounting**

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 corporate. The segment enzymes consists of sales revenues and operating expenses associated with the subsidiary ArcticZymes AS. The corporate segment provides a range of administrative services to the subsidiary. 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. ArcticZymes Technologies 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 therapeutics. 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, research grants, other grants and administration services to the divested subsidiary Biotec Betaglucans AS.

Net profit/loss(-) from the operating segments:

(Amounts in NOK 1 000)	2021			2020			
	Enzymes	Corporate	Total	Enzymes	Beta-glucans	Corporate	Total
Sales revenues	127 970		127 970	93 449	49 624		143 072
Cost of materials and change in inventory	-3 885		-3 885	-1 131	-20 800		-21 931
Gross profit	124 084		124 084	92 318	28 821		121 139
Other operating income	1 955	1 123	3 078	4 374	213		4 586
Operating expenses	-49 416	-16 123	-65 539	-40 951	-14 451	-8 283	-63 685
Depreciation and amortization	-2 442	-749	-3 191	-2 161	-7 550	-243	-9 954
Operating profit/loss(-)	74 182	-15 749	58 433	53 580	7 033	-8 526	52 087
Net financial income	787	-217	570	-250	-102	29	-323
Profit/loss(-) before tax	74 968	-15 966	59 002	53 330	6 932	-8 497	51 764

Assets, liabilities and investments distributed to the segments:

(Amounts in NOK 1 000)	31.12.2021			31.12.2020		
	Enzymes	Corporate	Total	Enzymes	Corporate	Total
Assets	49 649	234 461	284 111	30 497	191 415	221 912
Liabilities	11 693	27 629	39 266	15 779	9 804	25 582

Geographical distribution of sales revenues:

(Amounts in NOK 1 000)	2021	2020	
	Enzymes	Enzymes	Betaglucans
Norway	496	112	19 160
Germany	10 752	16 021	
Lithuania	35 132	13 593	
Italy	3 412	5 713	
Other countries in Europe	11 291	10 359	13 545
Rest of world	16 392	7 207	1 772
USA	50 495	40 445	15 148
Total sales revenues	127 970	93 449	49 624

Sales revenues from the largest customer in 2021 are NOK 35,1 million.

In the consolidated statement of financial position 2020 Biotec BetaGlucans AS are excluded according to IFRS 5. In the consolidated statement of profit & loss for 2020, figures associated with discontinued operations (Biotec BetaGlucans AS) is presented as a net profit from discontinued operations. All internal transactions are eliminated from profit and loss calculations.

Reference is made to the parent company's note 9 for details on subsidiaries.

The Group's sales are impacted by COVID-19 effects. The impact from Coronavirus-related sales is becoming increasingly more difficult to quantify as further AZT's products are being utilised in Coronavirus-related applications (e.g. rSAP in Sanger sequencing of Coronavirus variants). Sales are expected to remain through numerous well-established customers as well as new business opportunities such as the utility of AZT's enzymes in sequencing applications to monitor and for the surveillance of variants, and multiplex assays and Point-of-Care (PoC) testing. Post-pandemic sales are expected to gradually decline to a new steady state, but fluctuations will likely be triggered as new variants emerge.

(Amounts in NOK 1 000)	2021	Whereof COVID-19 related
Sales	127 970	33 200

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

Note 6 Machinery, equipment and permanent fixtures

Principles for accounting

Machinery, equipment and permanent fixture in the Group include primarily production equipment, office equipment and furnishing. These assets have a carrying value of historical cost less depreciation and amortisation. Acquisition cost includes expenses directly attributable to the acquisition of the assets. Subsequent expenses are included in the assets carrying value or recognised as a separate asset, when it is deemed probable that future economic benefits will benefit the Group and that expenses can be measured reliably. Other repair and maintenance expenses are recognised in the consolidated profit & loss statement for the period in which they are incurred.

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:

Permanent fixtures	10 years
Machinery / Equipment	5-10 years
Furniture and office equipment	2-5 years

The actual useful life and residual values of the assets are tested for impairment when there is indication of impairment and adjusted if necessary. If the carrying value of an asset exceeds the estimated fair value, the carrying value is amortised immediately to fair value. Gains and losses on disposals are recognised as the difference between selling price less transaction costs and the carrying value.

(Amounts in NOK 1 000)	Machinery	Equipment	Permanent fixtures	Total
As of 01.01.2020				
Historic cost	35 775	6 851		42 626
Accumulated depreciation	-32 392	-6 358		-38 750
Book value at 01.01.2020	3 385	492	0	3 875
Financial year 2020				
Addition	1 772	22		1 794
Adjustment discontinued operations	-1 599	-384		-1 983
Depreciation	-547	-86		-633
Book value at 31.12.2020	3 011	44	0	3 058
As of 01.01.2021				
Historic cost	6 844	1 914		44 420
Historic cost discontinued operations	48 432	4 448		48 432
Accumulated depreciation discontinued operations	-48 432	-4 448		-48 432
Accumulated depreciation	-3 833	-1 869		-3 833
Book value at 01.01.2021	3 011	44	0	3 058
Financial year 2021				
Addition	7 739	558	1 738	10 035
Amortization	-40			-40
Depreciation	-688	-63		-751
Book value at 31.12.2021	10 023	538	1 738	12 302
As of 31.12.2021				
Historic cost	14 544	2 472	1 738	18 753
Accumulated depreciation	-4 521	-1 932		-6 453
Book value at 31.12.2021	10 023	538	1 738	12 302

Management considers that there are no impairment indicators at the group level, and that no write-downs of these assets are necessary.

Note 7 Leases

Principles for accounting

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 and a 4,62% discount rate.

ArcticZymes Technologies currently has two contracts that falls in under IFRS 16. One is from 2011 when the Company leased offices and lab facilities from SIVA Innovative Center 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.

The initial contract expiry in 2026 and the last contract expires in 2031, both after 2 extension options has been called upon.

(Amounts in NOK 1 000)	Lease assets
Historic cost	13 070
Adjustment discontinued operations	5 101
Accumulated depreciation including net present value	-7 657
Book value at 31.12.2020	10 515
Adjustment net present value 01.01	203
Additional premises SIVA	7 606
Depreciation	-2 245
Book value at 31.12.2021	16 079
Historic cost	20 879
Accumulated depreciation	-4 801
Book value at 31.12.2021	16 079

Lease liabilities	2021	2020
Book value 31.12 (preceding year)	-11 963	-16 018
Net present value adjustment 01.01	-203	-533
Adjustment discontinued operations		1 965
Additional premises SIVA	-7 606	
Interest expense	-694	-631
Payments premises	2 896	3 254
Book value at 31.12	-17 570	-11 963
Current	-3 097	-2 368
Non-current	-14 472	-9 595

Maturity analysis	2021	2020
Less than one year	3 097	2 368
One to five years	13 927	9 881
More than five years	3 200	2 576
Total undiscounted lease liabilities at 31.12	20 224	14 825

Summary of other leased assets presented in the consolidated profit & loss statement	2021	2020
Lease of IT equipment	167	48
Overhead expenses related to premises	731	921
Total leased assets included in other expenses at 31.12	898	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 8 Intangible assets

Principles for accounting

Research and development, patents and licenses

Research expenses are expensed when incurred.

Development of products are capitalised as intangible assets when:

1. It is technically feasible to complete the intangible asset enabling it for use or sale.
2. Management intends to complete the intangible asset and use or sell it.
3. The Company has the ability to make use of the intangible asset or sell it.
4. A future economic benefit to the Company for using the intangible asset may be calculated.
5. Available technical, financial and other resources are sufficient to complete the development and use of or sale of the intangible asset.
6. 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:

Own product development 10-12 years

Capitalised development costs are depreciated linearly from the date of commercialisation over the period in which they are expected to provide economic benefits. Capitalised development costs are tested by indication for impairment in accordance with IAS 36.

The Company has historically capitalised development expenses for rSAP, HL-dsDNase, SAN Elisa-kit, San HQ and Polymerases. Other development costs are expensed when incurred.

(Amounts in NOK 1 000)	Own product development	Total
AS OF 01.01.2020		
Historic cost	2 774	2 774
Historic cost "Asset held for sale"	9 432	9 432
Accumulated depreciation "Assets held for sale"	-9 432	-9 432
Accumulated depreciation	-2 100	-2 100
Book value at 01.01.2020	674	674
FINANCIAL YEAR 2020		
Addition	0	0
Depreciation	-254	-254
Book value at 31.12.2020	420	420
AS OF 31.12.2020		
Historic cost	2 148	2 148
Historic cost discontinued operations	10 032	10 032
Accumulated depreciation	-1 727	-1 727
Accumulated depreciation discontinued operations	-10 032	-10 032
Book value at 31.12.2020	420	420
FINANCIAL YEAR 2021		
Addition	1 563	1 563
Amortization	0	0
Depreciation	-194	-194
Book value at 31.12.2021	1 790	1 790
AS OF 31.12.2021		
Historic cost	3 711	3 711
Accumulated depreciation	-1 921	-1 921
Book value at 31.12.2021	1 790	1 790

"Assets held for sale" are fully amortised per 31.12.2020 as Biotec BetaGlucans was divested.

Note 9 Financial assets and debts**Principles for accounting**

The Groups financial assets and debts are initially measured at fair value except lease liabilities which is at amortised cost.

The financial assets consist primarily of cash and cash equivalents obtained through equity issues and trade receivables.

(Amounts in NOK 1 000)	2021	2020
	Assets at fair value	Assets at fair value
FINANCIAL ASSETS		
Cash bank account	155 545	130 648
Money market fund	44 879	9 530
Total financial assets	200 424	140 178

(Amounts in NOK 1 000)	2021	2020
	Debts at amortised cost	Debts at amortised cost
Financial debts		
Leasing long-term	14 472	9 595
Leasing short-term	3 097	2 368
Total financial debts	17 570	11 963

The Group has no interest-bearing loans or debt other than lease liabilities.

Note 10 Earnings per share

Principles for accounting

Earnings per share are calculated by dividing net profit/loss to ordinary shareholders by the weighted

average number of shares outstanding during the year (see note 14).

(Amounts in NOK 1 000)	2021	2020
Net profit attributable to ordinary shareholders of the parent	46 380	83 119
Net profit attributable to non-controlling interests	0	1 789
Net profit	46 380	84 908
Weighted number of shares used for calculation of basic EPS (1 000 shares)	49 338	48 335
Dilution effect share based payment	1 215	784
Weighted number of shares used for calculation of diluted EPS (1 000 shares)	50 553	49 119
Weighted basic and diluted earnings per share (NOK per share)	0,94	1,76
Weighted diluted earnings per share (NOK per share)	0,92	1,73

Note 11 Receivables

Principles for accounting

In determining the recoverability of receivables, the company performs risk analysis considering the type and the age of the outstanding receivable. The Group

is also considering historic customer payments in its evaluations.

(Amounts in NOK 1 000)	2021	2020
Accounts receivables	20 281	10 575
Provisions for estimated losses on accounts receivables	0	0
Sum accounts receivables, net	20 281	10 575
Research grants	2 985	1 505
Tax grants	1 055	1 138
Prepayments	725	470
VAT	1 067	791
Other receivables		16 226
Sum other receivables	5 833	20 130
Sum total receivables	26 113	30 705

Fair value for accounts receivable equals book value. There are no significant concentrations of credit risk.

Age breakdown of Accounts receivable per 31.12.2021:					
Not yet due	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
17 873	1 763	201	186	258	20 281

A majority of accounts receivables overdue on 31 December have been settled subsequently.

Age breakdown of Accounts receivable per 31.12.2020:

Not yet due	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
6 144	3 389	113	510	420	10 575

Fair value of receivables by currency:

	2021	2020
USD	15 247	7 734
EUR	4 704	19 024
NOK	6 162	3 948
Total receivables	26 113	30 705

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 2021.

Note 12 Inventory and cost of materials**Principles for accounting**

Inventory are stated at the lower of acquisition expense and net realisable value. Inventories are valued at average acquisition cost. Value of finished goods and work in progress comprises the expense

of design, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price less variable costs of completion and transaction expenses.

(Amounts in NOK 1 000)

	2021	2020
Work in progress	3 199	284
Materials and consumables	225	
Finished goods	3 458	3 606
Total inventories	6 882	3 889

Cost of materials

Total cost of materials include direct materials, services provided by contract manufacturers and packaging suppliers, products freights and distribution costs. Royalties for in licensing of

technology and rights from other parties are excluded from cost of goods and included in other operating expenses.

Note 13 Cash and cash equivalents

Principles for accounting

Cash and cash equivalents consist of cash, bank deposits and other short-term liquid investments that

can be converted into cash immediately and with a maturity no more than three months.

(Amounts in NOK 1 000)	2021	2020
Cash	153 898	129 461
Money market fund	44 879	9 530
Tax withdrawal accounts	1 647	1 187
Total cash and cash equivalents	200 424	140 178

Note 14 Share capital, share premium, share options, and other equity

Principles for accounting

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options less taxes are recorded as a reduction in proceeds to equity. When purchasing own shares, the consideration paid including any transaction costs less tax, is deducted from equity (attributable to equity shareholders) until the shares are cancelled, reissued or sold.

The Group has a share-based option scheme. The fair value of the services received from the employees in return for the options granted is recognised as an expense in the consolidated profit & loss statement. Total expense for the options is 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 not reflected in the market, affect the assumptions about the number of options expected to be exercised. At the end of each reporting period, the Company revises its estimates of the number of options expected to be exercised. It recognises the importance of the revision of original estimates in the consolidated profit & loss statement with a corresponding adjustment in equity. For 2021, the company expensed NOK 1.2 million in connection with share options and NOK 4.9 million in national insurance contribution (arbeidsgiveravgift).

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

(Number of shares)	Shares	Whereof treasury shares
FINANCIAL YEAR 2020:		
Per 01.01.2020	48 334 673	
Per 31.12.2020	48 334 673	0
FINANCIAL YEAR 2021:		
Share issues	2 036 717	
Per 31.12.2021	50 371 390	0

All shares are fully paid up. Par value is NOK 1.00 per share.

The Annual General meeting held on 20. May 2021, granted three authorisations to the Board:

1. To increase the share capital with up to 4,830,000 shares at par value. The authorisation may be used for cash capital increases or capital increases in connection with mergers but does not include non-cash share issues.
2. To increase the share capital with up to 600,000 shares at par value. The authorisation may only be used in connection with capital increases relating to share option programs. 200,000 shares of this authorisation was used in 2021.
3. Authorisation to purchase up to 150,000 treasury shares with a nominal value of NOK 150.000. The authorisation may be used in connection with option programs or by offering shares to employees.

The Annual General meeting held on 14. May 2020, granted three authorisations to the Board:

1. To increase the share capital with up to 4,830,000 shares at par value. The authorisation may be used for cash capital increases or capital increases in connection with mergers does but does not include non-cash share issues.
2. To increase the share capital with up to 1,300,000 shares at par value. The authorisation may only be used in connection with capital increases relating to share schemes for associates

3. Authorisation to purchase up to 150,000 treasury shares with a nominal value of NOK 150.000. The authorisation may be used in connection with share schemes to associates or by offering shares to employees.

Share options

Per 31.12.2021, 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.

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 was 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. CEO. Jethro Holter exercised 200,000 options in December 2021.

Outstanding share options

	2021		2020	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01.01.	10,19	315 000		
Earned during the year	8,00	600 000		
Granted during the year	89,52	500 000	10,19	315 000
Exercised during the year	8,00	-200 000		
Outstanding at 31.12.		1 215 000		315 000

Expiry date, exercise price, and outstanding options at year end

Expiry date	Average exercise price	Number of share options 2021	Number of share options 2020
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 31.12.		1 215 000	315 000
Exercisable options at 31.12.		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%), exercise price (NOK 8,00 per share) and volatility last 5 years (55,25%). The options were valued at NOK 1,85 per share options at award.

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%), exercise price (NOK 10,19 per share) and volatility last 5 years (59,02%). The options were valued at NOK 15,94 per share options at award. 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%), exercise price (NOK 89,52 per share) and volatility last 5 years (60,43%). The options were valued at NOK 42,81 per share options at award. 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.

The 20 largest shareholders as of 31.12.2021

Ownership information:	Shares	Ownership
Skandinaviska Enskilda Banken AB (Nominee)	4 463 300	8,86 %
Skandinaviska Enskilda Banken AB (Nominee)	3 461 341	6,87 %
Nordnet Bank AB (Nominee)	3 407 175	6,76 %
Avanza Bank AB (Nominee)	2 330 004	4,63 %
Pro AS	2 005 216	3,98 %
State Street Bank and Trust Comp (Nominee)	1 482 431	2,94 %
Tellef Ormestad	1 222 787	2,43 %
Clearstream Banking S.A. (Nominee)	1 213 637	2,41 %
Belvedere AS	1 015 684	2,02 %
RBC Investor Services Bank S.A (Nominee)	1 010 000	2,01 %
State Street Bank and Trust Comp (Nominee)	968 468	1,92 %
Danske Bank AS (Nominee)	908 417	1,80 %
Skandinaviska Enskilda Banken AB (Nominee)	700 000	1,39 %
Middelboe AS	601 828	1,19 %
Norda ASA	568 000	1,13 %
Aos Holding AS	565 978	1,12 %
Danske Bank AS (Nominee)	562 000	1,12 %
Npw Invest AS	550 000	1,09 %
Skandinaviska Enskilda Banken AB (Nominee)	545 000	1,08 %
Dragesund Invest AS	521 739	1,04 %
20 largest shareholders aggregated	28 103 005	55,79 %
4346 other shareholders aggregated	22 268 385	44,21 %
Total shares (4366 shareholders)	50 371 390	100,00 %

Note 15 Accounts payable and other current liabilities

Principles for accounting

The Group's liabilities consists of accounts payable, dividends, lease liabilities interest-bearing and other current liabilities and are classified as "current liabilities". Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and

employees. Accounts payable is classified as current liability if payment is due within 12 months. If not, they are presented as long-term liabilities. Accounts payable are recognised initially at fair value.

Specification of other current liabilities:

(Amounts in NOK 1 000)	2021	2020
Unpaid holiday pay	2 680	2 015
Bonus	4 392	4 335
Other personnel	2 634	
Accrued public fees and withdrawals	3 984	1 301
Miscellaneous other accrued costs	2 214	1 353
Other current liabilities	15 902	9 004

Book value of accounts payable and other current liabilities is close to fair value.

Note 16 Deferred tax asset

Principles for accounting

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. When considering recognition of profit loss carried forward as a deferred tax asset, there are objective criteria's from IAS 12- 34/35/36 and ESMA that need to be considered before implementation. There is

strong evidence supporting recognition of profit loss carried forward as a deferred tax asset:

- The Group expect further growth in revenues and EBTDA level based on board discussions around the ArcticZymes business case moving forward.
- ArcticZymes Technologies has loss carried forward that can be utilized through the use of group contributions from the subsidiary Arcticzymes.
- ArcticZymes is expected to have taxable income for the next 2-3 years which can be offset through group contribution against the tax loss in the parent company.
- The subsidiary Biotec BetaGlucans, which was a loss making business, was divested 31.December 2020.
- The Group has an increasing and steady customer base with recurring revenues.

Based on listed evidence there are very limited negative criteria's opposing recognition of deferred tax asset according to IAS 12 - 34/35/36 and ESMA.

(Amounts in NOK 1 000):	2021	2020	Change
Non current assets	1 787	473	-1 314
Unrealized gain/losses		-777	-777
Other temporary differences	-3 374	-212	3 162
Gains and loss account	8 487	10 609	2 122
Pensions		5	5
Total temporary differences	6 900	10 094	-3 193
Financial instruments	549		
Tax assessment loss carried forward	-100 729	-160 744	
Calculation base deferred tax asset	-93 280	-150 650	

Deferred tax asset, 22%	-20 522	-33 143	-12 621
Profit before income tax	59 002	42 409	
Non deductible expenses	-1 128	570	
Non taxable income	-1 054	-800	
Changes in temporary differences	3 193	2 217	
Profit before tax loss carried forward	60 014	44 396	
Deferred tax loss carried forward	-60 014	-44 396	
Tax base	0	0	

Tax expense	-12 621	33 143	
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Note 17 Financial income and expense

Principles for accounting

The Groups's interest income and expenses mainly relates to interest received on bank deposits, lease liabilities and short-term interest rate funds.

Net currency relates to gains and losses on settlements of other expenses and bank accounts.

(Amounts in NOK 1 000)	2021	2020
Interest income	841	349
Net currency gain/loss(-)	675	-22
Interest expense lease liabilities	-694	-631
Other financial expense	-252	-80
Total financial income and expense, net	570	-384

Note 18 Personnel expenses

Principles for accounting

Payroll and related expenses are recognised in the statement of profit and loss in the period which the related costs are incurred or services are provided.

The Group has a defined contribution plan for all employees in Norway compliant to requirements for compulsory occupational pension in Norway under which the Group pays a fixed percentage contribution of members' salaries. The Group has no further

payment obligations once the contributions are made.

The Group recognises liabilities and expenses for bonuses based on a review of key personnel achievement. The Group recognises a provision for bonuses based on contractually and probable liabilities.

(Amounts in NOK 1 000)	2021	2020
Salaries	37 849	29 888
Employer's social security contribution	4 669	1 620
Estimated value of share options granted, incl provisions for future options	1 238	848
Pension costs	1 431	900
Other benefits	1 595	1 307
Total personnel expenses	46 781	34 564
Numbers are adjusted for discontinued operations		
Number of employees at 31.12:	46,0	35,0
Number of FTEs:	38,8	30,9

The Company has established a defined contribution pension plan compliant to requirements for compulsory occupational pension in Norway. The employer's contribution to the plan was changed

01.july 2021 from 5% to 7% for salaries between 0 G and 7.1 G, and from 8% to 10% for salaries between 7.1 G and 12 G. Per December 2021 the Group paid for 40 members of the scheme.

Note 19 Other operating expenses

Principles for accounting

Expenses are recognised in the statement of profit and loss in the period which the related costs are incurred or services are provided.

(Amounts in NOK 1 000)	2021	2020
Maintenance premises and materials lab	3 317	2 880
Office equipment and IT	1 845	1 037
External services	5 343	5 684
Marketing expenses	1 268	535
Patent and licensing expenses	2 330	2 884
Other operating expenses	4 656	3 676
Total other operating expenses	18 758	16 696

External auditor: fees and expenses ex VAT:

(Amounts in NOK 1 000)	2021	2020
Statutory audit	535	330
Other attestation services	69	43
Other services beside auditing	224	29
Total auditing fees and expenses	829	401

In connection with capital increase, NOK 24 000 is booked directly over shareholders equity

Note 20 Research and development expenses

Principles for accounting

Development expenses are expensed when incurred. Previously expensed development costs are not recognised in subsequent periods. Capitalised development costs are depreciated linearly from the

date of commercialisation over the period in which they are expected to provide economic benefits. Capitalised development costs are tested by indication for impairment in accordance with IAS 36.

(Amounts in NOK 1 000)	2021	2020
RESEARCH AND DEVELOPMENT EXPENSES:		
Personnel expenses	12 450	10 889
Purchase of external services	1 208	2 181
Other operating expenses	1 867	1 618
Total R&D expenses, not capitalized	15 526	14 688

Note 21 Other operating income

Principles for accounting

Other income are sale of administration services to Biotec Betaglacans AS and different kind of grants. Government grants are recognised at fair value when it is reasonable sure that the grant will be received and that the Company will fulfil the conditions attached to the grant. The grants are recognised as other income in the period in order to

match expenses they are intended to compensate. Government grants relating to the purchase of fixed assets are recorded as a reduction in the carrying cost. They are expressed in the profit and loss statement through lower annual depreciation over the expected life of the relevant fixed assets.

(Amounts in NOK 1 000)	2021	2020
Government grants		755
Tax grants "Skattefunn"	717	1 124
Other grants	1 238	2 496
Other income	1 123	
Total other income	3 078	4 374

Description of awarded grants:

(Amounts in NOK 1 000)	Grants expiry	2021	2020
FROM RESEARCH COUNCIL OF NORWAY (FORSKNINGSRÅDET):			
X-press	2019		755
OTHER:			
Cold ligases	2022	200	57
Increased protection against sea lice infestation with an activated immune system	2020		7
FROM INNOVATION NORWAY:			
Development of components for RNA diagnostics	2021	727	873
Upscaling of SAN-HQ manufacturing	2021	311	595
Customer projects	2020		132
FROM HORIZON 2020 (EU):			
Virus X	2020		833
TAX GRANTS "SKATTEFUNN":	Annually	717	1 124
Total grants		1 955	4 374

See note 11 for grants in the financial position

Note 22 Related party disclosures

The Group had no transactions with related parties.

Remuneration of Board of Directors and management:

(Amounts in NOK 1 000)	2021				2020			
	Salaries paid	Bonus paid	Pension costs	Other benefits	Salaries paid	Bonus paid	Pension costs	Other benefits
Marie Ann Roskrow, Chairman	470				425			
Volker Wedershoven, Director	270				220			
Marit Sjo Lorentzen, Director / Employee	108				120			
Jane Theaker, former Director	150							
Ingrid Skjæveland, former Director / Employee					30			
Jethro Holter, CEO	1 892	530	83	16 013	1 635	280	69	15
Børge Sørvoll, CFO	1 451	313	91	12	1 340	138	70	11
Marit Sjo Lorentzen, Director Operations	1 001	43	65	14	1 028		48	13
Olav Lanes, VP R&D and applications	1 077	43	71	12	972		52	11
Christian Jørgensen, former CEO*					2 499		42	3

*Salaries earned in 2020 were accrued in 2019 and paid out in 2020.

The Company has a Board liability insurance covering the Board of Directors and the CEO in case the individual should become personal liable for damages on the basis of negligence. The insurance covers damages up NOK 30.000.000 per claim.

See note 14 in reference to share options to executives and management.

Shares owned or controlled by directors and senior management per 31.12.2021:

	Options	Shares
Marie Roskrow, Chairman	200 000	0
Volker Wedershoven, Director	100 000	60 000
Jane Theaker, Director	0	0
Marit Sjo Lorentzen, Director (employee)	115 000	20 331
Jethro Holter, CEO	170 000	80 564
Børge Sørvoll, CFO	330 000	25 428
Olav Lanes, VP R&D and applications	100 000	2 000

Note 23 Discontinued operations

Figures adjusted for discontinued operations in the fiscal year 2020

(Amounts in NOK 1 000)	Continued operations	Discontinued operation	Elimination	Group before reclass.	Reclas. to disc. operations	Group
Sales	93 449	49 624		143 073	-49 624	93 449
Other revenues	4 374	213		4 587	-213	4 374
Sum revenues	97 823	49 837	0	147 660	-49 837	97 823
Cost of goods	1 131	20 803		21 933	-20 803	1 131
Personnel expenses	33 118	8 172	-1 446	41 290	-6 726	34 564
Other operating expenses	16 115	6 280	-580	22 395	-5 699	16 695
Sum expenses	50 364	35 254	-2 026	85 617	-33 228	52 390
EBITDA	47 459	14 583	2 026	62 041	-16 609	45 432
Depreciation and amortization	2 405	7 549	-234	9 954	-7 315	2 639
Operating profit	45 055	7 034	2 260	52 087	-9 294	42 793
Financial income, net	-220	102	-164	323	62	384
Profit/loss (-) before interest & tax	44 835	6 932	2 424	51 765	-9 356	42 409
Taxes	33 143			33 143		33 143
Net profit	77 978	6 932	2 424	84 908	-9 356	75 552

Cash flow statement

1. January till 31. December

(Amounts in NOK 1 000)	Note	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / loss(-) before tax		9 356
Profit / loss(-) adjusted for:		
Depreciation		1 180
Amortization		6 134
Interest expense lease liability		77
Changes in working capital		
Inventory		145
Account receivables and other receivables		5 866
Trade and other payables		-2 606
Net cash flow from operating activities		20 153
CASH FLOW FROM INVESTING ACTIVITIES		
Investment machinery and equipment		-118
Changes in long-term receivables		4
Net cash flow from investing activities		-114
CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense lease liability		-77
Payment and other adjustment on lease liabilities		-830
Net cash flow from financing activities		-907
Net change in cash during the year		19 132
Cash and cash equivalents as of 01.01.		335
Cash and cash equivalents as of 31.12.		19 467

Note 24 Events after balance sheet date, 31.12.2021

There are no events to the financial statements for the period from the financial position date to the date of approval; 22. April 2022.

Financial statements

– parent company



Financial statement of profit & loss — parent company

1. January till 31. December

(Amounts in NOK 1 000)	Note	2021	2020
Sales revenues	5	10 275	8 416
Total revenues		10 275	8 416
Personnel expenses	7	17 300	9 799
Depreciation and amortization	2,13	749	243
Other operating expenses		7 975	6 900
Total operating expenses		26 024	16 942
Operating profit / loss (-)		-15 749	-8 526
Financial income, net	12	72 216	37 332
Write-down /loss financial assets	12	29	-63 774
Financial expenses, net	12	-508	-202
Financial net		71 737	-26 644
Profit/loss(-) before income tax		55 988	-35 169
Income tax expense	3	-11 975	32 302
Net profit/loss(-)		44 013	-2 867
Transferrals			
Transferred to retained earnings		44 013	-2 867

Financial statement of comprehensive income — parent company

(Amounts in NOK 1 000)	Note	2021	2020
Net profit/loss for the year		44 013	-2 867
Other income & costs after tax		0	0
Comprehensive income		44 013	-2 867

Statement of financial position

— parent company

As of 31. December

(Amounts in NOK 1 000)	Note	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Deferred tax asset	3	20 327	32 302
Equipment	13	87	
Lease assets	2	3 431	4 488
Long-term receivables subsidiaries	2, 10	13 398	6 699
Investments in subsidiaries	9	155 703	45 500
Total non-current assets		192 947	88 989
CURRENT ASSETS			
Group receivables subsidiaries	1,6	74 658	37 100
Other receivables	1,6	730	16 825
Cash and cash equivalents	4,6	197 238	137 567
Total current assets		272 627	191 492
Total assets		465 573	280 481
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	50 371	48 335
Premium paid-in capital		260 256	151 039
Other paid-in capital		49 148	47 910
Retained earnings		-9 145	-53 005
Total equity		350 629	194 279
LONG-TERM LIABILITIES			
Lease liabilities interest-bearing	2	14 472	9 595
Total long-term liabilities		14 472	9 595
CURRENT LIABILITIES			
Accounts payable	6,11	1 731	1 172
Public fees and tax withholdings	6,11	2 905	445
Liabilities subsidiaries	6,11	87 315	69 700
Other current liabilities	6,11	8 521	5 289
Total current liabilities		100 472	76 607
Total liabilities		114 944	86 202
Total equity and liabilities		465 573	280 481

Tromsø, 22. April 2022

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Jane Theaker
Director

Marit Sjo Lorentzen
Director – Employee elected

Jethro Holter
CEO

Statement of changes in equity — parent company

1. January till 31. December

(Amounts in NOK 1 000)	Share capital	Premium paid-in capital	Other paid-in capital	Retained earnings	Total
Restated equity as of 01.01.2020	48 335	151 039	47 062	-49 577	196 859
Employees' share options			848		848
IFRS discontinued operations				-559	-559
Net profit for the year 2020				-2 868	-2 868
Equity as of 31.12.2020	48 335	151 039	47 910	-53 005	194 279
Employees' share options			1 238		1 238
Share capital increase	2 037	109 217		-155	111 099
Net profit for the year 2021				44 013	44 013
Equity as of 31.12.2021	50 371	260 256	49 148	-9 145	350 629

The Company's share capital consists of 50,371,390 shares as of 31.12.2021.

Statement of cash flow

— parent company

1. January till 31. December

(Amounts in NOK 1 000)	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / loss(-) before tax:		55 988	-35 170
Profit / loss(-) adjusted for:			
Tax, payable	3		
Amortization investment subsidiary	12	-29	63 774
Group contributions	1, 10	-71 500	-37 100
Depreciation	2,13	749	243
Employees' options, share-based payment expense	7	1 238	848
Interest expense lease liability	12	239	88
Changes in working capital			
Account receivables and other receivables	1, 10	12 937	-15 253
Trade and other payables	6, 11	23 135	46 040
Net cash flow from operating activities		22 757	23 471
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	13	-101	
Divestment subsidiary		29	86 226
Changes in long-term receivables		1 887	2 002
Net cash flow from investing activities		1 815	88 228
CASH FLOW FROM FINANCING ACTIVITIES			
Payment on lease liabilities	2	-2 896	-2 339
Group Contributions		37 100	
Capital increase	1, 10	1 600	
Payment other financing activities		-703	
Net cash flow from financing activities		35 100	-2 339
Net change in cash during the year	4, 6	59 672	109 360
Cash and cash equivalents as of 01.01.	4, 6	137 567	28 207
Cash and cash equivalents as of 31.12		197 238	137 567

Notes to the financial statements for 2021

— parent company

ACCOUNTING PRINCIPLES

Arcticzymes Technologies ASA has decided to adopt simplified IFRS in the Company accounts according to the Norwegian Accounting Act § 3-9. Simplified adoption of IFRS in the Company accounts means that value estimates and accounting principles applied in the consolidated financial statements for the Group also apply to the parent company Arcticzymes Technologies ASA. Reference is made to the accounting principle note for the Group. Regarding lay-out and note information, a simplified adoption of IFRS allows this to be in accordance

with the Norwegian Accounting Act. The lay-out of the statement and the notes for the parent company are thus prepared in accordance with the above mentioned, with the exception of comprehensive income which is in accordance with IFRS and group contributions which is in accordance with IFRS § 3-1 nr 3 (IAS 10 nr. 12 og 13, IAS 27.12, IFRS 9.5.7.1 A og IFRIC 17 nr. 10).

Shares held in subsidiary companies are valued according to historical cost in the annual accounts.

Note 1 Receivables

(Amounts in NOK 1 000)	2021	2020
Group receivables subsidiaries	74 658	37 100
Receivables associated with divestment of subsidiary		16 226
Account receivables	212	
Other receivables	518	599
Total receivables	75 389	53 925

The fair value of accounts receivable and other receivables equals book value.

Note 2 Financial assets and liability

Principles for accounting

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 and a 4,62% discount rate.

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 Innovation Center 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.

The initial contract expiry in 2026 and the last contract expires in 2031, both after 2 extension options has been called upon.

(Amounts in NOK 1 000)	Lease assets
Book value at 31.12.2019	1 813
Adjustment discontinued operations	3 030
Adjustment net present value 01.01	-112
Depreciation	-243
Book value at 31.12.2020	4 488
Historic cost	6 416
Accumulated depreciation	-1 927
Book value at 31.12.2020	4 488
Adjustment net present value 01. 01	58
Additional premises SIVA	7 606
Sublease additional premises SIVA to subsidiary	-7 983
Depreciation	-738
Book value at 31.12.2021	3 431
Historic cost	6 097
Accumulated depreciation	-2 665
Book value at 31.12.2021	3 431

Lease liability

(Amounts in NOK 1 000)	2021	2020
Book value at 31.12 (preceding year)	-11 963	-16 018
Net present value adjustment 01.01	-203	-533
Adjustment discontinued operations		1 965
Additional premises SIVA	-7 606	
Interest expense	-694	-631
Lease paymentes additional premises SIVA	2 896	3 254
Book value at 31.12	-17 570	-11 963
Current	-3 097	-2 368
Non-current	-14 472	-9 595

Maturity analysis - contractual undiscounted cash flow

(Amounts in NOK 1 000)	2021	2020
Less than one year	3 097	2 368
One to five years	13 927	9 881
More than five years	3 200	2 576
Total undiscounted lease liabilities at 31.12	20 224	14 825

Note 3 Tax expense

Principles for accounting

When considering recognition of profit loss carried forward as a deferred tax asset, there are objective criteria`s from IAS 12- 34/35/36 and ESMA that need to be considered before implementation.

There is strong evidence supporting recognition of profit loss carried forward as a deferred tax asset:

- The Group expect further growth in revenues and EBTDA level based on board discussions around the ArcticZymes business case moving forward.
- The Group has an increasing and steady customer base with recurring revenues.

- ArcticZymes Technologies has loss carried forward that can be utilized through the use of group contributions from the subsidiary Arcticzymes.
- The subsidiary is expected to have taxable income for the next 2-3 years which can be offset against the tax loss in the parent company.

Based on listed evidence there are very limited negative criteria`s opposing recognition of deferred tax asset according to IAS 12 - 34/35/36 and ESMA.

(Amounts in NOK 1 000)	2021	2020	Change
TEMPORARY DIFFERENCES			
Non-current assets	2 064	2 557	-493
Other temporary differences	-3 374	-305	-3 068
Gains and loss account	8 487	10 609	-2 122
Total temporary differences	7 178	12 861	-5 683
Finacial instruments	549		
Tax assessment loss carried forward	-100 124	-159 688	
Calculation base deferred tax asset	-92 397	-146 827	
Deferred tax asset, 22%	-20 327	-32 302	11 975
Profit before income tax	55 988	-35 170	
Permanent differences	-72 116	27 230	
Group contributions	70 558	37 100	
Change temporary differeces	5 683	3 335	
Profit before tax loss carried forward	60 113	32 495	
Deferred tax loss carried forward	-59 564	-32 495	
Tax base	549		
Tax expense	11 975	-32 302	

Deferred tax asset was incorporated in the financial position for 2020.

RECONCILIATION OF THE YEAR'S TAX EXPENSE:			
Profit before income tax	55 988	-35 170	
Calculated tax, 22%	12 317	-7 737	
Taxes in profit & loss	11 975	-32 302	
Difference	342	24 565	
DIFFERENCE CONSISTS OF THE FOLLOWING:			
22% of permanent diefference	-15 866	5 991	
Taxes at group contributions	15 523	8 162	
Deferred tax asset incorporated in the financial position		-38 717	
Sum explanation to the difference	-342	-24 565	

Note 4 Cash and cash equivalents

(Amounts in NOK 1 000)	2021	2020
Cash and cash equivalents	196 418	136 896
Tax withdrawal accounts	820	672
Total cash and cash equivalents, net	197 238	137 567

The Company's bank deposits are included in the Group account agreement with DNB. See note 13 for the Group showing the Group's net cash equivalents.

Note 5 Sales revenue

(Amounts in NOK 1 000)	2021		2020	
GEOGRAPHICAL DISTRIBUTION:				
Norway	100 %	10 275	100 %	8 416
Total sales revenues	100 %	10 275	100 %	8 416

Revenues for 2021 are internal group sales with NOK 9.2 million and administration services to the divested subsidiary Biotec Betaglucans AS with NOK 1.1 million.

Note 6 Financial assets and liabilities

The financial instruments in the financial position have been grouped as follows for subsequent measurement:

Assets per 31.12

(Amounts in NOK 1 000)	2021	2020
DEPOSITS AND RECEIVABLES AT AMORTISED COST:		
Group receivables subsidiaries	74 658	37 100
Cash and cash equivalents	197 238	137 567
Total financial assets	271 896	174 667

Liabilities per 31.12

(Amounts in NOK 1 000)	2021	2020
LIABILITIES AT AMORTISED COST:		
Leasing long-term	14 472	9 595
Lease liabilities interest-bearing	3 097	2 368
Total financial current liabilities	17 570	11 963

Note 7 Personnel expenses

(Amounts in NOK 1 000)	2021	2020
Salaries	11 152	6 902
Employer's social security contribution	3 213	678
Pension costs	431	304
Estimated value of share options granted to employees (group note 13)	1 238	848
Other benefits	1 267	1 067
Total personnel expenses	17 300	9 799

2021: 7.2 man-years, split between 3.2 men and 4.0 women. 2020: 5.8 man-years, split between 2.9 men and 2.9 women. The Company's pension scheme complies with the requirements in regard to compulsory occupational pensions in Norway.

pension plan compliant to requirements for compulsory occupational pension in Norway. The employer's contribution to the plan is 7% for salaries between 0 G and 7.1 G, and 10% for salaries between 7.1 G and 12 G. As of 31. December 2020 the Company paid for 9 members of the scheme.

The Company has established a defined contribution

(Amounts in NOK 1 000)	2021	2020
Total pension costs	431	304

External Auditor: fees and expenses ex VAT:

(Amounts in NOK 1 000)	2020	2019
Statutory auditing	459	259
Statutory certification	34	0
Other services beside auditing	224	29
Total auditing expenses	717	287

Remuneration of the Board of Directors and management:

	2021				2020			
	Salaries paid	Bonus paid	Pension costs	Other benefits	Salaries paid	Bonus paid	Pension costs	Other benefits
Marie Ann Roskrow, Chairperson	470				425			
Volker Wedershoven, Director	270				220			
Marit Sjo Lorentzen, Director / Employee	108				120			
Jane Theaker, former Director	150							
Ingrid Skjæveland, former Director / Employee					30			
Jethro Holter, CEO	1 892	530	103	16 013	1 510	280	98	15
Børge Sørvoll, CFO	1 451	313	104	12	1 340	138	101	11
Christian Jørgensen, former CEO*					2 499		42	3

*Salaries earned in 2020 were set aside in 2019 and paid out in 2020.

See note 14 in the Group notes regarding share options to employees. There are no loans, prepayments or guarantees in favour of senior executives in the Company.

Note 8 Share capital

(Actual number of shares, other amounts in NOK 1 000)	Number of shares	Whereof treasury shares
Share capital as of 31.12.2019	48 334 673	
Changes during 2020	0	
Share capital as of 31.12.2020	48 334 673	0
Share capital issues	2 036 717	
Share capital as of 31.12.2021	50 371 390	0

The Annual General meeting held on 20. May 2021, granted three authorisations to the Board:

- To increase the share capital with up to 4,830,000 shares at par value. The authorisation may be used for cash capital increases or capital increases in connection with mergers but does not include non-cash share issues.
- To increase the share capital with up to 600,000 shares at par value. The authorisation may only be used in connection with capital increases

relating to share option programs. 200,000 shares of this authorisation was used in 2021.

- Authorisation to purchase up to 150,000 treasury shares with a nominal value of NOK 150.000. The authorisation may be used in connection with option programs or by offering shares to employees.

See Group note 14 for an overview over largest shareholdings.

Note 9 Investments in subsidiaries

(Amounts in NOK 1 000)	Main office location	Share capital & premium	Shareholding	Book value	Net profit	Equity
ArcticZymes AS	Tromsø	24 296	100 %	155 703	57 994	50 448

Note 10 Group internal accounts

(Amounts in NOK 1 000)	2021	2020
Receivables related to service agreement	3 158	
Group contributions	71 500	37 100
Sum short-term receivables	74 658	37 100

The Company has entered into service agreement with the subsidiary ArcticZymes AS where the subsidiary purchase services within management, finance, administration, quality assurance, IPR and

business development. Liabilities to subsidiaries is a result of common Group liquidity. Arcticzymes Technologies ASA has long-term receivables from subsidiaries related to sublease of premises.

Note 11 Current liabilities

(Amounts in NOK 1 000)	2021	2020
Accrued salaries and holiday payment	5 037	2 077
Liabilities to trade creditors	1 731	1 172
Liabilities to subsidiaries	87 315	69 700
Other accrued costs	6 389	3 657
Total current liabilities	100 472	76 607

Other accrued cost covers instalment on leasing by NOK 3.1 million in 2021 and NOK 2.4 million in 2020. Book value of current liabilities equals fair value.

Note 12 Financial income and expense

(Amounts in NOK 1 000)	2021	2020
Group contributions	71 500	37 100
Interest income	677	232
Total financial income	72 177	37 332
Net loss on currencies, not realised	40	18
Write-down/loss financial assets*	29	-63 774
Interest expense lease liabilities	-239	-88
Interest expense	-269	-132
Total financial expense	-440	-63 976
Total financial income and expense, net	71 737	-26 644

*Gains/losses on financial assets are due to the sale of subsidiary Biotec Betaglugans AS.

Note 13 Equipment**Principles for accounting**

Equipment in the company is office equipment. Acquisition cost includes expenses directly attributable to the acquisition of the asset. Subsequent expenses are included in the asset's carrying value or recognised as a separate asset, when it is deemed probable that future economic benefits will benefit the company and that expenses can be measured reliably. Other repair and maintenance expenses are recognised in the

profit & loss statement for the period in which they are incurred.

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:

(Amounts in NOK 1 000)	Equipment
BOOK VALUE AT 01.01.2021	0
Addition	101
Depreciation	-14
Book value at 31.12.2021	87
Historic cost	101
Accumulated depreciation	-14
Book value at 31.12.2021	87
Furniture and office equipment	2-5 years

Note 14 Events after balance sheet date, 31.12.2021

See Group note 24 for events after balance sheet date 31.12.2021

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period 1. January to the 31. December 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 operations.

We also confirm, to the best of our knowledge, that the annual 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, 22 April 2022
Board of Directors
ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Jane Theaker
Director

Marit Sjo Lorentzen
Director – Employee elected

Jethro Holter
CEO



To the General Meeting of ArcticZymes Technologies ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ArcticZymes Technologies ASA, which comprise:

- The financial statements of the parent company ArcticZymes Technologies ASA (the Company), which comprise the statement of financial position as at 31 December 2021, the statements of profit & loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of ArcticZymes Technologies ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, the statements of profit & loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Independent Auditor's Report - ArcticZymes Technologies ASA



Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 15 May 2019 for the accounting year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. *Recognition of deferred tax assets* have the same characteristics but less risks this year but have still been an area of focus for the 2021 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Recognition of deferred tax assets</i></p> <p>During the financial year ended 31.12.2021 some of the assets have been utilized through group contributions. As of 31.12.2021 the deferred tax assets represent a net amount of TNOK 20 327 in ArcticZymes Technologies ASA's separate financial statement, and TNOK 20 522 in the consolidated statement of financial positions for the group.</p> <p>For the financial year ended 31.12.2021 our main focus have been assessing whether the group have delivered on the initial plan regarding taxable profits which the unused tax losses or unused tax credits is to be utilised against.</p> <p>We refer to the disclosures in note 16 where management explain their assessment and recognition of deferred tax asset.</p>	<p>We assessed management's accounting policy against IFRS, in particular how IAS 12 – Income taxes and public notes from ESMA, were met.</p> <p>The risks related to whether the company will be able to utilise their tax losses carry forward have been reduced during 2021. In the audit for the financial year ended 31.12.2021 our work consisted, amongst others, of:</p> <ul style="list-style-type: none"> Assessing whether the Group's financial performance is in line with the forecasts and strategic plans presented at time for the initial recognition of the deferred tax assets. We obtained managements plan and studied them to understand how management plans to utilise the deferred tax assets through future earnings. We interviewed management and challenged their assessment to assess the probability of the entity making future use of the tax loss carry forward. Assessing the possibility to utilise deferred tax assets, for instance by group contributions. <p>We lastly evaluated the adequacy of the disclosures in note 16 and found them to appropriately explain management's plans.</p>



Independent Auditor's Report - ArcticZymes Technologies ASA

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it

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exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the

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key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name ArcticZymes Technologies ASA_ESEF 2021 have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Tromsø, 25 April 2022

PricewaterhouseCoopers AS

Ørjan Renø
State Authorised Public Accountant
(signed electronically)

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