

**INNKALLING TIL
ORDINÆR
GENERALFORSAMLING
I
ARCTIC BIOSCIENCE AS**

**NOTICE OF
ORDINARY
GENERAL MEETING
IN
ARCTIC BIOSCIENCE AS**

Det innkalles med dette til ordinær generalforsamling i Arctic Bioscience AS («Selskapet»). Styret har besluttet at generalforsamlingen avholdes uten fysisk møte, den 21. april 2023 kl. 14.00 (CEST) virtuelt på Microsoft Teams.

Notice is hereby given of an Ordinary General Meeting of Arctic Bioscience AS (the "Company"). The Board of Directors has decided to conduct the general meeting without a physical meeting, to be held on 21. April 2023, at 14:00 p.m. (CEST) virtually on Microsoft Teams.

Aksjeeiere kan også velge å avgi forhåndsstemme eller fullmakt, som beskrevet i innkallingen. For en mer effektiv generalforsamling oppfordrer vi så mange som mulig til å avgi forhåndsstemme eller fullmakt.

Shareholders may also choose to vote in advance or by proxy as described in this notice. For a more efficient general meeting, we encourage as many as possible to vote in advance or by proxy.

Til behandling foreligger følgende saker:

The agenda is as follows:

- 1. Åpning av generalforsamlingen ved styrets leder**
- 2. Valg av møteleder og en person til å medundertegne protokollen**
- 3. Godkjenning av innkalling og dagsorden**
- 4. Årsregnskap og årsberetning**

- 1. Opening of the general meeting by the chairperson of the board**
- 2. Election of a chairperson and a person to co-sign the minute**
- 3. Approval of the notice and the agenda**
- 4. Annual accounts and annual report**

Årsregnskap, årsberetning og revisors beretning er vedlagt.

The annual accounts, the annual report and the auditor's report is attached.

Det foreslås at selskapets underskudd for året 2022 på NOK 33 985 110 dekkes av overkursen.

The board proposed that the company's loss for the year 2022, NOK 33 985 110 shall be covered by share premium reserve.

5. Honorar til styret

Styret foreslår at styres leder skal godtgjøres med NOK 500 000 og hvert av styrets øvrige medlemmer skal godtgjøres med NOK 250 000 for utøvelsen av styrevervet for perioden 2022. Styret foreslår at tilsvarende honorarsatser også gjøres gjeldende for perioden 2023.

5. Remuneration to the board

The board proposes that the chairperson shall receive a compensation of NOK 500 000 and that each of the directors shall receive a compensation of NOK 250 000 for their services during 2022. The board proposes that the same remuneration amounts also is applicable for 2023.

6. Honorar til revisor

Styret foreslår at revisors bistand til selskapets revisjon m.v. for regnskapsåret 2022 godtgjøres etter regning.

7. Valg av styremedlemmer

Styret foreslår for generalforsamlingen at følgende styremedlemmer gjenvelges:

- Harald Nordal (styrets leder)
- Jostein Christian Dalland
- Asbjørn Solevågseide
- Jan Endre Vartdal
- Per Magne Eggesbø
- Tore A. F. Tønseth
- Hu Cao
- Marita Holstad

Selskapets styre vil dermed bestå av følgende personer:

- Harald Nordal (styrets leder)
- Jostein Christian Dalland
- Asbjørn Solevågseide
- Jan Endre Vartdal
- Per Magne Eggesbø
- Tore A. F. Tønseth
- Hu Cao
- Marita Holstad

8. Forhøyelse av selskapets aksjekapital ved konvertering av gjeld

Selskapet har ved gjennomført transaksjon med Ronja Capital II AS fått gjeld til Ronja Capital II AS. Styret og Ronja Capital II AS er enige om at denne fordringen kan benyttes som kapitalinnskudd ved kapitalforhøyelse i selskapet. Begrunnelsen for forslaget er følgende å oppfylle selskapets forpliktelser under aksjekjøpsavtale for erverv av selskapet Arctic Algae AS.

Styret foreslår at generalforsamlingen vedtar følgende kapitalforhøyelse:

- a) Aksjekapitalen økes fra NOK 2.442.571,90 med NOK 94.383,30 til NOK 2.536.955,20 ved utstedelse av 943.833 nye aksjer pålydende NOK 0,10

6. Fee to the auditor

The board proposes that the auditor's services for the financial year 2022 is compensated according to the auditor's invoices.

7. Election of board members

The board proposes to the general meeting that the following members are re-elected:

- Harald Nordal (chairperson)
- Jostein Christian Dalland
- Asbjørn Solevågseide
- Jan Endre Vartdal
- Per Magne Eggesbø
- Tore A. F. Tønseth
- Hu Cao
- Marita Holstad

Thus, the Company's Board of Directors will consist of the following persons:

- Harald Nordal (chairperson)
- Jostein Christian Dalland
- Asbjørn Solevågseide
- Jan Endre Vartdal
- Per Magne Eggesbø
- Tore A. F. Tønseth
- Hu Cao
- Marita Holstad

8. Share capital increase by conversion of debt

The company has acquired a debt to Ronja Capital II AS through the completed transaction with Ronja Capital II AS. The board and Ronja Capital II AS agree that the claim may be used as capital contribution in a share capital increase in the company. The rationale for the proposal is to fulfil the company's obligations under share purchase agreement regarding the acquisition of the company Arctic Algae.

The board proposes that the general meeting resolves the following share capital increase:

- a) The share capital is increased from NOK 2,442,571.90 by NOK 94,383.30 to NOK 2,536,955.20 by subscription of 943,833 new shares with a nominal value of

pr. aksje til tegningskurs NOK 17,27 pr. aksje, hvorav NOK 17,17 pr. aksje utgjør overkurs. Samlet overkurs er NOK 16.205.612,61. Samlet tegningsbeløp er NOK 16.299.995,91.

- b) De nye aksjene skal tegnes av Ronja Capital II AS, org.nr. 925 777 293, adr. Skansekaia 4A, 6002 Ålesund.
- c) Aksjeinnskuddet skal gjøres opp ved at tegner motregner med sin fordring på selskapet på totalt NOK 16.300.000 i henhold til gjeldsbrev. For nærmere beskrivelse av innskuddet vises det til redegjørelsen som er utarbeidet.
- d) De eksisterende aksjeeieres fortrinnsrett fravikes for å muliggjøre ovennevnte.
- e) Aksjene tegnes på særskilt tegningsblankett. Fristen for å tegne de nye aksjene, og fristen for aksjeinnskuddet er innen 7 dager etter generalforsamlingens beslutning.
- f) De nye aksjene gir rett til utbytte og rettigheter for øvrig fra og med kapitalforhøyelsens registrering i Foretaksregisteret.
- g) Utgiftene til kapitalforhøyelsen er anslått til ca. NOK 20 000. Utgiftene dekkes av selskapet.

Det foreligger ingen andre hendelser etter siste balansedag som er av vesentlig betydning for selskapet.

9. Endring av selskapets vedtekter i anledning kapitalforhøyelsen

I anledning forslaget om kapitalforhøyelse foreslår styret å endre vedtektenes § 4 til å lyde:

NOK 0.10 per share, at a subscription price of NOK 17.27 per share, including a share premium of NOK 17.17. The total amount paid as share premium is 16,205,612.61. The total subscription amount is NOK 16,299,995.91.

- b) The new shares shall be subscribed by Ronja Capital II AS, reg.no. 925 777 293, adr. Skansekaia 4A, 6002 Ålesund.
- c) The subscription amount shall be settled by set off against the subscriber's claim on the company of a total of NOK 16,300,000 according to promissory note. For further details regarding the contribution, reference is made to the statement.
- d) The current shareholders preferential rights shall be disregarded to facilitate the above.
- e) The shares shall be subscribed using a separate subscription form. The deadline for the subscription of the new shares and the deadline for contribution is within 7 days after the general meeting's resolution.
- f) The new shares grant dividend rights and other rights from the time of registration of the capital increase in the Norwegian Register of Business Enterprises.
- g) The cost relating to the capital increase is estimated to approximately NOK 20 000. The cost shall be paid by the company.

From the time of the last balance date there have been no other events of material importance for the company.

9. Amendments to the articles of association due to the capital increase

Due to the proposed capital increase, the board proposes to amend article 4 of the articles of association to:

"Selskapets aksjekapital er NOK 2 536 955,20 fordelt på 25 369 552 aksjer, hver pålydende NOK 0,10.

"The company's share capital is NOK 2,536,955.20 divided into 25,369,552 shares, each with nominal value NOK 0.10.

Selskapets aksjer skal være registrert i Verdipapirsentralen (VPS)."

The company's shares shall be registered in Verdipapirsentralen (VPS)."

10. Endring av selskapets vedtekter § 7

Som følge av preceptorisk lovgivning for innkallingsfrist til generalforsamling gjeldende fra juli 2023, foreslår styret å endre første avsnitt i vedtektenes § 7 til å lyde:

«Ordinær generalforsamling avholdes hvert år innen seks måneder etter utgangen av hvert regnskapsår. Innkalling til generalforsamling skal sendes senest to uker før møtet skal holdes. Innkallingen skal bestemt angi de saker som skal behandles. Forslag om å endre vedtektene skal gjengis ordrett i innkallingen. Aksjeeierne kan la seg representere på generalforsamlingen ved fullmektig med skriftlig fullmakt.»

Resterende del av vedtektenes § 7 blir uendret.

Frist for registrering
Frist for registrering av påmelding, forhåndsstemmer, fullmakter og instruksjoner:
20.4.2023 kl. 14.00 (CEST)

Aksjonærenes stemmerett
En aksjeeier har rett til å avgi stemme for det antall aksjer vedkommende eier, og som er registrert i verdipapirsentralen (VPS) på tidspunktet for generalforsamlingen. Hver aksje i Selskapet gir én stemme på generalforsamlingen. Dersom en aksjeeier har ervervet aksjer og ikke fått ervervet registrert i VPS på tidspunktet for generalforsamlingen, kan stemmerettigheter for de transporterte aksjene kun utøves dersom aksjeeieren er påmeldt til generalforsamlingen og ervervet er meldt og dokumentert i henhold til gjeldende regelverk.

10. Amendments to the articles of association article 7

Due to mandatory legislation for the notice period for convening a general meeting valid from July 2023, the board proposes to amend the first paragraph of article 7 of the articles of association to read:

"The annual general meeting shall be held every year within six months after the end of each financial year. Notice of the general meeting shall be sent no later than two weeks before the meeting is to be held. The notice shall state the matters to be considered at the meeting. Proposals to amend the articles of association shall be reproduced verbatim in the notice. The shareholders may be represented at the general meeting by proxy with a written power of attorney."

The remaining part of the articles of association article 7 remains unchanged.

Deadline for registration
Deadline for registration of attendance, advance votes, proxy or instructions:
20.4.2023 14pm (CEST)

Shareholder's voting rights
Shareholders are entitled to vote at the General Meeting according to the number of shares of which the shareholder in question is registered as beneficial owner in the Norwegian Central Securities Depository (VPS) at the time of the general meeting. Each share carries one vote at the General Meeting. If a shareholder has purchased shares but has not registered such purchase in the VPS at the time of the General Meeting, the voting rights for the assigned shares can only be exercised if the shareholder has been registered for the General Meeting, and the purchase has been notified and documented according to applicable law.

For aksjer som er registrert på særskilt investorkonto (forvalterregistrert) gjelder at forvalter ikke kan møte eller stemme på generalforsamlingen for disse aksjene. Aksjeeier må, for å kunne møte og stemme på generalforsamlingen, overføre aksjene fra investorkontoen til en konto i eget navn.

Aksjeeieren må fremgå som direkteregistrert aksjeeier i VPS senest ved åpning av generalforsamlingen.

Påmelding for deltakelse

Påmelding for deltakelse gjøres via Selskapets hjemmeside:

<https://arctic-bioscience.com/investors/general-meetings> eller via Investortjenester. For påmelding via selskapets hjemmeside må pinkode og referansenummer benyttes. I Investortjenester velg Hendelser - Generalforsamling, klikk på ISIN. For tilgang til Investortjenester kan man enten bruke <https://www.euronextvps.no/> eller gå via egen kontofører. Alternativt kan vedlagte skjema sendes til genf@dnb.no, eller per post til DNB Bank ASA, Verdipapirservice, Postboks 1600 Sentrum, 0021 Oslo. Påmeldte aksjeeiere vil få tilsendt en digital innkalling.

Merk at generalforsamlingen kan besluttet avholdt på annen måte på kort varsel, og melding om dette vil i så fall bli gitt på selskapets hjemmeside og/eller gjennom børsmelding.

Forhåndsstemmer

Forhåndsstemme må gjøres elektronisk, via Selskapets hjemmeside: <https://arctic-bioscience.com/investors/general-meetings> eller via Investortjenester. I Investortjenester velg Hendelser - Generalforsamling, klikk på ISIN. For tilgang til Investortjenester kan man enten bruke <https://www.euronextvps.no/> eller gå via egen kontofører. For forhåndsstemme må pinkode og referansenummer benyttes.

As regards shares which are registered in a separate investor account (registered under a management/nominee account), managers may not attend or vote for these shares at general meetings. A shareholder who wish to attend and vote at the General Meeting must transfer these shares from the investor account to an account in its own name. The shareholder must appear as a directly registered shareholder in the VPS at the latest by the opening of the General Meeting.

Notice of attendance

Notice of attendance should be registered through the Company's website:

<https://arctic-bioscience.com/investors/general-meetings> or through VPS Investor Services. For notification of attendance through the Company's website, reference number and pin code must be stated. In VPS Investor Services chose Corporate Actions - General Meeting, click on ISIN. Investor Services can be accessed either through <https://www.euronextvps.no/> or your account operator. If you are not able to register this electronically, you may send the attached form by e-mail to genf@dnb.no, or by regular Mail to DNB Bank ASA, Registrars Department, P.O.Box 1600 Centrum, 0021 Oslo, Norway. Registered shareholders will receive an electronic invite.

Shareholders should note that additional information on proceedings of the meeting may be given on short notice and announced on the company's website and/or through a stock exchange announcement.

Advance votes

Advance votes may only be executed electronically, through the Company's website: <https://arctic-bioscience.com/investors/general-meetings> or through VPS Investor Services. In Investor Services chose Corporate Actions - General Meeting, click on ISIN. Investor Services can be accessed either through <https://www.euronextvps.no/> or your account operator. For advance voting reference number and pin code must be stated.

NB: Da generalforsamlingen avholdes som et virtuelt møte ber vi om at de aksjonærene som vil delta på dagen, samtidig sender en e-post til jone@arctic-bioscience.com slik at selskapet har en e-post å sende detaljer til.

Informasjon vedrørende den ordinære generalforsamlingen, herunder denne innkalling med vedlegg og Selskapets vedtekter, er tilgjengelig på Selskapets nettside: <https://arctic-bioscience.com/investors/home/>

NB: As the meeting is being held virtually, we ask that shareholders who enroll for participation in the meeting at the same time sends an e-mail to jone@arctic-bioscience.com so that the company have an e-mail that they can send details to.

Information regarding the ordinary general meeting, including this notice with attachments and the Company's articles of association, is available at the Company's website: <https://arctic-bioscience.com/investors/home/>

In case of discrepancies between the Norwegian text and the English translation, the Norwegian text shall prevail.

Ørsta, 14.4.2023

For styret i Arctic Bioscience AS

Harald Nordal
Styrets leder / Chairperson of the Board of Directors

Ref.nr.:

Pin-kode:

Innkalling til ordinær generalforsamling

Ordinær generalforsamling i Arctic Bioscience AS avholdes 21. april 2023, kl. 14:00. Møtet vil bli holdt virtuelt på Microsoft Teams.

Aksjonæren er registrert med følgende antall aksjer ved innkalling: _____ stemmer for det antall aksjer som er registrert i eierregisteret i Euronext VPS per Record date 20.4.2023.

Frist for registrering av forhåndsstemmer, fullmakter og instruks er 20.4.2023 kl. 14:00.

Elektronisk registrering

Bruk alternativt «Blankett for innsending per post eller e-post for aksjonærer som ikke får registrert sine valg elektronisk»

Registrer deg i påmeldings/registrerings perioden:

- Enten via selskapets hjemmeside <https://arctic-bioscience.com/investors/general-meetings/> ved hjelp av referansenummer og PIN-kode (for de som får innkalling i posten), eller
- Innlogget i VPS Investortjenester; tilgjengelig på euronextvps.no eller gjennom kontofører (bank/megler). Når du har logget inn i VPS Investortjenester, velg: *Hendelser – Generalforsamling – ISIN*

Du vil se ditt navn, **ref.nr**, **PIN-kode** og beholdning. Nederst finner du disse valgene:

Meld på	Forhåndsstem	Avgi fullmakt	Avslutt
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«**Meld på**» – Her melder du deg på for å møte opp på dagen

«**Forhåndsstem**» - Her angir du din forhåndsstemme

«**Avgi fullmakt**» - Her kan du gi fullmakt til styrets leder eller en annen person

«**Avslutt**» - Trykk på denne om du ikke ønsker å gjøre noen registrering

Generalforsamlingen avholdes som et virtuelt møte og vi oppfordrer aksjonærene til å forhåndsstemme eller gi fullmakt. Om noen aksjonærer isteden skulle ønske å delta elektronisk ber vi om at dere trykker meld på, og deretter sender en e-post til jone@arctic-bioscience.com slik at vi kan tilrettelegge for dette.

Ref.nr.:
Pin-kode:
Blankett for innsending per post eller e-post for aksjonærer som ikke får registrert sine valg elektronisk.

Signert blankett sendes som vedlegg i e-post* til genf@dnb.no (skann denne blanketten), eller pr. post til DNB Bank ASA Verdipapirservice, Postboks 1600 Sentrum, 0021 Oslo. Blanketten må være mottatt senest **20.4.2023 kl. 14:00**. Dersom aksjeeier er et selskap, skal signatur være i henhold til firmaattest.

**Vil være usikret med mindre avsender selv sørger for å sikre e-posten.*

_____ sine aksjer ønskes representert på ordinær generalforsamlingen i Arctic Bioscience AS som følger (kryss av):

- ☐ Møter selv fysisk via Microsoft Teams (ikke kryss av på sakene under)
- ☐ Fullmakt uten stemmeinstruks til styrets leder eller den hen bemyndiger (ikke kryss av på sakene under)
- ☐ Fullmakt med stemmeinstruks til styrets leder eller den hen bemyndiger (kryss av «For», «Mot» eller «Avstå» på de enkelte sakene på agendaen under)
- ☐ Forhåndsstemmer (marker, «For», «Mot» eller «Avstå» på de enkelte sakene under)
- ☐ Åpen fullmakt til (ikke kryss av på sakene under - eventuell stemmeinstruks avtales direkte med fullmektig):

(skriv inn fullmektigens navn med blokkbokstaver)

Stemmegivningen skal skje i henhold til markeringer nedenfor. Manglende eller uklare markeringer anses som stemme i tråd med styrets anbefalinger. Dersom det blir fremmet forslag i tillegg til, eller som erstatning for forslaget i innkallingen, avgjør fullmektigen stemmegivningen.

Agenda ordinær generalforsamling 21. april 2023		For	Mot	Avstå
1.	Åpning av generalforsamlingen ved styrets leder	Ingen avstemming		
2.	Valg av møteleder og en person til å medundertegne protokollen	Ingen avstemming		
3.	Godkjenning av innkalling og dagsorden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Årsregnskap og årsberetning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Honorar til styret	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Honorar til revisor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Valg av styremedlemmer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Forhøyelse av selskapets aksjekapital ved konvertering av gjeld	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Endring av selskapets vedtekter i anledning kapitalforhøyelsen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Endring av selskapets vedtekter § 7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Blanketten må være datert og signert

Sted _____ Dato _____ Aksjeeiers underskrift _____

Ref no:

PIN - code:

Notice of Annual General Meeting

Annual General Meeting in Arctic Bioscience AS will be held on 21. April 2023, at 2:00 pm. The meeting will be held virtually on Microsoft Teams.

The shareholder is registered with the following amount of shares at summons: _____ and vote for the number of shares registered in Euronext per Record date 20.4.2023

The deadline for electronic registration of advance votes, proxy of and instructions is 20.4.2023 at 14:00 (CEST).

Electronic registration

Alternatively, "Form for submission by post or e-mail for shareholders who cannot register their elections electronically".

Register during the enrollment/registration period:

- Either through the company's website <https://arctic-bioscience.com/investors/general-meetings/> using a reference number and PIN – code (for those of you who receive a summons in post-service), or
- Log in through VPS Investor services; available at euronextvps.no or through own account keeper (bank/broker). Once logged in - choose Corporate Actions – General Meeting – ISIN

You will see your name, **reference number**, **PIN - code** and balance. At the bottom you will find these choices:

"Enroll" – participate in the meeting on the day

"Advance vote" - If you would like to vote in advance of the meeting

"Delegate Proxy" - Give proxy to the chair of the Board of Directors or another person

"Close" - Press this if you do not wish to register

The annual general meeting is held as a virtual meeting, and we encourage shareholders to vote in advance or give proxy. If any shareholders would instead like to participate electronically, we ask that you press Enroll, and then send an e-mail to jone@arctic-bioscience.com so that we can accommodate for this.

Ref no:
PIN-code:
Form for submission by post or e-mail for shareholders who cannot register their elections electronically.

The signed form is sent as an attachment in an e-mail* to genf@dnb.no (scan this form) or by mail to DNB Bank Registrars Department, P.O Box 1600 centrum, 0021 Oslo. Deadline for registration of advance votes, proxies and instructions must be received no later than **20.4.2023 at 2:00 pm**. If the shareholder is a company, the signature must be in accordance with the company certificate.

**Will be unsecured unless the sender himself secure the e-mail.*

**_____ shares would like to be represented at the annual general meeting in Arctic Bioscience
AS as follows (mark off):**

- ☐ Meet physically via Microsoft Teams (do not mark the items below)
- ☐ Open proxy for the Board of Directors or the person he or she authorizes (do not mark the items below)
- ☐ Proxy of attorney with instructions to the Board of directors or the person he or she authorizes (mark "For", "Against" or "Abstain" on the individual items below)
- ☐ Advance votes («For», «Against» or «Abstain» on the individual items below)
- ☐ Open proxy to (do not mark items below – agree directly with your proxy solicitor if you wish to give instructions on how to vote)

(enter the proxy solicitors name in the block letters)

Voting must take place in accordance with the instructions below. Missing or unclear markings are considered a vote in line with the board's recommendations. If a proposal is put forward in addition to, or as a replacement for, the proposal in the notice, the proxy determines the voting.

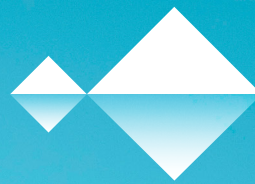
Agenda for the Annual General Meeting 21. April 2023		For	Against	Abstain
1.	Opening of the general meeting by the chairperson of the Board			No voting
2.	Election of a chairperson and a person to co-sign the minute			No voting
3.	Approval of the notice and the agenda	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Annual accounts and annual report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Remuneration to the board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Fee to the auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Election of board members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Share capital increase by conversion of debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Amendments to the articles of association due to the capital increase	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Amendments to the articles of association article 7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The form must be dated and signed

Place	Date	Shareholder's signature
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ANNUAL REPORT 2022



ARCTIC
BIOSCIENCE

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INTRODUCTION

Arctic Bioscience is a clinical stage biotechnology company developing pharmaceutical and commercializing nutraceutical products based on unique bioactive marine compounds, including lipids essential to maintaining cell membranes. We are dedicated to improve quality of life for people with inflammatory indications.

One of our main focus areas is developing a novel drug candidate (HRO350) for treatment of mild-to-moderate psoriasis. There is a large global population with substantial need for effective, convenient, and cost-effective new medicines in this field. The market is estimated to USD 20bn+ for moderate psoriasis alone. The international HeROPA study, a phase IIb clinical trial, has started and will be conducted in five countries with a total of 519 patients. HRO350 is developed by leveraging our proprietary production process, protected by a comprehensive portfolio of patents and technological know-how.

In addition to the development of a novel drug candidate and significant R&D investments, Arctic Bioscience sells nutraceuticals as finished goods under the ROMEGA® brand (B2C) and as bulk ingredients to other companies making dietary supplements (B2B).

Arctic Bioscience is led by a highly competent team with significant expertise in developing marine oils as well as extensive international experience from leading pharmaceutical, technology and financial service companies.

By delivering on our mission, we will provide value for patients with the need for treatment, for the international pharmaceutical community and for our investors.

SUMMARY

- 1 HRO350 – a novel oral drug candidate for mild-to-moderate psoriasis. Significant unmet medical need for new treatment and with a large market potential, with an addressable market of 18.7 million patients in the US and EU5
- 2 The HeROPA study has started, an international phase IIb clinical trial to be conducted in five countries with 519 patients
- 3 Cash generating global nutraceutical business, with growing presence in large markets
- 4 Proprietary technology platform with control over value chain underpins both the pharmaceutical and nutraceutical businesses
- 5 Robust ESG footprint, with strong focus on utilizing marine residual raw material
- 6 Strong management team with broad experience within the pharmaceutical and nutraceutical industries



HIGHLIGHTS 2022

Clinical Trial Application for HRO350 for a phase IIb clinical trial in mild-to-moderate psoriasis submitted in Q4 and approved primo 2023, marking the start of the international HeROPA study after inclusion of the first patient

Received positive opinion on Pediatric Investigational Plan (PIP) from the European Medicines Agency for HRO350, supporting the Company's intention to investigate HRO350 for children with psoriasis. PIP is a critical component of the regulatory drug development journey for HRO350

Signed a new and extended strategic partnership agreement with Kotler Marketing Group China, which opens for access to a larger part of the Chinese market for ROMEGA® products and includes a potential collaboration within the pharma space in China

Conducted organizational changes in the Company, strengthening important operational areas

Record high deliveries of nutraceutical products to the Asian market, including first-time deliveries to the Japanese market

Strong growth in annual sales revenue with an increase of 60% compared to last year and with positive development in gross margins

Solid financial position year end with NOK 144.2 million in available liquidity

KEY FIGURES

Amounts in NOK	2022	2021
Revenue from sales	34 271 936	21 515 034
Gross profit	11 646 357	5 158 883
Gross margin %	34%	24%
EBIT	-37 389 125	-40 577 616
EBITDA	-33 658 453	-38 059 677
Adjusted gross profit*	11 646 357	5 797 957
Adjusted gross margin %*	34%	27%
Adjusted EBIT*	-34 726 792	-31 810 230
Adjusted EBITDA*	-30 996 120	-29 292 291
Cash flow operating activities	-25 395 321	-39 492 950
Cash flow from investment activities	-58 565 456	-36 503 515
Cash flow from financing activities	749 992	290 758 715
Net cash flow	-83 210 785	214 762 250
Cash and cash equivalents end of period	144 151 573	227 362 358
Total assets	327 702 041	341 474 573
Total equity	287 279 657	320 554 030
Total liabilities	40 422 384	20 920 543
Equity ratio	88%	94%

* Adjustments in 2021 were made for one off costs during the year related to the private placement and IPO as well as a change of distributor relationship. Adjustment in 2022 relates to severance costs. Alternative Performance Measures and reconciliations are explained at the end of the Annual Report

LETTER FROM THE CEO

Dear Arctic Bioscience Community,

2022 has been an exciting year for our company. Operationally we have delivered solid growth on key metrics, compared to the previous year. The year culminated with Arctic Bioscience submitting a Clinical Trial Application (CTA) for the HeROPA study, a phase IIb clinical trial in mild-to-moderate psoriasis with the HRO350. The application was approved in the UK in January 2023, and in Norway, Finland, Germany and Poland in March 2023. The first patient was included in the trial in January 2023, which marked the kickoff for the HeROPA study.

The commitment and dedication of our employees in all operational areas has built a solid foundation for our pharmaceutical and nutraceutical operations. We have step by step reduced the risk in our pharmaceutical development project by successfully delivering on key milestones. I am proud of the significant efforts from our team and the positive outcomes they have achieved in the past year.

Last year, I talked about how Arctic Bioscience has transformed from a small nutraceutical business on the west coast of Norway to a listed biotech company. In 2022 we continued our development towards improving quality of life for patients with inflammatory disorders worldwide. After the regulatory approval of the CTA earlier this year, the pharmaceutical team is now looking forward to conducting the international clinical trial, with 519 patients in five countries.

The HeROPA clinical trial is a significant step for Arctic Bioscience, as it positions us within the multi-billion-dollar psoriasis market, with multiple interesting asset-transactions in 2022 (the most significant being Takeda's 4 billion dollar upfront acquisition of the upcoming psoriasis-asst from Nimbus Therapeutics). We are confident in the progress of the trial and are eager to explore the results. Our plans to pursue a commercial partner for HRO350 started in the autumn of

2022 and will have a strong focus throughout 2023. Moving forward, Arctic Bioscience also remains committed to the advancement of a novel drug candidate for brain development in extremely premature infants.

In the nutraceutical segment, we experienced strong growth in revenues as well as margin expansion. We see a positive development in all our geographic markets with an especially strong growth in Asia, also delivering our first ever nutraceutical products to the Japanese market. This underscores our long-term commitment and focus on sales.

Furthermore, during the first half of 2022, Arctic Bioscience expanded its strategic partnership with Kotler Marketing Group in China, enabling a wider distribution of ROMEGA® products. The partnership also holds the potential for a future collaboration with China's pharmaceutical sector.

Arctic Bioscience went through significant organizational changes in the past year, strengthening the management and several important operational areas. We continue to build a strong, diversified and highly skilled organization with a good gender balance and equality, both in the organization as well as in management positions. I am highly confident in our people's ability to leverage the competitive advantages of Arctic Bioscience, especially our proprietary

methods and technology enabling us to create new innovative products and develop new markets.

Arctic Bioscience is utilizing natural marine compounds either from side streams from sustainable fisheries or other sustainable marine resources to develop our pharmaceutical and nutraceutical products. With the acquisition of Arctic Algae early 2023, Arctic Bioscience is taking a position in the micro algae space, opening for expansion of our nutraceutical product portfolio into natural and sustainable marine algal oils. With the scalability of micro algae, we see major future opportunities to develop our business in the pharmaceutical and nutraceutical areas further.


2022 was very positive in terms of financial performance. Our annual revenue saw an increase of 60%, totaling NOK 34.3 million. Additionally, the gross margin experienced a 10-percentagepoint growth, rising from 24% in 2021 to 34% in 2022. The company ended the year on a strong financial footing, with a liquidity of NOK 144.2 million.

Looking forward, I am confident that we are in a good position to achieve our ambitions as a company. I would like to thank our highly competent and dedicated team at Arctic Bioscience, our customers, partners, and investors. I am proud and humble to be a part of this exciting journey!

Warmly,

Christer Valderhaug,
Arctic Bioscience CEO





THIS IS ARCTIC BIOSCIENCE

History

Founded in 2011, Arctic Bioscience began selling its nutraceutical products as bulk ingredients in Europe and the Americas in 2012. In the period 2012-2016, significant resources were deployed into R&D to pursue the most attractive routes to market. Revenue from the nutraceutical business has grown steadily in the past decade and Nutra continues to be an important part of our business.

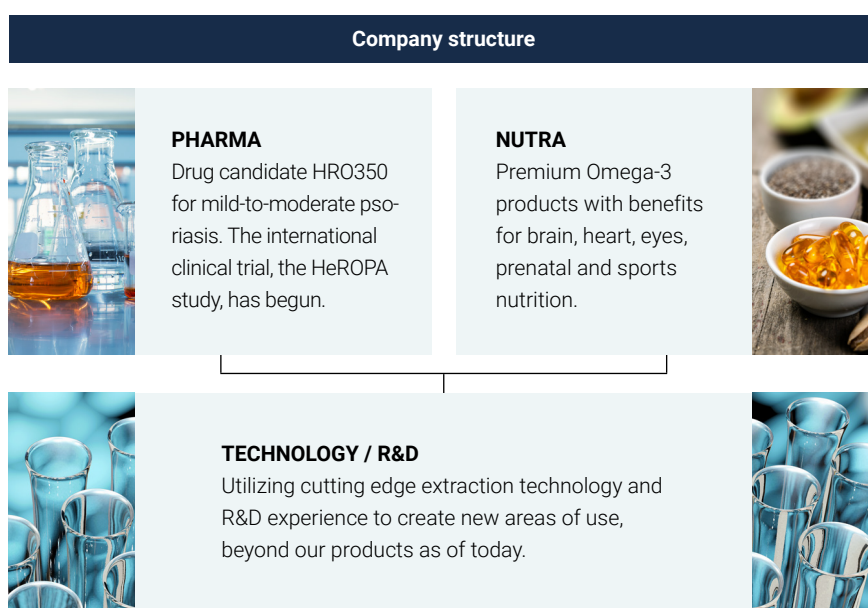
The Company initiated a randomized, double-blind, placebo-controlled pilot clinical trial at Haukeland University Hospital which was completed in 2019. Results from the study were published in 2020 and 2021, demonstrating promising, statistically significant clinical results in using herring roe oil (HRO) to treat mild-to-moderate psoriasis.

In 2019, the Company initiated a scientific advice procedure with the European Medicines Agency (EMA) to evaluate a clinical development program for Herring Roe Oil in mild-to-moderate psoriasis, including design of a phase IIb clinical trial. Simultaneously, the Company was also granted SME Instrument funding from the European Innovation Council to conduct a comprehensive feasibility analysis of the development of HRO350. In 2021, conduct of a large phase IIb clinical trial was contracted to the Clinical Research Organization (CRO) Smerud Medical Research International (Smerud). The clinical trial aims

to investigate the efficacy and safety of the investigational product HRO350 in patients with mild-to-moderate psoriasis. The Clinical Trial Application (CTA) was submitted in Q4 2022 and was granted approval by medicinal authorities at the start of 2023. The first patient was included in the trial shortly after approval, marking the start of the international HeROPA study.

At the end of 2022, the Company had a total of 17 employees and 2 contracted personnel across the pharmaceutical development, sales & marketing, operations, quality, regulatory and R&D teams.

Since its foundation in 2011, the company has evolved from a nutraceutical manufacturer to a clinical-stage biotechnology company.



Founding story





PHARMA

Investigational medicinal product HRO350 for mild-to-moderate psoriasis

Executive summary

Arctic Bioscience is developing a novel, oral drug candidate (HRO350) for the treatment of mild-to-moderate psoriasis, a large market with significant unmet medical need. Psoriasis is a chronic, non-communicable, inflammatory skin disorder with no clear cause or cure. Psoriasis is commonly categorized by severity ranging from mild to moderate to severe. Psoriasis affects over 20 million patients in the US and Europe, with 80-90 per-cent having the mild-to-moderate form. It is estimated that psoriasis affects 2-6 per-cent of the population worldwide and can have a profound impact on patient's quality of life 📌. Arctic Bioscience targets the patients in the mild-to-moderate category, the group that makes up the vast majority of psoriasis patients. HRO350 is targeting an addressable market of more than 20 million mild-to-moderate psoriasis patients in US and EU-5 alone.

Phase IIb clinical trial – the HeROPA study

2022 culminated in Arctic Bioscience submitting a Clinical Trial Application for the international HeROPA study, a phase IIb randomized, placebo-controlled clinical trial in mild-to-moderate psoriasis with the investigational medicinal product (IMP) HRO350. The application was approved at the start of 2023, and the first patient was included shortly thereafter. The HeROPA study is designed to investigate the efficacy, safety, and dose of drug candidate HRO350 vs. placebo.

During 2023 the HeROPA study will include 519 patients with mild-to-moderate psoriasis in five countries. It is expected a total inclusion period of six months for all patients, and the first data read-out is expected six months after the last patient is included in the trial.

Further planned drug development program

A Pediatric Investigational Plan (PIP) for HRO350 was submitted in 2021. In March 2022 Arctic Bioscience received a positive opinion from the Pediatric Committee of the EMA. Based on successful completion of the HeROPA study, the Company plans to run a phase III clinical trial in collaboration with a commercial partner, before submitting a Marketing Authorization (MA) application thereafter.

Market opportunity

There is a significant unmet medical need for cost-effective, oral treatment for mild-to-moderate psoriasis. It is estimated that 9/10

patients experience mild-to-moderate disease, resulting in an addressable market of more than 20 million patients in the US and the EU-5 alone. Based on conservative pricing and market share projections, moderate psoriasis alone presents a peak revenue opportunity of \$1.2 billion per annum. If the drug is positioned to treat a segment of the mild psoriasis population in addition to the moderate patient population, the peak revenue opportunity could increase to \$2 billion per year ^②.

Drug development opportunity for extremely premature infants

In 2021, Arctic Bioscience announced a collaboration with Smerud for the development of a novel drug candidate for brain development in extremely premature infants. Babies born this early do not have fully developed brains and is therefore subject to a high risk of disability and complications. DHA is crucial for normal development of brain and vision in

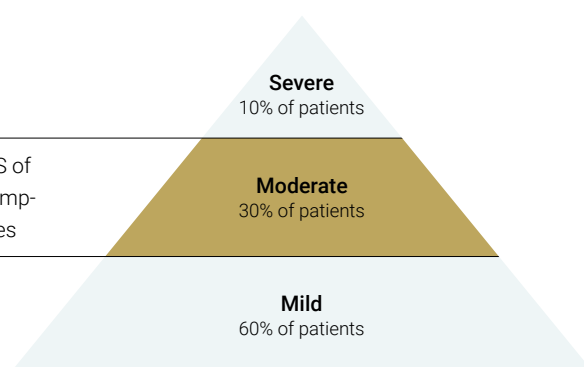
the fetus, and herring roe is a natural and rich source of DHA. Thus, there is a sound scientific rationale for a drug candidate based on phospholipid esters from herring roe extract.

Arctic Bioscience plans to apply for orphan designation for the drug candidate. In the collaboration, Smerud will cover the cost of the clinical program and Arctic Bioscience will cover the cost of formulation development and clinical material. The drug development program will run in parallel with the HRO350 clinical program for mild-to-moderate psoriasis.

USD 20bn+ market opportunity

Peak revenue opportunity for ABS of USD 1 bn+, on conservative assumptions on pricing and market shares

Significant upside potential in the market for mild psoriasis



^① World Health Organization. Global report on psoriasis. World Health Organization 2016. <https://apps.who.int/iris/handle/10665/204417> Yeung H, et. Al. Psoriasis severity and the prevalence of major medical co-morbidities: a population-based study. JAMA Dermatol. 2013 October 1: 149(10):1173-1179

^② Results represented are based on indicative price and patient share assumptions, subject to achieving optimal price and market access; WAC; weighted average cost. Source: Arctic Bioscience assumptions, IQVIA research and analysis



NUTRA

Arctic Bioscience's nutraceutical product is ROMEA®, a premium omega-3 food supplement with a 3:1 ratio of DHA to EPA. DHA and EPA are present in their phospholipid bound form which increases uptake of these essential fatty acids. Due to its EPA content, ROMEA® has benefits for heart health, and its high composition of DHA is especially important for brain health, eye health and prenatal development. Over the last years, the Company has produced ten different ROMEA® products, seven oil products and three protein products.

Arctic Bioscience's strategy for sale of nutraceutical products is multi-dimensional including B2B, B2C and strategic partner sales.

The nutraceutical business is cash generating with a loyal and growing customer base. There is a vast global Omega-3 market set for further growth in coming years, and ROMEA® is attractively positioned versus other products. 2022 had a large order intake in the first half of the year, which materialized into sales increase during second half of 2022. The Company also delivered its first ever nutraceutical products to the Japanese market and attracted new customers in existing markets. This underlines the great commitment and long-term focus from the Company's sales team.

B2B

The majority of the Company's nutraceutical business' revenues are from B2B sales of intermediary (bulk) and finished goods (capsules) products in the Americas, Europe and APAC. In 2022 a larger part of the total revenues came from finished goods (capsules)

products than earlier years. The significance of the APAC market also grew in 2022 compared to earlier years. In 2022, Norway accounted for 5% of B2B sales, Europe for 28%, the Americas for 24% and APAC for 43%.

B2C

Arctic Bioscience also sells direct to consumers in Norway. Overall, in 2022 B2C accounted for 10% of Arctic Bioscience' total revenues. The original ROMEGA® product is available through an e-commerce subscription model.

Extended strategic partnership in China

Through its strategic partnership with Kotler Marketing Group, Arctic Bioscience has developed a strong relationship for efficient market entry and sales growth in China. China is the second largest Omega-3 market in the world and is considered an ideal market for ROMEGA® with high status attached to caviar products and premium quality "Made in Norway"-products. Kotler Marketing Group is well known for its world class marketing experience and has deep local market insight and significant resources dedicated to sales and distribution of Arctic Bioscience's products.

In June 2022, Arctic Bioscience signed a new and extended strategic partnership agreement with Kotler Marketing Group. The expansion of the partnership opens for access to a larger part of the Chinese market for ROMEGA® products. Product development, marketing strategies and supply chain optimization will be supported by the extended agreement. The extension of the agreement also includes potential collaboration within the pharma space.





TECHNOLOGY / R&D

Research & development, alongside focus on cutting edge technology, is the foundation of all operations in Arctic Bioscience, both in pharmaceutical and nutraceutical business units. Our experienced team of scientists are constantly innovating, developing new product formulations and processes to be utilized in the Company's diverse range of products.

Arctic Bioscience's extraction technology, together with the experience in our R&D department, puts us in a position to explore new areas of use, beyond our core products as of today. We do this by leveraging our proprietary production process, protected by a comprehensive portfolio of patents and technological know-how.



MANAGEMENT



Christer Valderhaug
CEO

Mr. Valderhaug (1972) has 25+ years of experience in international business. His most recent role was Partner and Head of Investments at Convento, where he assisted top Management and boards across a range of industries including marine growth companies. Prior to joining Convento in 2016, he was the CEO of ICD Software and worked 15 years as a consultant at Accenture, SINTEF and Gagn Consulting. Valderhaug holds a Master of Economics degree from NHH - Norwegian School of Economics and the University of Mannheim in Germany.



Jone R. Slinning
CFO

Mr. Slinning (1979) has a broad and long experience from various industries, including auditing, the banking and finance sector, and different CFO positions, latest in the aquaculture industry. Mr. Slinning holds a Master of Economics degree from NHH – Norwegian School of Economics.



Hogne Hallaråker
CSO

Mr. Hallaråker (1966) is the founder and developer of Arctic Bioscience's business concept. He is an entrepreneur with more than 20 years of experience in the Nutraceutical and Biomarine industries. Mr. Hallaråker holds a MSc in Marine Biology and Aquaculture from the University of Bergen.



Per Christian Sæbø
COO

Mr. Sæbø (1967) has more than 25 years of experience from manufacturing management and process development, including concept architecture, concept testing, and verification, upscaling and operationalization. Mr. Sæbø holds a MSc in Chemistry from NTNU.



Runhild Gammelsæter

Medical director

Dr. Gammelsæter (1976) is highly experienced in the pharmaceutical industry. She has experience from R&D-based entrepreneurship, patenting, leading research units, and as an entrepreneur founding the biotech firm Regenics AS. Former positions include leadership roles in GSK, AbbVie, and Abbot. Dr. Gammelsæter holds a Ph.D. in cell physiology from the Medical Faculty at the University in Oslo.



Danielle Mancinelli

CTO

Mr. Mancinelli (1973) is experienced in R&D specialized in omega-3 fatty acids. His experience span: concept architecture, concept testing and verification, up-scaling and operationalization as well as process optimization. Mr. Mancinelli holds a MSc in Chemistry and Pharmaceutical Technologies.



Dr. Yuming Feng

EVP Global Business Development

Dr. Feng (1963) has more than 20 years of global experience in the food & nutraceutical business. His experiences span food ingredient and technology, procurement and supply chain management, and business development in international trade and e-commerce. Former positions include leadership roles at Campbell's, Zonoco, and Holley International. Dr. Feng holds a Ph.D. in Food Science from the University of Massachusetts Amherst.



Steffen Eidal

SVP Sales and Marketing

Mr. Eidal (1966) has over 25 years of experience within the e-commerce / mail order industry with roles spanning from CMO to COO to CEO. His skills include business strategy, business development, concept and product development, logistics and omnichannel marketing specialized within subscription based B2C products. Mr. Eidal holds a Master of Business and Marketing degree from Oslo Handelshøyskole.

BOARD OF DIRECTORS



Harald Nordal
Chairman

Harald Nordal is a co-founder of the Company and has served at the board of directors since the founding of the Company. He has served as chairman from 2011 to January 2015 and from December 2015. He has extensive experience from national and international senior board and executive management positions in industry and biosciences. He sits on the board of directors of Regenics AS and Hyperthermics AS. He holds a MSc in Civil Engineering from the Norwegian University of Science and Technology (NTNU) and an MBA in Project Management from the SKEMA Business School, France.



Jostein Christian Dalland
Board member

Jostein Christian Dalland has served as an independent board member of the Company since 2020. He currently holds the position of CEO at Axo Group, a leading digital financial brokerage service in the Nordics. Previous experience includes Executive VP both at Storebrand ASA and Sbanken ASA, biotech experience from positions such as CEO of Natural ASA and EVP at Aker BioMarine ASA after Aker acquisition of Natural, CEO of Spinchip, CEO of Inven2, Board Member in pharmaceutical company Ultimovacs ASA and Chairman of BIOTEK2021 at the Norwegian Research Council. He has an MBA and a Master of Technology Management from NHH/NTNU.



Marita Holstad
Board member

Marita Holstad has served as a board member of the company since 2021. She currently holds the role as Commercialization Leader Respiratory in GlaxoSmith-Kline (GSK), based in Chicago, IL. Before joining GSK, Ms. Holstad has 16 years' experience from AbbVie (previously Abbott) from management positions in Norway, UK and the US within Immunology across Rheumatology, Gastrology and Dermatology. Holstad holds an MBA degree in Strategic Leadership from the Norwegian School of Economics and Business Administration (NHH). She has a relevant track-record and capabilities when it comes to developing and bringing pharmaceutical products to market, including within the field of psoriasis. Holstad is based in the US, outside Chicago.



Per Magne Eggesbø
Board member

Per Magne Eggesbø has served as a board member of the Company since 2016. He currently holds the position as CEO of Eros AS and Eggesbø Eiendom AS as well as several other family-owned companies. Before he joined the family business in 1998 he worked more than 8 years in Nordea Bank as a Senior Vice President within the Fisheries Division, working out of Oslo, Seattle and Aalesund. He holds a Master of Science in Business from the Norwegian Business School.



Asbjørn Solevågseide

Board member

Asbjørn Solevågseide has served as a board member of the Company since 2019. Mr. Solevågseide has worked in various senior management positions within fish handling process equipment industries since 1986. He funded Seatech AS in 1997 that merged with Optimar in 2000. In Optimar Mr. Solevågseide held the position of CEO and largest owner until Optimar was sold to Franz Haniel & Cie. GmbH in 2019. He currently works as an investor at Ajea Invest AS and serves in several board positions.



Tore A. Tønseth

Board member

Tore A. Tønseth has served as a board member of the Company since January 2021. He currently works as Investment Director at Ronja Capital AS and is chairman of the board in Salmon Evolution ASA, in addition to several board positions in different private and public companies: Norcod AS, Rimfrost AS, Hyperthermics AS and Griff Aviation AS among others. He has also worked as an Equity Analyst at SpareBank 1 Markets and Pareto Securities. He holds a Master's Degree in Finance from the Norwegian School of Economics.



Jan Endre Vartdal

Board member

Jan Endre Vartdal has served as a board member of the Company since 2015. In 1997, together with his two siblings, Mr. Vartdal took over the family Company Vartdal Plastindustri AS. Since 2008 Mr. Vartdal has been CEO of the Company, which under his leadership has grown from a single factory Company with 70 employees to a Company employing more than 250 people running seven factories located in all parts of Norway under the Company name Vartdal Plast. Mr. Vartdal currently sits on the board of the Confederation of Norwegian Enterprise Møre og Romsdal (NHO). In addition to this, he is involved in the development of several companies and projects as investor and board director.



Hu Cao

Board member

Hu Cao became a member of the Board in February 2021. Mr. Cao has served since 2012 as a global partner in Kotler Marketing Company (KMG) and CEO of the greater China region. Under his leadership and joint effort with nearly 100 marketing professionals in the KMG team, KMG China has been elected by "China Manager" magazine as the No.1 strategic marketing consulting firm in China. From 2001-2011, Mr. Cao worked for KMG China as a business analyst, consultant, project manager and division director. From 1997-2000 he worked as a production manager in the Cosmetics Division of Henkel Company (China). Mr. Cao currently serves as Chairman of Kotler Medical Park (Song Shan Lake) China and obtained his bachelor degree in biochemistry from Wuhan University.

BOARD OF DIRECTORS' REPORT

Operations and locations

Arctic Bioscience AS ("the Company" or "the Group") is a clinical stage biotechnology company developing pharmaceutical and commercializing nutraceutical products based on unique bioactive marine compounds, including lipids essential to maintaining cell membranes. The main office is in Ørsta, but the Group also has an office in Oslo. Due to operational activity in Spain, Arctic Bioscience also has a VAT/fiscal registration in this country with address in Barcelona.

The Group includes, in addition to Arctic Bioscience AS:

- Arctic Nutrition AS
- Romega AS
- Arctic Biopharma AS

The Board of Directors' report for Arctic Bioscience 2022 is based on the consolidated financial accounts for 2022 and 2021. When "Arctic Bioscience" is referred to throughout this report, it represents the consolidated activity of the Group. The three subsidiaries are established with minimal capital and have limited operations at this point. The consolidation of the financial statements has insignificant impacts on the balance sheet in financial fixed assets, short-term receivables, total cash balance and equity. The only effect from consolidation in the income statement are insignificant accounting fees in operating expenditures from these companies.

Operational review

2022 has been a positive year for Arctic Bioscience.

The development of a novel, oral drug candidate (HRO350) for the treatment of mild-to-moderate psoriasis in the multibillion USD global psoriasis market, reached significant strategic milestones during 2022. Despite some delays due to the prevailing geopolitical conditions and sourcing issues, Arctic Bioscience successfully managed to manufacture the needed clinical materials to be used in the clinical testing. In Q4 2022, the Clinical Trial Application (CTA) for the HRO350 Phase IIb study was submitted to the authorities. This application was approved at the start of 2023, and the first patient was included shortly after. This international study, named the HeROPA study, will be conducted in five countries. The sites in the different countries are secured, and the study plans to include 519 patients with mild-to-moderate psoriasis. A positive opinion on the company's Pediatric Investigational Plan (PIP) for HRO350 from the Pediatric Committee of the EMA was received in March 2022.

The nutraceutical business saw positive development both in total sales, new market opportunities and in gross margin development. In 2022 Arctic Bioscience experiences a 60% year-on-year revenue growth and a 10-percentagepoint increase in gross margins. For the first time nutraceutical products were delivered to the Japanese market, and, in addition, new customers were attracted in existing markets. The revenue growth in the APAC region was strong, where Arctic Bioscience had positive effects from the extended strategic partnership agreement with Kotler Marketing Group in China. A clear focus to deliver more finished goods vs. bulk oil products also contributed positive in 2022 both to revenues and gross margin development. The gradually re-opening of society post Covid made it again possible to meet customers in person, and Arctic Bioscience participated in

several trade fairs during 2022. The pipeline for both established and new customers is strong for 2023.

In 2022 the organization was strengthened in several key operational areas. Both the CEO and CFO positions had change of personnel, and key changes were also carried out in the sales department. Arctic Bioscience further increased its focus on quality management, with the recruitment of a dedicated Quality Manager.

Financial review

Income statement

Arctic Bioscience generated sales revenue of NOK 34.3 million in 2022, up 60% from NOK 21.5 million in 2021. Other income amounted to NOK 0.2 million in 2022. 90% of the sales revenue was related to the B2B segment in 2022.

Gross profit for the year was NOK 11.6 million, up from NOK 5.2 million in 2021. For 2022 this represents a gross margin of 34%, compared to 24% in 2021. A strong focus on gross margin development along with increased product prices have offset experienced cost increases related to input factors during 2022.

Total operating expenses excluding cost of goods sold for the year was up 7,6% to NOK 49.2 million. Of these, NOK 2.7 million were non-recurring costs related to severance costs. The corresponding amounts in 2021 were NOK 45.7 million, of which NOK 8.1 million were non-recurring costs related to the private placement and IPO. Personnel costs increased with NOK 7.1 million, representing a 41% increase. This is mainly related to increase of number of employees and severance costs. During 2022, approximately NOK 6.7 million of total personnel expenses were capitalized to development projects. Other operating expenditures was reduced with 18,5% to NOK 21,1 million. Depreciation expenses increased from NOK 2.5 million in 2021 to NOK 3.7 million in 2022.

The operating loss for 2022 was NOK 37.4 million, compared to NOK 40.6 million in 2021. EBITDA for 2022 ended at negative NOK 33.7 million, compared to negative NOK 38.1 million in 2021. Both total revenues and the EBITDA result for 2022 are in accordance with the amounts guided on to the financial market during 2022.

Included net financial items, the total loss for 2022 was NOK 34.0 million, compared to a loss of NOK 42.6 million in 2021.

Research and development

Arctic Bioscience is investing in research and development projects in the pharmaceutical and nutraceutical business units. The projects are mainly related to the development of HRO350, the production process, and other product developments. Arctic Bioscience capitalizes development costs as these are considered to form the basis for future earnings.

In total the projects have been granted NOK 48.7 million in public/government grants of which NOK 14.5 million was received in 2022. In 2019, the company received a commitment of NOK 14 million in grant from Innovation Norway regarding production of the clinical material (GMP production). This project was finalized in 2022, and the corresponding remaining payment related to the government grant of NOK 11.2 million was received. In 2020, the company received a grant of NOK 12.5 million related to the design of a new production facility. Finalized grant payment, based on accrued expenses in the project, is expected in 2023. In addition, the company has in 2022 received a net total payment of NOK 2.5 million from The Research Council of Norway related to the project "Properties of phospholipids from Herring Roe in Psoriasis". In addition, in 2022 the company has earned grants related to the SkatteFUNN scheme of NOK 2.3 million. The amounts have been entered in their entirety as a

reduction of capitalized costs related to the projects.

The company will continue to be active in applying for grants from both Norwegian and international organizations.

Cash flow statement

Consolidated net cash flow from operating activities was negative NOK 25.4 million in 2022 (negative NOK 39.5 million), mainly driven by the negative operating result. Of other items influencing operating activities change in inventory amounted to negative NOK 6.9 million partly to meet increased demand next year and due to cost in production. Change in accounts receivable amounted to negative NOK 5.8 million mainly due to increased sales volumes of nutraceutical products in 2022. Change in accounts payable amounted to NOK 9.9 million due to increased activity of the company's development program. Finally, change in other accrual items amounted to NOK 7.7 million mainly explained by increase of accrued cost of production, and provisions for accrued personnel expenses.

Net cash flow from investment activities was negative NOK 58.6 million during 2022 (negative NOK 36.5 million). Major investment included NOK 51.1 million related to the phase IIb HRO350 clinical development program and preparation of clinical material. NOK 5.1 million was related to design and planning of the new production unit.

Cash flow from financing activities during 2022 amounted to NOK 0.7 million (NOK 290.8 million). This was related to an increase in share capital and share premium due to exercise of share options in February 2022.

Total net cash flow during 2022 ended at negative NOK 83.2 million (NOK 214.8 million). The level of free liquidity at the end of the year remains strong, with cash of NOK 144.2 million (NOK 227.4 million).

Financial position

– balance sheet as of 31.12.2022

The Group's financial position at the end of the year is strong. Total equity as of 31.12.2022 amounted to NOK 287.3 million (NOK 320.6 million). This corresponds to an equity ratio of 88% (94%).

Total non-current assets as of 31.12.2022 amounted to NOK 129.4 million (NOK 74.5 million). The increase during the year is mainly allocated to an increase in intangible assets related to the pharmaceutical development program of HRO350 and an increase related the preliminary project regarding construction of a production unit.

The Group has NOK 198.3 million (NOK 266.9 million) in current assets, including NOK 144.2 million in cash, NOK 35.5 million in inventory, and NOK 18.7 million in total short-term receivables.

The Group has no long-term debt. Total liabilities amounted to NOK 40.4 million (NOK 20.9 million) and is all short-term liabilities.

Allocation of net profit/loss

Net loss for 2022 was NOK 34.0 million, compared to a net loss of NOK 42.6 million in 2021. The Board proposes that the loss be covered by share premium reserve.

Subsequent events

On February 13th, 2023, Arctic Bioscience announced the acquisition of Arctic Algae AS, a company fully owned by Ronja Capital II AS, the largest shareholder in Arctic Bioscience AS. The agreed purchase price is NOK 16.3 million and is to be settled in terms of issuance of new shares in Arctic Bioscience AS at a minimum ABS share price of NOK 17,27 per share.

Arctic Algae AS has developed new production methods for micro algae. The technology is fully scalable and will be the foundation for Arctic Bioscience's future expansion

of its product portfolio into marine algal oils, products that have high growth rate in the nutraceutical marketplace. With this acquisition Arctic Bioscience will continue the development and strengthen its IP-position significantly covering claims comprising both composition of matter and method of use.

Risks and risk management

Arctic Bioscience is exposed to financial, operational and market risks. The Group has adopted a risk management policy to identify, measure, and mitigate risks.

Financial risks

Currency risk: Arctic Bioscience has significant sales to customers outside of Norway but does not currently hedge foreign exchange risk on the income side. However, the company holds cash in EUR and USD for known upcoming supplier payments to entities outside of Norway related to the Group's various investment projects and has thus hedged currency risk on the expenditure side.

Credit risk: Relates to receivables from customers and is monitored on a routine basis with credit evaluations being performed on customers when appropriate. Despite sometimes lengthy credit terms, Arctic Bioscience has had low losses on receivables as the sales and accounting departments maintain close contact with each customer, and routine billing and cash collection is performed. Arctic Bioscience has implemented credit score applications used when evaluating new customers.

Interest rate risk: The Group does not currently have any borrowings and hence does not have any interest rate risk.

Liquidity risk: Management of liquidity risk is accorded high priority. The liquidity position is tightly tracked and managed via rolling forecasting models, with continuous assessments of funding possibilities going forward.

Market and operational risks

The majority of the Group's revenues derive from sales of products containing herring roe derived Omega-3 fatty acids, phospholipids or proteins, and the Group is dependent on the market acceptance and long-term price development of such product. The markets in which the Group operates may become more competitive or may not sufficiently accept some of the Group's products.

The Group relies on the supply of raw materials, the most important being herring roe, which may be subject to availability or price fluctuations. The Group is reliant upon third party suppliers and there are risks associated with the distributor and partner agreements. There are also risks in implementing new GMP processes either internally or externally.

Arctic Bioscience does not yet have any approved pharmaceutical products, and the risk of delays or failures at any stage of the clinical program may prevent commercialization of the pharmaceutical product candidate in line with the planned timeline, or at all.

Any failures, material delays or unexpected costs related to the implementation of the Group's strategies could have a material adverse effect on business, results, cash flows, financial condition and/or prospects.

Board of liability insurance

The Group has an insurance policy which covers all members of the Board, CEO, members of Group management and employees who can incur an independent management responsibility. Total insurance amount is set at NOK 20 million.

Health, safety, security, and organization

Arctic Bioscience places utmost value in the safety and wellbeing of its people. We are proud that there were no reportable incidents in 2022. The Group's sick leave rate in 2022 was low. Total reported sick notices

amounted to 27 days in 2022. None of these were directly linked to working conditions. Arctic Bioscience has established an occupational health service scheme.

Arctic Bioscience seek to be an inclusive employer and believes that diversity among employees and management contributes positively to the work environment and strengthens competitiveness and performance. There is no discrimination due to gender, nationality, culture, and religion with respect to remuneration, promotion, or recruitment. The Group is committed to recognize diversity and ensure equal opportunities, including fair employment conditions.

As of 31 December 2022, Arctic Bioscience had 17 employees and the Group also worked with a total of 2 consultants on a full-time basis outside of Norway. Out of the 19 in total, 8 are female and 11 are male. The working environment is internationally orientated with employees and full-time consultants from different nations as Italy, Denmark, USA, Canada, Ukraine, India and Norway.

The Board has 8 members, 7 men and 1 woman.

The Group's working environment and culture is considered strong with a continuous focus on improvement.

Corporate governance

The Board of Directors has a responsibility to ensure that the Group has sound corporate governance mechanisms. The Group is not listed on a regulated market and thus not subject to mandatory corporate governance codes. Trading in the shares on Euronext Growth Oslo does not require implementation of a specific corporate governance code, such as the Norwegian Code of Practice for Corporate Governance (the "Code"). Nonetheless, the Group intends to maintain a high level of corporate governance standard.

ESG and impact on external environment

The Group recognizes its environmental, social, and corporate governance (ESG) responsibilities and supports the UN Sustainable Development Goals initiative. The Group has a robust ESG footprint, addressing at least four UN Sustainable Development Goals:



Good Health and Well-Being:

by improving the quality of life for psoriasis patients.



Gender Equality:

by dedication to employee gender balance and having women in key leadership positions.



Industry, Innovation and Infrastructure:

by developing new GMP production, by having a dedicated R&D department working on developing novel products and by having a medical department dedicated to running clinical trials.



Responsible Consumption and Production:

by producing products from herring roe, a by-product of the herring fishing industry produced in Norway.

Arctic Bioscience's operations have limited impact on the environment. The Group operates in compliance with applicable environmental legislation, without any requirement for waivers or exemptions.

Shareholder information

Arctic Bioscience has been listed on Euronext Growth since February 24th, 2021. As of 31.12.2022, the Company had 24,375,719 issued shares, each with a par value of NOK 0.10, divided between 798 shareholders. The Company has one class of shares, and accordingly there are no differences in the voting rights among the shares.

On February 23rd, 2022, the Board of Arctic Bioscience, on the basis of a board authorization granted by the General Meeting, resolved to increase the share capital and numbers of shares issued with 76,180 new shares due to exercise of share options.

Ronja Capital II AS was the largest shareholder as of 31.12.2022, with 2,104,166 shares, representing 8.63%. Note 14 includes a list of the 20 largest shareholders of the Company's shares.

Dividend and dividend policy

Arctic Bioscience is currently in a growth phase and will seek to deploy available capital towards growth initiatives. Beyond the growth phase, it is the Group's ambition to pay dividends to shareholders as soon as it considers itself to be in a position to do so and when it is considered to be in the general interest of the shareholders.

Analyst coverage

Two investment banks (DNB Markets and ABG Sundal Collier) had coverage of the Arctic Bioscience share at year-end 2022.

Business outlook

Forward looking statements are always associated with some degree of uncertainty. In 2022 the annual revenue growth was larger than what was foreseen in the annual report for 2021. Both the annual capital expenditures and the liquidity situation at end of 2022 were in line with last year's business outlook. There have been some delays in the progress of the pharmaceutical development project due to sourcing issues impacted by the pandemic and the geopolitical conditions, but these were successfully resolved during the year.

Arctic Bioscience's main strategic focus in 2023 remains to finalize the HeROPA study for HRO350. The first patient was included in the clinical trial end of January 2023, and a six-month period is expected for inclusion of all 519 patients. The first data read out is

expected six months after the inclusion of the last patient. A process regarding pursuing a commercial partner for HRO350 started as planned in the autumn of 2022 and will have a strong focus throughout 2023. Preparation related to the phase III study in the drug development program will start alongside finalizing the HeROPA phase IIb study. In addition, Arctic Bioscience are committed to the advancement of a novel drug candidate for brain development in extremely premature infants. It is expected that the capital expenditures will increase in 2023 compared to 2022, as the clinical trial moves forward. The financial development in the projects is closely monitored.

For the nutraceutical business a strong foundation was established in 2022, both in terms of organizational changes and in terms of dedicated and focused sales operations. The Board believes that the positive effects of this will be seen also in 2023, with a steady and controlled growth in the nutraceutical business. The pipeline is positive, with good possibilities of improved conversion rates both in existing markets and new geographies. A large part of the budgeted revenue for 2023 relates to existing customers and is based on total annual repurchase of nutraceutical products from Arctic Bioscience. A strong focus on gross margin development along with increased product prices offset experienced cost increases related to input factors during 2022. Focus on cost control will remain high going forward, with close monitoring on both input factors prices and corresponding customer product pricing.

When Arctic Bioscience was listed on Euronext Growth in 2021, it was stated that one of the main reasons for both the capital increase and the listing was to fund the phase IIb study, which now has started. At end of 2022 the financial position is solid. As presented in the company strategy at listing, the subsequent phase III study will be financed with additional funding. Arctic Bioscience is

working with different solutions to achieve this, where one alternative may be via a commercial partner for HRO350.

Board of Directors statement

The Annual Report and Financial Statements are prepared in accordance with the Norwegian Accounting Act and NRS 8 – Good accounting practice as applied by small enterprises – and additional disclosure requirements for Euronext Growth listed companies.

Going concern

In the Board's opinion, the Company has had a positive development during 2022, and is well positioned for further operations and growth. The Company has good liquidity and established financing for the development

process going forward. Based on this, and in accordance with sections 4-5 and 3-3a of the Norwegian Accounting Act, it is hereby confirmed that the financial statements have been prepared on the assumption that the entity is a going concern.

Board adoption of results

The Board of Directors has today considered and adopted the Annual Report of Arctic Bioscience AS for the financial year 1 January to 31 December 2022.

In our opinion, the Annual Report and Board of Directors Report includes a true and fair account of the important events, operational and financial developments, and any material related party transactions in Arctic Bioscience

during the year as well as a description of the risks and elements of uncertainty facing the Group.

In our opinion, the Financial Statements of both the Group and parent company Arctic Bioscience AS give a true and fair view of the financial position on 31 December 2022.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ørsta 28. March 2023

The Board of Directors and CEO of Arctic Bioscience AS


Harald Nordal
Chairman


Jostein Christian Dalland
Board member


Per Magne Eggesbø
Board member


Asbjørn Solevågseide
Board member


Jan Endre Vartdal
Board member


Tore Tønseth
Board member


Hu Cao
Board member


Marita Holstad
Board member


Christer Valderhaug
CEO

INCOME STATEMENT

Arctic Bioscience AS		Amounts in NOK	Note	Arctic Bioscience Group	
2022	2021			2022	2021
		Operating income and operating expenses			
34 271 936	21 515 034	Revenues		34 271 936	21 515 034
197 105	399	Other income		197 105	399
34 469 041	21 515 433	Total income		34 469 041	21 515 433
33 049 694	17 732 057	Raw materials and consumables used	1	33 049 694	17 732 057
-10 424 115	-1 375 906	Change in inventories of finished goods and work in progress	1	-10 424 115	-1 375 906
24 355 029	17 261 068	Salaries and other personnel expenses	2, 3	24 355 029	17 261 068
3 730 672	2 517 939	Depreciation and amortisation expenses	4, 5	3 730 672	2 517 939
21 107 730	25 929 241	Other expenses		21 146 886	25 957 891
71 819 010	62 064 399	Total expenses		71 858 166	62 093 049
-37 349 969	-40 548 966	Operating profit		-37 389 125	-40 577 616
		Financial income and expenses			
1 892 865	118 582	Other interest income		1 892 865	118 582
1 476 112	138	Other financial income		1 476 112	138
1 152	342 032	Other interest expenses		1 250	342 032
2 966	1 778 757	Other financial expenses		2 966	1 778 757
3 364 859	-2 002 068	Net financial items		3 364 761	-2 002 068
-33 985 110	-42 551 034	Net profit before tax	6	-34 024 364	-42 579 684
-33 985 110	-42 551 034	Net profit after tax	6	-34 024 364	-42 579 684
-33 985 110	-42 551 034	Net profit or loss	7	-34 024 364	-42 579 684
		Attributable			
33 985 110	42 551 034	From share premium reserve	8	34 024 364	42 579 684
-33 985 110	-42 551 034	Total		-34 024 364	-42 579 684
		Earnings pr. share		-1.39	-1.75

BALANCE SHEET

as at 31 December

Arctic Bioscience AS		Amounts in NOK	Note	Arctic Bioscience Group	
2022	2021			2022	2021
		ASSETS			
		Non-current assets			
		Intangible assets			
104 903 853	56 220 357	Development	2, 4, 9	104 903 853	56 220 357
2 139 669	2 327 415	Concessions, patents, licences and trademarks	4	2 139 669	2 327 415
107 043 521	58 547 771	Total intangible assets		107 043 521	58 547 771
		Property, plant and equipment			
19 069 656	13 000 053	Building and land	5, 9	19 069 656	13 000 053
3 262 326	2 992 894	Equipment and other movables	5	3 262 326	2 992 894
22 331 982	15 992 947	Total property, plant and equipment		22 331 982	15 992 947
		Non-current financial assets			
99 900	99 900	Investments in subsidiaries	10	-	-
99 900	99 900	Total non-current financial assets			
129 475 403	74 640 619	Total non-current assets		129 375 503	74 540 719
		Current assets			
35 462 160	28 525 893	Inventories	1	35 462 160	28 525 893
		Receivables			
13 476 176	7 704 786	Accounts receivable	11, 12	13 476 176	7 704 786
5 259 629	3 363 817	Other current receivables	9, 11	5 236 629	3 340 817
18 735 805	11 068 604	Total receivables		18 712 805	11 045 604
		Investments			
144 139 136	227 321 917	Cash and cash equivalents	13	144 151 573	227 362 358
198 337 101	266 916 413	Total current assets		198 326 538	266 933 854
327 812 504	341 557 032	TOTAL ASSETS		327 702 041	341 474 573

Arctic Bioscience AS		Amounts in NOK	Note	Arctic Bioscience Group	
2022	2021			2022	2021
		EQUITY AND LIABILITIES			
		Equity			
		Paid-in capital			
2 437 572	2 429 954	Share capital	14	2 437 572	2 429 954
284 945 618	318 188 355	Share premium reserve		284 842 085	318 124 076
287 383 190	320 618 309	Total paid-in capital		287 279 657	320 554 030
287 383 190	320 618 309	Total equity	2, 7, 8	287 279 657	320 554 030
		Liabilities			
		Current liabilities			
0	4 185	Liabilities to financial institutions		0	4 185
18 253 416	8 359 715	Accounts payables	11	18 253 416	8 359 715
1 740 611	2 421 915	Public duties payables		1 740 611	2 421 915
20 435 287	10 152 909	Other current liabilities	2, 11, 15	20 428 357	10 134 729
40 429 313	20 938 724	Total current liabilities		40 422 384	20 920 543
40 429 313	20 938 724	Total liabilities		40 422 384	20 920 543
327 812 504	341 557 032	TOTAL EQUITY AND LIABILITIES		327 702 041	341 474 573

Ørsta 28. March 2023

The Board of Directors and CEO of Arctic Bioscience AS


Harald Nordal
Chairman


Jostein Christian Dalland
Board member



Per Magne Eggesbø
Board member

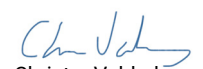

Asbjørn Solevågseide
Board member


Jan Endre Vartdal
Board member


Tore Tønseth
Board member


Hu Cao
Board member


Marita Holstad
Board member


Christer Valderhaug
CEO

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

The annual accounts have been prepared in accordance with the Accounting Act and NRS 8 - Good accounting practice for small enterprises.

Consolidation

The notes to the financial statement apply for both the parent company and the group, unless otherwise specified in the single note.

The consolidated accounts include Arctic Bioscience AS and companies where Arctic Bioscience AS has decisive influence. Decisive influence is normally achieved when the group owns more than 50% of the shares in the company, and the group exercises actual control of the company.

Transactions and balances between group companies are eliminated in the consolidated account. The consolidated accounts are prepared according to uniform principles, in that the subsidiary follows the same accounting principles as the parent company.

Companies bought or sold during the year are included in the consolidated accounts from the time of control is achieved and until control ceases.

Use of estimates

In preparing the annual accounts, estimates and assumptions have been used which have had an impact on the income statement and the valuation of assets and liabilities, as well as uncertain assets and liabilities on the balance sheet in accordance with good accounting practice. Areas that largely contain such discretionary assessment, a high degree of complexity, or areas for which assumptions and estimates are essential for the annual accounts, are described in the notes.

Currency

Transactions in foreign currency are converted at the exchange rate at the time of the transaction. Monetary items in foreign currency are converted into Norwegian kroner by use of the exchange rate at the balance date. Non-monetary items, which

are measured at historical rate in foreign currency, are converted to Norwegian kroner using the exchange rate at the transaction date. Non-monetary items, which are measured at fair value rate in foreign currency, are converted at the exchange rate at the measurement time. Exchange rate changes are recognized in the income statement on an ongoing basis during the accounting period under other financial items.

Sales revenue

Revenue is recognized from sale of goods at the time of delivery. Services are recognized as income gradually as they are delivered.

Tax

The tax expense in the income statement includes both the tax payable for the period and the change in deferred tax. Deferred tax is calculated at 22% on the basis of the temporary differences that exist between accounting and tax values, as well as tax losses carried forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that reverse or can be reversed in the same period are settled and net. According to the exemption rules for small enterprises, deferred tax assets are not recognized in the balance sheet.

Classification and assessment of balance sheet items

Assets intended for permanent ownership or use are classified as fixed assets. Assets related to the product cycle are classified as current assets. Receivables are classified as current assets if they are to be repaid within one year. For debt, analogous criteria are used as a basis. However, first-year installments on long-term receivables and long-term debt are not classified as current assets and current liabilities.

Intangible assets

The company recognizes development costs in the balance sheet if it is considered probable that these will give the company a future positive cash flow. If there are indicators of impairment, impairment tests are performed. Capitalized development costs are depreciated over their expected useful lives.

Fixed assets

Plots are not depreciated. Fixed assets are capitalized and depreciated on a straight-line basis over the expected useful lives of the fixed assets if they have an estimated useful life of more than 3 years and have a cost price exceeding NOK 15,000. Maintenance of fixed assets is expensed on an ongoing basis. Upgrades or improvements are added to the fixed asset's cost price and depreciated in line with the fixed asset. The difference between maintenance and upgrades/improvement is assessed in relation to the condition of the fixed asset when purchasing the fixed asset. Expenses for renting fixed assets are expensed. Prepayments are recognized in the balance sheet as prepaid expenses and are distributed over the rental period.

Impairment of fixed assets

If there is an indication that the carrying amount of a fixed asset is higher than the fair value, a test for impairment is performed. The test is performed for the lowest level of fixed assets that have independent cash flows. If the book value is higher than both sales value and value in use (present value for continued use / ownership), a write-down is made to the higher of sales value and value in use.

Previous write-downs, except for write-downs of goodwill, are reversed if the conditions for the write-down are no longer present.

Shares in subsidiaries

Subsidiaries are assessed according to the cost method in the company accounts. The investment is assessed at acquisition cost for the shares unless write-downs has been necessary. A write-down has been made to fair value when the decline in value is due to reasons that cannot be expected to be temporary, and it must be considered based on good accounting practice requirements. Write-downs are reversed when the basis for the write-downs no longer is present.

Dividends, group contributions and other distributions from subsidiaries are recognized as income the same year as it is recognized in the giver's accounts. If the dividend/group

contribution exceeds the share of earned profit after the time of acquisition, the excess represents repayment of invested capital, and the distributions are deducted from the booked value of the investment in the balance sheet of the parent company.

Inventories

Inventories of purchased goods are valued at the lower of acquisition cost and net sales

value. Work in progress and finished goods are valued at the lower of variable manufacturing cost and net sales value.

Receivables

Accounts receivable and other receivables are booked at face value after deduction for provisions for expected losses. Provision for losses is made based on an individual assessment of the individual receivables. For other

accounts receivables (subscriptions of nutritional products), an unspecified provision is made to cover the expected loss.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents include bank deposits.

NOTE 1: INVENTORIES

Arctic Bioscience Group & Parent Company

Amounts in NOK	2022	2021
Raw materials	11 458 863	14 242 123
Goods in progress	9 759 877	2 695 084
Self-made finished goods	14 243 420	11 588 686
Sum	35 462 160	28 525 893

Arctic Bioscience Group & Parent Company

Amounts in NOK	2022	2021
Inventories valued at acquisition cost	36 243 649	29 539 628
Provision for obsolescence	-781 489	-1 013 735
Sum	35 462 160	28 525 893

The group purchase necessary raw materials and sends these to its contract manufacturer abroad for processing. The group's agreement with the contract manufacturer gives Arctic Bioscience the opportunity to settle only when the end customer receives the product. Consequently, a provision is made for accrued costs related to the processed warehouse at the end of the year. The agreed production cost is added to the value of work in progress and finished goods. When pricing stock, the exchange rate on the production date is used as a basis.

NOK 704,588 of the company's finished goods have during the year been utilized in the company's development project of HRO350.

Liabilities related to settlement for production are adjusted for the exchange rate at the end of the year. The obligation to the contract producer at the end of the fiscal year amounts to NOK 10,238,372 and is classified as other current liabilities.

A provision has been made for obsolescence related to goods that are considered to have a lower value than cost price.

NOTE 2: WAGE COSTS, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES, ETC.**Arctic Bioscience Group & Parent Company**

Amounts in NOK	2022	2021
Wage costs		
Wages	19 273 208	13 049 553
Employer's tax	2 956 508	3 047 066
Pension costs	1 399 888	933 968
Other salary-related benefits	725 425	230 481
Sum	24 355 029	17 261 068
Number of employees	17	13
	CEO	Board
Benefits for senior executives		
Salary / board fees	1 806 184	2 250 000
Bonuses	250 000	
Pension expenses	66 994	
Other allowance	7 674	
Sum	2 130 852	2 250 000

At the end of 2022, the CEO has earned a bonus of NOK 600 000. Provisions has been made for the obligation. In 2022, NOK 6,678,990 has been capitalized in wage costs related to development projects. The amount has been reduced to salaries above. The corresponding capitalized amount in 2021 was NOK 6,295,180. In addition to its own employees, the company has hired consultants corresponding to 2 positions at end of 2022. The numbers for 2022 also include payments and provisions for severance cost to former CEO. No loan or security has been granted to the CEO, the Chairman of the board or other related parties.

Shares and options owned by senior executives

Name	Position	Shares	Options
Christer L. Valderhaug	CEO	20 000	250 000
Runhild Gammelsæter	Medical Director	13 274	101 570
Hogne Hallaråker 1)	CSO	450 000	33 030
Per Christian Sæbø	COO	18 440	57 390
Daniele Mancinelli 2)	CTO	76 180	101 570
Dr. Yuming Feng 3)	EVP Global Business Dev.	0	100 000
Sum		577 894	643 560

1) Through company Gold Coast Nutrition

2) Through 60% ownership in company Futuron AS

3) Through company Global Nutrios Consulting LLC

The company has granted a total of 643,560 outstanding share options to senior executives as of 31.12.2022. Of these 293.036 have been vested. Former CEO, Ole Arne Eiksund, exercised 76.180 options in February 2022.

Some of the share options are subject to a vesting period, typically right to exercise 1/3 each of 12 months, 24 months, and 35 or 36 months after signing each respective option agreement. There are different end dates on the options related to the different agreements. Redemption price for new shares varies from NOK 9.845 to NOK 27.9 per share.

Options granted to the CEO has an exercise price of NOK 17.798 per share. The share options to the CEO may be exercised when the share price is above NOK 31 for 10 executive trading days on Euronext Growth. Duration of the options to the CEO is set to three years from the start of the exercising period. Shares acquired by the CEO from exercise of the options are subject to a 3-year lock in.

Options outstanding	Strike price
191 990	9.845
250 000	17.798
101 570	20.628
100 000	27.900

Each option gives the right to subscribe for one share in the company. However, the company has the right to settle the options by means of a cash consideration based on the difference between (i) the value of shares that the employee is entitled to subscribe for (based on the price per share in the last share transfers before the employee exercises his or her options) and (ii) the redemption price multiplied by the number of shares that the employee is entitled to subscribe for. Furthermore, the employee is entitled to the cash consideration if the company does not fulfil its obligation to deliver shares to the employee when the employee exercises his or her options.

In 2021, the company adopted a new incentive program for its employees based on a bonus in combination with a share purchase program that replaced the previous option program and has applied from 2022.

NOTE 3: PENSIONS

Arctic Bioscience AS has a group pension insurance that covers all the company's employees. The scheme is a defined contribution scheme. This year's premium, adjusted for any contributions to or deductions from the defined contribution fund, is accounted for as a pension expense. Premium paid in 2022 amounts to NOK 1,399,888.

NOTE 4: INTANGIBLE ASSETS**Arctic Bioscience Group & Parent Company**

Amounts in NOK	Development	Patents and trademarks	Sum
Acquisition cost 1.1.2022	59 998 523	2 586 668	62 585 190
Access	51 126 182	145 221	51 271 403
Departure	0	0	0
Acquisition cost 31.12.2022	111 124 705	2 731 889	113 856 593
Accumulated depreciation	-6 220 852	-592 220	-6 813 072
Booked value per 31.12.2022	104 903 853	2 139 669	107 043 521
Annual depreciation	2 442 686	332 967	2 775 653
Life expectancy	7-10 years	5-20 years	
Depreciation plan	Linear	Linear	

In 2022, the group has carried out various development activities. The projects are mainly related to the development of drugs for psoriasis, production process and product development. Several projects have been granted various public grants.

The group capitalizes development costs as these are considered to form the basis for future earnings.

Book values related to development and patents are always fraught with risk. Should the group not achieve its objectives related to the sale and commercialization of various products, this could lead to write-downs in the accounts. The Company is of the opinion that there are no indicators of the obligation to write down at present, and that the development work shows results in line with expectations.

NOTE 5: FIXED ASSETS**Arctic Bioscience Group & Parent Company**

Amounts in NOK	Buildings and plots	Equipment and machines	Total
Acquisition cost 1.1.2022	14 172 519	4 081 864	18 254 383
Access	6 210 298	1 083 755	7 294 053
Departure	0	0	0
Acquisition cost 31.12.2022	20 382 817	5 165 619	25 548 436
Accumulated depreciation	-1 313 161	-1 903 293	-3 216 454
Booked value per 31.12.2022	19 069 656	3 262 326	22 331 982
Annual depreciation	140 696	814 323	955 019
Life expectancy	10 -50 years	3 -6 years	
Depreciation plan	Linear	Linear	

In 2020, the group started a preliminary project related to the construction of a production unit. A total of NOK 14,416,563 has been capitalized under building and plots associated with this project as of end 2022, of which NOK 5,129,850 was capitalized during 2022.

NOTE 6: TAX

Parent Company		Calculation of deferred tax / deferred tax asset:	Arctic Bioscience Group	
2022	2021	Amounts in NOK	2022	2021
		Temporary differences:		
-4 415 438	-4 402 198	Fixed assets	-4 415 438	-4 402 198
-781 489	-1 013 735	Inventory	-781 489	-1 013 735
-40 191	-40 191	Receivables	-40 191	-40 191
-296 865	0	Provisions w.m.	-296 865	0
-5 533 982	-5 456 124	Net temporary differences	-5 533 982	-5 456 124
-164 295 071	-128 331 041	Accumulated carry-forward deficit	-164 388 704	-128 385 420
-169 829 053	-133 787 165	Basis for calculation of deferred tax	-169 922 686	-133 841 544
-37 362 392	-29 433 176	Deferred tax asset (22 %)	-37 382 991	-29 445 139
37 362 392	29 433 176	Of which no deferred tax asset is recog. in the balance sheet	37 382 991	29 445 139
0	0	Deferred tax in the balance sheet	0	0

According to the exemption rules for small enterprises, deferred tax assets are not recognized in the balance sheet.

Parent Company		Basis for tax expense, change in deferred tax and tax payable	Arctic Bioscience Group	
2022	2021	Amounts in NOK	2022	2021
		Taxable income:		
-33 985 110	-42 551 034	Profit before tax expense	-34 024 364	-42 579 684
-2 056 777	-21 018 589	Permanent differences	-2 056 777	-21 018 589
77 858	564 212	Change in temporary differences	77 858	564 212
-35 964 030	-63 005 411	Taxable income	-36 003 284	-63 034 061
		Payable tax:		
0	0	Tax payable on profit of the year	0	0
0	0	Tax payable in the balance sheet	0	0
		Tax expense for the year:		
0	0	Tax payable on profit for the year	0	0
0	0	Change in deferred tax assets	0	0
0	0	Tax expense for the year	0	0
		Reconciliation of this year's tax expense:		
-33 985 110	-42 551 034	Profit before taxes	-34 024 364	-42 579 684
-7 476 724	-9 361 227	Calculated tax on profit before tax	-7 485 360	-9 367 530
0	0	Tax expense in the income statement	0	0
-7 476 724	-9 361 227	Differences	-7 485 360	-9 367 530
-452 491	-4 624 090	Tax effect of permanent differences	-452 491	-4 624 090
7 929 215	13 985 317	Change in deferred tax assets	7 937 851	13 991 620
7 476 724	9 361 227	Sum explained difference	7 485 360	9 367 530

NOTE 7: GOING CONCERN

In February 2021 Arctic Bioscience AS was listed on Euronext Growth Oslo, and prior to the listing capital was raised to ensure financing of the company's operations in accordance with the strategic goals. During 2022, the company has met several important milestones according to its strategic plan. During 2022 strategic measures has been taken to ensure adequate funding and liquidity to ensure strategic goal achievement.

The company's organization and management have been strengthened in several areas during 2022. The development of the company's drug candidate HRO350, for the treatment of mild-to-moderate psoriasis, has followed the strategic plan, and was at the end of 2022 at a stage where the clinical trials could start at the beginning of 2023. Clinical Trial Applications were submitted in Q4-2022 and approved in the beginning of 2023. The first patients were included in the clinical trial at the beginning of 2023.

Sales of dietary supplement products, under the brand name Romega, have also show a positive development during 2022, with an annual growth of approx. 60 % year on year. The gross profit related to sales of dietary supplements has also improved throughout the year.

When the Company was listed on Euronext Growth in 2021, it was stated that one of the main reasons for both the capital increase and the listing was to fund the phase IIb study, which now has started. The phase III study must be financed with additional funding. The Company is working with different solutions to do this, where one alternative may be via a commercial partner for HRO350.

In the Board's opinion, the company has had a positive development during 2022, and is well positioned for further operations and growth. The company has good liquidity and established financing for the development process going forward. Based on this, the Board has the assumption that the entity is a going concern.

NOTE 8: EQUITY

Arctic Bioscience Group

Amounts in NOK	Share capital	Share premium reserve	Sum equity
Equity 01.01.2022	2 429 954	318 124 076	320 554 030
Capital increase 2022	7 618	742 374	749 992
Profit/loss for the year		-34 024 364	-34 024 364
Equity 31.12.2022	2 437 572	284 842 085	287 279 657

Parent Company

Amounts in NOK	Share capital	Share premium reserve	Sum equity
Equity 01.01.2022	2 429 954	318 188 355	320 618 309
Capital increase 2022	7 618	742 374	749 992
Profit/loss for the year		-33 985 110	-33 985 110
Equity 31.12.2022	2 437 572	284 945 618	287 383 190

NOTE 9: GOVERNMENT GRANTS

The company has several ongoing development projects, which are supported with various public grants. In 2019, the company received a commitment of NOK 14 million in grants from Innovation Norway in connection with the production of the clinical material (GMP production). This project was finalized in 2022, and the corresponding remaining payment related to the government grant of NOK 11.2 million was received. In 2020, the company was granted a grant of NOK 12.5 million related to the design of a new production facility. The scope of this development project was changed during 2022, and a finalized project report has been submitted to Innovation Norway. Finalized grant payment, based on accrued expenses in the project, is expected in 2023. In addition, the company has in 2022 received a net total payment of NOK 2.6 million from The Research Council of Norway related to the project "Properties of phospholipids from Herring Roe in Psoriasis". In the future, the company will be active in applying for grants from both Norwegian and international organizations.

In 2022, the company has earned grants related to the SkatteFUNN scheme of NOK 2.3 million. The amounts have been entered in their entirety as a reduction of capitalized costs related to the projects. The company uses net recognition of public subsidies.

NOTE 10: INVESTMENT IN SUBSIDIARIES

Parent Company

Amounts in NOK	Located	Ownership share	Aquisition cost	Booked value	Results 2022	Equity 31.12.2022
Arctic Biopharma AS	Ørsta	100%	30 000	30 000	-14 002	-9 595
Arctic Nutrition AS	Ørsta	100%	39 900	39 900	-11 250	6 930
Romega AS	Ørsta	100%	30 000	30 000	-14 002	-968
Sum			99 900	99 900	-39 254	-3 633

At end of 2022 there is no operations in the subsidiaries. An equity raise is planned in the subsidiaries in 2023 to strengthen the companies' equity and the liquidity to handle fixed and unavoidable costs.

NOTE 11: SHORT-TERM RECEIVABLES AND SHORT-TERM LIABILITIES WITH GROUP COMPANIES

Parent Company

Amounts in NOK	2022	2021
Receivables		
Other short-term receivables Group	23 000	23 000
Total receivables	23 000	23 000
Liabilities		
Other short-term liabilities Group	6 930	18 180
Total liabilities	6 930	18 180

NOTE 12: ACCOUNTS RECEIVABLE**Arctic Bioscience Group & Parent Company**

Amounts in NOK	2022	2021
Accounts receivable at face value	13 494 069	7 744 977
Earned, not invoiced revenue	22 298	0
Provision for losses	-40 191	-40 191
Booked value accounts receivable 31.12	13 476 176	7 704 786

For significant parts of the customer portfolio, the company has agreed a credit period. A share of the accounts receivable at year end is overdue. The company has a regular and stable customer base with established long-term relationships, and the Company is of the opinion that overdue accounts receivable does not represent a risk of loss beyond what has been allocated in the accounts. For all significant receivables, there is a good dialogue with the customer about the background for the delays and the plan for payment.

NOTE 13: RESTRICTED FUNDS**Arctic Bioscience Group & Parent Company**

Amounts in NOK	2022	2021
Of which restricted bank deposits (withholding tax)	990 941	2 231 037
Sum restricted funds	990 941	2 231 037

NOTE 14: SHAREHOLDERS

The share capital in Arctic Bioscience AS pr. 31.12 consists of:

	Quantity	Denomination	Booked
Ordinary shares	24 375 719	0.10	2 437 572
Sum	24 375 719		2 437 572

Shareholder	Total shares	% owned
Ronja Capital II AS	2 104 166	8.63%
Capra Invest AS	1 544 450	6.34%
MRFK Holding AS	1 313 960	5.39%
Fjarde AP-fondene	1 200 000	4.92%
Altitude Capital AS	1 085 586	4.45%
Hawk Infinity AS	1 045 450	4.29%
Vartdal Holding AS	1 040 286	4.27%
Verdipapirfondet Delphi Nordic	869 163	3.57%
Brødrene Vartdal AS	803 601	3.30%
Kotler Equity Investment Limited	667 330	2.74%
Life Capitol AS	655 420	2.69%
Stette Invest AS	602 375	2.47%
Kjølås Stansekniver AS	574 859	2.36%
Ajea Invest AS	555 359	2.28%
Eggesbø Eiendom AS	520 240	2.13%
Eros AS	520 240	2.13%
Strand Fiskeriselskap AS	473 342	1.94%
Gold Coast Nutrition	450 000	1.85%
Triplene Vedde AS	340 000	1.39%
Melesio Invest AS	315 000	1.29%
Other	7 694 892	31.57%
Sum	24 375 719	100%

Chairman of the Board Harald Nordal does not own any shares personally, but owns 50% of the shares in Capra Invest AS, which in turn owns 1,544,450 shares in the company. Capra Invest AS owns 2.23% of Life Capitol AS, which in turn owns 655,420 shares in the company.

Board member Asbjørn Solevågseide does not own any shares personally, but owns 34% of the shares in Ajea Invest AS, which owns 555,359 shares in the company.

Board member Jan Endre Vartdal does not own any shares personally, but owns 100% of the shares in Sustainability Invest AS, which itself has a 50% ownership in Brødrene Vartdal AS which owns 803,601 shares in the company. Further, Mr. Vartdal owns 100% of the shares in Future Invest AS, which itself has an ownership of 33.33% in Vartdal Holding AS, which owns 1,040,286 shares in the company.

Board member Per Magne Eggesbø does not own any shares personally, but owns 100% of PME AS, which itself has a 50.5% ownership in Eros AS which owns 520,240 shares in the company. Further, PME AS owns 21% of the shares in Eggesbø Eiendom AS which owns 520,240 shares in the company.

Board member Hu Cao does not own any shares personally, but owns 8.02% of the shares in Kotler Equity Investment Limited, which owns 667,330 shares in the company.

Saga Corporate Finance AS holds 464,816 options following capital raising processes. The options have a duration of 3 years after allotment (respectively 2020 and 2021) and have a redemption price from NOK 20.63 per share to NOK 31 per share.

North Star Ingredients Inc. holds 37,500 options. The options are subject to a vesting period. As of 31.12.2022 12,500 options have been vested. The options have a duration of 3 years after allotment (in 2021) and have a redemption price of NOK 20.628.

NOTE 15: OTHER CURRENT LIABILITIES

Parent Company		Amounts in NOK	Arctic Bioscience Group	
2022	2021		2022	2021
1 708 405	1 740 224	Holiday pay due	1 708 405	1 740 224
10 238 372	5 729 981	Provision for accrued production costs	10 238 372	5 729 981
7 384 961	1 395 554	Accrued salary and bonuses	7 384 961	1 395 554
1 103 549	1 287 150	Provision for accrued costs and other short-term debt	1 096 619	1 268 970
20 435 287	10 152 909	Sum other current liabilities	20 428 357	10 134 729

Of a total purchasing agreement with a supplier, of NOK 28 million, a part of this delivery representing NOK 2.4 million has not been booked as a liability as of end 2022 due to discussions on the quality of the delivery. The parties are in dialogue concerning this matter. The Company considers that the liability will be reduced with a preponderance of probability. The delivery is related to a development project and will not have effect for the income statement. The main part of the delivery was paid in 2022.

NOTE 16: RELATED PARTY TRANSACTIONS

There have been no transactions with related parties in 2022.

On February 13th 2023 Arctic Bioscience announced the acquisition of Arctic Algae AS, a company fully owned by Ronja Capital II AS, the largest shareholder in Arctic Bioscience AS. The agreed purchase price is NOK 16.3 million. At completion of the transaction the Company will take on debt to Ronja Capital II AS equal to the purchase price. The Company and Ronja Capital II AS agree that the claim shall be used as capital contribution in a share capital increase in the Company. The debt shall be converted into equity at a minimum ABS share price of NOK 17,27 per share. A third-party fairness opinion was conducted by Convento AS to confirm the enterprise value in this transaction. The transaction is thus considered to be at arm's length.

INDIRECT CASH FLOW

Arctic Bioscience AS		Arctic Bioscience Group				
2022	2021	Amounts in NOK	Note	2022	2021	
		Cash flows from operating activities				
-33 985 110	-42 551 034	Profit/loss before tax		-34 024 364	-42 579 684	
3 730 672	2 517 939	Ordinary depreciation	4, 5	3 730 672	2 517 939	
-6 936 267	-2 279 826	Change in inventory	1	-6 936 267	-2 279 826	
-5 771 390	3 302 294	Change in accounts receivable	12	-5 771 390	3 302 294	
9 893 700	-1 571 228	Change in accounts payable		9 893 700	-1 571 228	
7 701 079	1 131 205	Change in other accrual items	1.15	7 712 329	1 117 555	
-25 367 317	-39 450 650	Net cash flow from operating activities			-25 395 321	-39 492 950
		Cash flow from investment activities				
-58 565 456	-36 503 515	Payments to buy tangible and intangible assets	4, 5	-58 565 456	-36 503 515	
0	-39 900	Payments to buy shares and participation in other companies	10	0	0	
-58 565 456	-36 543 415	Net cash flow from investment activities			-58 565 456	-36 503 515
		Cash flow from financing activities				
0	-6 575 584	Repayment of long-term liabilities		0	-6 575 584	
0	-1 875 678	Net change in bank overdraft		0	-1 875 678	
749 992	299 209 977	Proceeds from equity	8	749 992	299 209 977	
749 992	290 758 715	Net cash flow from financing activities			749 992	290 758 715
-83 182 781	214 764 650	Net change in cash and cash equivalents			-83 210 785	214 762 250
227 321 917	12 557 267	Cash and cash equivalents at the start of the period			227 362 358	12 600 108
144 139 136	227 321 917	Cash and cash equivalents at the end of the period			144 151 573	227 362 358

INDEPENDENT AUDITORS REPORT



To the General Meeting of Arctic Bioscience AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Arctic Bioscience AS showing a loss of NOK 33 985 110 in the financial statements of the parent company and a loss of NOK 34 024 364 in the financial statements of the group. The financial statements comprise:

- the financial statements of the parent company Arctic Bioscience AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Arctic Bioscience AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.



In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Aalesund, March 28th 2023

Contabile AS

Oddvar Sandnes
State Authorised Auditor

Note: This translation from Norwegian has been prepared for information purposes only.

ALTERNATIVE PERFORMANCE MEASURES (APMS)

Alternative performance measures, meaning financial performance measures not included within the applicable financial reporting framework, are used by Arctic Bioscience to provide supplemental information by excluding items that in management's view, does not give indications of the periodic operating results. Financial APMs are used to enhance comparability of the results from a period to the next, and management uses these measures internally when driving performance in terms of long- and short-term forecasts. The measures are adjusted Norwegian GAAP for small enterprises measures, and are defined, calculated and consistently applied in the Group's financial reporting. Arctic Bioscience focuses on EBITDA and adjusted EBITDA when presenting the period's financial result internally and externally. Adjusted EBITDA is adjusted for special operating items.

Financial APMs should not be considered as substitute for measures of performance in accordance with applicable financial reporting framework.

Arctic Bioscience uses the following APMs in the reporting:

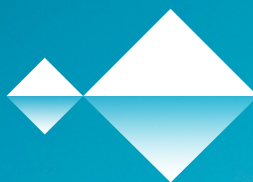
- EBITDA: Operating profit before depreciation, amortization, write-downs and impairments
- Adjusted EBITDA: Operating profit before depreciation, amortization, write-downs and impairment, and special operating items
- EBIT: Operating profit
- Adjusted EBIT: Operating profit before special operating items
- Gross profit: Total revenue minus cost of sales
- Adjusted gross profit: Total revenue minus cost of sales before special operating items
- Gross margin %: Gross profit as a % of Total revenue
- Adjusted gross margin %: Gross profit as a % of total revenue before special operating items

"EBITDA" and "Adjusted EBITDA" are used as APMs to facilitate operating performance comparisons from period to period, and the others are relevant key figures mainly in connection with the mentioned performance measures. The significant items of income and expenditure represent the difference between EBITDA and adjusted EBITDA and are labelled "special operating items".

The following table reconciles adjusted EBITDA to operating profit and net income (loss) in the condensed consolidated statements of profit or loss.

Amounts in NOK	2022	2021
Adjusted EBITDA		
Net income	-34 024 364	-42 579 684
Net financial items	3 364 761	-2 002 068
Operating profit	-37 389 125	-40 577 616
Depreciation	3 730 672	2 517 939
EBITDA	-33 658 453	-38 059 677
Special operating items	2 662 333	8 767 386
Adjusted EBITDA	-30 996 120	-29 292 291
Adjusted EBIT		
Adjusted EBITDA	-30 996 120	-29 292 291
Depreciation	3 730 672	2 517 939
Adjusted EBIT	-34 726 792	-31 810 230
Adjusted gross profit		
Revenue from sales	34 271 936	21 515 034
Cost of goods sold	22 625 579	16 356 151
Gross profit	11 646 357	5 158 883
Special operating items	0	639 074
Adjusted gross profit	11 646 357	5 797 957
Adjusted gross margin %	34.0 %	26.9 %
Special operating items include:		
Listing related costs	0	8 128 312
Cost of goods sold	0	639 074
Severance costs	2 662 333	0
Sum	2 662 333	8 767 386





ARCTIC BIOSCIENCE

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arcticbioscience](https://www.linkedin.com/company/arcticbioscience)



ARCTIC BIOSCIENCE AS

Til generalforsamlingen i Arctic Bioscience AS

To the general meeting of Arctic Bioscience AS

**REDEGJØRELSE I ANLEDNING
KAPITALFORHØYELSE****STATEMENT REGARDING
CAPITAL INCREASE**

Styret i Arctic Bioscience AS gir i medhold av aksjeloven § 10-2 jf. § 2-6 følgende redegjørelse i anledning forhøyelse av aksjekapitalen i selskapet fra NOK 2.442.571,90 med NOK 94.383,30 til NOK 2.536.955,20 ved utstedelse av 943.833 nye aksjer pålydende NOK 0,10 pr. aksje til tegningskurs NOK 17,27 pr. aksje, hvorav NOK 17,17 pr. aksje utgjør overkurs. Samlet overkurs er NOK 16.205.612,61. Samlet tegningsbeløp er NOK 16.299.995,91.

The board of Arctic Bioscience AS has prepared this statement in accordance with the private limited liability companies act section 10-2, cf. section 2-6 due to the proposed capital increase in the company from NOK 2,442,571.90 by NOK 94,383.30 to NOK 2,536,955.20 by subscription of 943,833 new shares with a nominal value of NOK 0.10 per share, at a subscription price of NOK 17.27 per share, including a share premium of NOK 17.17. The total amount paid as share premium is 16,205,612.61. The total subscription amount is NOK 16,299,995.91.

1. Bakgrunn

Selskapet har ved gjennomført transaksjon med Ronja Capital II AS fått gjeld til Ronja Capital II AS. Styret og Ronja Capital II AS er enige om at denne fordringen kan benyttes som kapitalinnskudd ved kapitalforhøyelse i selskapet. Begrunnelsen for forslaget er følgelig å oppfylle selskapets forpliktelser under aksjekjøpsavtale for erverv av selskapet Arctic Algae AS.

1. Background

The company has acquired a debt to Ronja Capital II AS through the completed transaction with Ronja Capital II AS. The board and Ronja Capital II AS agree that the claim may be used as capital contribution in a share capital increase in the company. The rationale for the proposal is to fulfil the company's obligations under share purchase agreement regarding the acquisition of the company Arctic Algae.

2. Beskrivelse av aksjeinnskuddet

Aksjeinnskuddet består i motregning av fordring på NOK 16.299.995,91, som Ronja Capital II AS har på selskapet.

2. Description of the share deposit

The share deposit consists of a set-off against a claim of NOK 16,299,995.91 which Ronja Capital II AS has on the company.

3. Prinsipper som er fulgt ved vurderingen av fordringen

Det er styrets vurdering at fordringen har en virkelig verdi for selskapet som tilsvarer fordringens pålydende. Vurderingen bygger på at selskapet ved motregning av fordringen blir kvitt en gjeldsforpliktelse tilsvarende fordringens pålydende.

3. Principles for determining the value of the performances

In the opinion of the board, the actual value of the debt is equal to the nominal value of the claim. The valuation is based on the fact that the company, by the set-off of the debt, will be free from a repayment obligation equal to the nominal value of the claim.

Etter styrets oppfatning er fremgangsmåten som ligger til grunn for vurderingen av fordringen hensiktsmessig. Styret er ikke kjent med øvrige opplysninger av vesentlig betydning for vurderingen av innskuddet.

4. Styrets erklæring

Styret erklærer at de eiendeler selskapet skal motta, motregning med Ronja Capital II AS sin fordring på selskapet, pålydende NOK 16.299.995,91 minst tilsvarer selskapets vederlag; utstedelse av 943.833 nye aksjer pålydende NOK 0,10 pr. aksje til tegningskurs NOK 17,27 pr. aksje. Samlet tegningsbeløp er NOK 16.299.995,91.

Redegjørelsen skal bekreftes av revisor, jf. aksjelovens § 2-6. Redegjørelsen og revisors bekreftelse fremlegges for generalforsamlingen.

In the opinion of the board; the procedure for assessing the value of the claim is appropriate. The board is not aware of other matters of importance for the assessment.

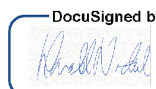
4. Statement of the board

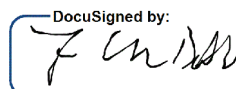
The board hereby declares that the assets which the company shall receive, set-off against Ronja Capital II AS' claim on the company, with a nominal value of NOK 16,299,995.91 is at least equal to the company's performance; issuance of 943,833 new shares with a nominal value of NOK 0.10 per share, at a subscription price of 17.27. The total subscription amount is NOK 16,299,995.91.

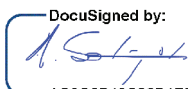
This statement shall be confirmed by an auditor in accordance with the private limited liability companies act section 2-6. The statement and the auditor's confirmation shall be presented to the general meeting.

The English language version of this document is an office translation of the original Norwegian text. In case of discrepancies, the Norwegian text shall prevail.

Ørsta 12/4-2023

DocuSigned by:

9075AD5A65894DF...
Harald Nordal
Styrets leder

DocuSigned by:

6433271004634AE...
Jostein Christian Dalland
Styremedlem

DocuSigned by:

AC8C0B48C26B4EE...
Asbjørn Solevågseide
Styremedlem

DocuSigned by:

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Jan Endre Vartdal
Styremedlem

DocuSigned by:

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Per Magne Eggesbø
Styremedlem

DocuSigned by:

56E388AC465B4DC...
Marita Holstad
Styremedlem

DocuSigned by:

E065A78B6CC6427...
Hu Cao
Styremedlem

DocuSigned by:

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Tore Andreas Frøysa Tønseth
Styremedlem

Til generalforsamlingen i Arctic Bioscience AS

Uttalelse om redegjørelse ved oppgjør av aksjeinnskudd ved motregning

Vi har kontrollert redegjørelsen datert 12. april 2023 i forbindelse med beslutning om at Ronja Capital II AS skal kunne gjøre opp innskuddsforpliktelse for aksjer i Arctic Bioscience AS ved motregning. Redegjørelsen inneholder styrets presentasjon av opplysninger i overensstemmelse med de krav som stilles i aksjeloven § 2-6 første ledd nr. 1 til 4 og styrets erklæring om at gjelden som skal motregnes, har en verdi som minst tilsvarer vederlaget.

Styrets ansvar for redegjørelsen

Styret er ansvarlig for å utarbeide redegjørelsen.

Revisors oppgaver og plikter

Vår oppgave er å uttale oss om redegjørelsen på grunnlag av vår kontroll.

Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroll for å oppnå betryggende sikkerhet for at redegjørelsen inneholder lovpålagte opplysninger og at gjelden som skal kunne motregnes, minst svarer til det avtalte vederlaget. Arbeidet omfatter kontroll av at gjelden er en reell betalingsforpliktelse og at beskrivelsen av den er hensiktsmessig og dekkende som grunnlag for vurdering av hvorvidt gjelden kan motregnes som oppgjør for innskuddsforpliktelse for aksjer.

Vi mener at innhentede bevis er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter vår mening inneholder redegjørelsen de opplysningene aksjeloven § 2-6 første ledd nr. 1 til 4 krever og den gjeld som skal kunne motregnes, svarer etter vår mening minst til det avtalte vederlaget i form av 943 833 aksjer i Arctic Bioscience AS samlet pålydende NOK 94 383,30, samt overkurs NOK 16 205 612,61. Totalt oppgjør NOK 16 299 995,91.

Ålesund, 12. april 2023

Contabile AS



Oddvar Sandnes

Statsautorisert revisor