





# Highlights from Q1 and first 3 months 2023

- ArcticZymes Technologies (AZT) had Q1 sales of NOK 31.2 million (Q1 2022: NOK 49.2 million, NOK 35.2 million adjusted for Covid effects in Q1 2022)
- AZT had a positive EBITDA for Q1 of NOK 6.1 million, a reduction of NOK 21.8 million (Q1 2022: NOK 27.9 million, NOK 13.9 adjusted for Covid effects in Q1 2022)
- Operating expenses for Q1 were 25.1 million (Q1 2022: NOK 21.3 million).
- Cash flow for Q1 was negative NOK -11.7 million (Q1 2022: NOK 14.2 million), impacted by reduction in payables, investments in intangibles, investments in equipment and increase in inventory, giving a cash balance of NOK 232.5 million (Q4 2022: NOK 244.2 million)
- Hired Coulter Partners to enable the search for new CEO
- Launched "ArcticZymes Proteinase HQ" and filed a patent application for a novel nuclease enzyme for application in RNA therapeutics
- Significant progress on the Drug Master File (DMF) project. Successful in-house GMP audit
- First large SAN HQ order from a leading, global CDMO

# Key financial figures:

MNOK	Q1 2023	Q1 2022	Change	YTD 2023	YTD 2022	Change
Sales	31.2	49.2	- 37 %	31.2	49.2	- 37 %
<b>Total revenues</b>	31.2	49.2	- 37 %	31.2	49.2	- 37 %
Operating expenses	25.1	21.3	+ 18 %	25.1	21.3	+ 18 %
EBITDA	6.1	27.9	- 78 %	6.1	27.9	- 78 %
EBITDA adj. for covid	6.1	13.9	- 56 %	6.1	13.9	- 56 %
EBIT	4.5	26.7	- 83 %	4.5	26.7	- 83 %
Changes in cash	-11.7	14.2	NA	-11.7	14.2	NA



# Introduction

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

# Operational review

# Commercial

Sales for Q1 2023 were 31.2 MNOK. Sales in Q1 2023 exceeded the results of the previous three quarters. However, the first quarter 2023 had, as expected, lower sales as compared to the same period the previous year which was significantly augmented by Covid-related sales. There were no Covid-related sales in Q1 2023. In addition, several factors have influenced sales including:

- Macro headwinds, e.g. recession uncertainty, inflation and the global political situation, all of which are contributing to economic uncertainty
- Depressed company valuations and a tough capital-raising environment necessitating companies to "tighten their belts"
- Customer destocking across both tools and bioprocessing and affecting all geographies. This is expected to decline in the second half of 2023

The geographical distribution of sales for the Q1 was 52% Americas, 44% EMEA and 4% APAC (Q1 2022; 41%, 46% and 13%, respectively). Overall order intake grew by 3% from 396 to 408 and new customers placing orders for the first time were 28 in Q1 2023, split by 17 in Molecular Tools and 11 in Biomanufacturing. Significantly, one of the world's largest CDMO companies placed its first large order for SAN HQ.

# **Biomanufacturing**

Biomanufacturing contributed 48% towards total Q1 2023 sales. Sales contracted 21% in Q1 2023 versus Q1 2022. This was largely expected as orders were affected by customers destocking and using what had been accumulated during the Covid pandemic. This destocking effect is expected to decline during the second half of 2023.

The main driver in Biomanufacturing continues to be the utility of SAN products in gene therapy, vaccine development and other biomanufacturing processes. The Company continues to promote SAN product sales in all geographical regions and anticipates positive momentum in SAN sales moving forward.

To support customers in the commercialisation of their therapeutic applications in the US market, AZT has committed to establish a Drug Master File (DMF) for its SAN HQ enzyme. The DMF application process continues to progress well throughout 2023 and represents a key strategic initiative for the Company. Submission of the DMF to the U.S. Federal Drug Agency is scheduled in the first half of 2023 and will represent the Company's first DMF. Other DMF filings are likely to follow as AZT ventures further into building its Biomanufacturing product portfolio.

Beyond the SAN product line, AZT continues to be in active discussions with numerous pharmaceutical and biotech customers regarding their future needs in RNA therapeutics and other Biomanufacturing applications.

Overall, AZT continues to expand its commercial reach. Today, the Company is supporting over 190 Biomanufacturing customers in the EMEA, the Americas and the APAC region with the expectation of continued growth.



# Molecular Tools (Diagnostics & Research)

Molecular Tools serve both molecular diagnostics and molecular research markets via the complete AZT enzyme portfolio. Molecular Tools contributed 52% towards Q1 2023 total sales. The segment saw a predicted contraction in sales of 54% driven by a reduction in Coronavirus-related sales.

Following the Corona pandemic, customer demand for Cod UNG in Coronavirus testing has been greatly reduced. The market has largely readjusted, and future Coronavirus-related demand is anticipated to be minimal. The Company expects molecular diagnostics to reestablish growth through the broader product offering derived from organic growth expansion with dsDNases and Polymerases. Efforts are also underway to launch a Cod UNG campaign in Q2 to revitalize the unique cross contamination prevention benefits of this product post-Covid.

AZT supports over 200 Molecular Tools customers in EMEA, the Americas and APAC regions. Customers range from businesses established in the 1990's to new customers who represent future long-term partners. Molecular Tools products across the portfolio continue to attract new business or serve ongoing opportunities where AZT's enzymes are being integrated into customers' product development pipelines. Beyond purchasing customers, AZT is working with several new customers interested in existing products, tailored offerings and pipeline innovations.

The Company's application laboratory in Oslo as well as the Company's ability to customise the formulation and tailor enzymes will be important to support longer-term growth of these product lines both within Molecular Diagnostics (MDx) and Research.

# **Innovations**

The Company continues to focus on driving innovations from ideation through to product launch and technical support.

In Biomanufacturing, the Company has launched ArcticZymes Proteinase HQ. This product is a higher quality 'bioprocessing grade' version of our existing ArcticZymes Proteinase and will be made available to the B2B market, i.e. large scale supply to business customers developing their own industrial processes. Bioprocessing grade includes features specifically demanded by customers in the Biomanufacturing segment; for example, a more comprehensive quality documentation package to include, among others, statements pertaining to endotoxins, bioburden and non-animal origin inputs. In terms of product positioning in the market, it should be noted that this enzyme is quite a distinct alternative to existing commercial enzymes and its performance characteristics and area of application should not be confused with those of, for example, Proteinase K. Proteinase K will quickly reduce proteins to short fragments and destroy information, whereas our enzyme is significantly more gentle and is an excellent choice when the goal is to reduce protein load to improve handling and sample accessibility without destroying all the associated biological information. These novel features expand the design choices for our customers to resolve certain technical barriers in both molecular and biomanufacturing workflows.

Furthermore, in Biomanufacturing, the Company filed a new patent application within the field of RNA-based therapeutics. The patent application covers a new nuclease enzyme composition and method-of-use in the processing and analysis of RNA for therapeutic purposes. RNA therapy is the treatment or prevention of diseases by using modified RNA molecules.

Developing RNA for therapeutic purposes is challenging and time consuming and requires



high-end instrumentation. The new enzyme can ease and improve the analytical processes for therapeutic RNA for both developers and manufacturers.

There is currently no similar enzyme available on the market. Client testing of a prototype has been initiated, to allow performance data and feedback that will be valuable inputs for the preparation of a business case, before a planned potential product development in 2024.

Finally, in Biomanufacturing, the SAN portfolio received an independent third-party review in a recent article published by Mayer et al. Two salttolerant nucleases from ArcticZymes (SAN HQ and M-SAN HQ) were used for DNA removal in production of recombinant measles virus. ArcticZymes enzymes were compared with two nucleases not adapted to salt, Benzonase® (Merck KGaA, Germany) and DENARASE® (c-Lecta, Germany). Both SAN HQ and M-SAN HQ outperformed the non-salt-tolerant endonucleases in the removal of host-cell chromatin DNA, a critical impurity in manufacturing of viral vaccines. Improving product purity by effectively removing chromatin is key for regulatory approval of viruses intended for vaccines, oncolytic virus treatment, and other therapeutic uses.

The reference for the full article in Biotechnology Progress is [Mayer V, Frank AC, et al. Removal of chromatin by salt-tolerant endonucleases for production of recombinant measles virus. Biotechnol Prog. 2023 Mar 27:e3342. doi: 10.1002/btpr.3342]

The review highlights a significant advantage of the AZT SAN products tested over competitor products. This advantage should also be viewed together in the context of AZT's investment in a DMF for SAN HQ enzyme, which is another essential precursor to enable full commercialisation.

In Molecular Tools /Applications, the Company has developed buffer chemistries and protocols

to support AZscript and AZtaq (prototype material) towards viral diagnostics. Both enzymes can be combined as a 1-step RT qPCR mastermix and benchmark favourably against commercial products. Attention moving forward will be directed towards finding a prototype hot-start agent and further formulations/protocols to extend the offering to include Cod UNG and HL-dsDNase.

To conclude, the Company's innovation efforts are currently on-track to further launch AZtaq (Taq polymerase), SAN HQ GMP (working name), T7 RNA polymerase (working name) and a new quicker/more sensitive ELISA kit to support SAN HQ sales.

# **Operations**

In Q1, most resources in Operations have been targeted against planning and production of the validation batches for the SAN HQ Drug Master File (DMF). A sufficient stockholding of other enzymes has made it possible to concentrate on the DMF work without compromising sales and delivery of other products to our customers. The Company carried out an internal Good Manufacturing Practice (GMP) audit by a third party. The result was positive and concluded that ArcticZymes as a manufacturer of ancillary raw material to the biomanufacturing industry complies with applicable regulatory requirements within GMP. A GMP compliance statement is essential for the submission of the DMF and required by the Food and Drug Administration (FDA).

# Strategic growth initiatives

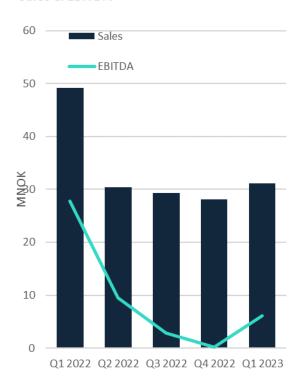
The Company is currently focusing on organic growth whilst remaining opportunistic as regards potential M&A and in-licensing opportunities.



# Financial review

AZT reported sales of NOK 31.2 million (Q1 2022: 49.2 M) for the first quarter of 2023. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 6.1 million (Q1 2022: 27.9 M) and earnings before interest and tax (EBIT) were NOK 4.5 million (Q1 2022: 26.7 M) in the quarter. Net financial income was a profit of NOK 1.7 million (Q1 2022: -0.1 M).

### Sales & EBITDA

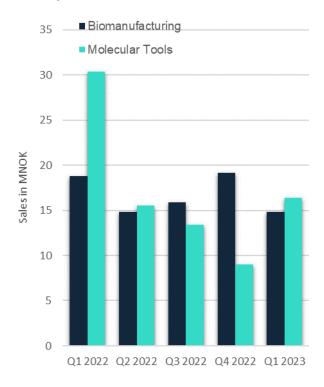


# **Currency effects**

The Company's revenues are primarily denominated in Euro and USD which impacts the financial statement. A strengthening or weakening of the NOK versus USD and EURO will influence underlying growth figures. By using equivalent exchange rates in 2023 as 2023, revenues would have been NOK 3.8 million lower for the first quarter of 2023. Changes in USD versus NOK continues to be the key driver

for the currency effects experienced during 2023.

# Sales per area



In Biomanufacturing, sales were slightly lower than previous quarters with NOK 14.8 million in O1 2023.

For the first quarter of 2023, Biomanufacturing experienced 21% negative growth compared to the same quarter last year. For the last 12 months quaterly average, sales have grown from an average of NOK 12.9 million in Q1 2022 to NOK 16.2 million or an average quarterly growth of 26% in Q1 2023

For Molecular Tools, sales decreased as expected compared to the same period last year with sales of NOK 16.4 million versus NOK 30.4 million down by NOK 14 million. In the first quarter of 2022, there were NOK 14 million in estimated Covid-19 related sales, which were only marginal in the first quarter of 2023.



Operating expenses increased by NOK 3.7 million or 18% in Q1 2023 compared to Q1 2022, primarily explained by investment in personnel and higher expenses for IPR, IT, travels and consumables used in production and R&D.

Currency effects on receivables reduced Q1 2023 operating expenses by NOK 1.0 million in the quarter. For Q1 2022, the figure was a loss of NOK 0.6 million.

The Company has almost finalised its recruitment drive for the planned organic growth initiative. A few new positions are planned for 2023, primarily within the commercial side of the business. The Company expects personnel expenses for 2023 to be around 75 MNOK for the full year as we will see the full effect of all the 2022 hires in this year. Other operating expenses are expected to be lower in 2023 compared to 2022 as the company plans to outsource fewer projects.

# Extraordinary items for the period

Personnel expenses in the first quarter are impacted negatively by NOK 0.4 million in accrued employer's national insurance contribution on options. The accrual and expense will fluctuate moving forward together with fluctuations in the share price.

NOK 1.8 million of previously-expensed options expense for the CEO has been reversed due to his resignation.

### **Taxes**

For Q1 2023, the Company recognised NOK 1.3 million (Q1 2022: 5.9 M) in tax expenses which will be offset against deferred tax assets.

# **Financial position**

Total equity amounted to NOK 289.4 million at the end of Q1 2023 compared to NOK 266.1 and 284.7 million at the end of Q1 2022 and Q4 2022, respectively.

Total assets were NOK 318.2 million at the end of Q1 2023, up from NOK 293.7 at the end of Q1 2022 and slightly down from 319.0 million at the end of Q4 2022.

The Company has no interest-bearing debt.

### Cash flow

Net cash flow from operating activities was NOK -7.6 million in Q1 2023 compared to NOK 15.4 million in in Q1 2022. Negative cash flow from operations is explained by settlement in scale up projects, inventory build-up, reduction pf payables and that the company had low sales in the fourth quarter that were shifted into the first quarter for 2023.

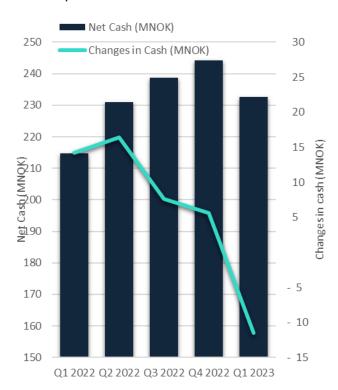
Cash flow from investing activities was NOK -3.1 million explained by NOK 2.3 million in investments classified as intangible assets and NOK 0.9 million in equipment related to production and R&D facilities.

Cash flow from financing activities was NOK -0.9 million explained by payments on lease liabilities (premises).

Changes in cash and cash equivalents was NOK -11.7 million in 2022. This generated a cash balance of NOK 232.5 million at the end of the quarter, compared to NOK 244.2 million at the end of 2022.



# Cash position



### Shareholder matters

The total number of issued shares was 50,571,390 at the end of the quarter.

1,015,000 options are outstanding as of 31.03.2023. CFO, Børge Sørvoll's options originally awarded in 2018 with expiration on 31.12.2022 have been extended by 6 months to 30.06.2023.

See the annual report for 2022 and notes 3 and 6 in the Q1 2023 financial statement for further details on option programs.

# Risk factors

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

There are also risks related to sales of new product launches, exchange rate fluctuations from year to year which impact underlying sales in the Company as most revenues are in USD and Euro.

The Coronavirus pandemic had a net positive impact on the business in 2020-2021 and the first quarter of 2022 as the Company's products were used in Coronavirus diagnostic testing. Following the "end" of the pandemic, Coronavirus-related sales have declined and no additional covid-related sales are expected moving forward.

The war in Ukraine has not materially affected the Company.

Also, see the risk factors which are described in the annual report for 2022 and published on the Company's website www.arcticzymes.com.

# Outlook

The outlook for 2023 will be to capitalise on organic investments made in 2022 through a productive organisation while having an opportunistic approach to inorganic growth.

The Company aims to file its first DMF for the SAN HQ product at the end of Q2 2023 and also to launch new products throughout the year.

The Company has invested such that the fundamental business remains strong and therefore we expect annual sales to grow from 2022 to 2023.

The Company expects to generate traction and sales in in China as a result of the joint collaboration with Genovis AB.

# The interim financial statement 31. March 2023 (Q1)

# CONSOLIDATED STATEMENT OF PROFIT & LOSS

	Q1		YTD	
(Amounts in NOK 1 000 - except EPS)	2023	2022	2023	2022
Sales revenues	31 189	49 162	31 189	49 162
Other revenues	0	27	0	27
Sum revenues	31 189	49 188	31 189	49 188
Cost of materials	-7 374	-1 605	-7 374	-1 605
Change in inventory	5 421	-152	5 421	-152
Personnel expenses	-15 541	-13 073	-15 541	-13 073
Other operating expenses	-7 577	-6 506	-7 577	-6 506
Sum expenses	-25 072	-21 336	-25 072	-21 336
Earnings before interest, taxes, depr. and amort.	6 117	27 852	6 117	27 852
Depreciation and amortization expenses	-1 590	-1 107	-1 590	-1 107
Operating profit/loss (-) (EBIT)	4 527	26 745	4 527	26 745
Financial income, net	1 788	-58	1 788	-58
Profit/loss (-) before tax (EBT)	6 315	26 687	6 315	26 687
Tax	-1 276	-5 871	-1 276	-5 871
Net profit/loss (-)	5 039	20 815	5 039	20 815
Basic EPS (profit for the period)	0,10	0,41	0,10	0,41
Diluted EPS (profit for the period)	0,10	0,40	0,10	0,40

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	31.03.2023	31.03.2022	31.12.2022
Non-current assets			
Deferred tax	9 963	14 651	11 239
Machinery, equipment and permanent fixtures	15 628	12 368	15 444
Intangible assets	11 477	1 741	9 236
Lease assets	13 388	14 741	13 873
Other non-current assets	-16	-4	
Total non-current assets	50 439	43 497	49 792
Current assets			
Inventories	12 499	6 730	7 078
Account receivables and other receivables	22 820	28 880	18 004
Cash and cash equivalents	232 480	214 628	244 161
Total current assets	267 799	250 237	269 246
Total assets	318 238	293 734	319 037
Equity			
Share capital	50 571	50 371	50 571
Premium paid in capital	261 656	260 256	261 656
Retained earnings	-22 874	-44 506	-27 491
Total equity	289 353	266 121	284 736
Other long-term liabilities			
Lease liabilities	9 895	12 644	10 348
Total other long-term liabilities	9 895	12 644	10 348
Current liabilities			
Lease liabilities interest-bearing	3 750	3 110	3 732
Acconts payable	2 825	1 689	5 592
Other current liabilities	12 416	10 169	14 628
Total current liabilities	18 990	14 968	23 953
Total liabilities	28 885	27 613	34 301
Total equity and liabilities	318 238	293 734	319 037

# CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	31.03.2023	31.03.2022	31.12.2022
Cash flow from operating activities:			
Profit/loss (-) before tax	6 315	26 687	42 142
Profit/loss adjusted for			
Adjustment contract lease premises		-507	-1 435
Depreciation	1 590	1 107	5 021
Employee stock options	-422	463	5 432
Non-cash interest expense	108	115	499
Changes in operating assets and liabilities			
Inventory	-5 421	152	-196
Account receivables and other receivables	-4 816	-2 766	8 107
Payables and other current liabilities	-4 980	-9 826	-1 476
Net cash flow from operating activities	-7 626	15 424	58 094
Cash flow from investing activities:			
Purchase of fixed assets	-854	-422	-4 791
Investment in intangible assets	-2 287		-7 641
Changes in long term receivables	16	4	0
Net cash flow from investing activities	-3 124	-418	-12 432
Cash flow from financing activities:			
Payment on lease liabilities	-825	-774	-3 025
Payment on interest lease liabilities	-108		-499
Change in long term receivables		-28	
Capital increase			1 600
Net cash flow from financing activities	-933	-802	-1 924
Changes in each and each equivalents	-11 683	14 204	43 738
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of period  Cash and cash equivalents at end of period	244 161 232 480	200 424 214 628	200 424 244 161
Cash and cash equivalents at end of period	232 480	214 628	244 101

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. January till 31. March

(Amounts in NOK 1 000)	Share capital	Premium paid-in capital	Retained Earnings	Total equity
Equity as of 31.12.2021	50 371	260 256	-65 784	244 845
Comprehensive income Q1-2022 Transactions with owners:			20 815	20 815
Employees' share options			463	463
Equity as of 31.03.2022	50 371	260 256	-44 506	266 121
Comprehensive income Q2-Q4 2022 Transactions with owners:			12 045	12 045
Share capital increase	200	1 400		1 600
Employees' share options			4 969	4 969
Equity as of 31.12.2022	50 571	261 656	-27 491	284 736
Comprehensive income 2023			5 039	5 039
Transactions with owners:				
Employees' share options			-422	-422
Equity as of 31.03.2023	50 571	261 656	-22 874	289 353

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

#### Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2023 that may affect the use of accouting principles, book values of assets and liabilities, revenues and expenses are similar to the assumtions found/used in the financial statement for 2022.

These financial statements are the unaudited interim consolidated financial statements (hereafter "the Interim Financial Statements") of ArcticZymes Technologies ASA and its subsidiaries (hereafter "the Group") for the period ended 31. March 2023. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34) and should be read in conjunction with the Consolidated Financial Statements for the year, ended 31. December 2022.

(hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.

The quarterly reports require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year.

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

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

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

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

	Q1		YTD	
(Amounts in NOK 1 000)	2023	2022	2023	2022
Sales revenue:				
Enzymes	31 189	49 162	31 189	49 162
Group operating sales revenues	31 189	49 162	31 189	49 162
Gross profit				
Enzymes	29 236	47 405	29 236	47 405
Group gross profit	29 236	47 405	29 236	47 405
Other revenues				
Enzymes				
Unallocated corporate expenses		27		27
Group other revenues	0	27	0	27
Operating expenses:				
Enzymes	-20 839	-17 223	-20 839	-17 223
Unallocated corporate expenses	-2 279	-2 355	-2 279	-2 355
Group operating expenses	-23 119	-19 579	-23 119	-19 579
Operating profit/loss (-) (EBITDA)				
Enzymes	8 397	30 181	8 397	30 181
Unallocated corporate expenses	-2 279	-2 329	-2 279	-2 329
Operating profit/loss (-) (EBITDA)	6 117	27 852	6 117	27 852
Depreciation and amortization:				
Enzymes	-1 580	-1 057	-1 580	-1 057
Unallocated corporate expenses	-10	-50	-10	-50
Group depreciation and amortization	-1 590	-1 107	-1 590	-1 107
Profit/loss (-) before interest and tax (EBIT)				
Enzymes	6 816	29 124	6 816	29 124
Unallocated corpoate expenses	-2 289	-2 379	-2 289	-2 379
Profit/loss (-) before interest and tax (EBIT)	4 527	26 745	4 527	26 745

### Note 3 Impacts of COVID-19 and the war in Ukraine

The Group's saled figurs has historically been impacted by COVID-19 effects, but there are limited sales over the last 4 quarters that are associated with COVID-19. The Company does not foresee any material COVID-19 effects in sales moving forward. The war in Ukrainee has not impacted the company directly or in a material way. The Company has experienced onger lead time on consumeables used in production and R&D, but if this is a result of the war or general macro economic climate in hard to explain. The compnay has no direct, nor indirect sales to Russia.

### Note 4 Alternative Performance Measures

Information provided is based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA

ArcticZymes Technologies ASA reports EBITDA as performance measure that is not defined under IFRS but which

represents an measure used by the Board as well as by management in assessing performance as well as for reporting both internally and to shareholders. ArcticZymes Technologies ASA belives that to use EBITDA will give the readers a more meaningful understanding of the underlying financial and operating performance of the company when viewed in conjunction with our IFRS financial information.

#### FBITDA & FBIT

We regard EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes. EBITDA is widely used by investors when evaluating and comparing businesses, and provides an analysis of the operating results excluding depreciation and amortisation. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.

The definition of EBITDA is "Earnings Before Interest, Tax, Depreciation and Amortization" and EBIT is "Earnings Before Interest and Taxes". The reconciliation to the IFRS accounts is as follows:

	Q1		YT	D
(Amounts in NOK 1 000 - exept EPS)	2023	2022	2023	2022
Sales	31 189	49 162	31 189	49 162
Cost of goods and change in inventory	-1 953	-1 757	-1 953	-1 757
Gross profit	29 236	47 405	29 236	47 405
Other revenues	0	27	0	27
Sum other revenues	0	27	0	27
Personnel expenses	-15 541	-13 073	-15 541	-13 073
Other operating expenses	-7 577	-6 506	-7 577	-6 506
Depreciation and amortization expenses	-1 590	-1 107	-1 590	-1 107
Sum expenses	-24 709	-20 686	-24 709	-20 686
Operating profit/loss (-)	4 527	26 745	4 527	26 745

#### **Note 5 Taxes**

The tax expense is comprised of current and deferred tax. Tax is recognised, except when it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income.

The tax expense is measured in accordance with the tax laws and regulations that are enacted at the balance sheet date.

Deferred tax is measured as temporary differences between tax values and consolidated accounting values of assets and liabilities, using the liability method. If deferred tax arises from initial recognition of an asset or assets in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

(Amounts in NOK 1 000)	31.03.2023	31.12.2022	Change
Temporary differences			
Non current assets	2 406	2 538	132
Other temporary differences	-2 499	-1 218	1 281
Gains and loss account	5 432	6 790	1 358
Total temporary differences	5 339	8 111	2 771
Financial instruments	-33	274	
Adjustment capitalisation Skattefunn	365	406	
Tax assessment loss carried forward	-50 957	-59 876	
Calculation base deferred tax asset	-45 285	-51 086	
Change in deferred tax asset, 22%	-9 963	-11 239	-1 276
Profit before income tax	6 315	42 142	
Non deductable expenses	-167	471	
Non taxable income	0	-550	
Changes in temporary differences	2 771	-1 210	
Profit before tax loss carried forward	8 919	40 853	
Deffered tax loss carried forward	-8 919	-40 853	
Tax base	0	0	
Tax expense	-1 276	-9 283	

### Note 6 Fixed assets

Machinery, equipment and permanent fixtures	Q1		YT	D
(Amounts in NOK 1 000)	2023	2022	2023	2022
Net book value (opening balance)	15 444	12 302	15 444	12 302
Net investment	854	422	854	422
Depreciation and amortization	-670	-356	-670	-356
Net book value (ending balance)	15 628	12 368	15 628	12 368

Intangible asset	Q1		YTD	
(Amounts in NOK 1 000)	2023	2022	2023	2022
Net book value (opening balance)	9 236	1 790	9 236	1 790
Net investment	2 287		2 287	
Depreciation and amortization	-45	-49	-45	-49
Net book value (ending balance)	11 477	1 741	11 477	1 742
Lease assets	Q1		YTD	
(Amounts in NOK 1 000)	2023	2022	2023	2022
Net book value (opening balance)	13 873	16 079	13 873	16 079
Adjustment net present value 01.01	390	44	390	44
Depreciation	-875	-703	-875	-703
New premises SIVA		7 591		7 591
Adjustment and recalculation original contract SIVA		-8 932		-8 932
New premises Share Lab Oslo		661		661
Net book value (ending balance)	13 388	14 741	13 388	14 741

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

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

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

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

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

#### Note 7 Lease assets and liabilities

ArcticZymes Technologies have two contracts under IFRS16. One is from 2011 when the company leased offices and lab facilities from SIVA wheras the other contract is for additinal production facilities at the same location contracted in 2021. 2,97% is used as discount rate for the contract in 2021.

Both contracts follows the same term as the initial contract and has expiry in 2026 after 2 extension options has been called upon. As of Q1 2022 the original "2011 contract" has been recalculated due to changes in the lease and the discount rate for the recalculated contract is 2,97%.

As of Q2 2022 Arcticzymes Technologies secured additional office space at Siva in Tromsø under same terms as the inital 2011 contract. ArcticZymes has signed a contract with Share Lab in Oslo for 3 years with 2,97% in discount rate.

# (Amounts in NOK 1 000)

Financial position	31.03.2023	31.03.2022	31.12.2022
Lease assets	13 388	14 741	13 873
Sum lease assets	13 388	14 741	13 873
Lease liabilites	9 895	12 644	10 348
Sum lease liabilities	9 895	12 644	10 348

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

### Short-term leases

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

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

### mounts in NOK 1 000)

Total leased assets inc. in other op. expenses	345	290	1 265
Overhead expenses related to premises	259	252	1 002
Lease of IT equipment	87	38	263
Summary of other leased assets presented in the consolidated Profit & Loss statement	31.03.2023	31.03.2022	31.12.2022
(Amounts in Nort 1 000)			

### Note 8 Accounts receivable and other receivables

(Amounts in NOK 1 000)	31.03.2023	31.03.2022	31.12.2022
Accounts receivable	16 745	21 851	11 593
Research grants	0	2 985	817
Tax grants	631	1 055	630
VAT	2 082	1 868	1 028
Other receivables	3 362	1 121	3 936
Total accounts receivable and other receivables	22 820	28 880	18 004

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 2022, and we expect no future losses, no provisions were made in first quarter of 2023.

# Note 9 Related party disclosures

Shares owned or controlled by directors and senior management per 31. March 2023.

	Number of	Number of
Name, position	shares	options
Marie Roskrow, Chairman		200 000
Jane Theaker, Director	10 044	
Bernd Striberny, Director (employee)	200	
Lill Hege Henriksen, Observer (employee)	3 088	
Jethro Holter, CEO	80 564	270 000
Børge Sørvoll, CFO	25 428	380 000
Darren Ellis, CSO		100 000
Marit Sjo Lorentzen, VP Operations	20 331	115 000
Olav Lanes, VP R&D and applications	2 000	100 000

See note 11 for further details

Marie Roskrow has worked for the Company in a 40% position since CEO, Jethro Holter went on sick leave For the the first quarter, the Company has paid NOK 120.000 in remuneration and NOK 52.000 in consulting fee to Marie Roskrow. Travels are reimbursed on a cost basis

## Note 10 Shareholders

The 20 largest shareholders as of 31.03.2023	Shares	Ownership
Skandinaviska Enskilda Banken AB (Nominee)	5 826 500	11,52 %
Skandinaviska Enskilda Banken AB (Nominee)	3 716 110	7,35 %
Skandinaviska Enskilda Banken AB (Nominee)	2 742 253	5,42 %
State Street Bank and Trust Comp (Nominee)	2 511 826	4,96 %
Pro AS	2 087 216	4,13 %
Avanza Bank AB (Nominee)	1 836 629	3,63 %
Nordnet Bank AB (Nominee)	1 782 635	3,52 %
State Street Bank and Trust Comp (Nominee)	1 720 725	3,40 %
Clearstream Banking S.A. (Nominee)	1 409 135	2,79 %
Belvedere AS	1 015 684	2,01 %
Vinterstua AS	950 843	1,88 %
Skandinaviska Enskilda Banken AB (Nominee)	950 024	1,88 %
Tellef Ormestad	806 192	1,59 %
Danske Bank AS (Nominee)	666 570	1,32 %
Middelboe AS	615 001	1,22 %
Nordnet Livsforsikring AS	592 938	1,17 %
Danske Bank AS (Nominee)	562 000	1,11 %
Kvantia AS	554 713	1,10 %
Naudholmen AS	525 000	1,04 %
Dragesund Invest AS	521 739	1,03 %
20 largest shareholders aggregated	31 393 733	62,07 %

# Note 11 Share options

Per 31.03.2023, there were 1,265,000 outstanding options in the Group. The fair value of the historic services received from the associates in return for the options granted is recognised as an expense in the consolidated profit and 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 market-based. Vesting conditions that is not market-based, affect the assumptions about the number of options expected to be vested. At the end of each reporting period,, the Company revises its estimates of the number of options expected to be vested. It recognises the effect of the revision of original estimates in the consolidated profit & loss statement with a corresponding adjustment in equity.

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

	2023	2023		2022	
	Average	Number of	Average	Number of	
	exercise	share	exercise	share	
	price	options	price	options	
As of 01.01.	48,84	1 015 000	42,12	1 215 000	
Granted during the year	42,38	250 000			
Outstanding at 31. March		1 265 000		1 215 000	
Exercised during the year			8,00	-200 000	
Outstanding at 31. December				1 015 000	

Expiry date, exercise price, and outstanding options:

		2023	2022
	Average		
Expiry date	exercise price	Number of share options	
2022, 31 December*	8.00	200 000	400 000
2025, 14 May	10.19	315 000	315 000
2026, 30 November	89.52	500 000	500 000
2028, 28 February	42,38	500 000	
Outstanding at 31. March		1 015 000	1 215 000
Exercisable options at 31. March		200 000	400 000

<sup>\*</sup>Evniry date has been adjusted to 30.06.2023

The fair value of employee rights to receive options (2022 program) are calculated according to the Black-Scholes method with barrier most important parameters are share price at grant date (NOK 3,52 per share), risk free rate (1,49%), expected term of 5 years, options. The expected dividend yield (0%), strike (NOK 8,00 per share) and volatility last 5 years (55,25%).

The fair value of the boards options (2025 options) are calculated according to the Black-Scholes method. The most important parameters are share price at grant date (NOK 22.80 per share), risk free rate (1,49%), expected term of 5 years, expected dividend yield (0%), strike (NOK 10,19 per share) and volatility last 5 years (59.02%).

The fair value of employee options (2026 program) are calculated according to the Black-Scholes method. The most important parameters are share price at grant date (NOK 85.10 per share), risk free rate (1,50%), expected term of 5 years, expected dividend yield (0%), strike (NOK 89,52 per share) and volatility last 5 years (60,43%).

The fair value of employee options (2028 program) are calculated according to the Black-Scholes method. The most important parameters are share price at grant date (NOK 40.52 per share), risk free rate (3,53%), expected term of 5 years, expected dividend yield (0%), strike (NOK 42,38 per share) and volatility last 5 years (63,79%).

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 the general assembly declines to renew its authorisation to issue new shares.

# Note 12 Other current liabilities

(Amounts in NOK 1 000)	31.03.2023	31.03.2022	31.12.2022
Public taxes and withholdings	2 194	1 462	2 883
Bonus	1 510	1 533	2 055
Unpaid holiday pay	5 216	3 834	3 947
Other personnel	2 177	2 182	2 025
Other current liabilities	1 318	1 159	3 717
Other current liabilities	12 416	10 169	14 628

### Note 13 Events after balance sheet date, 31. March 2023

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 03.05.2023

### STATMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that the financial statement for the period 1. January to the 31. March 2023 have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation.

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

Tromsø/Oslo, 03.05.2023

The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow Jane Theaker Bernd Striberny
Chairman Director Director-employee

Jethro Holter



