



ArcticZymes
Technologies

Q2 REPORT 2020

Highlights for Q2 2020

- Biotec Pharmacon ASA was rebranded as ArcticZymes Technologies ASA
- Gross profit for the Group improved 244% to NOK 40.0 million (Q2 2019: NOK 11.6 million)
- ArcticZymes had Q2 sales of NOK 33.4 million growing by 270% (Q2 2019: NOK 9.0 million)
- Biotec BetaGlucans had Q2 sales of NOK 10.9 million growing by 39% (Q2 2019: NOK 6.9 million)
- ArcticZymes growth continues to be driven by strong sales in the therapeutic segment and upsides relating to sales of enzymes to COVID-19 diagnostic tests
- Upsides relating to COVID-19 pandemic is estimated at NOK 11 million for ArcticZymes and NOK 2 million for consumer health
- The Group delivered positive EBITDA with NOK 27.2 million (Q2 2019: NOK -0.5 million)
- Cash-flow for the Q2 was NOK 20.5 million (Q2 2019: NOK -6.8 million)

CEO Jethro Holter comments:

“Overall, Q2 has been an outstanding quarter. An overall excellent performance has enabled us to deliver our most profitable quarter with an EBITDA of NOK 27 million. Operations have been firing maximally in order to serve growth in the underlying business as well as to capture all upsides relating to the coronavirus pandemic. Our operational flexibility to optimally handle significant spikes in demand and a dedicated team has collectively proved to be our greatest asset.

Setting coronavirus aside, sales growth remains strong in the underlying business. The main growth driver has been sales of the Salt Active Nuclease (SAN) products to the therapeutics segment. The SAN products continue to attract new customers who are developing gene therapies and vaccines. Furthermore, our well-established customers are regularly submitting substantially larger orders as they advance their development programs. ArcticZymes secured a supply agreement for SAN HQ with ReiThera, a leading Italian vaccine company, who is fast tracking the development of a COVID-19 vaccine. SAN HQ will be used to optimize one critical step in the manufacturing process of the vaccine.

At the beginning of the year, the company made a promise to drive the company into profitability during 2020. Based on the strong financial performance during the first half, we fully expect to achieve our goal with respect to profitability.

Now we are entering the second half, we do anticipate a slow-down in COVID-19 related sales. That aside, our main focus has always and will continue to be towards building on the strong foundations in the underlying business and driving inherent growth through new customers, existing long-term partners and through our expanding product portfolio.”

Key financial figures:

NOK 1.000	Q2 2020	Q2 2019	Change	YTD 2020	YTD 2019	Change
Sales	44 320	16 853	+163%	78 593	31 669	+148%
Total revenues	44 872	18 979	+136%	80 422	34 862	+131%
Operating expenses	-17 654	-19 470	-9%	-39 444	-39 262	0%
EBITDA	27 217	-491	NA	40 978	-4 400	NA
EBIT	25 668	-1 896	NA	39 067	-7 168	NA
Cash & cash equivalents	56 158	21 369	+163%	56 158	21 369	+163%

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. In addition, it has a non-core business focused on immunomodulating beta-glucan products.

Operational review

ArcticZymes

Commercial & Operational

ArcticZymes continues to deliver a strong sales performance and achieved an excellent quarterly performance.

Building on the momentum of Q1’s performance, the main attributing factors to growth were in the therapeutic segment and molecular products associated with the Coronavirus outbreak.

The therapeutic segment continues to grow through sales of the Salt Active Nuclease (SAN) product line. The segments contribution towards ArcticZymes Q2 sales was 34%. The SAN products keep on attracting new customers and the well-established customers are regularly submitting more sizable orders. Furthermore, new opportunities, such as the announced ReiThera agreement, have recently arisen with vaccine developers who are fast tracking the development of Coronavirus vaccines. ArcticZymes is well positioned to support such opportunities through its SAN offering.

Longer-term efforts are underway to scale up the production of SAN products in order to meet expected future demands as our customers move closer to commercialising their therapeutic offerings. Today, all of our customers are either at the developmental, pre-clinical or early clinical trial stages in their therapeutic development programs. In accelerating the SAN scale up process, ArcticZymes received a grant of 1.6 MNOK from Innovation Norway in May. The grant is part of the national program to support companies in developing technologies related to

the fight against the Coronavirus. ArcticZymes has been recognised as a national player with unique technologies and capabilities which can play a pivotal role in supporting Coronavirus vaccine developers. The scale up project is expected to be completed in the first quarter of 2021. This fits timely with foreseen commercial demand with respect to Coronavirus and non-Coronavirus related customer activities.

The Coronavirus pandemic continues to affect us all, especially in Q2 where the outbreak peaked in several regions. ArcticZymes was able to continue making a positive contribution in providing enzymes to numerous diagnostic companies which have been or are in the process of integrating ArcticZymes’ enzymes into their COVID-19 diagnostics tests. Sales associated with COVID-19 were the main contributor to the extraordinary growth in Q2. Overall, Coronavirus upsides accounted for 33% (NOK 11 m) of Q2 sales in ArcticZymes.

In supporting ArcticZymes ambition to secure the long-term potential in getting its enzymes integrated into the next generation of COVID-19 tests, the following key achievements are made:

- a) Successfully scaled up the production batch size of its Cod UNG product.
- b) Awarded a second national grant of 1.6 MNOK by Innovation Norway to advance innovation efforts of other enzymes and components specifically supporting the development of COVID-19 and viral based diagnostic tests. ArcticZymes intentions are to build further content around the Cod UNG backbone in order to provide a more complete offering to COVID-19 and viral diagnostics test developers. Such content includes reverse transcriptase’s and thermostable polymerases optimised for use in viral based diagnostics applications.

Putting Coronavirus related sales aside, growth in the underlying business is progressing faster than expected. The main growth driver is related to the rapidly growing Therapeutics segment. (SAN portfolio)

Strategic initiatives

ArcticZymes has continued to maintain close communication with potential merger & acquisition (M&A) candidates. There is mutual motivation to continue discussions, but the Coronavirus outbreak has and will continue to delay M&A activities with respect to site visits and potential due diligence efforts. Furthermore, the recent developments in the company's financial performance and positioning offers ArcticZymes new opportunities to have a more forward leaning stance towards its organic and inorganic growth strategies.

Biotec BetaGlucans

Woulgan®

Woulgan® sales delivered to expectation. As outlined earlier, intentions have been to support existing customers while the company finds a new product owner for the Woulgan® business.

Divestment of Woulgan® is progressing a little slower than anticipated due to the Coronavirus outbreak.

Discussions are ongoing with several interested parties and efforts will continue into the second half of 2020 towards finding a new owner for the Woulgan® business.

During the quarter, the unavoidable decision was made to discontinue further manufacturing of Woulgan®. The main reason behind the decision was due to the CMO, contracted for aseptically filling of the Woulgan® tubes, filed for insolvency. Consequently, the CMO was unable to fulfil supply commitments and critical quality requirements. Alternative CMO's were approached and evaluated but no feasible options materialized that would be economically viable or circumvented a lengthy backorder situation. Customers have been notified about the discontinuation of the Woulgan® product and we will continue to sell Woulgan® until stocks are depleted. Stocks are expected to be depleted late in Q3 or beginning of Q4 with current sales.

From a revenue perspective, Woulgan® sales will gradually phase out during the second half of 2020. However, overall Woulgan® sales represent a minor contribution to overall group and BBG sales.

It is expected that the decision to discontinue manufacturing will have minimal impact on interests from a potential new owner. The positioning has been around divesting Woulgan® as a technology platform for developing a broader wound healing product portfolio. This is supported by a substantial documentation package which would be part of the divestment.

Consumer and Animal Health

Second quarter momentum continues with strong growth in quarterly sales of M-Gard® (Consumer Health). Growth is driven by new customers and upsides relating to bulk B2B sales to manufacturers as they position themselves towards providing immune enhancing nutritional products to help build up resistance against Coronavirus.

As expected, Sales of M-Glucan® to the feed sector are lower for the second quarter compared to the first quarter. This was largely due to tailwinds in Q1 with a large order from our main customer coming earlier than expected. It represents natural quarterly variation typically observed in this business.

Adjuvant

BetaGlucans continues to convert its earlier activities around the adjuvant (Soluble Beta Glucan – SBG®) into commercial value. Further SBG® shipments were conducted during the quarter. Sales are in alignment with the commitment agreed for continuation of clinical trials for the remainder of 2020.

Furthermore, progress continues with respect to a longer-term licensing deal for utilisation of SBG® as an adjuvant to be used in combination with a vaccine for treatment of Neuroblastoma. The vaccine owner visited Tromsø late in the quarter resulting in productive discussions. In addition, it provided the vaccine owner the

opportunity to perform part of the necessary due diligence required to facilitate next steps.

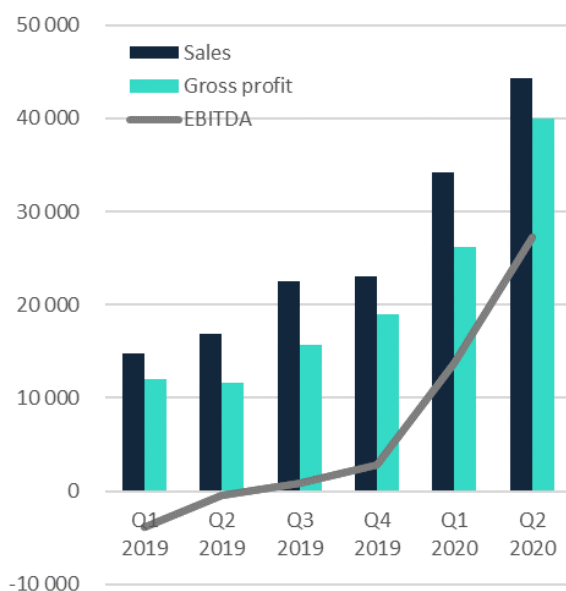
Corporate

In alignment with the new strategic direction, the company successfully rebranded to ArcticZymes Technologies ASA in June. The new brand and refreshed external image have already received a warm reception in the market. ArcticZymes Technologies seamlessly resonates with our commitment towards the enzyme business being our core focus moving forward.

Financial review

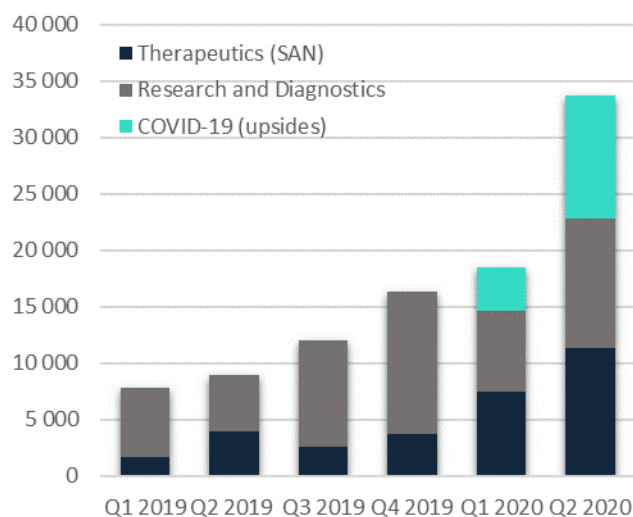
The ArcticZymes Technologies group reported sales of NOK 44.3 million (Q2 2019: 16.9 m) for the second quarter of 2020. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 27.2 million (Q2 2019: -0.5 m) and earnings before interest and tax (EBIT) were NOK 25.7 million (Q2 2019: -1.9 m) in the quarter. Net financial income was a profit of NOK 0.4 million (Q2 2019: -0.02 m).

Sales, Gross profit & EBITDA



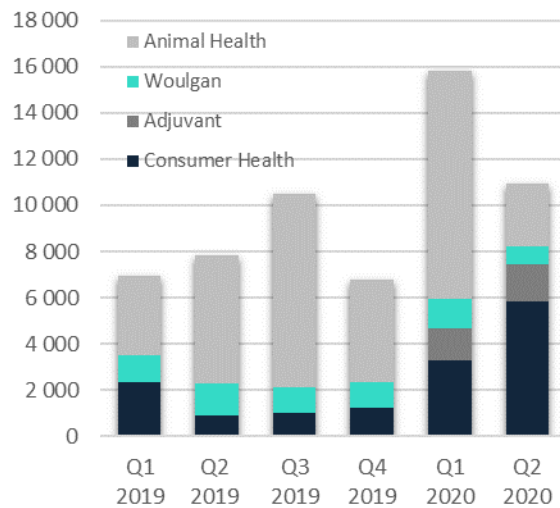
ArcticZymes had second quarter sales of NOK 33.4 million (Q2 2019: NOK 9.0 m) and NOK 51.8 million (6M 2019: NOK 16.9 m) for the first 6 months of the year. Sales are driven by good underlying demand in the key business areas; Molecular Research, Molecular Diagnostics and Therapeutic. One third of total sales in the second quarter was related to upsides in COVID-19 tests.

Sales per segments



Sales for the BetaGlucans division was NOK 10.9 million (Q2 2019: NOK 7.9 m). Increase is explained by higher consumer health sales and sales of SBG within the adjuvant area. Animal health experienced close to NOK 3 million in reduction compared to the same quarter last year. Animal Health is expected to continue fluctuating through the quarters, but the Company expects sales to be on similar levels as previous years.

Sales per segments



The improved EBITDA for Q2 2020 and the first 6 months of 2020 are primarily derived from improved sales in all areas of the business, whereas upsides relating to COVID-19 has a positive impact of close to NOK 11 million in ArcticZymes for Q2 2020.

Expenses are also reduced as the Group was restructured in Q4 2019. All expenses relating to restructuring were accrued for in the fourth quarter. The Company is not carrying any restructuring costs into 2020.

On 1st January 2019, ArcticZymes Technologies ASA and its subsidiaries implemented IFRS 16 "Leases". This means that some operating expenses with longer commitments need to be valued over the lifetime of the contract and featured on the asset side of the balance sheet. This asset is then depreciated over the lifetime of the contract. For ArcticZymes Technologies this has the effect that most of the property, plant & equipment expenses are moved from operating expenses and are depreciated.

The Company recognised no income tax in the second quarter of 2020.

Financial position

Total equity amounted to NOK 86.3 million at the end of the second quarter 2020 compared to NOK 46.5 million at the end of 2019.

Total assets were NOK 112.7 million at the end of the second quarter of 2020, up from NOK 91.7 million at the end of the first quarter 2020.

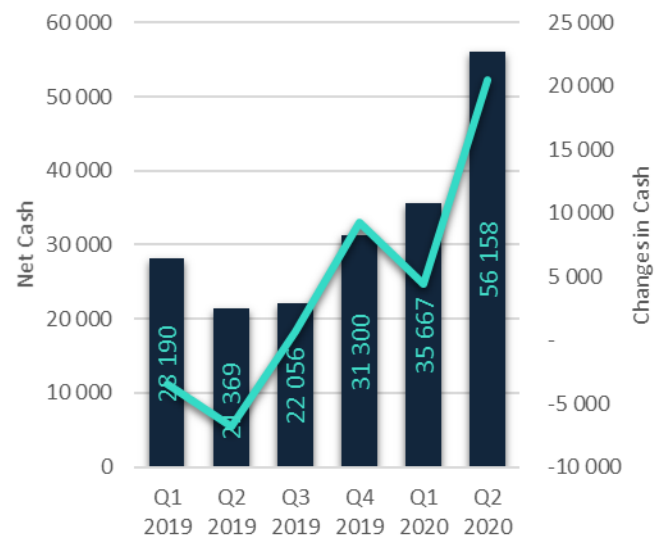
The Company has no interest-bearing debt.

Cash flow

Net cash flow from operating activities was NOK 21.0 million in the second quarter, compared to NOK -5.7 million in the same quarter in 2019.

The operating cash flow reflects a change in working capital of NOK 6.2 million compared to the end of Q1 2020. This is explained by an increase in receivables by NOK 2.0 million, decrease in inventory of NOK 0.6 million and a decrease in liabilities of NOK 4.8 million.

Cash position



Changes in cash and cash equivalents was NOK 20.5 million in the second quarter. This generated a cash balance of NOK 56.2 million at the end of the quarter, compared to NOK 21.4 million at the end of Q2 2019.

Shareholder matters

The total number of issued shares was 48,334,673 at the end of the second quarter of

2020. See the annual report for 2019 and note 3 & 6 in the Q2 2020 financial statement for further details on option programmes.

Risk factors

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

The most important risks the Company is exposed to are associated with commercial development in ArcticZymes.

The Coronavirus pandemic has had a positive impact on the business in the first 6 months of 2020 as the Company's products are used in several diagnostic test's solutions. Demand and upsides in sales will depend on global development of the Corona virus pandemic.

Also, see the risk factors which are described in the annual report for 2019 and published on the Company's website www.arcticzymes.com.

Outlook

The Company's outlook for 2020 and beyond was outlined during the investor update on the 10th December 2019. The number 1 goal is to drive the Group into profitability during 2020. Based on the first 6 months performance, the Company will achieve the profitably milestone for 2020. The Company will focus in the second half of the year on driving opportunities while creating a solid foundation for further development in 2021.

With respect to Coronavirus related upsides in sales, indications are that we are on the backside of the peak. Consequently, it is expected that lower upsides will contribute towards sales in the second half of the year. However, underlying quarterly growth is still anticipated but not to the same extent as the extraordinary performance achieved in Q2.

The interim financial statement 30. June 2020 (Q2)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q2		YTD	
	2020	2019	2020	2019
Sales revenues	44 320	16 853	78 593	31 669
Other revenues	552	2 126	1 829	3 193
Sum revenues	44 872	18 979	80 422	34 862
Cost of goods	-4 310	-5 217	-12 414	-8 046
Personnel expenses	-7 546	-8 270	-17 449	-20 184
Other operating expenses	-5 799	-5 983	-9 581	-11 032
Sum expenses	-17 654	-19 470	-39 444	-39 262
Earnings before interest, taxes, depr. and amort.	27 217	-491	40 978	-4 400
Depreciation and amortization expenses	-951	-1 405	-1 911	-2 768
Operating profit/loss (-) (EBIT)	26 266	-1 896	39 067	-7 168
Financial income, net	-578	-25	365	-45
Profit/loss (-) before income tax (EBT)	25 688	-1 921	39 432	-7 212
Tax	0	0	0	0
Net profit/loss (-)	25 688	-1 921	39 432	-7 212
Basic EPS (profit for the period)	0,53	-0,04	0,82	-0,15
Diluted EPS (profit for the period)	0,53	-0,04	0,82	-0,15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.06.2020	30.06.2019	31.12.2019
Non-current assets			
Machinery and equipment	4 488	4 003	3 875
Intangible assets	547	7 423	674
Lease assets	13 399	15 728	14 469
Other non-current assets	78	0	0
Total non-current assets	18 512	27 154	19 018
Current assets			
Inventories	4 439	6 583	5 298
Account receivables and other receivables	26 660	17 251	14 754
Cash and cash equivalents	56 109	21 369	31 289
Total current assets	87 208	45 204	51 341
Total assets	105 720	72 358	70 358
Assets classified as "Assets held for sale"	6 961		7 250
Total assets	112 681	72 358	77 608
Equity			
Share capital	48 335	48 335	48 335
Premium paid in capital	151 039	151 039	151 039
Retained earnings	-115 743	-154 130	-154 233
Non-controlling interests	2 694	869	1 336
Total equity	86 324	46 112	46 476
Other long-term liabilities			
Lease liabilities	13 793	15 619	12 764
Total other long-term liabilities	13 793	15 619	12 764
Current liabilities			
Accounts payable and other current liabilities	12 555	10 627	17 652
Total current liabilities	12 555	10 627	17 652
Total equity and liabilities	112 672	72 358	30 416
Liabilities attached to "Assets held for sale"	9		716
Total equity and liabilities	112 681	72 358	77 608

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q2		YTD	
	2020	2019	2020	2019
Cash flow from operating activities:				
Profit after tax	25 688	-1 921	39 432	-7 212
Adjustment:				
Depreciation	316	680	633	1 317
Depreciation IFRS	635	725	1 278	1 451
Employee stock options	364	308	424	616
Non cash interest expense	176	138	354	277
Changes in working capital				
Inventory	590	-109	1 282	-23
Account receivables and other receivables	-1 993	-3 433	-12 049	394
Payables and other current liabilities	-4 762	-2 072	-4 889	-5 067
Net cash flow from operating activities	21 014	-5 683	26 466	-8 247
Cash flow from investing activities:				
Purchase of fixed assets	-53	39	-1 119	-121
Invested in intangible assets		-412		-412
Change in long term receivables	-78	-7	-78	
Net cash flow from investing activities	-131	-380	-1 197	-534
Cash flow from financing activities:				
Interest expense on lease liability	-176	138	-354	277
Net present value adjustment	-266	-895	-94	-1 790
Net cash flow from financing activities	-442	-757	-448	-1 513
Changes in cash and cash equivalents	20 442	-6 820	24 821	-10 294
Cash and cash equivalents at the beginning of period	35 667	28 190	31 289	31 662
Cash and cash equivalents at end of period	56 109	21 369	56 109	21 369

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q2		YTD	
	2020	2019	2020	2019
Equity at the beginning of period	60 271	48 482	46 476	53 465
Shared based compensation	364	308	424	616
Retained earnings	24 763	-2 639	38 075	-7 961
Changes in non-controlling interests	925	-39	1 357	-8
Equity at the end of period	86 324	46 112	86 324	46 112

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statement for the period 1. April to the 30. June 2020 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.

Oslo, 18.08.2020

The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Marit Sjo Lorentzen
Director

Jethro Holter
CEO

Notes to the interim accounts for 30. June 2020 (Q2)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2020 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 2019.

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 2020. 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 2019 (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. Deferred tax asset is accounted at NOK 0 in the balance sheet.

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

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

(Amounts in NOK 1 000)	Q2		YTD	
	2020	2019	2020	2019
Sales revenue:				
Beta-Glucans	10 947	7 851	26 745	14 798
Enzymes	33 373	9 002	51 848	16 871
Group operating sales revenues	44 320	16 853	78 593	31 669
Gross profit				
Beta-Glucans	7 047	3 315	14 701	7 467
Enzymes	32 963	8 322	51 478	16 156
Group gross profit	40 010	11 636	66 179	23 623
Other revenues				
Beta-Glucans	66	1 088	213	1 348
Enzymes	486	1 037	1 616	1 845
Group other revenues	552	2 126	1 829	3 193
Operating expenses:				
Beta-Glucans	-2 938	-5 140	-6 457	-11 660
Enzymes	-8 810	-7 658	-17 992	-16 543
Unallocated corporate expenses	-1 596	-1 455	-2 581	-3 013
Group operating expenses	-13 345	-14 254	-27 030	-31 216
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	4 175	-737	8 458	-2 846
Enzymes	24 639	1 701	35 101	1 458
Unallocated corporate expenses	-1 596	-1 455	-2 581	-3 013
Operating profit/loss (-) (EBITDA)	27 218	-491	40 978	-4 400
Depreciation and amortization:				
Beta-Glucans	-346	-797	-707	-1 594
Enzymes	-540	-488	-1 082	-976
Unallocated corporate expenses	-65	-120	-122	-198
Group depreciation and amortization	-951	-1 405	-1 911	-2 768
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	3 828	-1 534	7 750	-4 440
Enzymes	24 099	1 213	34 019	482
Unallocated corporate expenses	-1 662	-1 575	-2 703	-3 211
Profit/loss (-) before income tax (EBIT)	26 266	-1 896	39 067	-7 168

Note 3 Share options

Per 30.06.2020, there were 315,000 outstanding options plus 600,000 right to receive 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 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.

	2020		2019	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01.01.			11.93	362 000
Granted during the year	10.19	315 000		
Expired during the year				362 000
Outstanding at 30. June		315 000		0

CEO J. Holter, CFO B. Sørvoll and CSO R. Engstad 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).

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2020	2019
		Number of share options	
2019, 31 May	11.93		362 000
2025, 14 May	10.19	315 000	
Outstanding at 30. June		315 000	0
Exercisable options at 30. June		0	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. Per 30.06.2020, a total of NOK 18.2 million had been expensed, of which NOK 0,36 million applies to Q2 2020. 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 (Amounts in NOK 1 000)	Q2		YTD	
	2020	2019	2020	2019
Net book value (opening balance)	4 688	4 361	3 875	4 596
Net investment	53	-39	1 119	121
Depreciation and amortization	-253	-319	-506	-715
Net book value (ending balance)	4 488	4 003	4 488	4 003

Intangible asset (Amounts in NOK 1 000)	Q2		YTD	
	2020	2019	2020	2019
Net book value (opening balance)	6 745	7 310	6 808	7 551
Net investment	0	412	0	412
Depreciation and amortization	-63	-299	-126	-540
Net book value (ending balance)	6 681	7 423	6 681	7 423

Note: Figures includes "Asset held for sale"

Lease assets (Amounts in NOK 1 000)	Q2		YTD	
	2020	2019	2020	2019
Net book value (opening balance)	14 118	17 307	14 470	18 033
Net present value adjustment 01.01	-85	-854	208	-854
Depreciation	-635	-725	-1 278	-1 451
Net book value (ending balance)	13 399	15 728	13 399	15 728

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. It requires all leases to be recognised in the statement of financial position as a right to use asset with subsequent depreciation. 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. Variable expenses are excluded from lease period and are not recognised. Two contracts relating to offices and lab at SIVA Innovation Centre and the Groups production premises at Nordøya are covered in the calculations.

(Amounts in NOK 1 000)

Financial position	30.06.2020	30.06.2019	31.12.2019
Lease assets	13 399	15 728	14 469
Fixed assets	11 169	11 427	10 682
Other non-current assets	78	0	0
Sum Fixed assets	24 646	27 154	25 152

Note: Figures includes "Asset held for sale"

Lease liabilities	13 793	15 619	12 764
Current liabilities	10 560	10 627	18 368
Sum Liabilities	24 352	26 247	31 132

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

Note 6 Related party disclosures

Shares owned or controlled by directors and senior management per 30. June 2020:

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	200 000
Volker Wedershoven, Director	80 000	100 000
Marit Sjo Lorentzen, Director	20 331	15 000
Børge Sørvoll, CFO	25 428	*
Rolf Engstad, CSO Biotec BetaGlucans AS	581 174	*
Jethro Holter, CEO	564	*

*See note 3 for further details

Note 7 Shareholders

The 20 largest shareholders as of 30. June 2020	Shares	Ownership
SEB Life Intern Assur Comany DAC	4 201 740	8,69 %
Pro AS	2 297 216	4,75 %
Nordnet Bank AB	2 158 244	4,47 %
Avanza Bank AB	1 863 991	3,86 %
Vinterstua AS	1 862 165	3,85 %
Tellef Ormestad	1 649 409	3,41 %
Danske Bank A/S	1 477 678	3,06 %
Belvedere AS	1 465 684	3,03 %
Clearstream Banking S.A	1 411 545	2,92 %

Middelboe AS	800 173	1,66 %
Nordea Bank Abp	794 459	1,64 %
Nordea Bank Abp	771 956	1,60 %
Nordnet Livsforsikring AS	654 550	1,35 %
Skandinaviska Enskilda Banken AB	603 992	1,25 %
Danske Bank A/S	600 000	1,24 %
Dragesund Invest AS	597 891	1,24 %
Rolf Einar Engstad	581 174	1,20 %
MP Pensjon PK	554 900	1,15 %
DNB Markets Aksjehandel/-analyse	501 106	1,04 %
Progulan AS	500 026	1,03 %
20 largest shareholders aggregated	21 146 159	43,75 %

Note 8 Interim results

(Amounts in NOK 1 000)	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019
Sales revenues	44 320	34 274	22 002	22 476	16 853
Sales growth % (year-over-year)	163 %	103 %	13 %	1 %	55 %
Gross profit %	90 %	76 %	82 %	70 %	69 %
EPS	0,53	0,28	0,07	-0,01	-0,04
EPS fully diluted	0,53	0,28	0,07	-0,01	-0,04
EBITDA	27 217	13 760	4 600	802	-491
Equity	86 324	60 271	46 476	46 895	46 112
Total equity and liabilities	112 681	91 743	77 609	77 477	72 358
Equity (%)	77 %	66 %	60 %	61 %	64 %

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 additional. 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	
	2020	2019	2020	2019
Sales	44 320	16 853	78 593	31 669
Cost of goods	-4 310	-5 217	-12 414	-8 046
Gross profit	40 010	11 636	66 179	23 623
Other revenues	552	2 126	1 829	3 193
Sum other revenues	552	2 126	1 829	3 193
Personnel expenses	-7 546	-8 270	-17 449	-20 184
Other operating expenses	-5 799	-5 983	-9 581	-11 032
Depreciation and amortization expenses	-951	-1 405	-1 911	-2 768
Sum expenses	-14 296	-15 658	-28 941	-33 984
Operating profit/loss (-)	26 266	-1 896	39 067	-7 168

Note 10 Accounts receivable and other receivables

(Amounts in NOK 1 000)	30.06.2020	30.06.2019	31.12.2019
Accounts receivable	21 851	10 063	10 049
Research grants	627	1 328	1 345
Tax grants	2 539	4 136	2 337
VAT	177	570	370
Other receivables	1 465	1 154	652
Total accounts receivable and other receivables	26 660	17 251	14 754

Note: Numbers are adjusted for "Asset held for sale"

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

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.06.2019	7 888	2 016	20	76	64
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)	30.06.2020	30.06.2019	31.12.2019
Accounts payable	4 742	3 814	4 525
Public taxes and withholdings	1 090	1 319	1 679
Unpaid holiday pay	1 145	1 500	2 782
Other personnel	1 724	1 670	4 596
Other current liabilities	3 332	2 324	4 070
Total account payable and other current liabilities	12 033	10 627	17 652

Note: Numbers are adjusted for "Asset held for sale"

Note 12 Assets held for sale and discontinued operations

Assets classified as "Assets held for sale"	30.06.2020	31.12.2019
Intangible assets	6 134	6 134
Inventories	100	523
Account receivables and other receivables	727	593
Total assets	6 961	7 250

Liabilities attached to "Assets held for sale"	30.06.2020	31.12.2019
Accounts payable and other current liabilities	9	716
Total accounts payable and other current liabilities	9	716

Note 13 Impacts of COVID-19

The Group's sales are impacted by COVID-19 effects that are considered to be transient and are defined as upsides in presentations. Figures are internal estimates based on historic purchasing patterns and communications with customers.

	Q2 2020	whereof COVID-19 related	YTD 2020	whereof COVID-19 related
(Amounts in NOK 1 000)				
Sales	44 320	13 000	78 593	16 500

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

Note 14 Events after balance sheet date, 30. June 2020

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 18.08.2020

Oslo, 18.08.2020

The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Marit Sjo Lorentzen
Director

Volker Wedershoven
Director

Jethro Holter
CEO