



# 2<sup>nd</sup> Quarter

Quarterly Report

[www.arcticzymes.com](http://www.arcticzymes.com)

2022

## Highlights for Q2 and first 6 months 2022

- ArcticZymes Technologies (AZT) had Q2 sales of NOK 30.4 million growing by 43% (Q2 2021: NOK 21.3 million) and sales for the first 6 months of NOK 79.5 million growing by 28% (6M 2021: NOK 62.2 million)
- AZT had a positive EBITDA for Q2 of NOK 9.5 million growing by 58% (Q2 2021: NOK 6.0 million) and a positive EBITDA for the first six months of NOK 37.4 million growing by 18 % (6M 2021: NOK 31.8 million)
- Cash flow for Q2 was positive NOK 16.4 million (Q2 2021: NOK 13.5 million) giving a cash balance of NOK 231.0 million (Q2 2021: NOK 176.8 million)
- Initiated the establishment of a Drug Master File (DMF) for the SAN HQ enzyme
- Appointed Dirk Hahneiser as new Vice President of Business Development and Marketing

## CEO Jethro Holter comments:

*"We are delighted with the quarterly performance and continued commercial development of the business post-pandemic. Both Molecular Tools and Biomanufacturing remain instrumental in delivering growth."*

*Furthermore, we welcome Dirk Hahneiser as new Vice President of Business Development and Marketing to the team. We look forward to working closely with Dirk in elevating commercial activities to the next level."*

*We would like to take this opportunity to thank Dirk's predecessor, Dino DiCamillo, for his outstanding achievements in delivering commercial growth of the enzyme business over the last decade."*

## Key financial figures:

MNOK	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
Sales	30.4	21.3	+ 43 %	79.5	62.2	+ 28 %
Total revenues	30.3	22.3	+ 36 %	79.5	63.8	+ 25 %
Operating expenses	20.8	16.3	+ 28 %	42.1	32.0	+ 32 %
EBITDA	9.5	6.0	+ 58 %	37.4	31.8	+ 18 %
EBIT	8.3	5.2	+ 60 %	35.0	30.4	+ 15 %
Changes in cash	16.4	13.5	+ 21 %	30.6	36.6	- 16 %

## Introduction

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

## Operational review

### Commercial

The Company continues to achieve strong sales performance. Sales for the first half of the year attributed 51% towards the annual sales target for 2022. The geographical distribution of sales for first half of 2022 was 48% in the EMEA, 40% in the Americas and 12% in the APAC region. In China, second quarter sales were hampered by Coronavirus lockdowns and closure of Chinese borders to receive international shipments.

### Biomanufacturing

Biomanufacturing sales continue to grow through the Salt Active Nuclease (SAN) product line. The business builds on the increased momentum achieved post-pandemic. Biomanufacturing contributed 49% and 42% towards total Q2 2022 and first half 2022 sales, respectively.

The main growth driver continues to be towards the utility of the SAN products in gene therapy, vaccine development and other biomanufacturing processes. This is mirrored by further customer audits during the quarter (*see below*). The Company continues to leverage SAN product sales in all geographical regions with the Americas being noticeably the largest contributor.

In supporting customers in the commercialisation of their therapeutic applications especially in the USA, AZT has committed to establishing a Drug Master File (DMF) for its SAN HQ enzyme. The DMF will be submitted to the U.S. Federal Drug Agency (FDA) once finalized. The project is well underway and engages both significant internal and external support via regulatory consultants.

The goal is to submit the DMF to the U.S. FDA during late Q4 or early Q1 next year.

Beyond the SAN product line, AZT continues to be in active discussions with numerous customers regarding their future needs towards RNA therapeutic applications and other biomanufacturing applications. The Company continues to attend dedicated conferences and trade events specific to RNA therapeutics and biomanufacturing. Such activities and engagements are instrumental in steering AZT’s commercially driven innovation pipeline and inorganic growth initiatives with respect to potential M&A targets.

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

### Molecular Tools (Diagnostics & Research)

Molecular Tools serve both molecular diagnostics and molecular research through the whole of AZT’s enzyme portfolio. The business continues to deliver consistent performance and achieve growth. Molecular Tools contributed 51% and 58% towards Q2 2022 and first half 2022 sales, respectively.

Molecular research sales contribution towards total Q2 2022 sales was 33%. The main product driving over half of molecular research sales during the quarter was the recombinant Shrimp Alkaline Phosphatase (rSAP) enzyme which has traditionally shown large quarterly fluctuations. However, over the last 12 months, the demand for rSAP has increased and more frequent purchases were received from key customers. The growth demand in rSAP is suspected to be related to the increased use of Sanger sequencing for infectious disease applications. The remainder of the enzyme portfolio accounts for 40% of molecular research sales during Q2 2022.

Molecular diagnostics sales contribution towards total Q2 2022 sales was 18%. There was a

significantly lower contribution from Cod UNG during the quarter due to lower supply chain demand for use in Coronavirus testing following the Omicron outbreak. The market is currently undergoing readjustment and the shift in quarterly demand is in alignment with AZT's annual expectation that overall Coronavirus-related sales will be lower in 2022 compared to 2021. Beyond this, molecular diagnostics is expected to achieve growth during 2022. Cod UNG and the DNases remain long-term growth drivers where their use is dominated in infectious disease testing and other clinical indications. Application development activities at the new Oslo site will further broaden their utility as well as AZT's other synergistic enzyme products in diagnostic applications.

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

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

#### **Other**

AZT has appointed Dirk Hahneiser<sup>1</sup> as Vice President of Business Development and Marketing commencing 1<sup>st</sup> July 2022. Dirk will lead an internal team of business developers and marketeers and be responsible for continued commercial growth of the company.

Dirk brings with him a wealth of commercial and marketing experience from Johnson & Johnson, Ecolab and Thermo Fisher Scientific. Prior to joining ArcticZymes, Dirk was the Head of Sales for the OEM Laboratory Products Business at Thermo Fisher Scientific, Director of Commercial Operations and Key Accounts at Ecolab and Business Unit Director at Johnson & Johnson. Dirk is based in Barcelona, Spain.

AZT expanded its business development team in North America in April. Scott Frayo was hired as a Business Development Manager and is based in Seattle. North American sales activities will now be covered by two business development managers with an east and west geographical territory split. The incremental increase in commercial support is necessary to capture the potential from a growing North American customer base.

#### **Innovations**

The Company announced in March 2022 that it will establish a new application development laboratory at ShareLab in Oslo and Dr. Darren Ellis will lead the activities at the Oslo site. To support these activities, a hiring process was successful in recruiting two application scientists who will join the Oslo-based application team on 1<sup>st</sup> August. The team will focus on demonstrating the utility of the Company's enzymes in customer relevant workflows and technologies. As the Company continues to build out its enzyme portfolio, it will be able to demonstrate the use of complete enzyme package offerings to support entire workflows such as viral diagnostics applications or RNA therapeutic manufacturing processes. This is an essential part of product life cycle management and strengthens the commercial value proposition to leverage AZT's synergistic product offering.

In addition, the Company has the option to expand the facility and consider hiring other functions at the Oslo site. Especially when the desired expertise or skillsets are unobtainable in Tromsø.

In Tromsø, the innovation pipeline is progressing with a number of products anticipated to be ready for launch in 2022. These include DNA polymerases, a reverse transcriptase, a heat tolerant dsDNase, SAN HQ 2.0 ELISA kit and potential new formulations of existing enzymes.

Furthermore, the Company's innovation efforts to develop a complete suite of enzymes to serve



the manufacturing of therapeutic RNA is progressing. Innovation activities have started well and on track to bring the first enzymes to market during 2023.

## Operations

The new production facility at the SIVA Innovation Centre in Tromsø continues to build capacity through the incremental recruitment of new personnel.

Onsite customer audits have become routine practice following the pandemic. During the quarter, two customers conducted cGMP audits of the Company and the new production facility associated with SAN manufacturing. One of the audits was from a top 10 international pharmaceutical company who has audited AZT earlier. The other audit was from a leading viral vector Contract Development and Manufacturing Organisation (CDMO). Both customers are regularly purchasing SAN products. The audits are part of a mandatory process our customers must perform to qualify AZT as a critical component supplier and a requirement for any regulatory approvals. Both audits were successful and AZT retains its status as an approved long-term critical component supplier.

## Strategic growth initiatives

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

In supporting organic growth, AZT continues to invest incrementally in talent acquisition. AZT currently has a recruitment drive ongoing where it is strengthening the organisation cross functionally (e.g. quality assurance, quality control, production, R&D and applications, project management, customer service and business development). Some of these positions have been successfully filled during the quarter or subject to onboarding. Following the earlier decision to broaden growth initiatives in Biomanufacturing (i.e. RNA therapeutics), greater competences/support in quality and cGMP

product development, commercialisation and regulatory filings (e.g. DMF's) are required in order to leverage the future potential of the Company.

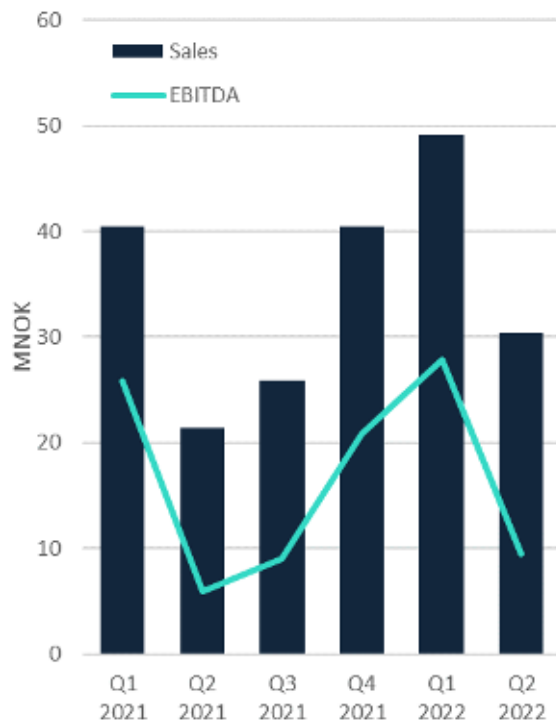
The Company continues to intensify activities towards its inorganic growth initiatives. Following an intensive search, AZT has prioritised a list of mutually interested targets which comprises of earlier and new identified targets. Initial discussions are ongoing between AZT and numerous potential targets. M&A activities continue to be a priority for the Company and with the goal to announce a deal within 2022.

## Financial review

AZT reported sales of NOK 30.4 million (Q2 2021: 21.3 M) for the second quarter of 2022. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 9.5 million (Q2 2021: 6.0 M) and earnings before interest and tax (EBIT) were NOK 8.3 million (Q2 2021: 5.2 M) in the quarter. Net financial income was a profit of NOK 2.9 million (Q2 2021: 0.5 M) due to currency fluctuations.

For the first 6 months of 2022, AZT reported sales of NOK 79.5 million (6m 2021: 62.2 M). Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 37.4 million (6m 2021: 31.8 M) and earnings before interest and tax (EBIT) were NOK 35.0 million (6m 2021: 30.4 M). Net financial income was a profit of NOK 2.8 million (6m 2021: 0.3 M).

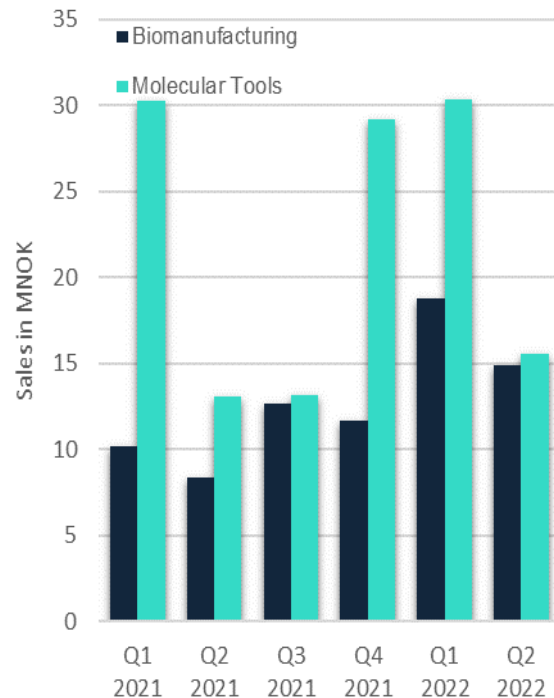
### Sales & EBITDA



The Company's revenues are primarily denominated in Euro and USD which impacts the financial statement. A strengthening or weakening of the NOK versus USD and EURO will influence underlying growth figures. By using equivalent exchange rates in 2022 as 2021, revenues would have been NOK 2.5 million and NOK 3.1 million lower for the second quarter and the first 6 months in 2022, respectively. Changes in USD versus NOK is the key driver for the currency effects experienced during 2022.

We continue to see the Coronavirus pandemic influence the business, but the estimation on its impact is becoming more complex as the Company's products are being integrated in a wider range of solutions by customers. Coronavirus-related sales represent an integral part of the business moving forward and will not be reported separately in 2022.

### Sales



In Biomanufacturing, positive growth continues and builds on the increased momentum achieved during the first quarter.

Biomanufacturing achieved Q2 sales of NOK 14.8 million or a growth of 78% compared to the same period last year. YTD sales are up by 82% or more than NOK 15.1 million compared to the same period last year.

For Molecular Tools, sales are increasing compared to the same period with sales of NOK 15.5 million versus NOK 13.1 million up by NOK 2.4 million. YTD sales are up from NOK 43.4 million to NOK 45.9 million or by an increase of 6%.

Expenses in operations increased by NOK 4.5 million or 28% in Q2 2022 compared to Q2 2021. The increase is explained by NOK 0.6 million in personnel expenses, NOK 2.4 million in general operating expenses due to higher activity levels and NOK 1.5 million related to changes in inventory and cost of goods. Currency effects on receivables reduced Q2

operating expenses by MNOK 2.0. The Company continues to recruit personnel and utilising more external services to support the strategic growth initiatives.

## Taxes

For Q2 2022, the Company recognised NOK 2.4 million (Q2 2021: 1.0 M) in tax expenses. NOK 8.2 million (6M 2021: 6.6 M) was recognised for the first 6 months of 2022 which will be offset against the deferred tax assets.

## Extraordinary items for the period

EBITDA for the second quarter is impacted negatively by NOK 1.8 million in accrued employer's national insurance contribution on options. The accrual and expense will fluctuate moving forward together with fluctuations in the share price.

## Financial position

Total equity amounted to NOK 275.3 million at the end of Q2 2022 compared to NOK 244.8 million at the end of Q4 2021.

Total assets were NOK 306.7 million at the end of Q2 2022, up from NOK 284.1 million at the end of Q4 2021.

The Company has no interest-bearing debt.

## Cash flow

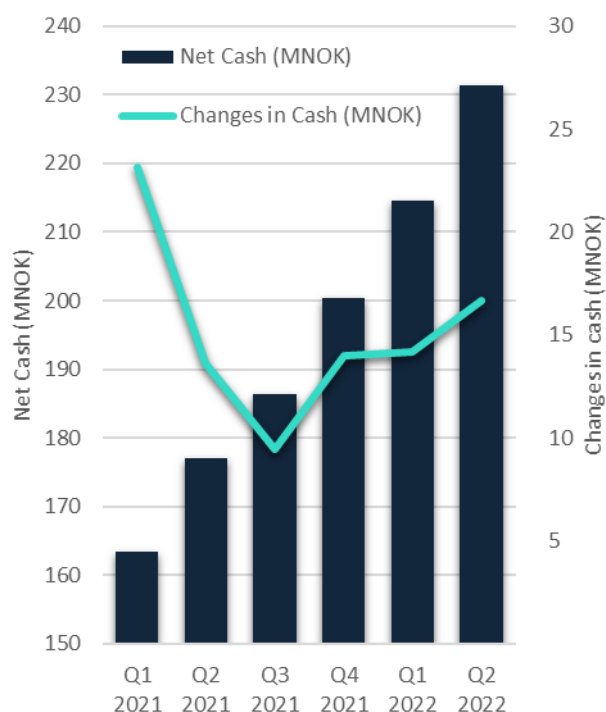
Net cash flow from operating activities was NOK 33.5 million for the first 6 months of 2022 compared to NOK 40.5 million in the first 6 months of 2021.

Cash flow YTD from investing activities were NOK -1.3 million explained by investments in new equipment relating to premises.

Cash flow YTD from financing activities were NOK -1.7 million explained by payments on lease liabilities (premises)

Changes in cash and cash equivalents was NOK 30.6 million YTD 2022. This generated a cash balance of NOK 231.0 million at the end of Q2 2022, compared to NOK 176.8 million at the end of Q2 2021

### Cash position



## Shareholder matters

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

1,215,000 options are outstanding as of 30.06.2022.

See the annual report for 2021 and notes 3 and 6 in the Q2 2022 financial statement for further details on option programs.

## Risk factors

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

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

The coronavirus pandemic has had a net positive impact on the business in 2020-2021 and the first half of 2022 as the Company's products are used in diagnostic test solutions and production of potential vaccine candidates. Coronavirus-related sales are expected to gradually decline before reaching steady state. However, the risks are considered minimal because they will be compensated by sales in other areas of the business now the pandemic has transitioned to an endemic state in most regions.

Also, see the risk factors which are described in the annual report for 2021 and published on the Company's website [www.arcticzymes.com](http://www.arcticzymes.com).

## Outlook

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

- Topline sales growth with an annual sales target of NOK 155 million.
- Quarterly fluctuations will continue to be inherent in the business.
- Lower contribution is expected from coronavirus-related sales.
- Expanded application activities beyond Tromsø and into the Oslo region.
- New product launches and upscaling the manufacturing process of relevant enzymes.
- Continue to invest in talent acquisition to support short- and long-term organic growth.
- M&A activities will be a priority with the goal to announce a deal within 2022.

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

1. <https://www.linkedin.com/in/dirkhahneiser/>



## The interim financial statement 30. June 2022 (Q2)

### CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q2		YTD	
	2022	2021	2022	2021
Sales revenues	30 357	21 279	79 519	62 226
Other revenues	-22	998	4	1 552
<b>Sum revenues</b>	<b>30 335</b>	<b>22 277</b>	<b>79 523</b>	<b>63 778</b>
Cost of goods	-1 074	1 964	-2 495	1 552
Change in inventory	-232	-1 802	-567	-1 930
Personnel expenses	-13 111	-12 521	-26 184	-22 565
Other operating expenses	-6 379	-3 936	-12 885	-9 048
<b>Sum expenses</b>	<b>-20 796</b>	<b>-16 295</b>	<b>-42 132</b>	<b>-31 991</b>
<b>Earnings before interest, taxes, depr. and amort.</b>	<b>9 539</b>	<b>5 982</b>	<b>37 391</b>	<b>31 787</b>
Depreciation and amortization expenses	-1 265	-792	-2 372	-1 417
<b>Operating profit/loss (-) (EBIT)</b>	<b>8 274</b>	<b>5 191</b>	<b>35 019</b>	<b>30 371</b>
Financial income, net	2 900	535	2 841	289
<b>Profit/loss (-) before tax (EBT)</b>	<b>11 173</b>	<b>5 725</b>	<b>37 860</b>	<b>30 660</b>
Tax	-2 423	-1 022	-8 294	-6 603
<b>Net profit/loss (-)</b>	<b>8 751</b>	<b>4 703</b>	<b>29 566</b>	<b>24 057</b>
Basic EPS (profit for the period)	0,17	0,09	0,59	0,48
Diluted EPS (profit for the period)	0,17	0,09	0,57	0,47

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.06.2022	30.06.2021	31.12.2021
<b>Non-current assets</b>			
Deferred tax	12 228	26 540	20 522
Machinery, equipment and permanent fixtures	12 816	5 961	12 302
Intangible assets	1 693	313	1 790
Lease assets	15 517	17 365	16 079
Other non-current assets	-5	1	
<b>Total non-current assets</b>	<b>42 248</b>	<b>50 181</b>	<b>50 692</b>
<b>Current assets</b>			
Inventories	6 315	5 819	6 882
Account receivables and other receivables	27 166	18 382	26 114
Cash and cash equivalents	231 020	176 819	200 424
<b>Total current assets</b>	<b>264 500</b>	<b>201 021</b>	<b>233 420</b>
<b>Total assets</b>	<b>306 749</b>	<b>251 201</b>	<b>284 111</b>
<b>Equity</b>			
Share capital	50 371	50 171	50 371
Premium paid in capital	260 256	259 405	260 256
Retained earnings	-35 293	-89 461	-65 783
<b>Total equity</b>	<b>275 334</b>	<b>220 115</b>	<b>244 845</b>
<b>Other long-term liabilities</b>			
Lease liabilities	12 879	17 631	14 472
<b>Total other long-term liabilities</b>	<b>12 879</b>	<b>17 631</b>	<b>14 472</b>
<b>Current liabilities</b>			
Lease liabilities interest-bearing	3 697	1 184	3 097
Accounts payable	3 182	2 211	5 795
Other current liabilities	11 657	10 060	15 902
<b>Total current liabilities</b>	<b>18 536</b>	<b>13 456</b>	<b>24 794</b>
<b>Total liabilities</b>	<b>31 415</b>	<b>31 086</b>	<b>39 266</b>
<b>Total equity and liabilities</b>	<b>306 749</b>	<b>251 201</b>	<b>284 111</b>

## CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	30.06.2022	30.06.2021	31.12.2021
<b>Cash flow from operating activities:</b>			
Profit/loss (-) before tax	37 860	30 659	59 002
Profit/loss adjusted for			
Adjustment contract lease premises	-507		
Loss machinery			40
Depreciation	2 372	1 417	3 191
Employee stock options	923	424	1 238
Non-cash interest expense	243	300	694
Changes in operating assets and liabilities			
Inventory	567	-1 930	-2 993
Account receivables and other receivables	-1 052	12 316	4 592
Payables and other current liabilities	-6 858	-2 694	9 207
<b>Net cash flow from operating activities</b>	<b>33 548</b>	<b>40 492</b>	<b>74 970</b>
<b>Cash flow from investing activities:</b>			
Purchase of fixed assets	-1 263	-3 257	-10 035
Investment in intangible assets			-1 563
Changes in long term receivables	5	-4	34
<b>Net cash flow from investing activities</b>	<b>-1 259</b>	<b>-3 261</b>	<b>-11 564</b>
<b>Cash flow from financing activities:</b>			
Payment on lease liabilities	-1 692	-428	-2 896
Dividend to minority shareholders			-1 159
Capital increase			1 600
Payment other financing activities		-161	-703
<b>Net cash flow from financing activities</b>	<b>-1 692</b>	<b>-590</b>	<b>-3 160</b>
Changes in cash and cash equivalents	30 597	36 641	60 246
Cash and cash equivalents at the beginning of period	200 424	140 178	140 178
<b>Cash and cash equivalents at end of period</b>	<b>231 020</b>	<b>176 819</b>	<b>200 424</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. January to 30. June

(Amounts in NOK 1 000)	Share capital	Premium paid in capital	Retained Earnings	Non-controlling interests	Total equity
<b>Equity as of 31.12.2020</b>	<b>48 335</b>	<b>151 039</b>	<b>-5 009</b>	<b>1 966</b>	<b>196 330</b>
Comprehensive income Q1-2021			18 308		18 308
Adjustment minority shareholders				1 046	1 046
<b>Transactions with owners:</b>					
Employees' share options			212		212
<b>Equity as of 31.03.2021</b>	<b>48 335</b>	<b>151 039</b>	<b>13 511</b>	<b>3 012</b>	<b>215 897</b>
Comprehensive income Q2-2021			4 702		4 702
Adjustment minority shareholders			2 317	-3 012	-695
<b>Transactions with owners:</b>					
Share capital increase	1 837	108 366			110 203
Contribution in kind minority shareholders			-110 203		-110 203
Employees' share options			212		212
<b>Equity as of 30.06.2021</b>	<b>50 171</b>	<b>259 405</b>	<b>-89 461</b>	<b>0</b>	<b>220 115</b>
Comprehensive income 2021			23 370		23 370
<b>Transactions with owners:</b>					
Share capital increase	200				200
Contribution in kind minority shareholders		851	-720		131
Employees' share options			1 026		1 026
<b>Equity as of 31.12.2021</b>	<b>50 371</b>	<b>260 256</b>	<b>-65 783</b>	<b>0</b>	<b>244 845</b>
Comprehensive income Q1-2022			20 815		20 815
<b>Transactions with owners:</b>					
Employees' share options			463		463
<b>Equity as of 31.03.2022</b>	<b>50 371</b>	<b>260 256</b>	<b>-44 505</b>	<b>0</b>	<b>266 123</b>
Comprehensive income Q2-2022			8 751		8 751
<b>Transactions with owners:</b>					
Employees' share options			460		460
<b>Equity as of 30.06.2022</b>	<b>50 371</b>	<b>260 256</b>	<b>-35 293</b>	<b>0</b>	<b>275 334</b>

## Notes to the interim accounts for 30. June 2022 (Q2)

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

The assumptions applied in the financial statements for 2022 that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses are similar to the assumptions found/used in the financial statement for 2021.

These financial statements are the unaudited interim consolidated financial statements (hereafter "the Interim Financial Statements") of ArcticZymes Technologies ASA and its subsidiaries (hereafter "the Group") for the period ended 30. June 2022. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year, ended 31. December 2021 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.

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

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

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

The Group recognise revenues according to IFRS 15 when it transfers control over a good or service to a customer.

Control is transferred to the customer according to the agreed delivery terms for each order. Delivery terms are based on Incoterms 2020 issued by International Chamber of Commerce, and the main term for the Company is FCA, where the customer arranges and pays for the main carriage. Control is transferred when the goods are collected by the carrier engaged by the customer.

The goods are normally sold with standard warranties where the goods comply with agreed-upon specifications. ArcticZymes does not have any other significant obligations for returns or refunds. Freight services are included in sales revenues.

ArcticZymes sales revenues are enzymes for use in molecular research, In Vitro Diagnostics and biomanufacturing.

Most of the goods are delivered to USA and Europe. All goods are invoiced when the Group transfers control of the goods to a customer, normally when they leave the warehouse. The maturity of the invoices range from 30 to 90 days, depending on customer.

Most of the revenues are from quotes or non binding supply agreements where the price has been agreed upon in advance.

Other operating income are government tax grants, research grants and administration service to the divested subsidiary.

According to IFRS 15 sales revenues shall be presented at gross values without agio/disagio on sales receivables. Agio/disagio on sales receivables have previously been classified as sales revenues. These are reclassified to other operating expenses in 2022. 2021 figures are adjusted for comparison purposes. Per Q2 2021 and per 6M 2021 this reclassification accounts for MNOK -0.1 and MNOK +0.3 in sales revenues.

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

Services provided by the parent company are expensed at segment according to agreements with actual subsidiary.

Corporate overhead costs remains unallocated.

(Amounts in NOK 1 000)	Q2		YTD	
	2022	2021	2022	2021
<b>Sales revenue:</b>				
Enzymes	30 357	21 279	79 519	62 226
<b>Group operating sales revenues</b>	<b>30 357</b>	<b>21 279</b>	<b>79 519</b>	<b>62 226</b>
<b>Gross profit</b>				
Enzymes	29 051	21 440	76 456	61 848
<b>Group gross profit</b>	<b>29 051</b>	<b>21 440</b>	<b>76 456</b>	<b>61 848</b>
<b>Other revenues</b>				
Enzymes	-22	568	-22	1 123
Unallocated corporate expenses		429	27	429
<b>Group other revenues</b>	<b>-22</b>	<b>998</b>	<b>4</b>	<b>1 552</b>
<b>Operating expenses:</b>				
Enzymes	-14 112	-10 634	-31 335	-23 023
Unallocated corporate expenses	-5 378	-5 823	-7 733	-8 589
<b>Group operating expenses</b>	<b>-19 490</b>	<b>-16 456</b>	<b>-39 069</b>	<b>-31 613</b>
<b>Operating profit/loss (-) (EBITDA)</b>				
Enzymes	14 917	11 375	45 098	39 947
Unallocated corporate expenses	-5 378	-5 394	-7 707	-8 160
<b>Operating profit/loss (-) (EBITDA)</b>	<b>9 539</b>	<b>5 982</b>	<b>37 391</b>	<b>31 787</b>
<b>Depreciation and amortization:</b>				
Enzymes	-1 172	-279	-2 229	-457
Unallocated corporate expenses	-93	-513	-143	-960
<b>Group depreciation and amortization</b>	<b>-1 265</b>	<b>-792</b>	<b>-2 372</b>	<b>-1 417</b>
<b>Profit/loss (-) before interest and tax (EBIT)</b>				
Enzymes	13 745	11 096	42 869	39 491
Unallocated corporate expenses	-5 471	-5 907	-7 850	-9 120
<b>Profit/loss (-) before interest and tax (EBIT)</b>	<b>8 274</b>	<b>5 190</b>	<b>35 019</b>	<b>30 370</b>

### Note 3 Share options

Per 30.06.2022, there were 1,215,000 outstanding options in the Group. The fair value of the historic services received from the associates in return for the options granted is recognized as an expense in the consolidated profit and loss statement. Total expense for the options are accrued over the vesting period based on the fair value of the options granted, excluding impact of any vesting conditions that are not reflected in the market. Management updates the estimated number of options that will vest each period end. A change in the estimated number of options that will vest is recognised as an adjustment in the accumulated expense with a corresponding change in equity.

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

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

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

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

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

Expiry date, exercise price, and outstanding options:

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

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

The fair value of the boards options (2025 options) are calculated according to the Black-Scholes method. The most important parameters are share price at grant date (NOK 22.80 per share) , risk free rate (1,49%), expected term of 5 years, expected dividend yield (0%), strike (NOK 10,19 per share) and volatility last 5 years (59,02%).

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

The fair value is expensed over the vesting period. The Company has no obligations, legal nor implied, to repurchase or settle the options in cash unless general assembly declines to renew its authorization to issue new shares.

#### Note 4 Fixed assets

Machinery, equipment and permanent fixtures (Amounts in NOK 1 000)	Q2		YTD	
	2022	2021	2022	2021
Net book value (opening balance)	12 368	5 014	12 302	3 058
Net investment	841	1 166	1 263	3 257
Depreciation and amortization	-392	-218	-749	-354
<b>Net book value (ending balance)</b>	<b>12 816</b>	<b>5 961</b>	<b>12 816</b>	<b>5 961</b>

Intangible asset (Amounts in NOK 1 000)	Q2		YTD	
	2022	2021	2022	2021
Net book value (opening balance)	1 741	377	1 790	420
Net investment	0	0	0	0
Depreciation and amortization	-48	-63	-97	-107
<b>Net book value (ending balance)</b>	<b>1 693</b>	<b>313</b>	<b>1 693</b>	<b>313</b>

Lease assets (Amounts in NOK 1 000)	Q2		YTD	
	2022	2021	2022	2021
Net book value (opening balance)	14 741	10 271	16 079	10 515
New premises SIVA		7 606	8 252	7 606
Adjustment and recalculation original contract SIVA			-8 932	
Addition to the Siva contract	938		938	
New premises Share Lab Oslo	661		661	
Net present value adjustment 01.01			44	203
Depreciation	-823	-512	-1 526	-959
<b>Net book value (ending balance)</b>	<b>15 517</b>	<b>17 365</b>	<b>15 517</b>	<b>17 365</b>

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

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

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

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

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

#### Note 5 Lease assets and liabilities

IFRS 16 Leases was implemented 01.01.2019 and regulates matters relating to leased assets and leased liabilities.

The lease standard requires lessees to recognise right-of-use asset and liabilities, which is a significant change from requirements under the previous accounting standard IAS 17.

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

Both contracts follows the same term as the initial contract and has expiry in 2026 after 2 extension options has been called upon.

As of Q1 2022 the original "2011 contract" has been recalculated due to changes in the lease and the discount rate for the recalculated contract is 2,97%.

As of Q2 2022 Arcticzymes Technologies has secured additional office space at Siva in Tromsø under same terms as the initial 2011 contract.

ArcticZymes has signed a contract with Share Lab in Oslo for 3 years with 2,97% in discount rate.

(Amounts in NOK 1 000)

Financial position	30.06.2022	30.06.2021	31.12.2021
Lease assets	15 517	17 365	16 079
<b>Sum lease assets</b>	<b>15 516</b>	<b>17 365</b>	<b>16 079</b>
Lease liabilities	12 879	17 631	14 472
<b>Sum lease liabilities</b>	<b>12 879</b>	<b>17 631</b>	<b>14 471</b>

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

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

(Amounts in NOK 1 000)

Summary of other leased assets presented in the consolidated Profit & Loss statement	30.06.2022	30.06.2021	31.12.2021
Lease of IT equipment	107	65	167
Overhead expenses related to premises	261	237	731
<b>Total leased assets inc. in other op. expenses</b>	<b>368</b>	<b>302</b>	<b>898</b>

### Note 6 Related party disclosures

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

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	200 000
Volker Wedershoven, Director	57 871	100 000
Jane Theaker, Director*	0	0
Bernd Striberny, Director (employee)	200	0
Jethro Holter, CEO	80 564	170 000
Børge Sørvoll, CFO	25 428	330 000
Marit Sjø Lorentzen, Director of Operations	20 331	115 000
Olav Lanes, VP R&D and applications	2 000	100 000

See note 3 for further details

\*According to AGM2022 resolution, Jane Theaker is awarded NOK 500.000 to procure shares for in ArcticZymes Technologies ASA.

The shares shall have 3 years lockup before they can be sold. Nor shares are acquired per 30.06.2022.

### Note 7 Shareholders

The 20 largest shareholders as of 30.06.2022	Shares	Ownership
Skandinaviska Enskilda Banken AB	5 008 202	9,94 %
Skandinaviska Enskilda Banken AB	3 305 755	6,56 %
Nordnet Bank AB	3 166 158	6,29 %
Avanza Bank AB	2 173 229	4,31 %
Pro AS	2 005 216	3,98 %
State Street Bank and Trust Comp	1 509 944	3,00 %
Clearstream Banking S.A.	1 304 071	2,59 %
Skandinaviska Enskilda Banken AB	1 102 000	2,19 %
State Street Bank and Trust Comp	1 090 052	2,16 %
Belvedere AS	1 015 684	2,02 %
Tellef Ormestad	848 162	1,68 %
Danske Bank AS	805 689	1,60 %
Skandinaviska Enskilda Banken AB	770 000	1,53 %
Middelboe AS	600 000	1,19 %
Danske Bank AS	562 000	1,12 %
Npw Invest AS	527 500	1,05 %
Dragesund Invest AS	521 739	1,04 %
Verdipapirfondet KLP Akjsenorge	521 606	1,04 %
Aos Holding AS	509 738	1,01 %
Avkast Invest AS	500 000	0,99 %
<b>20 largest shareholders aggregated</b>	<b>27 846 745</b>	<b>55,28 %</b>

## Note 8 Alternative Performance Measures

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

ArcticZymes Technologies ASA reports EBITDA as performance measure that is not defined under IFRS but which represents an measure used by the Board as well as by management in assessing performance as well as for reporting both internally and to shareholders. ArcticZymes Technologies ASA believes that to use EBITDA will give the readers a more meaningful understanding of the underlying financial and operating performance of the company when viewed in conjunction with our IFRS financial information.

### EBITDA & EBIT

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

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

(Amounts in NOK 1 000 - except EPS)	Q2		YTD	
	2022	2021	2022	2021
Sales	30 357	21 279	79 519	62 226
Cost of goods and change in inventory	-1 306	162	-3 063	-378
<b>Gross profit</b>	<b>29 051</b>	<b>21 440</b>	<b>76 456</b>	<b>61 848</b>
Other revenues	-22	998	4	1 552
<b>Sum other revenues</b>	<b>-22</b>	<b>998</b>	<b>4</b>	<b>1 552</b>
Personnel expenses	-13 111	-12 521	-26 184	-22 565
Other operating expenses	-6 379	-3 936	-12 885	-9 048
Depreciation and amortization expenses	-1 265	-792	-2 372	-1 417
<b>Sum expenses</b>	<b>-20 755</b>	<b>-17 249</b>	<b>-41 441</b>	<b>-33 029</b>
<b>Operating profit/loss (-)</b>	<b>8 274</b>	<b>5 190</b>	<b>35 019</b>	<b>30 370</b>

## Note 9 Accounts receivable and other receivables

(Amounts in NOK 1 000)	30.06.2022	30.06.2021	31.12.2021
Accounts receivable	21 003	12 310	20 281
Research grants	2 136	2 968	2 985
Tax grants	976	1 039	1 055
VAT	690	787	1 067
Other receivables	2 361	1 278	725
<b>Total accounts receivable and other receivables</b>	<b>27 166</b>	<b>18 382</b>	<b>26 113</b>

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

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

## Note 10 Other current liabilities

(Amounts in NOK 1 000)	30.06.2022	30.06.2021	31.12.2021
Public taxes and withholdings	1 743	1 289	4 215
Bonus	2 620	2 346	4 392
Unpaid holiday pay	1 788	1 298	2 680
Other personnel	4 134	4 231	2 634
Other current liabilities	1 372	896	1 982
<b>Other current liabilities</b>	<b>11 657</b>	<b>10 060</b>	<b>15 902</b>

## Note 11 Impacts of COVID-19

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

## Note 12 Taxes

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

(Amounts in NOK 1 000)	2022	2021	Change
Temporary differences			
Non current assets	2 171	1 787	-384
Other temporary differences	-5 220	-3 374	1 846
Gains and loss account	6 790	8 487	1 697
Pensions	-5	0	5
<b>Total temporary differences</b>	<b>3 737</b>	<b>6 900</b>	<b>3 163</b>
Financial instruments	459	549	
Tax assessment loss carried forward	-59 775	-100 729	
<b>Calculation base deferred tax asset</b>	<b>-55 579</b>	<b>-93 280</b>	
<b>Change in deferred tax asset, 22%</b>	<b>-12 227</b>	<b>-20 522</b>	<b>8 294</b>
Profit before income tax	37 860	59 002	
Non deductible expenses	-70	-1 128	
Non taxable income		-1 054	
Changes in temporary differences	3 164	3 193	
Profit before tax loss carried forward	40 954	60 014	
Deferred tax loss carried forward	-40 954	-60 014	
<b>Tax base</b>	<b>0</b>	<b>0</b>	
<b>Tax expense</b>	<b>8 294</b>	<b>-12 621</b>	

## Note 13 Events after balance sheet date, 30. June 2022

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 17.08.2022

## STATEMENT BY THE BOARD OF DIRECTORS AND CEO

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

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

Tromsø, 17.08.2022

The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow  
Chairman

Volker Wedershoven  
Director

Bernd Striberny  
Director- employee

Jane Theaker  
Director

Jethro Holter  
CEO

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