



ArcticZymes
Technologies

Q3 REPORT 2020

Highlights for Q3 2020

- Annual group sales exceed 100 MNOK for the first time
- Gross profit for the Group improved 65% to NOK 26.0 million (Q3 2019: NOK 15.7 million)
- ArcticZymes had Q3 sales of NOK 19.5 million growing by 63% (Q3 2019: NOK 12.0 million)
- Biotec BetaGlucans had Q3 sales of NOK 11.2 million growing by 7% (Q3 2019: NOK 10.5 million)
- Upsides relating to COVID-19 pandemic is estimated at NOK 4 million for ArcticZymes and NOK 1.25 million for consumer health
- The Group delivered positive EBITDA with NOK 10.1 million (Q3 2019: NOK 0.8 million)
- Cash-flow for Q3 was positive NOK 13.6 million (Q3 2019: NOK 0.7 million) giving a cash balance of NOK 69.7 million (Q3 2019: NOK 22.1 million)

CEO Jethro Holter comments:

“ArcticZymes delivered another strong quarter with the underlying business contributing to solid growth. A new milestone was achieved in exceeding 100 MNOK in annual group sales for the first time. The company continues to deliver on profitability by accomplishing an EBITDA of 10.1 MNOK for the quarter.

The therapeutic segment remains the key contributor to growth through sales of the Salt Active Nuclease (SAN) products. It is supported by a broadening customer base of gene therapy and vaccine manufacturers engaged in developing viral vector-based therapeutics. With respect to ReiThera, activities are progressing well. ReiThera’s vaccine development project recently entered phase 1 clinical trials.

Sales in the molecular diagnostics segment continue to grow in all regions served. Furthermore, efforts to expand into new geographies with large domestic populations, such as China and India, are materialising.

The Coronavirus pandemic continues to impact the business. As expected, Coronavirus related upsides attributed towards third quarter sales but to a lesser extent than in the second quarter. Conversely, sales to research kit manufacturers have slowed down during the quarter. Lockdowns have impacted our customers’ ability to sell stockpiled kit-based products to the end user market. Overall, the supply chain relating to Coronavirus remains complex and unpredictable. Fluctuations in quarterly sales are expected for the foreseeable future.

Going into the last quarter of the year, our focus will continue 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. Furthermore, plans are underway to expand ArcticZymes facilities in both manufacturing and R&D as part of the company’s forward leaning organic growth initiatives.”

Key financial figures:

NOK 1.000	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Sales	30 751	22 476	+37%	109 345	54 145	+102%
Total revenues	31 550	23 956	+32%	111 972	58 818	+90%
Operating expenses	16 714	16 405	+2	43 743	47 621	-8%
EBITDA	10 100	802	1 159%	51 078	-3 598	NA
EBIT	9 144	-520	NA	48 212	-7 687	NA
Changes in cash & equivalents	13 550	686	+1 875%	38 374	-9 608	NA

Introduction

ArcticZymes Technologies ASA, (hereinafter "AZT" or "the Company") is a Norwegian life sciences company with its core business focused on specialised and novel enzymes. In addition, it has a non-core business focused on immunomodulating beta-glucan products.

Operational review

Commercial

ArcticZymes continues to perform and achieved another solid quarter.

Building on the inherent momentum in the business, the main attributing factors to growth were in the therapeutic and molecular diagnostics segments as well as product sales associated with the Coronavirus outbreak.

Therapeutics

The therapeutic segment continues to grow through sales of the Salt Active Nuclease (SAN) product line. The segments contribution towards ArcticZymes Q3 sales was 52%. Business continues to grow across our customers as they progress with their pre-clinical and clinical trial efforts. For our most well-established customer ArcticZymes expedited a 3.0 MNOK order during the quarter. This represents the largest individual order to date for SAN products.

Following the recent signing of the supply agreement with ReiThera, ArcticZymes has supported them in their development efforts through the supply of SAN products. ReiThera recently entered phase 1 clinical trials¹.

Furthermore, a top tier pharmaceutical company conducted an extensive three-day GMP audit of ArcticZymes operations relating to its SAN enzyme portfolio. The audit was successful and a requisition before moving forward with potential supply to several of its global sites.

Molecular Research & Diagnostics

The combined molecular research and diagnostic segments, excluding coronavirus related upsides, show a mixed picture.

For molecular diagnostics, business continues to grow with an expanding customer base in N. America, Europe and Japan. Furthermore, efforts to enter developing and new Asian markets are materialising with new supply deals. For example, a new supply agreement was signed with Chinese precision medicine company Jiangsu Simcere Diagnostics. Simcere Pharmaceutical Group, the parent of Simcere Diagnostics, is recognized as one of the "Top 10 Innovative Pharmaceutical Enterprises in China" and "Top 100 Pharmaceutical Manufacturing Enterprises in China". Simcere will use HL-SAN in development and manufacturing of their infectious disease diagnostic based Next Generation Sequencing (NGS) Technology. Also, the deal provides certain distribution rights within China for HL-SAN. This marks the first direct step into the Chinese market.

In developing markets, ArcticZymes has been providing Cod UNG to a noticeable diagnostic company in India for utilisation in their tuberculosis molecular diagnostic test. India bears a disproportionately large burden of the world's tuberculosis cases, accounting for 2.2 million cases alone. The global incidence of cases is 9.6 million². During the quarter, the customer switched to purchasing a larger bulk size. Future annual sales are expected to exceed 1 MNOK. Moving forward, we will gradually expand our commercial footprint in China, India and other developing countries offering the prospect to reach sizable domestic populations with molecular diagnostic solutions containing ArcticZymes enzymes. In being successful in these countries, we will be vigilant to respect differences in business cultures and adapt our business models to forge value creating relationships.

Sales to research kit manufacturers have marginally slowed down. Largely as a consequence of the coronaviruses pandemic where national lock downs have resulted in research personnel working from home rather

than doing laboratory work. Subsequently, this has led to less demand for kits, and this in turn has reverberated back up the supply chain to component suppliers such as ArcticZymes. The short-term expectation is that ArcticZymes will experience larger quarterly fluctuations than normal with respect to sales to research kit manufacturers while ad hoc and temporary lock downs remain across the world.

Coronavirus Sales Upsides

As expected, sales upsides relating to the Coronavirus pandemic were lower in the third quarter compared to the second quarter. Coronavirus sales upsides accounted for 20% of total enzyme sales in the quarter. Future quarterly sales are expected to greatly fluctuate. As a component supplier, serving future demand in the supply chain for coronavirus related applications is far from predictable. The market dynamics is complex and uncertain; especially at the front end of the supply chain. There is no disputing that the need for coronavirus diagnostic testing is far beyond what industry can serve today. For example, many of our customers have found it difficult to source all key components needed from other suppliers. Consequently, this has resulted in long delays in launching their tests. Also several customers overstocked our enzymes during the second quarter due to concerns relating to risks in supply chain. Lastly, numerous customers have launched coronavirus tests containing our enzymes. Some are doing well whilst others have experienced quality issues. In the worst case we have observed customers being forced to withdraw their tests from the market.

ArcticZymes focus towards coronavirus is two-fold: (i) capture upside opportunities short-term; (ii) capture the long-term value in getting our enzymes locked down in the next generation of coronavirus tests and technologies. A good example of the latter is that our enzyme technology has been locked down by a new commercial customer into their LAMP based coronavirus test. The customer is currently underway with clinical trials prior to going to market with an FDA approved test.

Overall, the underlying business continues to grow, despite the positive and negative impact the coronavirus pandemic has had on sales. The resilience in growth is driven by a combination of a growing customer base forged on long-term relationships, an expanding product portfolio, and focused sales efforts toward three attractive and growing market segments.

Innovations and operations

The SAN upscaling project partly supported by Innovation Norway is making good progress and on schedule to initiate the first pilot scale production batch. Assuming the pilot batch meets specification demands, this will be followed by a large-scale pilot production batch towards the end of Q4.

In addition, other scale up projects are on the horizon with respect to our IsoPol™ polymerases, proteinase and HL-dsDNase enzymes.

ArcticZymes has long experience in supporting diagnostics companies in the development of infectious disease tests such as HIV and Hepatitis C viral tests, and more recently Covid-19 testing. In capturing the longer-term potential in viral diagnostics and providing more content for Covid-19 test developers, the Company recently ramped up its innovation effort. In particular, it received funding from Innovation Norway during the second quarter to develop enzymes tailored for viral diagnostics. Progress is already underway with the expression and purification of thermostable polymerase and reverse transcriptase enzymes.

Other pipeline innovations are progressing with new SAN products, novel ligases, DNase-like enzymes, other novel polymerases and reverse transcriptases as well as new formulations of existing enzymes and non-enzyme support products.

Several personnel hires were made in R&D to support the above innovation projects and ramp product development efforts linked to earlier projects. For example, accelerating the commercialization of prototypes that have been

successfully generated from the EU funded Horizon 2020 Virus X project where ArcticZymes was one of the commercial partners^{3,4}.

Strategic growth initiatives

The recent development in financial performance and cash position offers the company a forward leaning stance towards its organic and inorganic growth strategies.

From an organic growth perspective, ArcticZymes is preparing to expand its facilities in both operations and R&D. Today, ArcticZymes enzymes business is operating on 2 separate sites in Tromsø. A project is underway to bring together the enzyme business onto one site at SIVA Innovation Centre.

R&D laboratory space will be expanded to facilitate the hiring of more laboratory personnel. It will allow the company to capitalize on ramping up its innovation efforts by running more product developments in parallel as well as support the upscaling of multiple existing products.

Enzyme production will be relocated into a new and larger production facility at SIVA Innovation Centre. It will enhance ArcticZymes capacity and capabilities to serve both cGMP and diagnostic grade enzymes to its growing customer base as well as support its rapidly expanding product range. New production lines, some automation and new personnel will be part of a gradual investment, ensuring production grows ahead of commercial demand and caters for an expanding product range. The expansion process is expected to take approximately 1 year before R&D and production are fully operational in their expanded and new facilities.

Inorganic growth initiatives remain slow due to continued coronavirus related travel restrictions. Site visits are necessary to advance the due diligence process.

Biotec BetaGlucans

Woulgan®

Following the recent discontinuation of the Woulgan® product, all remaining stocks have been shipped to our existing customers. Consequently, all activities supporting Woulgan® sales and its operations have ceased. A small amount of sales related to earlier consignment stocks may trickle in during the fourth quarter. Apart from that this concludes internal activities relating to Woulgan®

The divestment process around Woulgan® is drawing to a close. The process has generated several possibilities and options for the company to consider in the near future.

Consumer and Animal Health

Third quarter sales continue to contribute strong growth in quarterly sales of M-Gard® (Consumer Health). During recent quarters, the business has attracted new customers and growth is attributed by an expanding customer base and sales growth within existing customers. A minor proportion of the growth is relating to bulk B2B sales to manufacturers as they position themselves towards providing immune enhancing nutritional products to help build up resistance against Corona virus. Approximately 25% of Consumer Health sales in Q3 2020 were Coronavirus related.

A major European nutrition company conducted an external audit of Biotec BetaGlucans during the quarter. The audit was a prerequisite to advance a new deal for the large bulk supply of M-Gard® product.

As expected, sales of M-Glucan® (Animal Health) continue to show quarterly fluctuations. The fluctuations are largely driven by seasonal variations in demand from our main customer.

Adjuvant

BetaGlucans continues to convert its earlier activities around the adjuvant (Soluble Beta

Glucan – SBG®) into commercial value. It continues to expedite SBG® shipments to support agreed commitments for continuation of clinical trials for the remainder of 2020.

Furthermore, the negotiation phase is ongoing with the vaccine owner regarding a longer-term deal for utilisation of SBG® as an adjuvant to be used in combination with a vaccine for treatment of Neuroblastoma.

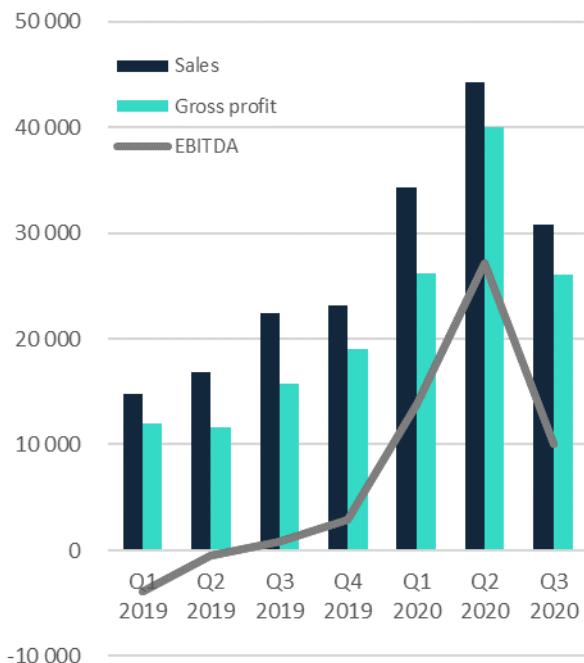
Corporate

The Company has attracted substantial interest from the capital markets following recent performance developments. Management has had a busy quarter participating in several virtual investor road shows as well as numerous meeting requests from banks and financial institutions in the Nordics, other parts of Europe and the USA.

Financial review

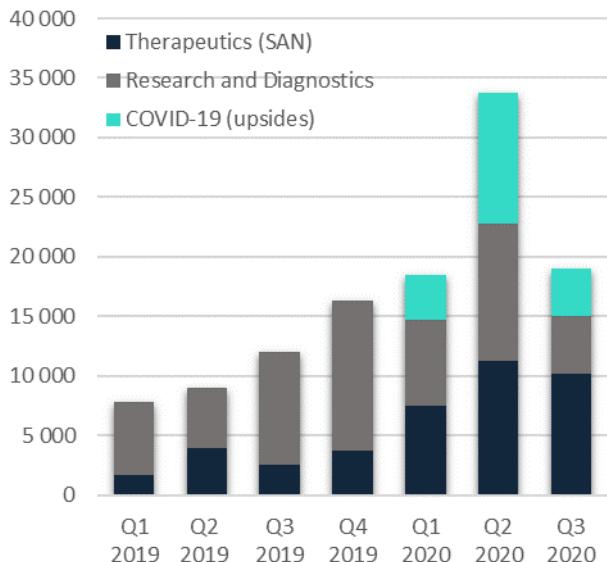
The ArcticZymes Technologies group reported sales of NOK 30.8 million (Q3 2019: 22.5 m) for the third quarter of 2020. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 10.1 million (Q3 2019: 0.8 m) and earnings before interest and tax (EBIT) were NOK 9.1 million (Q3 2019: -0.5 m) in the quarter. Net financial income was a loss of NOK 0.05 million (Q3 2019: 0.2 m).

Sales, Gross profit & EBITDA



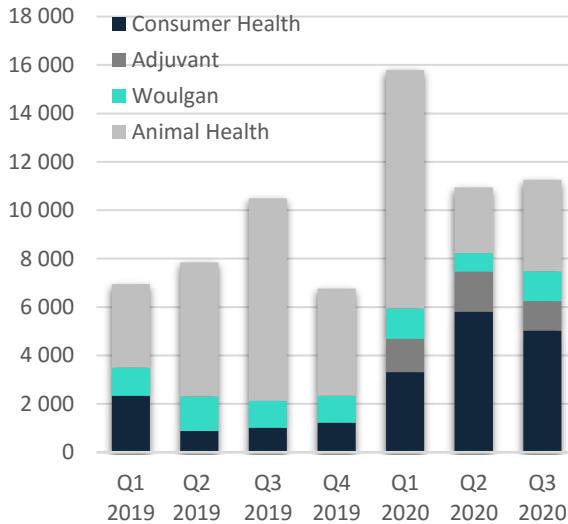
ArcticZymes had third quarter sales of NOK 19.5 million (Q3 2019: NOK 12.0 m) and NOK 71.4 million (9M 2019: NOK 28.9 m) for the first 9 months of the year. Sales for the year are driven by good underlying demand in the key business areas; Molecular Research, Molecular Diagnostics and Therapeutics. An estimated NOK 4.0 million of total sales in the third quarter was related to upsides in COVID-19.

Sales per segment



Sales for the BetaGlucans division was NOK 11.2 million (Q2 2019: NOK 10.5 m). Increase is explained by higher consumer health sales and sales of SBG® within the adjuvant area. Animal health experienced close to NOK 4.7 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 segments



The improved EBITDA for Q3 2020 and the first 9 months of 2020 are primarily derived from improved sales in all areas of the business, and upsides relating to COVID-19.

Expenses are also reduced for the first 9 months as the Group was restructured in Q4 2019. Due to high activity levels, strong sales and a forward leaning approach, expenses for Q3 are marginally higher in 2020 compared to 2019. All expenses relating to restructuring were accrued for in Q4 2019. 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 third quarter of 2020.

Financial position

Total equity amounted to NOK 95.6 million at the end of the third quarter 2020 compared to NOK 46.5 million at the end of 2019.

Total assets were NOK 120.5 million at the end of the third quarter of 2020, up from NOK 112.7 million at the end of the second quarter 2020.

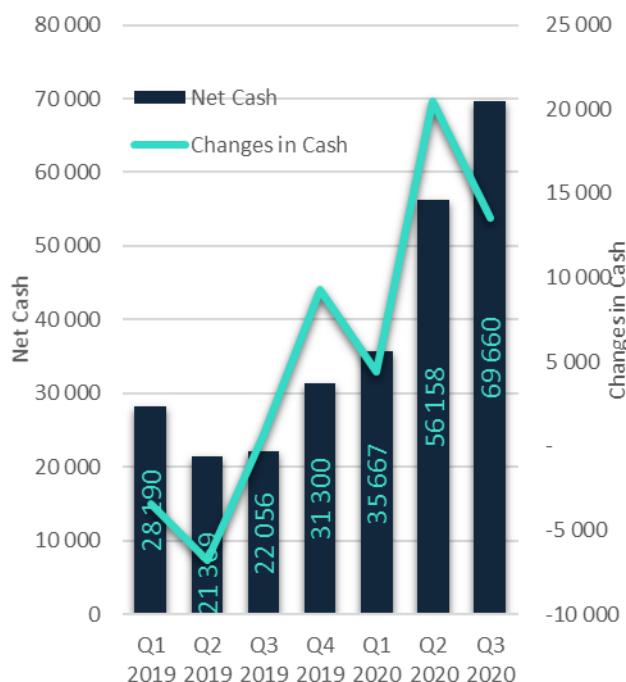
The Company has no interest-bearing debt.

Cash flow

Net cash flow from operating activities was NOK 14.0 million in the third quarter, compared to NOK 2.0 million in the same quarter in 2019.

The operating cash flow reflects a change in working capital of NOK 7.5 million compared to the end of Q2 2020. This is explained by a decrease in receivables by NOK 5.9 million, increase in inventory of NOK 0.3 million and a decrease in liabilities of NOK 2.0 million.

Cash position



Changes in cash and cash equivalents was NOK 13.6 million in Q3 2020. This generated a cash balance of NOK 69.7 million at the end of Q3 2020, compared to NOK 22.1 million at the end of Q3 2019.

Shareholder matters

The total number of issued shares was 48,334,673 at the end of Q3 2020.

See the annual report for 2019 and note 3 & 6 in the Q3 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 9 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 was to drive the Group into profitability during 2020. Based on the first 9 months performance, the Company will achieve the profitably milestone for 2020.

With respect to the Coronavirus pandemic, it will continue to positively and negatively impact different parts of the business. Irrespective, the Company does anticipant continued growth in the overall business. However, quarterly fluctuations are an inherent part of growing B2B businesses and should be treated as a normal expectation.

¹Link to ReiThera clinical trial announcement

<https://www.reithera.com/2020/08/24/reitheras-covid-19-vaccine-candidate-enters-phase-1-clinical-study-with-first-healthy-volunteer-dosed-in-italy/>

²Link to Tuberculosis prevalence

https://en.wikipedia.org/wiki/Tuberculosis_in_India

³Official link to Virus X project

<http://virus-x.eu/>

⁴Euronews coverage on the Virus X project

<https://www.euronews.com/2020/09/14/virus-hunters-explore-iceland-s-geothermal-hot-springs-for-solutions>

The interim financial statement 30. September 2020 (Q3)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q3 2020	2019	YTD 2020	2019
Sales revenues	30 751	22 476	109 345	54 145
Other revenues	798	1 480	2 627	4 673
Sum revenues	31 550	23 956	111 972	58 818
Cost of goods	-4 736	-6 749	-17 151	-14 795
Personnel expenses	-12 050	-11 747	-29 499	-31 930
Other operating expenses	-4 663	-4 659	-14 245	-15 691
Sum expenses	-21 450	-23 154	-60 894	-62 416
Earnings before interest, taxes, depr. and amort.	10 100	802	51 078	-3 598
Depreciation and amortization expenses	-955	-1 321	-2 866	-4 089
Operating profit/loss (-) (EBIT)	9 144	-520	48 212	-7 687
Financial income, net	-51	239	314	194
Profit/loss (-) before income tax (EBT)	9 093	-281	48 526	-7 493
Tax	0	0	0	0
Net profit/loss (-)	9 093	-281	48 526	-7 493
Basic EPS (profit for the period)	0,19	-0,01	1,00	-0,16
Diluted EPS (profit for the period)	0,19	-0,01	1,00	-0,16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.09.2020	30.09.2019	31.12.2019
Non-current assets			
Machinery and equipment	4 292	4 138	3 875
Intangible assets	484	7 133	674
Lease assets	12 759	15 856	14 469
Other non-current assets	0	-3	0
Total non-current assets	17 535	27 125	19 018
Current assets			
Inventories	4 876	5 490	5 298
Account receivables and other receivables	21 507	22 807	14 754
Cash and cash equivalents	69 660	22 055	31 289
Total current assets	96 042	50 352	51 341
Total assets	113 577	77 477	70 358
Assets classified as "Assets held for sale"	6 887		7 250
Total assets	120 464	77 477	77 608
Equity			
Share capital	48 335	48 335	48 335
Premium paid in capital	151 039	151 039	151 039
Retained earnings	-106 784	-153 486	-154 233
Non-controlling interests	3 039	1 008	1 336
Total equity	95 629	46 895	46 476
Other long-term liabilities			
Lease liabilities	13 743	16 671	12 764
Total other long-term liabilities	13 743	16 671	12 764
Current liabilities			
Accounts payable and other current liabilities	10 340	13 910	17 652
Total current liabilities	10 340	13 910	17 652
Total equity and liabilities	119 712	77 477	30 416
Liabilities attached to "Assets held for sale"	7		716
Total equity and liabilities	119 719	77 477	77 608

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q3 2020	2019	YTD 2020	2019
Cash flow from operating activities:				
Profit after tax	9 093	-281	48 526	-7 493
Adjustment:				
Depreciation	316	595	949	1 911
Depreciation IFRS	639	726	1 917	2 178
Employee stock options	212	308	636	924
Non cash interest expense	177	201	531	561
Changes in working capital				
Inventory	-337	1 093	945	1 070
Account receivables and other receivables	5 880	-5 820	-6 169	-5 912
Payables and other current liabilities	-1 997	5 144	-7 801	542
Net cash flow from operating activities	13 984	1 966	39 534	-6 218
Cash flow from investing activities:				
Purchase of fixed assets	-57	-489	-1 176	-608
Invested in intangible assets		0		-412
Change in long term receivables	84	-3	7	-3
Net cash flow from investing activities	28	-492	-1 169	-1 023
Cash flow from financing activities:				
Interest expense on lease liability	-177		-531	
Net present value adjustment	-284	-789	536	-2 366
Net cash flow from financing activities	-461	-789	5	-2 366
Changes in cash and cash equivalents	13 550	686	38 371	-9 608
Cash and cash equivalents at the beginning of period	56 109	21 369	31 289	31 662
Cash and cash equivalents at end of period	69 660	22 055	69 660	22 055

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q3 2020	2019	YTD 2020	2019
Equity at the beginning of period	86 324	46 869	46 476	53 465
Shared based compensation	212	308	636	924
Retained earnings	7 410	-422	45 485	-7 626
Changes in non-controlling interests	1 682	140	3 039	132
Equity at the end of period	95 629	46 895	95 629	46 895

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. September 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.

Tromsø, 21.10.2020
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. September 2020 (Q3)

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. September 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)	Q3		YTD	
	2020	2019	2020	2019
Sales revenue:				
Beta-Glucans	11 205	10 490	37 950	25 288
Enzymes	19 546	11 986	71 395	28 857
Group operating sales revenues	30 751	22 476	109 345	54 145
Gross profit				
Beta-Glucans	6 647	4 140	21 348	11 607
Enzymes	19 369	11 587	70 846	27 743
Group gross profit	26 015	15 727	92 194	39 350
Other revenues				
Beta-Glucans	0	701	213	2 049
Enzymes	798	779	2 414	2 624
Group other revenues	798	1 480	2 627	4 673
Operating expenses:				
Beta-Glucans	-4 119	-6 651	-10 575	-18 311
Enzymes	-10 657	-8 535	-28 649	-25 078
Unallocated corporate expenses	-1 938	-1 220	-4 519	-4 233
Group operating expenses	-16 714	-16 405	-43 743	-47 621
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	2 528	-1 809	10 986	-4 655
Enzymes	9 510	3 831	44 612	5 289
Unallocated corporate expenses	-1 938	-1 220	-4 519	-4 233
Operating profit/loss (-) (EBITDA)	10 100	802	51 078	-3 598
Depreciation and amortization:				
Beta-Glucans	-354	-797	-1 061	-2 391
Enzymes	-541	-488	-1 623	-1 463
Unallocated corporate expenses	-61	-37	-182	-234
Group depreciation and amortization	-955	-1 321	-2 866	-4 089
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	2 174	-2 606	9 925	-7 046
Enzymes	8 969	3 343	42 989	3 826
Unallocated corporate expenses	-1 999	-1 257	-4 702	-4 467
Profit/loss (-) before income tax (EBIT)	9 144	-520	48 212	-7 687

Note 3 Share options

Per 30.09.2020, 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
As of 01.01.	0	11.93
Granted during the year	10.19	315 000
Expired during the year		362 000
Outstanding at 30. September	315 000	0

CEO J. Holter, CFO B. Sørvoll and 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. September		315 000		0	
Exercisable options at 30. September		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 30.09.2020, a total of NOK 18.4 million had been expensed, of which NOK 0,2 million applies to Q3 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)	Q3		YTD	
	2020	2019	2020	2019
Net book value (opening balance)	4 488	4 003	3 875	4 596
Net investment	57	486	1 176	608
Depreciation and amortization	-253	-351	-759	-1 066
Net book value (ending balance)	4 291	4 138	4 291	4 138

Intangible asset (Amounts in NOK 1 000)	Q3		YTD	
	2020	2019	2020	2019
Net book value (opening balance)	6 681	7 423	6 808	7 551
Net investment	0	0	0	412
Depreciation and amortization	-63	-290	-189	-830
Net book value (ending balance)	6 618	7 133	6 618	7 133

Note: Figures includes "Asset held for sale"

Lease assets (Amounts in NOK 1 000)	Q3		YTD	
	2020	2019	2020	2019
Net book value (opening balance)	13 399	16 582	14 469	18 033
Net present value adjustment 01.01	0	0	208	0
Depreciation	-640	-725	-1 916	-2 176
Net book value (ending balance)	12 760	15 856	12 760	15 856

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	30.09.2020	30.09.2019	31.12.2019
Lease assets	12 760	15 856	14 469
Fixed assets	10 909	11 272	10 682
Other non-current assets	-7	-3	0
Sum Fixed assets	23 663	27 124	25 152

Note: Figures includes "Asset held for sale"

Lease liabilities	13 508	16 671	12 764
Current liabilities	10 568	13 910	18 368
Sum Liabilities	24 076	30 581	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. September 2020:

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	200 000
Volker Wedershoven, Director	80 000	100 000
Marit Sjø Lorentzen, Director	20 331	15 000
Jethro Holter, CEO	564	*
Børge Sørvoll, CFO	25 429	*
Dino DiCamillo, Director worldwide marketing	0	0
Olav Lanes, Director R&D and applications	2 000	0

*See note 3 for further details

Note 7 Shareholders

The 20 largest shareholders as of 30. September 2	Shares	Ownership
Skandinaviska Enskilda Banken AB	4 244 540	8,78 %
Nordnet Bank AB	2 845 767	5,89 %
Avanza Bank AB	2 344 895	4,85 %
Pro AS	2 297 216	4,75 %
Vinterstua AS	2 048 165	4,24 %
Clearstream Banking S.A.	1 502 970	3,11 %
Danske Bank A/S	1 459 554	3,02 %
Skandinaviska Enskilda Banken AB	1 421 884	2,94 %

Belvedere AS	1 365 684	2,83 %
Tellef Ormestad	1 181 272	2,44 %
Nordea Bank Abp	794 622	1,64 %
Middelboe AS	718 908	1,49 %
Odd Knut Bikrkeland	700 000	1,45 %
Nordnet Livsforsikring	696 519	1,44 %
Danske Bank A/S	600 000	1,24 %
Dragesund Invest AS	597 891	1,24 %
Rolf Einar Engstad	566 109	1,17 %
DNB Markets Aksjehandel/-analyse	474 434	0,98 %
Norda ASA	462 000	0,96 %
Naudholmen AS	429 290	0,89 %
20 largest shareholders aggregated	22 507 180	46,57 %

Note 8 Interim results

(Amounts in NOK 1 000)	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019
Sales revenues	30 751	44 320	34 274	22 002	22 476
Sales growth % (year-over-year)	37 %	97 %	103 %	13 %	1 %
Gross profit %	85 %	90 %	76 %	82 %	70 %
EPS	0,19	0,56	0,28	0,07	-0,01
EPS fully diluted	0,19	0,56	0,28	0,07	-0,01
EBITDA	10 100	27 217	13 760	4 600	802
Equity	95 629	86 324	60 271	46 476	46 895
Total equity and liabilities	119 719	112 681	91 743	77 609	77 477
Equity (%)	80 %	77 %	66 %	60 %	61 %

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 a 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)	Q3		YTD	
	2020	2019	2020	2019
Sales	30 751	22 476	109 345	54 145
Cost of goods	-4 736	-6 749	-17 151	-14 795
Gross profit	26 015	15 727	92 194	39 350
Other revenues	798	1 480	2 627	4 673
Sum other revenues	798	1 480	2 627	4 673
Personnel expenses	-12 050	-11 747	-29 499	-31 930
Other operating expenses	-4 663	-4 659	-14 245	-15 691
Depreciation and amortization expenses	-955	-1 321	-2 866	-4 089
Sum expenses	-17 669	-17 727	-46 610	-51 710
Operating profit/loss (-)	9 144	-520	48 212	-7 687

Note 10 Accounts receivable and other receivables

(Amounts in NOK 1 000)	30.09.2020	30.09.2019	31.12.2019
Accounts receivable	16 702	16 734	10 049
Research grants	743	493	1 345
Tax grants	2 626	4 544	2 337
VAT	9	99	370
Other receivables	674	937	652
Total accounts receivable and other receivables	20 754	22 807	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 30.09.2020	11 364	4 374	999	118	600
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 30.09.2019	13 743	1 232	410	655	694
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)	30.09.2020	30.09.2019	31.12.2019
Accounts payable	2 158	7 361	4 525
Public taxes and withholdings	968	1 146	1 679
Unpaid holiday pay	1 946	2 061	2 782
Other personnel	4 022	2 182	4 596
Other current liabilities	1 467	1 160	4 070
Total account payable and other current liabilities	10 561	13 910	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"	30.09.2020	31.12.2019
Intangible assets	6 134	6 134
Inventories	0	523
Account receivables and other receivables	753	593
Total assets	6 887	7 250

Liabilities attached to "Assets held for sale"	30.09.2020	31.12.2019
Accounts payable and other current liabilities	7	716
Total accounts payable and other current liabilities	7	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.

(Amounts in NOK 1 000)	Q3 2020		YTD 2020	
	2020	whereor COVID-19 related	2020	whereor COVID-19 related
Sales	30 751	5 200	109 345	21 700

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. September 2020

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 21.10.2020

Tromsø, 21.10.2020

The Board of Directors of ArcticZymes Technologies ASA

Marie Ann Roskrow
Chairman

Marit Sjo Lorentzen
Director

Volker Wedershoven
Director

Jethro Holter
CEO