



3rd Quarter
Quarterly Report

www.arcticzymes.com

2021

Highlights for Q3 2021

- ArcticZymes Technologies (AZT) had Q3 sales of NOK 25.6 million – an increase of 31% (Q3 2020: NOK 19.5 million)
- Coronavirus-related sales are estimated at NOK 2.9 million (Q3 2020: NOK 4.0 million)
- Gross profit increased to NOK 24.1 million because of increased sales (Q3 2020: NOK 19.4 million)
- AZT generated a positive EBITDA of NOK 9.0 million (Q3 2020: NOK 7.1 million)
- Cash-flow for Q3 was positive NOK 9.9 million (Q3 2020: NOK 13.6 million) giving a cash balance of NOK 186.9 million (Q3 2020: NOK 69.7 million)
- Four new advanced prototype enzymes were released for customer evaluation
- Commercial activities return to normal following the pandemic

CEO Jethro Holter comments:

“ArcticZymes Technologies commercial activities have mostly returning back to normal with customer re-engagement towards pre-pandemic activities. This is reflected in Q3 sales where ArcticZymes Technologies has experienced its second-best quarter for the non-coronavirus-related business achieving NOK 22.7 million. Furthermore, the Company accomplished its highest quarterly performance for sales to the Therapeutics (Biomanufacturing) segment achieving NOK 12.6 million.

AZT continues to uphold its earlier guidance with an annual sales revenue goal of NOK 120 million for 2021.”

Key financial figures:

NOK 1.000	Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Sales	25 589	19 546	+ 31 %	87 455	71 395	+ 22 %
Total revenues	26 439	20 345	+ 30 %	89 857	73 809	+ 22 %
Operating expenses	15 917	13 095	+ 22 %	47 171	34 668	+ 36 %
EBITDA	8 986	7 072	+ 27 %	40 774	38 593	+ 6 %
EBIT	8 085	6 413	+ 26 %	38 455	36 612	+ 5 %
Changes in cash	9 943	13 552	- 27 %	46 745	38 370	+ 22 %

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

Over 89% of the quarter’s sales are attributed to non-coronavirus-related sales. The Company achieved its second-best quarter ever with respect to non-coronavirus-related sales. AZT views this positively because its main strategic focus is towards this part of the business.

Following the recent lifting of coronavirus restrictions, AZT’s commercial team is back on the road visiting customers, attending tradeshows and conferences. The latter has already been fruitful in harnessing new business opportunities and customer interest to evaluate the Company’s technologies. Overall, commercial activities have mostly returned to pre-pandemic levels.

Therapeutics (Biomanufacturing)

The therapeutic segment experienced its highest quarterly sales performance which is served by the Salt Active Nuclease (SAN) product line. The segments contribution towards Q3 sales was 49%.

Most of the sales were attributed to non-coronavirus-related sales for utility in gene therapy, vaccine development and other biomanufacturing processes. The recent launch of SAN HQ 2.0 is gaining interest beyond therapeutics and fits with AZT’s strategy to expand its nuclease and other enzymes into the broader biomanufacturing market. In future reports, the Company will refer to this segment as Biomanufacturing where therapeutics is part of it.

New business in Asia is starting to contribute towards sales. Some of this will translate into future key accounts. In Europe, slow progress in sales remains with a few customers engaged in contract manufacturing of coronavirus vaccines.

The segment continues to be supported by a combination of academic, biotech, Contract Development Manufacturing Organisations (CDMO’s) and pharmaceutical companies. The majority of sales are achieved through CDMO’s which does limit visibility with respect to which therapeutic indications SAN is being utilised in. The Company is gradually serving more pharmaceutical company’s either directly, or indirectly following acquisition of our customers by pharmaceutical companies. Furthermore, several of our well-established partners are channelling SAN into pharmaceutical companies. AZT has ongoing opportunities with at least 7 pharmaceutical companies today. This includes one of the top 10 pharmaceutical companies which audited the Company last year. The customer is currently evaluating SAN enzymes for at least two therapeutic development projects. In supporting the evaluations, they have purchased SAN products for NOK 0.6 million during Q3.

AZT is well positioned to addressing the market opportunities via its network of 100+ customer relationships whether the business is direct or indirect.

Molecular Research & Diagnostics (Molecular)

The combined molecular research and diagnostics segment is served by the whole enzyme portfolio. Molecular research and diagnostics contribution towards Q3 sales were 24% and 27%, respectively.

For a third consecutive quarter research sales have re-established to pre-pandemic sales levels. It is anticipated that this trend will continue. AZT’s focus has shifted back to growing the segment via existing and new business. It mirrors customers’ expectations who are engaging more with respect to their innovation and product

pipeline developments. As a component supplier this fits timely with the launch of new products from AZT in the coming months.

Since the beginning of 2020, molecular diagnostics sales have been dominated by coronavirus-related sales. Q3 sales were impacted by lower demand of Cod UNG for coronavirus testing. However, approximately 58% of molecular diagnostic sales were non-coronavirus-related sales. Like the molecular research segment, engagement with customers is quickly shifting away from coronavirus and back to earlier business activities.

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

The combined molecular segments are supported by a growing customer base of 200+ customers.

Coronavirus-Related Sales

Coronavirus-related sales contribution towards Q3 sales was 11% or NOK 2.9 million. Sales have declined for two consecutive quarters.

The decline is directly related to a fall in demand for coronavirus testing. This has rebounded down the supply chain to its component suppliers such as AZT. However, it is expected that recurring business from AZT' well-established customers will continue but the magnitude of the orders will be smaller and fluctuations are still expected. New business opportunities are still arising where coronavirus is being integrated into multiplex tests rather than standalone tests. For AZT this represents an opportunity for the Company to get its enzymes into a broad range of test indications (e.g. respiratory test panels) with existing and new customers.

Vaccine-related sales represent a minor contribution to coronavirus-related sales. Several customers are considering to or are using SAN for their coronavirus vaccines development programs (e.g. ReiThera). However, such business is expected to take some time before it has any noticeable impact on sales revenues.

Innovations and Operations

New innovations are making good progress where the Company is developing new products towards all three market segments it serves. As products become closer to launch, AZT often provides advanced prototypes of pre-launch products to its customer as part of its early access program. The following four advanced prototypes will be made available to customers between September and until anticipated launch in either Q4 2021 or early Q1 2021.

- **DUAL SPLINT LIGASE**
Ligase with novel specificity enabling the ligation of DNA to both ends of RNA using a DNA splint. This represents the first of a series of novel ligases in AZT' pipeline.
- **HEAT-TOLERANT DUPLEX-SPECIFIC NUCLEASE**
Recombinant HT-dsDNase for signal amplification in the detection of miRNA and RNA viruses. This enzyme complements AZT' other DNases and broadens the applicability of the DNase portfolio.
- **HIGH QUALITY REVERSE TRANSCRIPTASE**
MMLV-RT for RT-qPCR and RT-LAMP. This represents the Company's first reverse transcriptase. It is not a novel enzyme but there is demand by commercial developers of infectious disease diagnostic tests. Since it is not a novel enzyme, it conveniently fits into customers' existing diagnostic workflows with minimal product development activities (i.e. a plug and play enzyme). Furthermore, the enzyme supports AZT' ongoing efforts to develop novel Reverse Transcriptase technologies with the expectation to launch the Company's first novel reverse

transcriptase during 2022.

- **HIGH CONCENTRATION ISOPOL™ BST+ DNA POLYMERASE**
IsoPol BST+ Glycerol FREE new pack at 400 – 700 U/μl to expedite isothermal Point-of-Care diagnostics. For several ongoing customer opportunities and for certain applications it was necessary to provide customers with a highly concentrated formulation of the enzyme.

A pilot production of the M-SAN HQ ELISA was performed in the third quarter. The production processed according to plan and all specifications were successfully achieved. Next step will be to manufacture the first commercial batch with an anticipated launch in late Q4. Furthermore, AZT has initiated the development of the SAN HQ 2.0 ELISA kit where the process of developing antibody pairs is underway. The SAN HQ 2.0 ELISA is targeted for launch during the second half of 2022.

Taq DNA polymerases and novel reverse transcriptases originally planned for 2021 are taking longer than anticipated to optimise their manufacturing processes. Expect to launch these enzymes in the first half of 2022.

Progress continues with two upscaling projects of existing enzyme products:

- M-SAN HQ – all preparative work has been completed ready for the first upscaled pilot production during Q4. A similar upscaling and downstream process will be followed as used for the upscaled SAN HQ enzymes.
- Proteinase – optimisation of the conditions prior to upscaling are ongoing. AZT has prioritised the upscaling due to growing interest amongst customers for utility in molecular diagnostics, cell therapy and mRNA therapeutic applications.

In operations the new production facilities are progressing according to plan. The infrastructure changes are completed. Equipment is currently undergoing qualification and verification in accordance with ISO 13485 requirements and GMP guidelines. It is expected that the relocation of manufacturing to the new facilities will be accomplished and fully operational by the end of 2021.

Strategic growth initiatives

The Company is committed to execute on its strategic growth initiatives.

In supporting organic growth, AZT is establishing a laboratory in Oslo which will focus efforts to develop applications around its existing and new enzymes. The rationale for the Oslo location is to get access to a talent pool of commercially experienced application scientists. A location has been identified and negotiations are ongoing to secure the facilities. A hiring process will be initiated to coincide with being operational within Q2 2022.

The Company has intensified activities toward its inorganic growth initiatives. It has re-engaged in discussions with earlier acquisition targets. Furthermore, AZT has expanded its search to identify new potential targets in all 3 market areas it serves and beyond European borders to include North America. AZT has commissioned a specialised consultancy to support its search efforts.

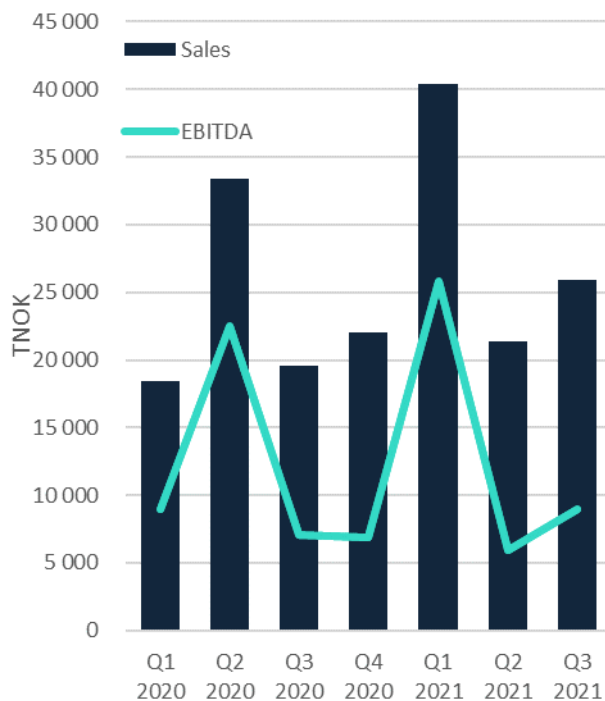
Corporate

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.

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.

Sales & EBITDA



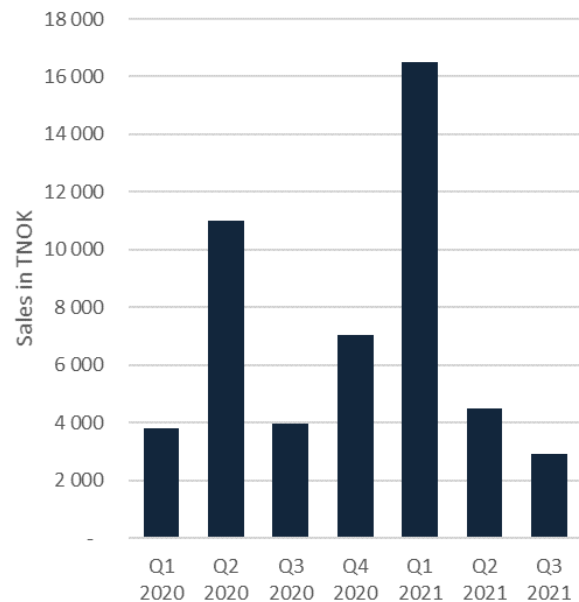
AZT reported sales of NOK 25.6 million (Q3 2020: 19.5 M) for the third quarter of 2021. Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 9.0 million (Q3 2020: 7.1 M) and earnings before interest and tax (EBIT) were NOK 8.1 million (Q3 2020: 6.4 M) in the quarter. Net financial income was a profit of NOK 0.4 million (Q3 2020: 0.0 M).

EBITDA for the third quarter is up by NOK 1.9 million from third quarter 2020 explained by higher sales primarily related to non-coronavirus-related sales. Operating expenses are increased as the Company is investing in organic growth initiatives by recruitment of further personnel.

For the first 9 months of 2021, AZT reported sales of NOK 87.5 million (9 m 2020: 71.4 M). Earnings before tax, interest, depreciation, and amortisation (EBITDA) were NOK 40.8 million (9 m 2020: 38.6 M) and earnings before interest and tax (EBIT) were NOK 38.5 million (9 m 2020: 36.6 M). Net financial income was a profit of NOK 0.7 million (9 m 2020: 0.3 M).

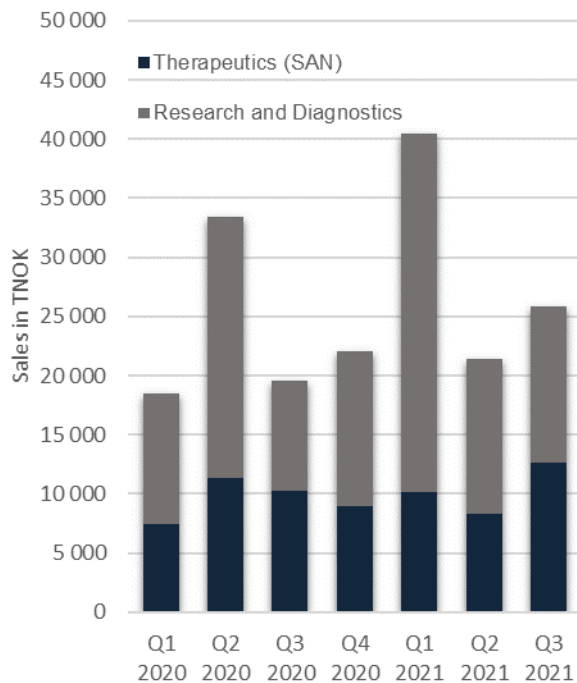
The Company's revenues are primarily denominated in Euro and USD which impacts the financial statements. A strengthening or weakening of the NOK versus USD and EURO will influence underlying growth figures. By using an equivalent exchange rate in 2021 as 2020, revenues would have been NOK 0.5 million and NOK 8.4 million higher for Q3 and the first 9 months, respectively.

Estimated Coronavirus related sales



Of the NOK 25.6 million in quarterly sales, an estimated NOK 2.9 million (Q3 2020: 4.0 M) were coronavirus-related. For the first 9 months of 2021, an estimated NOK 23.9 million (9 m 2020: 18.8 M) were coronavirus-related sales. These sales will continue to fluctuate from quarter to quarter moving forward.

Sales per segment



Extraordinary items for the period

EBITDA for the third quarter is impacted by NOK 0.5 million in accrued employer's national insurance contribution after "2018 option rights" was earned on 31.05.2021. For the first 9 months, NOK 4.8 million is accrued. This accrual will fluctuate moving forward together with fluctuations in the share price.

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 Q3 2021, the Company recognised NOK 1.6 million in tax expense and NOK 8.2 million for the first 9 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 226.9 million at the end of Q3 2021 compared to NOK 95.6 million at the end of Q3 2020.

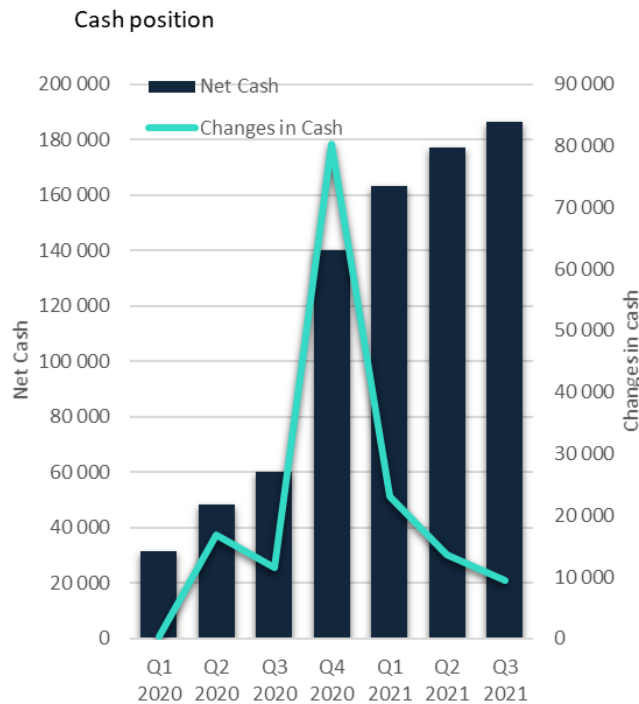
Total assets were NOK 263.4 million at the end of Q3 2021, up from NOK 112.8 million at the end of Q3 2020.

The Company has no interest-bearing debt.

Cash flow

Net cash flow from operating activities was NOK 15.3 million in Q3 2021 and NOK 56.3 million in the first 9 months of 2021. This is an increase of NOK 1.8 million for the quarter and an improvement of NOK 16.7 million for the first 9 months 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 6.0 million compared to the end of Q2 2021. This is explained by a decrease in receivables by NOK 0.9 million, increase in inventory of NOK 0.4 million and an increase in liabilities of NOK 5.5 million.



Changes in cash and cash equivalents were NOK 9.9 million in Q3 2021 and NOK 46.7 million in the first 9 months. This generated a cash balance of NOK 186.9 million at the end of Q3 2021, compared to NOK 69.7 million at the end of Q3 2020.

Shareholder matters

The total number of issued shares was 50,171,390 at the end of the quarter. The share capital was increased by 1,836,717 in the second quarter, explained by a contribution in kind where 4% ownership in ArcticZymes AS was transferred to the mother company, ArcticZymes Technologies ASA.

Furthermore, 600,000 options were earned and vested in the second quarter. Combined with previously awarded options, a total of 915,000 options are outstanding at the end of Q3 2021. See the annual report for 2020 and notes 3 and 6 in the Q3 2021 financial statement for further details on option programs.

Risk factors

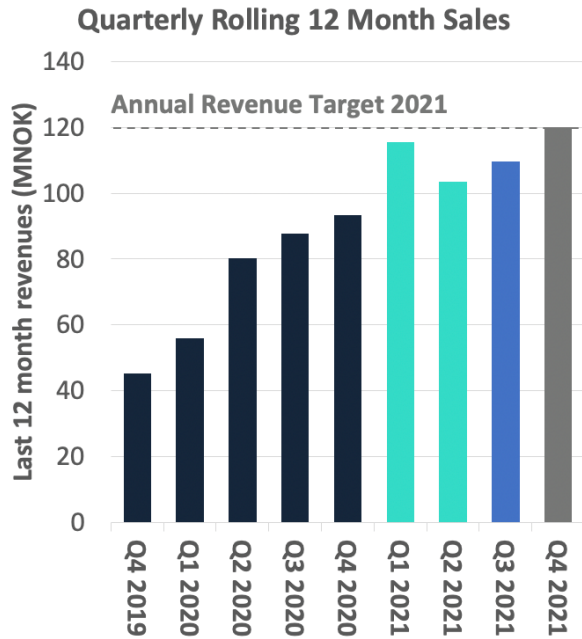
AZT' business is exposed to several risk factors that may affect parts of or all the Company's activities.

The most important risk is the future commercial development but exchange rate fluctuations from year to year will also impact underlying sales in the company as most revenues are in USD and Euro.

The coronavirus pandemic has had a net positive impact on the business in 2020 and first 9 months of 2021 as the Company's products are used in diagnostic test solutions and potential vaccine candidates. Coronavirus-related sales are expected to decline before reaching steady state over the next 12 months. However, the risks are considered minimal because they will be mitigated and counteracted by sales in other areas of the business now commercial and customer activities have mostly returned to normal following the pandemic. This is evident in the molecular research and therapeutics segments as well as out in the field with re-establishment of face-to-face customer interactions.

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



Last quarter, the Company provided financial guidance with an annual sales revenue goal of 120 MNOK for 2021. AZT continues to uphold this guidance. Long-term growth is expected due to the momentum mostly in the non-coronavirus-related business. This is supported by a growing product portfolio of innovative enzyme technologies and expanding customer base. Future guidance will be provided for financial expectations for 2022 and longer-term during the beginning of next year.

The interim financial statement 30. September 2021 (Q3)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q3		YTD	
	2021	2020	2021	2020
Sales revenues	25 589	19 546	87 455	71 395
Other revenues	850	798	2 402	2 414
Sum revenues	26 439	20 345	89 857	73 809
Cost of goods	-1 535	-178	-1 913	-548
Personnel expenses	-11 631	-9 815	-34 196	-24 729
Other operating expenses	-4 286	-3 280	-12 975	-9 939
Sum expenses	-17 453	-13 273	-49 084	-35 216
Earnings before interest, taxes, depr. and amort.	8 986	7 072	40 774	38 593
Depreciation and amortization expenses	-901	-660	-2 318	-1 981
Operating profit/loss (-) (EBIT)	8 085	6 412	38 455	36 612
Financial income, net	368	-38	657	258
Profit/loss (-) before tax (EBT)	8 453	6 374	39 112	36 870
Tax	-1 566	0	-8 169	0
Net profit/loss (-) before discontinued operations	6 886	6 374	30 943	36 870
Net profit from "Discontinued operations"	0	2 720	0	11 656
Net profit/loss (-)	6 886	9 093	30 943	48 526
Basic EPS (profit for the period)	0,14	0,19	0,62	1,00
Diluted EPS (profit for the period)	0,13	0,18	0,61	0,99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.09.2021	30.09.2020*	31.12.2020
Non-current assets			
Deferred tax	24 974		33 143
Machinery and equipment	10 174	4 320	3 058
Intangible assets	1 722	455	420
Lease assets	16 722	12 759	10 515
Other non-current assets	-1		5
Total non-current assets	53 590	17 534	47 141
Current assets			
Inventories	6 220	4 876	3 889
Account receivables and other receivables	17 043	20 747	30 705
Cash and cash equivalents	186 923	69 660	140 178
Total current assets	210 187	95 283	174 771
Total assets	263 777	112 817	221 912
Assets classified as "Assets held for sale"	0	6 887	0
Total assets	263 777	119 705	221 912
Equity			
Share capital	50 171	48 335	48 335
Premium paid in capital	259 405	151 039	151 039
Retained earnings	-82 332	-106 784	-4 954
Non-controlling interests		3 039	1 909
Total equity	227 244	95 629	196 330
Other long-term liabilities			
Lease liabilities	17 602	13 508	9 595
Total other long-term liabilities	17 602	13 508	9 595
Current liabilities			
Accounts payable and other current liabilities	18 930	10 561	15 987
Total current liabilities	18 930	10 561	15 987
Liabilities classified as "Assets held for sale"		7	
Total liabilities	36 532	24 076	25 582
Total equity and liabilities	263 777	119 705	221 912

*30.09.2020 Includes Biotec BetaGlucans AS

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q3		YTD	
	2021	2020	2021	2020
Cash flow from operating activities:				
Profit after tax	6 886	9 093	30 943	48 526
Adjustment:				
Tax	1 566		8 169	
Depreciation	258	316	716	949
Depreciation IFRS	643	639	1 602	1 917
Employee stock options	243	212	667	636
Non cash interest expense	197	177	497	531
Changes in working capital				
Inventory	-401	-337	-2 331	945
Account receivables and other receivables	933	5 880	13 661	-6 169
Payables and other current liabilities	5 467	-1 997	2 943	-7 801
Net cash flow from operating activities	15 793	13 984	56 867	39 534
Purchase of fixed assets	-4 418	-57	-7 671	-1 176
Investment in intangible assets	-1 462		-1 462	
Change in long term receivables	2	84	6	7
Net cash flow from investing activities	-5 878	28	-9 127	-1 169
Cash flow from financing activities:				
Interest expense on lease liability	-197	-177	-497	-531
Dividends to minority shareholders			-1 159	
Other financial transactions			567	
Principal portion of the lease liability	226	-284	95	536
Net cash flow from financing activities	28	-461	-995	5
Changes in cash and cash equivalents	9 943	13 552	46 745	38 370
Cash and cash equivalents at the beginning of period	176 980	56 109	140 178	31 289
Cash and cash equivalents at end of period	186 923	69 660	186 923	69 660

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q3		YTD	
	2021	2020*	2021	2020*
Equity at the beginning of period	220 115	86 324	196 330	46 476
Share capital			1 837	
Premium paid in capital			108 366	
Retained earnings			-110 203	
Shared based compensation	243	212	667	636
Retained earnings	6 886	7 410	29 840	45 485
Transaction cost			-696	
Changes in non-controlling interests		1 682	1 103	3 039
Equity at the end of period	227 244	95 629	227 244	95 629

* 30.09.2020 Includes Biotec BetaGlucans AS

Notes to the interim accounts for 30. September 2021 (Q3)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2021 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 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. September 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. ArcticZymes 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, normally when they leave the warehouse. The maturity of the invoices range from 30 to 90 days, depending on customer. Most of the revenues are from quotes or non binding supply agreements where the price has been agreed upon in advance. Other operating income are government tax grants and research grants.

(Amounts in NOK 1 000)	Q3		YTD	
	2021	2020	2021	2020
Sales revenue:				
Beta-Glucans (discontinued operations)		11 205		37 950
Enzymes	25 589	19 546	87 455	71 395
Group operating sales revenues	25 589	30 751	87 455	109 345
Gross profit				
Beta-Glucans (discontinued operations)		6 647		21 348
Enzymes	24 054	19 369	85 542	70 846
Group gross profit	24 054	26 015	85 542	92 194
Other revenues				
Beta-Glucans (discontinued operations)				213
Enzymes	534	798	1 657	2 414
Unallocated corporate expenses	316		745	
Group other revenues	850	798	2 402	2 627
Operating expenses:				
Beta-Glucans (discontinued operations)		-4 119		-10 575
Enzymes	-12 756	-10 657	-35 419	-28 649
Unallocated corporate expenses	-3 162	-1 938	-11 751	-4 519
Group operating expenses	-15 918	-16 714	-47 171	-43 743
Operating profit/loss (-) (EBITDA)				
Beta-Glucans (discontinued operations)		2 528		10 986
Enzymes	11 833	9 510	51 780	44 612
Unallocated corporate expenses	-2 846	-1 938	-11 007	-4 519
Operating profit/loss (-) (EBITDA)	8 986	10 100	40 774	51 078
Depreciation and amortization:				
Beta-Glucans (discontinued operations)		-354		-1 061
Enzymes	-714	-542	-1 754	-1 623
Unallocated corporate expenses	-187	-61	-564	-182
Group depreciation and amortization	-901	-956	-2 318	-2 866
Profit/loss (-) before interest and tax (EBIT)				
Beta-Glucans (discontinued operations)		2 174		9 925
Enzymes	11 118	8 969	50 026	42 989
Unallocated corporate expenses	-3 034	-1 999	-11 571	-4 702
Profit/loss (-) before interest and tax (EBIT)	8 085	9 145	38 455	48 212

Note 3 Share options

Per 30.09.2021, there were 915,000 outstanding options in the Group. The fair value of the historic services received from the associates in return for the options granted is recognized as an expense in the consolidated profit and loss statement. Total expense for the options are accrued over the vesting period based on the fair value of the options granted, excluding impact of any vesting conditions that are not reflected in the market. Management updates the estimated number of options that will vest each period end. A change in the estimated number of options that will vest is recognised as an adjustment in the accumulated expense with a corresponding change in equity.

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

	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. September	8.75	915 000	10.19	315 000

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

Awarded options	Option strike price	Options earned at
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	2020
		Number of share options	
2022, 31 December	8.00	600 000	0
2025, 14 May	10.19	315 000	315 000
Outstanding at 30. September		315 000	315 000
Exercisable options at 30. September		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 <i>(Amounts in NOK 1 000)</i>	Q3		YTD	
	2021	2020*	2021	2020*
Net book value (opening balance)	5 961	4 517	3 058	3 904
Net investment	3 437	57	6 280	1 176
Work in progress lab facility	981		1 382	
Depreciation and amortization	-204	-253	-547	-759
Net book value (ending balance)	10 174	4 320	10 174	4 320

* 30.09.2020 Includes Biotec BetaGlucans AS

Intangible asset <i>(Amounts in NOK 1 000)</i>	Q3		YTD	
	2021	2020*	2021	2020*
Net book value (opening balance)	313	6 652	420	6 779
Net investment	1 462	0	1 462	0
Depreciation and amortization	-54	-63	-161	-189
Net book value (ending balance)	1 722	6 589	1 722	6 589

* 30.09.2020 Includes Biotec BetaGlucans AS

Lease assets <i>(Amounts in NOK 1 000)</i>	Q3		YTD	
	2021	2020*	2021	2020*
Net book value (opening balance)	17 365	13 399	10 515	14 469
New premises SIVA			7 606	
Net present value adjustment 01.01		0	203	208
Depreciation	-643	-640	-1 602	-1 916
Net book value (ending balance)	16 722	12 759	16 722	12 759

* 30.09.2020 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 BetaGlucans on 31.12.2020, all IFRS16 calculations relating to production facilities at Nordøya is eliminated from leased assets and liabilities.

(Amounts in NOK 1 000)

Financial position	30.09.2021	30.09.2020*	31.12.2020
Lease assets	16 722	12 759	10 515
Fixed assets	11 896	10 909	3 478
Other non-current assets	24 974		33 143
Sum Fixed assets	53 590	23 668	47 141
Lease liabilities	17 602	13 508	9 595
Current liabilities	18 930	10 568	15 987
Sum Liabilities	36 532	24 076	25 582

* 30.09.2020 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	30.09.2021	30.09.2020*	31.12.2020
Lease of IT equipment	107	18	48
Overhead expenses related to premises	461	420	921
Total leased assets included in other expenses	568	438	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 assets. 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. September 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. September 2021	Shares	Ownership
Skandinaviska Enskilda Banken AB	4 232 733	8,44 %
Nordnet Bank AB	3 489 124	6,95 %
Skandinaviska Enskilda Banken AB	2 745 285	5,47 %
Avanza Bank AB	2 318 209	4,62 %
Pro AS	2 005 216	4,00 %
State Street Bank and Trust Comp	1 422 104	2,83 %
Tellef Ormestad	1 319 199	2,63 %
Clearstream Banking S.A.	1 259 997	2,51 %
Belvedere AS	1 015 684	2,02 %
State Street Bank and Trust Comp	961 862	1,92 %
Danske Bank AS	802 859	1,60 %
RBC Investor Services Bank S.A	610 000	1,22 %
Aos Holding AS	599 539	1,19 %
Middelboe AS	598 028	1,19 %
Npw Invest AS	588 000	1,17 %
Skandinaviska Enskilda Banken AB	585 000	1,17 %
Tøj Holding AS	570 650	1,14 %
Vinterstua AS	569 658	1,14 %
Danske Bank AS	562 000	1,12 %
Dragesund Invest AS	547 891	1,09 %
20 largest shareholders aggregated	26 803 038	53,42 %

Note 8 Interim results

(Amounts in NOK 1 000)	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020
Sales revenues	25 589	21 419	40 447	22 054	19 546
Sales growth % (year-over-year)	31 %	10 %	21 %	19 %	63 %
Gross profit %	99 %	99 %	99 %	97 %	100 %
EPS	0,14	0,09	0,40	0,76	0,19
EPS fully diluted	0,13	0,10	0,39	0,75	0,18
EBITDA	8 986	5 982	25 806	6 837	7 072
Equity	227 244	220 115	215 898	197 325	95 629
Total equity and liabilities	263 777	251 201	237 473	221 747	119 719
Equity (%)	86 %	88 %	91 %	89 %	80 %

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 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	
	2021	2020*	2021	2020*
Sales	25 589	19 546	87 455	71 395
Cost of goods	-1 535	-178	-1 913	-548
Gross profit	24 054	19 369	85 542	70 846
Other revenues	850	798	2 402	2 414
Sum other revenues	850	798	2 402	2 414
Personnel expenses	-11 631	-9 815	-34 196	-24 729
Other operating expenses	-4 286	-3 280	-12 975	-9 939
Depreciation and amortization expenses	-901	-660	-2 318	-1 981
Sum expenses	-16 819	-13 755	-49 489	-36 649
Operating profit/loss (-)	8 085	6 412	38 455	36 612

* 30.09.2020 does not include discontinued operations.

Note 10 Accounts receivable and other receivables

(Amounts in NOK 1 000)	30.09.2021	30.09.2020*	31.12.2020
Accounts receivable	11 831	16 702	10 575
Research grants	2 979	743	1 505
Tax grants	762	2 626	1 138
VAT	872	9	791
Other receivables	599	667	16 696
Total accounts receivable and other receivables	17 043	20 747	30 705

* 30.09.2020 Includes Biotec BetaGlucans AS

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.09.2021	8 431	2 747	136	8	508
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 30.09.2020	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

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)	30.09.2021	30.09.2020*	31.12.2020
Accounts payable	5 934	2 158	3 456
Dividends to non-controlling interests			1 159
Public taxes and withholdings	1 200	968	1 301
Unpaid holiday pay	1 867	1 946	2 015
Other personnel	8 308	4 022	4 335
Other current liabilities	1 621	1 468	3 721
Total account payable and other current liabilities	18 930	10 561	15 987

*30.09.2020 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 foreseeable 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.

(Amounts in NOK 1 000)	Q3		YTD	
	2021	2020	2021	2020
Estimated COVID-19 related sales	2 900	5 200	23 900	21 700

Other operating expenses related to the COVID-19 pandemic is only marginal and not reported as a separate 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)	30.09.2021	31.12.2020	Change
Non current assets	453	473	21
Unrealized gain/losses	512	-777	-1 289
Other temporary differences	-5 519	-217	5 302
Gains and loss account	8 487	10 609	2 122
Pensions	-1	5	6
Total temporary differences	3 933	10 093	6 162
Tax assessment loss carried forward	-117 449	-160 744	43 294
Calculation base deferred tax asset	-113 517	-150 649	37 132
Deferred tax asset, 22%	-24 974	-33 143	8 169
Changes in temporary differences	8 169	0	
Tax expense	8 169	0	

Note 14 Discontinued operations

Figures adjusted for discontinued operations in first 9months of 2020

(Amounts in NOK 1 000)	Continued operations 30.09.20	Discontinued operation 30.09.20	Elimination	Group before reclass. 30.09.20	Reclas. to disc. Operations 30.09.20	Group 30.09.20
Sales	71 395	37 950		109 345	-37 950	71 395
Other revenues	2 414	213		2 627	-213	2 414
Sum revenues	73 809	38 163	0	111 972	-38 163	73 809
Cost of goods	-548	-16 602		-17 151	16 602	-548
Personnel expenses	-23 581	-5 917	1 147	-29 499	4 770	-24 729
Other operating expenses	-9 587	-4 657	352	-14 244	4 305	-9 939
Sum expenses	-33 717	-27 176	1 499	-60 893	25 677	-35 217
EBITDA	40 092	10 987	-1 499	51 079	-12 486	38 592
Depreciation and amortization	-1 805	-1 061	174	-2 866	887	-1 980
Operating profit	38 287	9 926	-1 674	48 213	-11 599	36 612
Financial income, net	381	-67	123	314	-56	258
Profit/loss (-) before interest & tax	38 668	9 858	-1 797	48 527	-11 656	36 870
Taxes	0	0	0	0	0	0
Net profit	38 668	9 858	-1 797	48 526	-11 656	36 870

Figures adjusted for discontinued operations in Q3 2020

(Amounts in NOK 1 000)	Continued operations Q3	Discontinued operation Q3	Elimination	Group before reclass. Q3	Reclas. to disc. Operations Q3	Group Q3
Sales	19 546	11 205		30 751	-11 205	19 546
Other revenues	798	0		798	0	798
Sum revenues	20 345	11 205	0	31 550	-11 205	20 345
Cost of goods	-178	-4 559		-4 736	4 559	-178
Personnel expenses	-9 433	-2 618	382	-12 050	2 235	-9 815
Other operating expenses	-3 162	-1 501	117	-4 663	1 384	-3 280
Sum expenses	-12 773	-8 677	500	-21 450	8 177	-13 274
EBITDA	7 572	2 528	-500	10 100	-3 028	7 071
Depreciation and amortization	-602	-354	59	-955	295	-660
Operating profit	6 970	2 174	-558	9 144	-2 733	6 411
Financial income, net	3	-54	41	-51	13	-38
Profit/loss (-) before interest & tax	6 973	2 120	-599	9 094	-2 720	6 374
Taxes	0	0	0	0	0	0
Net profit	6 973	2 120	-599	9 094	-2 720	6 374

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

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 27.10.2021

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 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, 27.10.2021

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

ArcticZymes Technologies ASA

Sykehusveien 23

N-9294 Tromsø, Norway

T (47) 7764 8900

E ir@arcticzymes.com

I www.arcticzymes.com

www.arcticzymes.com

