ArcticZymes Technologies

2nd Quarter

Quarterly Report

www.arcticzymes.com

2021

Highlights for Q2 2021

- ArcticZymes Technologies (AZT) had Q2 sales of NOK 21.4 million - a reduction of 36% (Q2 2020: NOK 33.4 million)
- Coronavirus-related sales are estimated at NOK 4.5 million in Q2 2021 (NOK 11.0 million in Q2 2020)
- Gross profit reduced to NOK 21.6 million as a result of lower sales (Q2 2020: NOK 33.0 million)
- AZT generated a positive EBITDA of NOK 6.0 million (Q2 2020: NOK 22.5 million)
- Cash-flow for Q2 was positive NOK 13.6 million (Q2 2020: NOK 20.4 million) giving a cash balance of NOK 177.0 million (Q2 2020: NOK 56.1 million)
- Launched SAN HQ 2.0 at the end of the quarter
- Increased ownership in ArcticZymes AS from 96% to 100% by contribution in kind

CEO Jethro Holter comments:

"Second quarter sales performed as expected following a strong Q1 2021. Quarterly volatility is more prominent due to a changing environment relating to the Coronavirus pandemic and associated short-term demands in the supply chain in all market segments ArcticZymes serves.

A new milestone was reached for two consecutive quarters, achieving >100 MNOK in sales revenues for the last 12-months on a quarterly rolling basis. We are delighted to achieve this and now focus our efforts on our next milestone, which is to achieve 120 MNOK in annual sales revenues during 2021."

Key financial figures:

NOK 1.000	Q2 2021	Q2 2020	Change	YTD 2021	YTD 2020	Change
Sales	21 419	33 373	- 36 %	61 866	51 848	+ 19 %
Total revenues	22 417	33 859	- 33 %	63 418	53 464	+ 19 %
Operating expenses	16 597	10 913	+ 52 %	31 253	21 573	+ 45 %
EBITDA	5 982	22 536	- 73 %	31 787	31 521	+ 1 %
EBIT	5 190	21 878	- 76 %	30 370	30 200	0 %
Changes in cash	13 644	20 447	- 33 %	36 802	24 821	+ 48 %

Note: all financial figures for 2020 are excluding discontinued operations (Biotec BetaGlucans)

Introduction

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

Operational review

Commercial

Therapeutics
The therapeutic segment experienced a slowdown in quarterly sales of the Salt Active Nuclease (SAN) product line. The segments contribution towards Q2 sales was 40%.

Slow sales were due to several of our largest customers prioritising custom manufacturing of third-party Coronavirus vaccines over other development and manufacturing projects. Consequently, gene therapy and vaccine projects using SAN products have temporarily been deprioritised. Such customers have indicated they are working to expand capacity to get back on track with all projects. One of these customers has strategically decided to develop their own Coronavirus vaccine and will evaluate incorporating SAN into its manufacturing process.

Several early opportunities have arisen from new customers interested in utilising SAN in their Coronavirus vaccine development programs. These opportunities extend into new geographical territories such as Russia and provision of vaccines for developing nations. Although vaccination programs are making progress in Western nations, the world is far from vaccinated. Over 14 billion vaccine doses are required to fully vaccination the world´s population[1,2]. This presents new opportunities for AZT to expand its reach to customers in new geographies.

Beyond SAN products, interest is growing in utilising our other enzymes for the isolation and preparation of cells associated with cell therapy applications.

Overall, AZT is supporting 100+ customers in the therapeutics segment through its SAN product line in N. America, Europe and Asia. Furthermore, AZT is leveraging recent opportunities to expand business into new geographical territories.

Molecular Research & Diagnostics (Molecular)
The combined molecular research and diagnostics segment is served by the whole enzyme portfolio. Following a strong Q1 performance, it was expected to achieve lower sales for Q2. Molecular research and diagnostics contribution towards Q2 sales were 20% and 40%, respectively.

Prior to the pandemic, molecular research sales fluctuated with one dominant quarter per calendar year. The dominant quarter has always been related to a large annual shipment of Shrimp Alkaline Phosphatase (SAP) to AZT´s main customer. For 2021, this large annual shipment is represented in Q1´s strong performance. Therefore, it was anticipated that molecular research sales would be substantially lower and return to pre-pandemic sales levels. Q2´s performance confirms that research sales have been re-established with its existing customers in all regions. Furthermore, new customer opportunities have emerged in the Next Generation Sequencing (NGS) market for its polymerases for use in research and clinical applications.

Molecular diagnostics Q2 sales were expected to be lower than the extraordinary performances achieved during Q1 2021 and Q2 2020. Like last year, AZT´s main customers replenished and overstocked with COD UNG supplies during Q1 2021. Also, several customers have been competing against each other for Coronavirus-related business in Asia. This has had a short-term impact in lower demand for COD UNG collectively amongst these customers.

Molecular diagnostic sales in India have ceased while the country struggled with a major Coronavirus outbreak and businesses have been closed for much of 2021 so far. Sales are expected to gradually return during the second half of the year.

The MDx and Research segments are supported by a growing customer base of 200+ customers.

Coronavirus-Related Sales

Coronavirus-related sales are estimated to account for 21% of total Q2 sales. The majority of sales are recurring business from well-established molecular diagnostic customers. It is anticipated such sales will level off over the next 12 months as the demand for Coronavirus testing subsides. However, vaccine-related sales are expected to increase as companies such as ReiThera commercialise, and more recent opportunities progress with their development programs.

Innovations and operations

Salt Active Nuclease High Quality 2.0 (SAN HQ 2.0) was launched during Q2 2021. 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. For example, AZT is developing an opportunity with a large international life science company for potential integration of SAN HQ 2.0 into their routine manufacturing processes for all recombinant protein production.

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

Two of our customers conducted audits of the AZT facilities in Tromsø during Q2. The first was our largest customer and the other was a prominent UK based cell and gene therapy company. The audits are part of a mandatory qualification process customers perform to qualify AZT as a critical component supplier. In both cases, AZT successfully retained its critical supplier status.

Strategic growth initiatives

A strategic innovation review of the pipeline was conducted.

Efforts are well underway to build a complete offering of molecular research/diagnostic enzymes via organic and inorganic growth initiatives.

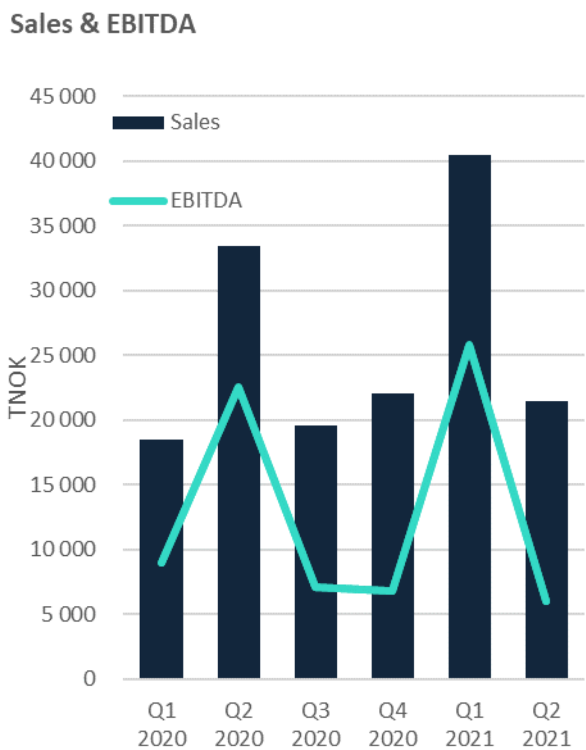
However, in the therapeutic segment AZT´s current products and innovation efforts have mainly focused on expanding the SAN product line. Moving forward, AZT will extend innovation activities beyond SAN products. As part of future investments, the Company will integrate into its organic and inorganic growth plan innovative enzymes that support DNA/RNA therapeutics, gene editing technologies, and other cell and gene therapeutic applications. AZT has developed the required cGMP capabilities over the last few years and is well positioned to leverage the greater market opportunity that resides here.

Corporate

Following the divestment of the Biotec BetaGlucans (BBG) segment last year, execution of the transition is still ongoing and progressing according to plan. The transition process will be completed before the end of 2021 and coincide with AZT´s relocation to its new state-of-the-art production facility.

Financial review

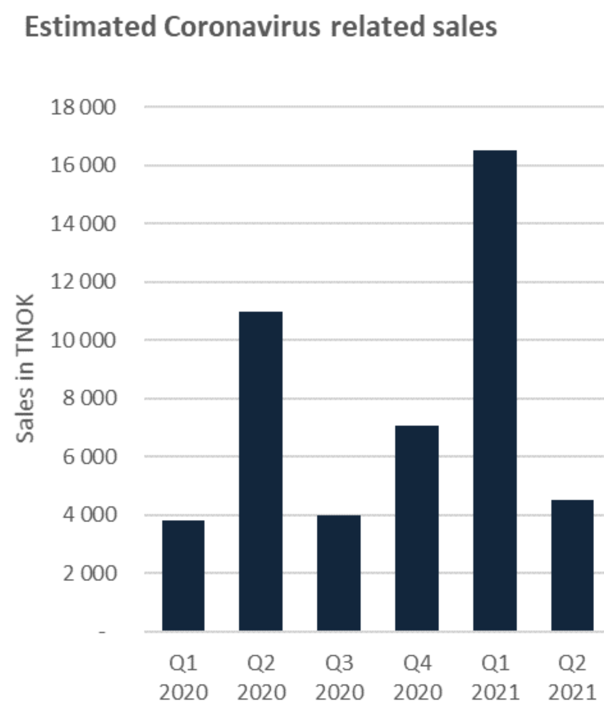
All 2020 figures presented are excluding discontinued operations (Biotec BetaGlucans), unless otherwise stated. This is in alignment with current IFRS rules. Biotec BetaGlucans was divested on 31.12.2020.

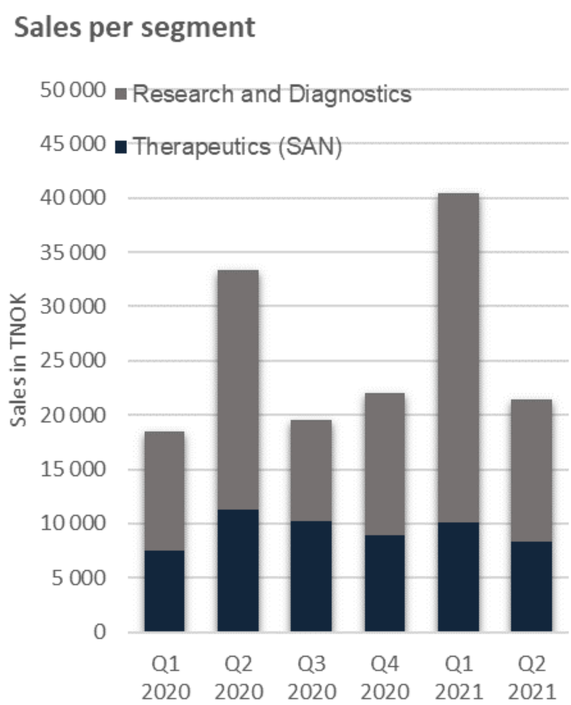


AZT reported sales of NOK 21.4 million (Q2 2020: 33.4 M) for the second quarter of 2021. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 6.0 million (Q2 2020: 22.5 M) and earnings before interest and tax (EBIT) were NOK 5.2 million (Q2 2020: 21.9 M) in the quarter. Net financial income was a profit of NOK 0.5 million (Q2 2020: -0.6 M).

For the first 6 months of 2021, AZT reported sales of NOK 61.9 million (6m 2020: 51.8 M). Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 31.8 million (6m 2020: 31.5 M) and earnings before interest and tax (EBIT) were NOK 30.4 million (6m 2020: 30.2 M). Net financial income was a profit of NOK 0.3 million (6m 2020: 0.3 M).

Of the NOK 21.4 million in quarterly sales, an estimated NOK 4.5 million (6m 2020: 11.0 M) were Coronavirus-related. For the first 6 months of 2021, an estimated NOK 21.0 million (6m 2020: 14.8 M) were Coronavirus-related sales. These sales will continue to fluctuate from quarter to quarter moving forward.





EBITDA for the second quarter is down by NOK 16.5 million from second quarter 2020 explained by lower sales primarily in Coronavirus-related sales in the molecular diagnostics segment. EBITDA is also impacted by NOK 4.2 million in accrued employer's national insurance contribution after "2018 option rights" was earned on 31.05.2021. This accrual will fluctuate moving forward as the share price moves.

Taxes

Due to the positive development in financial figures, divestment of Biotec BetaGlucans and forecast for the future, the Company recognised profit loss carried forward as a deferred tax asset on the balance sheet per 31.12.2020. For Q2 2021, the Company recognised NOK 1.0 million in tax expense and NOK 6.6 million for the first 6 months, which will be offset against the deferred tax assets.

Discontinued operations

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

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

Financial position

Total equity amounted to NOK 220.1 million at the end of Q2 2021 compared to NOK 86.3 million at the end of Q2 2020.

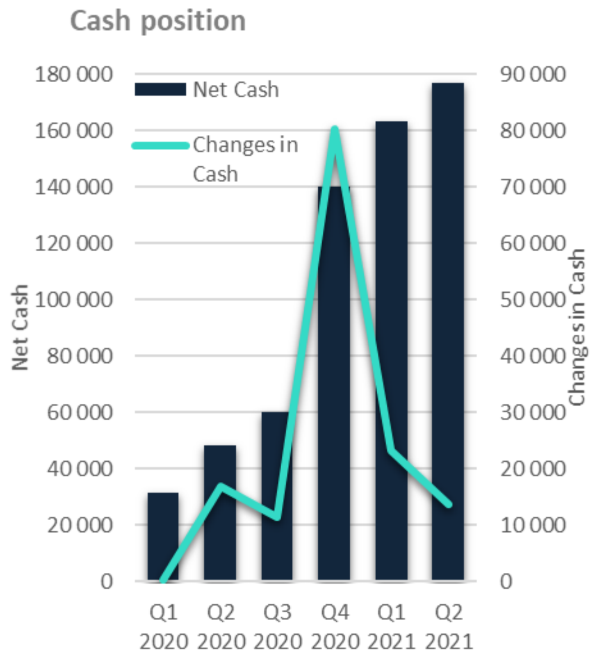
Total assets were NOK 251.2 million at the end of Q2 2021, up from NOK 105.7 million at the end of Q2 2020.

The Company has no interest-bearing debt.

Cash flow

Net cash flow from operating activities was NOK 14.9 million in Q2 2021 and NOK 40.5 million in the first 6 months of 2021. This is a reduction of NOK 6.1 million for the quarter and an improvement of 14 million for the first half of the year compared to the same periods in 2020.

The operating cash flow from continued operations reflects a change in working capital of NOK 8.0 million compared to the end of Q1 2021. This is explained by a decrease in receivables by NOK 8.0 million, increase in inventory of NOK 1.8 million and an increase in liabilities of NOK 1.8 million.



Changes in cash and cash equivalents was NOK 13.6 million in Q2 2021 and NOK 36.8 million in the first 6 months. This generated a cash balance of NOK 177.0 million at the end of Q2 2021, compared to NOK 140.2 million at the end of Q4 2020.

Shareholder matters

The number of issued shares was increased by 1,836,717 in the quarter, explained by a contribution in kind where 4% ownership in ArcticZymes AS was transferred to the mother company, ArcticZymes Technologies ASA. Total outstanding shares per end Q2 2021 were 50,171,390.

600,000 options were earned and vested in the second quarter. Combined with previously awarded options, a total of 915.000 option are outstanding.
See the annual report for notes 3 and 6 in the Q2 2021 financial statement for further details on option programmes.

Risk factors

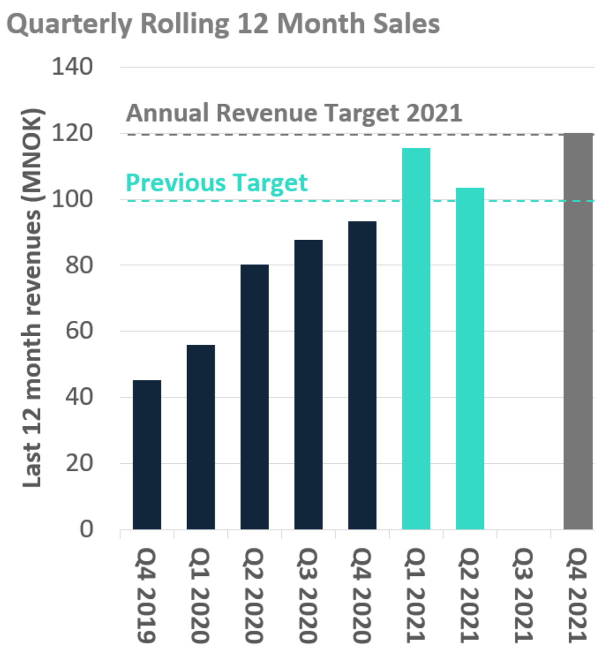
AZT' business is exposed to several risk factors that may affect parts of or all the Company's activities.

The most important risk is the future commercial development.

The Coronavirus pandemic has had a net positive impact on the business in 2020 and first half of 2021 as the Company's products are used in several diagnostic test solutions and potential vaccine candidates.
Coronavirus-related sales will depend on global development of the pandemic and test strategies. However, the risks are considered minimal because they will be mitigated and counteracted by sales in other areas of the business now lockdown measures are gradually lifting. This is evident in the molecular research segment where sales have re-established to pre-pandemic sales levels.

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

Outlook



The Company last provided financial guidance back in December 2019 with the goal to reach 100 MNOK in annual sales revenues by 2023. The 100 MNOK milestone was achieved in Q1 and Q2 this year based on the last 12-months sales revenues on a quarterly rolling basis (see graph). AZT expects to maintain the last 12-month sales revenues above 100 MNOK on a rolling quarterly basis in future quarters. However, fluctuations will be unavoidable due to market conditions and the Company´s focus towards serving commercial customers. Overall sales revenues are expected to grow by leveraging the inherent momentum within the business. On this basis, AZT´s annual sales revenue goal for 2021 is 120 MNOK.

1. https://pharmaintelligence.informa.com/resources/product-content/the-14-billion-dose-covid-19-manufacturing-challenge
2. https://www.businessinsider.com/bill-gates-14-billion-doses-Coronavirus-vaccine-may-be-needed-2020-5?r=US&IR=T

The interim financial statement 30. June 2021 (Q2)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Sales revenues	21 419	33 373	61 866	51 848
Other revenues	998	486	1 552	1 616
Sum revenues	**22 417**	**33 859**	**63 418**	**53 464**
Cost of goods	162	-410	-378	-371
Personnel expenses	-12 521	-6 772	-22 565	-14 914
Other operating expenses	-4 076	-4 141	-8 688	-6 659
Sum expenses	**-16 435**	**-11 323**	**-31 631**	**-21 944**
Earnings before interest, taxes, depr. and amort.	**5 982**	**22 536**	**31 787**	**31 521**
Depreciation and amortization expenses	-792	-658	-1 417	-1 321
Operating profit/loss (-) (EBIT)	**5 190**	**21 878**	**30 370**	**30 200**
Financial income, net	535	-584	289	296
Profit/loss (-) before tax (EBT)	**5 724**	**21 300**	**30 659**	**30 496**
Tax	-1 022	0	-6 603	0
Net profit/loss (-) before discontinued operations	**4 702**	**21 300**	**24 056**	**30 496**
Net profit from "Discontinued operations"	0	4 393	0	8 936
Net profit/loss (-)	**4 702**	**25 693**	**24 056**	**39 432**
Basic EPS (profit for the period)	0,09	0,53	0,48	0,82
Diluted EPS (profit for the period)	0,10	0,53	0,49	0,82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.06.2021	30.06.2020*	31.12.2020
Non-current assets			
Deferred tax	26 540	0	33 143
Machinery and equipment	5 961	4 488	3 058
Intangible assets	313	547	420
Lease assets	17 365	13 399	10 515
Other non-current assets	1	78	5
Total non-current assets	**50 181**	**18 512**	**47 141**
Current assets			
Inventories	5 819	4 439	3 889
Account receivables and other receivables	18 382	26 660	30 705
Cash and cash equivalents	176 819	56 109	140 178
Total current assets	**201 021**	**87 208**	**174 771**
Total assets	**251 201**	**105 720**	**221 912**
Assets classifed as "Assets held for sale"	0	6 961	0
Total assets	**251 201**	**112 681**	**221 912**
Equity			
Share capital	50 171	48 335	48 335
Premium paid in capital	259 405	151 039	151 039
Retained earnings	-89 461	-115 743	-4 954
Non-controlling interests	0	2 694	1 909
Total equity	**220 115**	**86 324**	**196 330**
Other long-term liabilities			
Lease liabillities	17 631	13 793	9 595
Total other long-term liabilities	**17 631**	**13 793**	**9 595**
Current liabilities			
Accounts payable and other current liabilities	13 456	12 555	15 987
Total current liabilities	**13 456**	**12 555**	**15 987**
Liabilities classifed as "Assets held for sale"		9	
Total labilities	**31 086**	**26 357**	**25 582**
Total equity and liabilities	**251 201**	**112 681**	**221 912**

**30.06.2020 Includes Biotec BetaGlucans AS*

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Cash flow from operating activities:				
Profit after tax	4 702	25 693	24 056	39 432
Adjustment:				
Tax	1 022		6 603	
Depreciation	280	316	458	633
Depreciation IFRS	512	635	959	1 278
Employee stock options	212	364	424	424
Non cash interest expense	159	176	300	354
Changes in working capital				
Inventory	-1 802	590	-1 930	1 282
Account receivables and other receivables	7 992	-1 993	12 316	-12 049
Payables and other current liabilities	1 819	-4 762	-2 694	-4 889
Net cash flow from operating activities	**14 896**	**21 019**	**40 492**	**26 466**
Purchase of fixed assets	-1 166	-53	-3 257	-1 119
Invested in intangible assets				
Change in long term receivables	-2	-78	-4	-78
Net cash flow from investing activities	**-1 168**	**-131**	**-3 261**	**-1 197**
Cash flow from financing activities:				
Interest expense on lease liability	-159	-176	-300	-354
Prinicpal portion of the lease libaillity	75	-266	-128	-94
Net cash flow from financing activities	**-85**	**-442**	**-429**	**-448**
Changes in cash and cash equivalents	13 644	20 447	36 802	24 821
Cash and cash equivalents at the beginning of period	163 339	35 667	140 178	31 289
Cash and cash equivalents at end of period	**176 980**	**56 114**	**176 980**	**56 109**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q2 2021	Q2 2020*	YTD 2021	YTD 2020*
Equity at the beginning of period	**215 897**	**60 271**	**196 330**	**46 476**
Share capital	1 837		1 837	
Premium paid in capital	108 366		108 366	
Retained earnings	-110 203		-110 203	
Shared based compensation	212	364	424	424
Retained earnings	4 702	24 763	22 953	38 075
Transaction cost	-696		-696	
Changes in non-controlling interests		925	1 103	1 357
Equity at the end of period	**220 115**	**86 324**	**220 115**	**86 324**

** 30.06.2020 Includes Biotec BetaGlucans AS*

Notes to the interim accounts for 30. June 2021 (Q2)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2021 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 2020.

These financial statements are the unaudited interim consolidated financial statements (hereafter “the Interim Financial Statements”) of ArcticZymes Technologies ASA and its subsidiaries (hereafter “the Group”) for the period ended 30. June 2021. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year, ended 31. December 2020 (hereafter “the Annual Financial Statements”), as they provide an update of previously reported information.

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

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

Note 2 - Analysis of operating revenue and -expenses, segment information and discontinued operations

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

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

The Group had divided its business into two operating segments; enzymes and beta-glucans (divested 31.12.2020). The segment enzymes consists of sales revenues and operating expenses associated with the subsidiary ArcticZymes AS, while the segment beta-glucans is related to revenues and operating expenses of the subsidiary Biotec BetaGlucans AS. The parent company provides a range of administrative services to the subsidiaries. Invoicing is based on service agreements. Overhead cost within the parent company remains unallocated.

The Group recognise revenues according to IFRS 15 when it transfers control over a good or service to a customer. Control is transferred to the customer according to the agreed delivery terms for each order. Delivery terms are based on Incoterms 2020 issued by International Chamber of Commerce, and the main term for the Company is FCA, where the customer arranges and pays for the main carriage. Control is transferred when the goods are collected by the carrier engaged by the customer.
The goods are normally sold with standard warranties where the goods comply with agreed-upon specifications. AZT does not have any other significant obligations for returns or refunds. Freight services are included in sale of goods.
ArcticZymes sales revenues are enzymes for use in molecular research, In Vitro Diagnostics and therapeutics. Biotec BetaGlucans has products used for consumer- and animal health and within wound care.
Most of the goods are delivered to USA and Europe. Alle 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 and research grants.

	Q2		YTD	
(Amounts in NOK 1 000)	2021	2020	2021	2020
Sales revenue:				
Beta-Glucans (discontinued operations)		10 947		26 745
Enzymes	21 419	33 373	61 866	51 848
Group operating sales revenues	**21 419**	**44 320**	**61 866**	**78 593**
Gross profit				
Beta-Glucans (discontinued operations)		7 047		14 701
Enzymes	21 581	32 963	61 488	51 478
Group gross profit	**21 581**	**40 010**	**61 488**	**66 179**
Other revenues				
Beta-Glucans (discontinued operations)		66		213
Enzymes	568	486	1 123	1 616
Unallocated corporate expenses	429	-1 596	429	-2 581
Group other revenues	**998**	**-1 044**	**1 552**	**-752**
Operating expenses:				
Beta-Glucans (discontinued operations)		-2 938		-6 457
Enzymes	-10 774	-8 810	-22 663	-17 992
Unallocated corporate expenses	-5 823	-1 596	-8 589	-2 581
Group operating expenses	**-16 597**	**-13 345**	**-31 253**	**-27 030**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans (discontinued operations)		4 175		8 458
Enzymes	11 375	24 639	39 947	35 101
Unallocated corporate expenses	-5 394	-1 596	-8 160	-2 581
Operating profit/loss (-) (EBITDA)	**5 982**	**27 218**	**31 787**	**40 978**
Depreciation and amortization:				
Beta-Glucans (discontinued operations)		-346		-707
Enzymes	-279	-540	-457	-1 082
Unallocated corporate expenses	-513	-65	-960	-122
Group depreciation and amortization	**-792**	**-951**	**-1 417**	**-1 911**
Profit/loss (-) before interest and tax (EBIT)				
Beta-Glucans (discontinued operations)		3 828		7 750
Enzymes	11 096	24 098	39 491	34 019
Unallocated corpoate expenses	-5 907	-1 662	-9 120	-2 703
Profit/loss (-) before interest and tax (EBIT)	**5 190**	**26 266**	**30 370**	**39 067**

Note 3 Share options

Per 30.06.2021, there were 915,000 outstanding options options in the Group. The fair value of the historic services received from the associates in return for the options granted is recognized as an expense in the consolidated profit and loss statement. Total expense for the options are accrued over the vesting period based on the fair value of the options granted, excluding impact of any vesting conditions that are not reflected in the market. Criteria's not reflected in the market, affect the assumptions about a the number of options expected to be exercised. It recognizes the importance of the revision of original estimates in the consolidated profit and loss statement with a corresponding adjustment in equity.

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

	2021		2020	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01.01.	10.19	315 000		0
Granted & earned during the year	8.00	600 000	10.19	315 000
Expired during the year		0		0
Outstanding at 30. June	8.75	**915 000**	**10.19**	**315 000**

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

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

The vesting period is 2,5 years (31.12.2018-31.05.2021), with an additional 1,5 year declaration period (until 31.12.2022).
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

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2021 Number of share options	2020
2022, 31 December	8.00	600 000	0
2025, 14 May	10.19	315 000	315 000
Outstanding at 30. June		**315 000**	**315 000**
Exercisable options at 30. June		**600 000**	**0**

The fair value of employee rights to receive options are calculated according to the Black-Scholes method with barrier options. The most important parameters are share price at grant date (NOK 3,52 per share), risk free rate (1,49%), expected term of 5 years, expected dividend yield (0%), strike (NOK 8,00 per share) and volatility last 5 years (55,25%).
The fair value of the boards options are calculated according to the Black-Scholes method. The most important parameters are share price at grant date (NOK 22.80 per share) , risk free rate (1,49%), expected term of 5 years, expected dividend yield (0%), strike (NOK 10,19 per share) and volatility last 5 years (59,02%).
The fair value is expensed over the vesting period. The Company has no obligations, legal nor implied, to repurchase or settle the options in cash unless general assembly declines to renew its authorization to issue new shares.

Note 4 Fixed assets

Machinery & equipment	Q2		YTD	
(Amounts in NOK 1 000)	2021	2020*	2021	2020*
Net book value (opening balance)	5 014	4 688	3 058	3 875
Net investment	1 166	53	3 257	1 119
Depreciation and amortization	-218	-253	-354	-506
Net book value (ending balance)	**5 961**	**4 488**	**5 961**	**4 488**

** 30.06.2020 Includes Biotec BetaGlucans AS*

Intangible asset	Q2		YTD	
(Amounts in NOK 1 000)	2021	2020*	2021	2020*
Net book value (opening balance)	377	6 745	420	6 808
Net investment	0	0	0	0
Depreciation and amortization	-63	-63	-107	-126
Net book value (ending balance)	**313**	**6 681**	**313**	**6 681**

** 30.06.2020 Includes Biotec BetaGlucans AS*

Lease assets	Q2		YTD	
(Amounts in NOK 1 000)	2021	2020*	2021	2020*
Net book value (opening balance)	10 271	14 118	10 515	14 470
New premesis SIVA	7 606		7 606	
Net present value adjustment 01.01		-85	203	208
Depreciation	-512	-635	-959	-1 278
Net book value (ending balance)	**17 365**	**13 399**	**17 365**	**13 399**

** 30.06.2020 Includes Biotec BetaGlucans AS*

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

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

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

Intangible assets are depreciated by the linear method, depreciating the acquisition expense to the residual value over the estimated useful life, which are for each group of assets: Product rights (5-10 years) and own product development (10-12 years)

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

Note 5 Lease assets

IFRS 16 Leases was implemented 01.01.2019 and regulates matters relating to leased assets and leased liabilities.
The Lease standard requires lessees to recognise right-of-use asset and liabilities, which is a significant change from requirements under the previous accounting standard IAS 17.
At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset").
Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease or the group's incremental borrowing rate.
Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.
At the commencement date, the Group recognised a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The Group has separately recognised the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
The Group has adopted the new standard on the effective date using a full retrospective method and a 3%/4,6% discount rate.
The lease period includes options. There is only one contract relating to offices and lab at SIVA Innovation Centre which is impacted by IFRS16.
Due to divestment of Biotec BetaGulucans on 31.12.2020, all IFRS16 calculations relating to production facilities at Nordøya is eliminated from leased assets and liabilites.

(Amounts in NOK 1 000)

Financial position	30.06.2021	30.06.2020*	31.12.2020
Lease assets	17 365	13 399	10 515
Fixed assets	6 274	11 169	3 478
Other non-current assets	26 541	78	33 148
Sum Fixed assets	**50 181**	**24 646**	**47 141**
Lease liabilites	17 631	13 793	9 595
Current liabilities	13 456	10 560	15 987
Sum Liabilities	**31 086**	**24 352**	**25 582**

** 30.06.2020 Includes Biotec BetaGlucans AS*

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

consolidated Profit & Loss statement	30.06.2021	30.06.2020	31.12.2020
Lease of IT equipment	65	6	48
Overhead expenses related to premises	237	254	921
Total leased assets included in other expenses	**302**	**260**	**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 assetes. Instead, payments for leases are expensed when they occur.

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

Note 6 Related party disclosures

Shares owned or controlled by directors and senior management per 30. June 2021:

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	200 000
Volker Wedershoven, Director	60 000	100 000
Jane Theaker, Director	0	0
Marit Sjo Lorentzen, Director (employee)	20 331	15 000
Jethro Holter, CEO	564	200 000
Børge Sørvoll, CFO	25 429	200 000
Olav Lanes, VP R&D and applications	2 000	0

**See note 3 for further details*

Note 7 Shareholders

The 20 largest shareholders as of 30. June 2021	Shares	Ownership
Skandinaviska Enskilda Banken AB	4 205 420	8,38 %
Nordnet Bank AB	3 428 800	6,83 %
Avanza Bank AB	2 375 762	4,74 %
Skandinaviska Enskilda Banken AB	2 323 614	4,63 %
Pro AS	2 005 216	4,00 %
Tellef Ormestad	1 334 623	2,66 %
Clearstream Banking S.A.	1 271 747	2,53 %
State Street Bank and Trust Comp	1 028 860	2,05 %
Belvedere AS	1 015 684	2,02 %
State Street Bank and Trust Comp	940 016	1,87 %
Danske Bank A/S	862 924	1,72 %
Vinterstua AS	820 816	1,64 %
Nordea Bank ABP	660 792	1,32 %
Aos Holding AS	612 239	1,22 %
Tøj Holding AS	612 239	1,22 %
Npw Invest AS	612 239	1,22 %
Middelboe AS	608 522	1,21 %
Danske Bank AS	600 000	1,20 %
Dragesund Invest AS	597 891	1,19 %
J.P: Morgan Bank	558 952	1,11 %
20 largest shareholders aggregated	**26 476 356**	**52,77 %**

Note 8 Interim results

(Amounts in NOK 1 000)	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020
Sales revenues	21 419	40 447	22 054	19 546	33 373
Sales growth % (year-over-year)	-36 %	21 %	19 %	63 %	271 %
Gross profit %	99 %	99 %	97 %	100 %	99 %
EPS	0,40	0,40	0,76	0,13	0,45
EPS fully diluted	0,39	0,39	0,75	0,12	0,45
EBITDA	5 982	25 806	6 837	22 536	7 072
Equity	220 115	215 898	197 325	95 629	86 324
Total equity and liabilities	251 201	237 473	221 747	119 719	112 681
Equitiy (%)	88 %	91 %	89 %	80 %	77 %

Noe. All 2020 figures are adjusted for discontinued operations

Note 9 Alternative Performance Measures

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

ArcticZymes Technologies ASA reports EBITDA as performance measure that is not defined under IFRS but which represents an measure used by the Board as well as by management in assessing performance as well as for reporting both internally and to shareholders. ArcticZymes Technologies ASA 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.

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:

	Q2		YTD	
(Amounts in NOK 1 000 - exept EPS)	2021	2020*	2021	2020*
Sales	21 419	33 373	61 866	51 848
Cost of goods	162	-410	-378	-371
Gross profit	**21 581**	**32 963**	**61 488**	**51 478**
Other revenues	998	486	1 552	1 616
Sum other revenues	**998**	**486**	**1 552**	**1 616**
Personnel expenses	-12 521	-6 772	-22 565	-14 914
Other operating expenses	-4 076	-4 141	-8 688	-6 659
Depreciation and amortization expenses	-792	-658	-1 417	-1 321
Sum expenses	**-17 389**	**-11 571**	**-32 670**	**-22 894**
Operating profit/loss (-)	**5 190**	**21 878**	**30 370**	**30 200**

** 30.06.2020 does not include discontinued operations.*

Note 10 Accounts receivable and other receivables

(Amounts in NOK 1 000)	30.06.2021	30.06.2020*	31.12.2020
Accounts receivable	12 310	21 851	10 575
Research grants	2 968	627	1 505
Tax grants	1 039	2 539	1 138
VAT	787	177	791
Other receivables	1 278	1 465	16 696
Total accounts receivable and other receivables	**18 382**	**26 660**	**30 705**

** 30.06.2020 Includes Biotec BetaGlucans AS*

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.06.2021	10 806	512	643	79	270
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss	0	0	0	0	0
Provision for losses	**0**	**0**	**0**	**0**	**0**

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.06.2020	17 975	1 660	1 650	299	267
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss - %	0 %	0 %	0 %	0 %	0 %
Provision for losses	**0**	**0**	**0**	**0**	**0**

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

Note 11 Accounts payable and other current liabilities

(Amounts in NOK 1 000)	30.06.2021	30.06.2020*	31.12.2020
Accounts payable	2 211	4 742	3 456
Dividends to non-controlling interests			1 159
Public taxes and withholdings	1 289	1 090	1 301
Unpaid holiday pay	1 298	1 145	2 015
Other personnel	6 577	1 724	4 335
Other current liabilities	2 080	3 332	3 721
Total account payable and other current liabilities	**13 456**	**12 033**	**15 987**

**30.06.2020 Includes Biotec BetaGlucans AS*

Note 12 Impacts of COVID-19

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

	Q2		YTD	
(Amounts in NOK 1 000)	2021	2020	2021	2020
Estimated COVID-19 related sales	4 500	10 992	21 000	14 788

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

Note 13 Taxes

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

(Amounts in NOK 1 000)	30.06.2021	31.12.2020	Change
Non current assets	1 743	473	-1 270
Unrealized gain/losses	628	-777	-1 405
Other temporary differences	423	-217	-640
Gains and loss account	8 487	10 609	2 122
Pensions	1	5	4
Total temporary differences	**11 283**	**10 093**	**-1 189**
Tax assessment loss carried forward	-131 918	-160 744	28 825
Calculation base deferred tax asset	**-120 635**	**-150 649**	**30 014**
Deferred tax asset, 22%	**-26 540**	**-33 143**	**6 603**
Changes in temporary differences	6 603	0	
Tax expense	**6 603**	**0**	

Note 14 Discontinued operations

Figures adjusted for discontinued operations in first 6 months of 2020

(Amounts in NOK 1 000)	Continued operations 30.06.20	Discontinued operation 30.06.20	Elimination	Group before reclass. 30.06.20	Reclas. to disc. Operations 30.06.20	Group 30.06.20
Sales	51 848	26 745		78 593	-26 745	51 848
Other revenues	1 616	213		1 829	-213	1 616
Sum revenues	**53 464**	**26 958**	**0**	**80 422**	**-26 958**	**53 464**
Cost of goods	-371	-12 044		-12 414	12 044	-371
Personnel expenses	-14 149	-3 300	765	-17 449	2 535	-14 914
Other operating expenses	-6 425	-3 157	235	-9 582	2 922	-6 659
Sum expenses	**-20 944**	**-18 500**	**1 000**	**-39 445**	**17 501**	**-21 944**
EBITDA	**32 520**	**8 458**	**-1 000**	**40 977**	**-9 457**	**31 520**
Depreciation and amortization	-1 203	-707	117	-1 911	590	-1 321
Operating profit	**31 316**	**7 750**	**-1 117**	**39 067**	**-8 867**	**30 200**
Financial income, net	378	-13	82	365	-69	296
Profit/loss (-) before interest & tax	**31 694**	**7 737**	**-1 199**	**39 432**	**-8 936**	**30 496**
Taxes	0	0	0	0	0	0
Net profit	**31 694**	**7 737**	**-1 199**	**39 432**	**-8 936**	**30 496**

Figures adjusted for discontinued operations in Q2 2020

(Amounts in NOK 1 000)	Continued operations Q2	Discontinued operation Q2	Elimination	Group before reclass. Q2	Reclas. to disc. Operations Q2	Group Q2
Sales	33 373	10 947		44 320	-10 947	33 373
Other revenues	486	66		552	-66	486
Sum revenues	**33 859**	**11 012**	**0**	**44 872**	**-11 012**	**33 859**
Cost of goods	-410	-3 899		-4 310	3 899	-410
Personnel expenses	-6 389	-1 156	382	-7 546	774	-6 772
Other operating expenses	-4 017	-1 782	117	-5 799	1 665	-4 133
Sum expenses	**-10 817**	**-6 838**	**500**	**-17 654**	**6 338**	**-11 316**
EBITDA	**23 043**	**4 175**	**-500**	**27 218**	**-4 674**	**22 543**
Depreciation and amortization	-605	-346	64	-951	282	-669
Operating profit	**22 438**	**3 828**	**-564**	**26 266**	**-4 392**	**21 874**
Financial income, net	-538	-39	37	-578	2	-576
Profit/loss (-) before interest & tax	**21 904**	**3 789**	**-601**	**25 693**	**-4 393**	**21 300**
Taxes	0	0	0	0	0	0
Net profit	**21 904**	**3 789**	**-601**	**25 693**	**-4 393**	**21 300**

Note 15 Events after balance sheet date, 30. June 2021

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 18.08.2021

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 30. June 2021 have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation.

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

Tromsø, 18.08.2021
The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Marit Sjo Lorentzen
Director- employee

Jane Theaker
Director

Jethro Holter
CEO

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