

**INNKALLING TIL
ORDINÆR
GENERALFORSAMLING
I
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 26. april 2024 kl. 11.00 (CEST) virtuelt på 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.

Til behandling foreligger følgende saker:

- 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**

Årsregnskap, årsberetning og revisors beretning er tilgjengelig på selskapets hjemmeside.

Det foreslås at selskapets underskudd for året 2023 på NOK 41 337 144 dekkes av overkursen.

5. Honorar til styret

Styrets honorar for perioden 2023 ble vedtatt i ordinær generalforsamling 21. april 2023. Styret foreslår at honorarsatser videreføres med at styrets 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 2024.

6. Honorar til revisor

Styret foreslår at revisors bistand til selskapets revisjon m.v. for regnskapsåret 2023 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

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

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

Notice is hereby given of an Annual 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 26. April 2024, at 11:00 a.m. (CEST) virtually on Microsoft Teams.

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.

The agenda is as follows:

- 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**

The annual accounts, the annual report and the auditor's report are available on the Company's website.

The board proposed that the company's loss for the year 2023, NOK 41 337 144 shall be covered by share premium reserve.

5. Remuneration to the board

Remuneration to the Board for the period 2023 was adopted by the General Meeting 21. April 2023. The board proposes that remuneration fees are continued so 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 2024.

6. Fee to the auditor

The board proposes that the auditor's services for the financial year 2023 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. Tildeling av fullmakt om kapitalforhøyelse ved nytegning av aksjer

Styret foreslår at generalforsamlingen vedtar å tildele styret følgende fullmakt til å forhøye selskapets aksjekapital (den "**Nye Fullmakten**"). Den Nye Fullmakten gjelder tilsvarende økning av aksjekapitalen som ble gitt av generalforsamlingen 5. mai 2022):

- Aksjekapitalen skal i alt kunne forhøyes med NOK 686 312. Fullmakten kan benyttes flere ganger innen den angitte rammen.
- Styrefullmakten skal gjelde fra registrering i Foretaksregisteret og frem til Selskapets ordinære generalforsamling i 2025, men likevel ikke lenger enn til 30. juni 2025.
- Aksjeeiernes fortrinnsrett etter aksjeloven § 10-4 skal kunne fravikes.
- Styrefullmakten omfatter også kapitalforhøyelse mot innskudd i andre eiendeler enn penger og rett til å pådra selskapet særlige plikter etter aksjeloven § 10-2.
- Styrefullmakten omfatter ikke beslutning om fusjon etter aksjeloven § 13-5.
- Styret gis fullmakt til å endre vedtektenes angivelse av aksjekapitalens størrelse i samsvar med de kapitalforhøyelser styret beslutter under denne fullmakten.

Styrets begrunnelse for forslaget til fullmakt til å forhøye aksjekapitalen er å kunne benytte denne til å styrke selskapets egenkapital og sikre finansiell fleksibilitet og mulighet til å foreta ulike transaksjoner i Selskapets interesse, og innfri eksisterende og fremtidige opsjonsordninger.

Den Nye Fullmakten skal fra tidspunktet for registrering av den Nye Fullmakten i Foretaksregisteret erstatte eksisterende fullmakt til styret i selskapet til å foreta kapitalforhøyelse gitt på ordinær generalforsamling 5. mai 2022 (den "**Eksisterende Fullmakten**"), da slik at den Eksisterende Fullmakten kan benyttes for kapitalforhøyelse som registreres i Foretaksregisteret senest samtidig med registrering av den Nye Fullmakten i Foretaksregisteret.

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

Frist for registrering

Frist for registrering av påmelding, forhåndsstemmer, fullmakter og instruksjer: 24.4.2024 kl. 16.00 (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

- Hu Cao
- Marita Holstad

8. Granting of authorization to the board for capital increase by issuing new shares

The board proposes that the general meeting resolves to grant the board the following authorization to increase the company's share capital (the "**New Authorization**"). The New Authorization applies to the corresponding increase in share capital that was granted by the General Meeting 5. May 2022):

- The share capital may altogether be increased by NOK 686 312. The authorization can be used several times within the specified frame.
- The authorization shall be effective from the date it is registered in the Norwegian Business Register and shall be valid until the Company's annual general meeting in 2025, but no longer than 30. June 2025.
- The shareholders' preferential rights pursuant to the Norwegian Private Limited Liability Companies Act § 10-4 may be deviated.
- The authorization also comprises capital increase by non-cash payment and a right to charge the company with special obligations, cf. the Norwegian Private Limited Liability Companies Act § 10-2.
- The authorization does not comprise any resolution to merge pursuant to the Norwegian Private Limited Liability Companies Act § 13-5.
- The board is given authorization to change the articles of association regarding the size of the share capital in accordance with such share capital increases as decided by the board under this authorization.

The purpose for the proposal of granting such authorisation to the board is that it may be used to strengthen the Company's equity and give the Company financial flexibility and possibility to carry out various transactions in the interest of the Company and fulfil existing and future options plans.

The New Authorization shall from the time of registration of the New Authorization in the Norwegian Register of Business Enterprises replace the existing authorization to the board to increase the company's share capital granted on the ordinary general meeting on 5 May 2022 (the "**Existing Authorization**"), so that the Existing Authorization may be used for share capital increases which are registered in the Norwegian Register of Business Enterprises at latest simultaneously as registration of the New Authorization in the Norwegian Register of Business.

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

Deadline for registration

Deadline for registration of attendance, advance votes, proxy or instructions: 24.4.2024 4:00 pm (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,

aksjene kun utøves dersom aksjeeieren er påmeldt til generalforsamlingen og ervervet er meldt og dokumentert i henhold til gjeldende regelverk.

Iht. allmennaksjeloven § 1-8, samt forskrift om formidlere omfattet av verdipapirsentralloven § 4-5 og tilhørende gjennomføringsordninger sendes innkallingen til forvalter som videreformidler til aksjonærer de holder aksjer for. Aksjonærer skal kommunisere med sin forvalter som har ansvar for å formidle stemmer eller påmelding. Forvalter må iht. allmennaksjeloven § 5-3 registrere dette med Selskapet 2 virkedager før 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://investor.vps.no/garm/auth/login> 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 besluttes 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://investor.vps.no/garm/auth/login> eller gå via egen kontofører. For forhåndsstemme må pinkode og referansenummer benyttes.

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/>

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.

According to Section 1-8 of the PLCA, as well as regulations on intermediaries covered by Section 4-5 of the Central Securities Act and related implementing regulations, notice is sent to custodians who pass on to shareholders for whom they hold shares. Shareholders must communicate with their custodians, who is responsible for conveying votes or enrollment. Custodians must according to Section 5-3 of the PLCA register this with the Company no later than 2 working days before 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://investor.vps.no/garm/auth/login> 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://investor.vps.no/garm/auth/login> or your account operator. For advance voting reference number and pin code must be stated.

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/>

Ørsta, 12.04.2024

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 26. april 2024, kl. 11:00, som et virtuelt møte 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 19.4.2024.

Frist for registrering av forhåndsstemmer, fullmakter og instruksjoner er 24.4.2024 kl. 16:00.

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 <https://investor.vps.no/garm/auth/login> 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

«**Meld på**» – Her melder du deg på, du blir her bedt om å oppgi din e-post

«**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 **24.4.2024 kl. 16:00**. 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 generalforsamling i Arctic Bioscience AS som følger (kryss av):

- Deltar i møtet for egne aksjer (ikke kryss av på sakene under)

Vennligst oppgi din e-post: _____

- 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 og e-post med blokkbokstaver)

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

| Agenda ordinær generalforsamling 26. april 2024 | 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. Tildeling av fullmakt om kapitalforhøyelse ved nytegning av aksjer | <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 26. April 2024, at 11:00 am, as a virtual meeting 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 VPS per Record date 19.4.2024.

The deadline for electronic registration of advance votes, proxy of and instructions is 24.4.2024 at 4:00 pm.

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 (for those of you who receive a summons in post-service), or
- Log in through VPS Investor services; available at <https://investor.vps.no/garm/auth/login> 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, you will be asked to enter your e-mail address

"**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.



ANNUAL
REPORT
2023



ARCTIC
BIOSCIENCE

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INTRODUCTION

Arctic Bioscience is a clinical stage biotechnology company working to develop drug candidates within the areas of autoimmune and inflammatory diseases. The company's unique proprietary extraction technology is used to extract membrane fats from marine raw materials, such as herring roe and algae.

At the core of Arctic Bioscience is a team of experts with more than 25 years of experience in lipids and marine oils, complemented by a substantial research environment and an internationally experienced commercial and financial team. Since its inception in 2011, the company has demonstrated significant operational prowess, covering the entire spectrum from identifying and analysing lipid sources to manufacturing and quality assurance of the final products.

During 2023, the company started a clinical phase IIb study for the development of the novel oral drug candidate HRO350 for the treatment of mild-to-moderate psoriasis. The study, comprising 519 patients from five countries, reached full recruitment in January 2024. Arctic Bioscience anticipate the first 6-months data read-out in H2-2024. The prevalence of autoimmune and inflammatory diseases is substantial, with mild-to-moderate psoriasis estimated to affect more than 18 million patients in the EU5 and USA alone. Currently, for the mild-to-moderate patient population there are few treatment options except corticosteroid creams and light treatment.

In addition to its major pharmaceutical efforts, the company has a dedicated nutraceutical division that develops and sells phospholipid-DHA omega-3 products under the brand ROMEGA®. There has been a substantial growth in revenues the last years, and the growth potential in the years to come is significant.

Arctic Bioscience's comprehensive approach, from cutting-edge research to impactful nutraceuticals, positions the company as a key player in the dynamic landscape of autoimmune and inflammatory indications. By delivering on our mission, we will create value for patients with an unmet need for treatment, the international pharmaceutical community, and our investors.

SUMMARY

- 1 HRO350 – a novel oral drug candidate for mild-to-moderate psoriasis. Significant unmet medical need for new treatment, with a target addressable market of 18 million patients in the US and EU5
- 2 The HeROPA study, an international phase IIb clinical trial with 519 patients, reached full recruitment in January 2024. 6-months data read-out is expected in H2-2024
- 3 Cash generating global nutraceutical business, with a growing presence in large markets and new products in the short-term pipeline, with significant growth potential the years to come
- 4 Proprietary technology platform with control over value chain underpins both the pharmaceutical and nutraceutical businesses
- 5 Expert management with broad experience within the pharmaceutical and nutraceutical industries



HIGHLIGHTS 2023

- The phase IIb HeROPA clinical trial on HRO350 in mild-to-moderate psoriasis was approved primo 2023 by Medicines Authorities in five European countries. The HeROPA trial completed recruitment of the planned 519 patients in January 2024. Six-month data-read-out will be H2 2024
- Satisfying liquidity position at year end with NOK 109.6 million in available liquidity
- Cellular studies project on Mode of Action of HRO350 were completed in December 2023. These data gives a deeper understanding of the potential cellular effects of HRO350
- Total revenues for 2023 ended at NOK 33.8 million, representing a total growth the last two years of 57 %
- Strong development in the Chinese market in 2023, where end-customer sales doubled in 2023, being reflected in the 2024 revenues
- Positive prospects and good order backlog for the nutraceutical business, with onboarding of several promising customers in North-America, Europe and Asia in 2023, and introduction of new products into the market going forward
- Arctic Algae AS acquired in Q1 2023, which brings the Group in position to explore future commercial opportunities in the microalgae segment
- Concept development project has concluded on going forward with a GMP manufacturing line established in Ørsta. Agreement of debt funding of NOK 65 million + NOK 3 million in soft funding to this project reached, and next phase in the project is estimated to commence in Q4 2024

KEY FIGURES

| Amounts in NOK | 2023 | 2022 |
|---|-------------|-------------|
| Revenue from sales | 33 750 017 | 34 271 936 |
| Gross profit | 9 773 594 | 11 646 357 |
| Gross margin % | 29% | 34% |
| EBIT | -48 586 164 | -37 389 125 |
| EBITDA | -43 203 679 | -33 658 453 |
| Adjusted gross profit | 9 773 594 | 11 646 357 |
| Adjusted gross margin % | 29% | 34% |
| Adjusted EBIT* | -43 979 991 | -34 726 792 |
| Adjusted EBITDA* | -38 597 506 | -30 996 120 |
| Cash flow operating activities | -40 286 488 | -25 395 321 |
| Cash flow from investment activities | -43 103 992 | -58 565 456 |
| Cash flow from financing activities | 18 840 976 | 749 992 |
| Net cash flow | -64 549 504 | -83 210 785 |
| Cash and cash equivalents end of period | 79 602 069 | 144 151 573 |
| Available liquidity including credit facility | 109 602 069 | 144 151 573 |
| Total assets | 300 251 576 | 327 702 041 |
| Total equity | 258 557 236 | 287 279 657 |
| Total liabilities | 41 694 340 | 40 422 384 |
| Equity ratio | 86% | 88% |

* Adjustment in 2022 relates to severance costs. Adjustments in 2023 relates to pre-concept costs new production line. Alternative Performance Measures and reconciliations are explained at the end of the Annual Report

LETTER FROM THE CEO

*Dear investors, customers,
and partners of Arctic Bioscience,*

2023 has been yet an exciting year for our company. When I wrote this letter a year ago, we had just recently received approval for the implementation of our clinical Phase IIb study in the UK. In the months that followed, the HeROPA study was approved in an additional four European countries, marking the kick-off of the biggest clinical study conducted by a Norwegian company ever. In January 2024, the study was fully recruited, and we are eagerly looking forward to the initial results from the data read-out, expected in H2 2024, representing a major milestone for Arctic Bioscience.

The HeROPA study, targeting mild-to-moderate psoriasis, is of utmost importance to Arctic Bioscience. However, our company is constantly working towards complementing our product portfolio with new initiatives. A few highlights include the increasing growth within the nutraceutical supplement segment seen the last years, new research projects, the acquisition of a microalgae company and the development of our second drug candidate Arctic Orphan (ABS302).

Psoriasis is a chronic skin condition that affects up to 6% of the world's population, with a significantly higher prevalence in the northern hemisphere. Our drug can-

didate HRO350 aims to address patients with mild-to-moderate psoriasis – a group constituting 80-90% of those affected. We aim to offer a natural, oral alternative in a market dominated by cream-based products containing corticosteroids. Psoriasis medications represent a multi-billion-dollar market, and Arctic Bioscience has a clear ambition to make HRO350 a blockbuster medicine, with an expected annual revenue exceeding USD 1.5 billion.

The cornerstone of Arctic Bioscience is our research environment. In addition to the HeROPA study, we are concurrently researching new products for autoimmune and inflammatory diseases based on marine ingredients. In 2024, we will accelerate the development of the drug candidate Arctic Orphan (ABS302), aimed at improving brain development for extremely premature infants.

Furthermore, our research environment laid the groundwork for our acquisition of Arctic Algae in 2023, a company engaged in the research and production of microalgae. The technology is scalable and largely complementary to the rest of Arctic Bioscience's product portfolio. In collaboration with several leading experts in the field and the scalability of micro algae, we see major

future opportunities to develop our business in the pharmaceutical and nutraceutical areas further, simultaneously significantly strengthening our intellectual property (IP) position.

In recent years, our commercial nutraceutical supplement business has evolved at a rapid pace. We have witnessed particularly strong growth in Asia, where end-customer sales doubled in 2023 alone – an effect that will be reflected in the revenues for 2024. This is largely due to our collaboration with our partner in China, where we have built a strong and efficient platform for marketing and sales. In Norway, we also observe positive sales development with more than 20% annual growth.

In the global B2B market, we onboarded several exciting customers in 2023 who will contribute to future sales revenues for Arctic Bioscience. The customer base primarily consists of companies developing nutraceutical supplement products based on our ROMEGA oil, investing significantly in sales and marketing activities in their respective markets. ROMEGA oil is used in more than 40 nutraceutical supplement products with strong brands worldwide, in addition to our own ROMEGA products sold directly to

consumers in Norway and China. In the first quarter of 2024, we look forward to introducing a new product, Romega Gravid, to the Norwegian market.

2023 was financially in line with our expectations and plans despite that revenues from our nutraceutical supplement business were somewhat lower than what we aimed for. We experienced lower revenues last part of 2023 than expected due to some of our largest customers moved their delivery plans into 2024. Going forward we see very positive prospects for our nutraceutical business, both with regards to building our customer base and by introducing new products into the markets. We aim for a break-even contribution from the nutraceutical business by end of 2025 given the prospects and market outlook we see today.

2023 was a monumental year for us, and I expect nothing less from 2024. The data read-out expected in H2 2024 will lay the foundation for a clinical phase III program and subsequent commercialization of our HR0350 drug candidate. Combined with the new drug development initiatives and further nutraceutical growth, I believe 2024 very well could be the most exiting year for Arctic Bioscience's stakeholders to this date.

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, the 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 medic-

inal authorities in five European countries at the start of 2023. In January 2024 the HeROPA-trial was fully recruited with the 519 patients needed for the study. Six months read-out of the primary endpoints in the study is planned for H2 2024.

In Q1 2023 Arctic Algea was acquired, a biotechnology company specializing in pro-

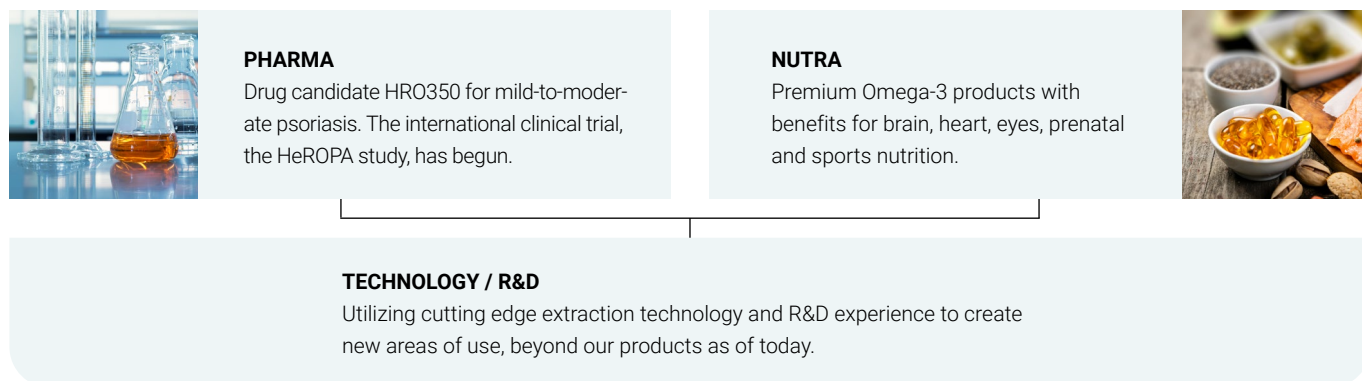
duction of micro algae by innovative reactor technologies. With this acquisition Arctic Bioscience steps into an exciting area in the field of bioscience, where there has been a strong development over the years.

At the end of 2023, the company had a total of 18 employees and 2 contracted personnel across 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.

Company structure



Founding story





PHARMA

Investigational medicinal product HRO350 for mild-to-moderate psoriasis

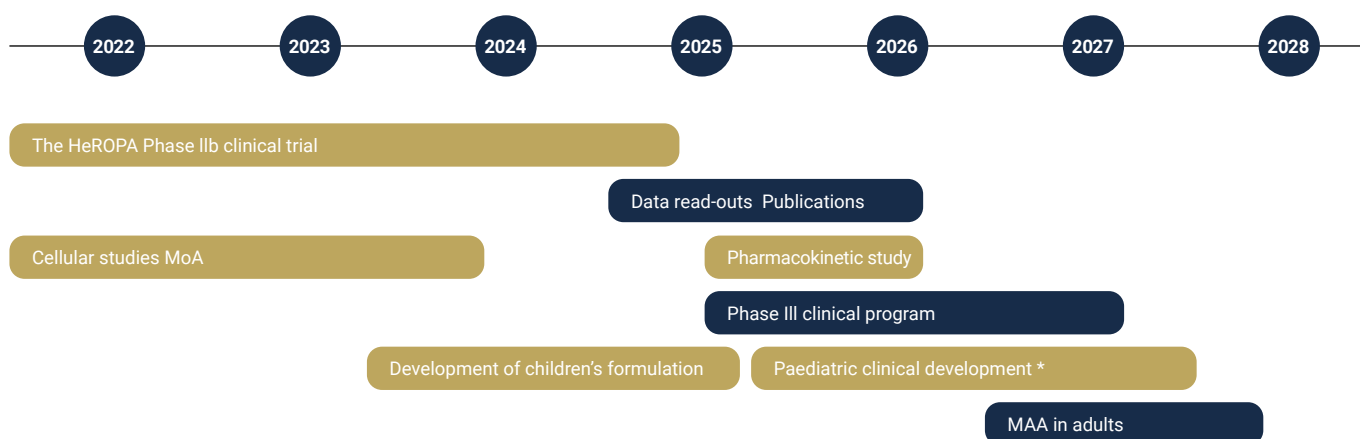
Executive summary

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 ¹. 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 approximately 18.7 million mild-to-moderate psoriasis patients in US and EU-5 alone.

Phase IIb clinical trial – the HeROPA study

In late 2022 Arctic Bioscience submitted a Clinical Trial Application (CTA) 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 HeROPA study is designed to investigate the efficacy, safety and dose of drug candidate HRO350 vs. placebo. The CTA was approved at the start of 2023 in five European countries. These countries were Germany, Poland, Finland, the UK and Norway.

HRO350 clinical program progress and timeline update



MAA: Marketing Authorization Application; MoA: Mode of Action; IMPD: Investigational Medicinal Product Dossier; PIP: Paediatric Investigational Plan
 * PIP agreed with the EMA Paediatric Committee in Q1 2022. The Paediatric Committee of the EMA provides opinions on the quality, safety and efficacy of a medicine for use in the paediatric population Sources: EMA PDCO meeting report of opinions on paediatric investigations plans and other activities, 21 January 2022, available online.

The HeROPA study had planned for 519 patients to be included in the trial, and in January 2024 all patients needed had been recruited. Next major milestone in the HeROPA trial is 6-month data read-out, which is planned for H2 2024.

Cellular data on HRO350 Mode-of-Action in psoriasis

Arctic Bioscience's cellular studies project on Mode of Action of HRO350 was completed in December 2023. The key objectives of this project were to gain deeper understanding of the cellular mechanisms and structural characteristics of HRO350. The project has produced data on the effects of HRO350 related

to skin cells, advanced skin cell models and human immune cells, including cell specific signaling molecules and psoriasis markers, as well as analysis of components of HRO350 including mediators that are involved in resolving inflammation.

Results from this study will be published in 2024 at congresses and via multiple peer-reviewed publications. These data will also be important in the future Marketing Authorization Application for HRO350.

Further planned drug development program

A Paediatric Investigational Plan (PIP) for HRO350 was submitted in 2021. In March

2022 Arctic Bioscience received a positive opinion from the Paediatric Committee of the EMA. Based on successful completion of the HeROPA study, the company plans to run a phase III clinical program in collaboration with a commercial partner, before submitting a Marketing Authorization (MA) application for HRO350.

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 18 million patients in the USA and the

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

EU5 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

Arctic Bioscience has 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. The drug development program will run in parallel with the HRO350 clinical program for mild-to-moderate psoriasis.

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 ROMEGA®, a premium phospholipid-DHA 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, ROMEGA® 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 several new ROMEGA® products, both oil and 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 steadily growing customer base. There is a vast global Omega-3 market set for further growth in coming years, and ROMEGA® is attractively positioned in the market. The last two years revenues have grown with 57% in total, with on-boarding of several promising customers from around the globe. There are positive prospects for our nutraceutical business going forward, both with regards to building our customer base further and by introducing new products into the market. Arctic Bioscience is aiming for solid sales growth in the coming years and forecast a break-even contribution from the nutraceutical business by end of 2025.

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. The last years a larger share of the total revenues has come from finished goods

(capsules), an effect of the implemented sales and distribution strategy. In 2023 the largest B2B market was the European market which accounted for 42% of B2B sales. Norway accounted for 6%, the Americas 19%, and the APAC region for 33%.

B2C

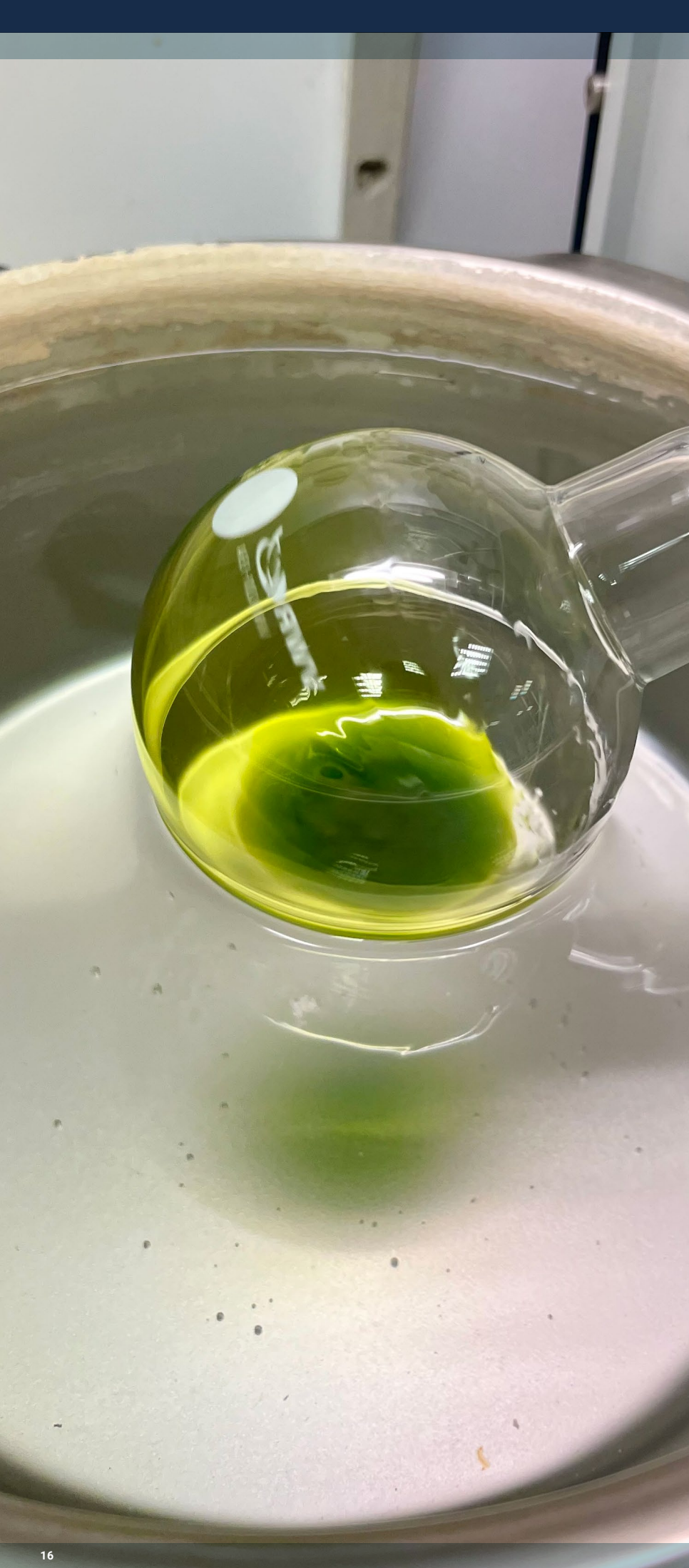
Arctic Bioscience also sells direct to consumers in Norway. Overall, in 2023 B2C accounted for 13% of Arctic Bioscience' total revenues and experienced a very positive development with an annual revenue growth of 22%. The original ROMEGA® product and the new ROMEGA® Hjerne are available through an e-commerce subscription model.

Strong strategic partnership in China

Through a strategic partnership with Kotler Marketing Group, Arctic Bioscience has developed a strong and effective platform for marketing and sales in the Chinese consumer market. 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. The key products in China are ROMEGA® Prenatal, ROMEGA® Eye and ROMEGA® Brain.

In 2023 the Chinese end-customer sales had a strong growth and doubled compared to earlier years. This positive development underline the importance and shows the effects of the strategic partnership in place, which includes both product development, marketing strategies and supply chain optimization.





ARCTIC ALGAE

The company Arctic Algae, a biotechnology company specializing in production of micro algae by innovative reactor technologies, was acquired in Q1 2023. In addition to current use of marine ingredients in the Group, Arctic Algae will enhance the product- and technology platform by developing proprietary and scalable ingredients based on micro algae and expand the product portfolio into marine algal oils, products that have a high growth rate in the nutraceutical marketplace.

Arctic Algae has all the infrastructure needed for both heterotrophic and phototrophic production of micro algae, which is the basis for valuable marine oils, protein and other promising ingredients.

In 2023, the initial project of producing oil from selected algae species was successful. The project involved NORCE and NIVA as collaborating partners and was supported by Regionalt Forskningsfond with soft funding of NOK 500 000. The phase 2 of the project continues in 2024 and recently received funding of NOK 2 million from Regionalt Forskningsfond to upscale algae case from benchtop to pilot production.



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.

As a result of a concept development project Arctic Bioscience has decided to move forward with a GMP manufacturing line in Ørsta. This decision has been made to secure that Arctic Bioscience will have the production volumes in the years to come both for the pharmaceutical and nutraceutical operations. Depending on timing of other key processes and projects the next phase in this project is estimated to commence in Q4 2024 and will make use of all of the built-up technology- and R&D-knowhow in the company.

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 Converto, where he assisted top Management and boards across a range of industries including marine growth companies. Prior to joining Converto 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.



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.



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.



Jannicke Bjørkedal
Quality Manager

Mrs. Bjørkedal (1970) has more than 20 years of experience working with marine oils both from the nutraceutical and pharmaceutical industry. Her experience includes working as a Qualified Person (QP) and leading quality unit. She holds a Bachelor's degree in Aquatic Biology.



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.



Para Ghildyal-Palani
Regulatory Manager

Dr. Ghildyal-Palani (1976) has held scientific and advisory roles across academic, public, and private sectors. Her expertise lies in regulatory affairs and safety risk management of nutraceuticals and medicines. She has valuable experience from working at the Norwegian Food Safety Authority, framing nutritional policies and standards, within the EU and globally. She has a Ph.D. in Neurophysiology from the Indian Institute of Technology – Bombay.



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.

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, 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 Ålesund. 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: 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 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 Algae AS
- Arctic Nutrition AS
- Romega AS
- Arctic Biopharma AS

The Board of Directors' report for Arctic Bioscience 2023 is based on the consolidated financial accounts for 2023 and 2022. Arctic Algae AS was acquired in late Q1 2023, and the consolidated figures for 2023 therefore include effects from this subsidiary from Q2 2023. When "Arctic Bioscience" is referred to throughout this report, it represents the consolidated activity of the Group. Arctic Nutrition AS, Romega AS and Arctic Biopharma AS are established with minimal capital and have limited operations at this point.

Operational review

2023 has been an eventful 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, continued to reach significant strategic milestones during 2023. The Clinical Trial Application (CTA) for the HRO350 phase IIb study was approved primo 2023 in five European countries; Germany, Poland, Finland, the UK and Norway. Shortly after, the first patient was included in the HeROPA clinical trial. The HeROPA trial completed recruitment of the planned 519 patients in January 2024. Six-month data-read-out will be in H2 2024.

Arctic Bioscience's cellular studies project on Mode of Action of HRO350 was completed in December 2023. The key objectives of this project were to gain a deeper understanding of the cellular mechanisms and structural characteristics of HRO350. The results related to the study are planned to be published in H1 2024 and onwards.

The nutraceutical business had a positive development in total sales, new market opportunities and in gross margin development the last two years. In these two years revenues had a total growth of 57%, and the gross margin improved. The development for the nutraceutical business was very good the first half year of 2023, with continued revenue growth and a good gross margin development. The last part of 2023 was impacted by changes in some large customer's delivery plans as well as manufacturing delays at the end of the year, shifting order deliveries and corresponding revenues into 2024. Since a larger part of the delayed deliveries consisted of capsulated finished products, this also affected the total product mix in 2023, which resulted in a lower gross margin in 2023 compared to 2022. We have seen a positive development in the B2C segment in 2023 with more than 22% year-on-year revenue growth. In China Arctic

Bioscience has built a strong and effective platform for marketing and sales together with our partner Kotler Marketing Group, and we see a massive potential in the years coming. End-customer sales in China doubled in 2023 compared to previous years, which will be reflected in the 2024 revenues for Arctic Bioscience. Several promising customers in North America, Europa and Asia has been onboarded in 2023, which are expected to generate strong future recurring sales revenue for Arctic Bioscience. This, together with several new product introductions lined up in the pipeline, paints a positive outlook for the company's nutraceutical business.

In 2023 Arctic Bioscience acquired Arctic Algae, a biotechnology company specializing in production of micro algae by innovative reactor technologies. This acquisition brings Arctic Bioscience in position to enhance the product- and technology platform by developing proprietary and scalable ingredients based on micro algae and expand the product portfolio into marine algal oils. These products have a high growth rate in the nutraceutical marketplace.

The organization has been strengthened in several key operational areas the last couple of years. In 2023 the company has continued to develop and professionalize its operations by developing and implementing new work- and quality processes. This sets the company in a strong position to meet future requirements for both the pharmaceutical and nutraceutical operational activities.

Financial review

Income statement

Arctic Bioscience generated sales revenue of NOK 33.8 million in 2023, down from NOK 34.3 million in 2022. 87% of the sales revenue were related to the B2B segment in 2023.

Gross profit of the year was NOK 9.8 million, down from NOK 11.6 million in 2022. For 2023 this represents a gross margin of 29%, compared to 34% in 2022. The gross profit in

2023 was affected by a larger part of deliveries of capsulated finished goods were moved into 2024.

Total operating expenses excluding cost of goods sold for the year were NOK 54.6 million for the parent company and NOK 58.4 million for the group in total in 2023. The corresponding figures for 2022 were NOK 49.2 million both for the parent company and the group in total. Of the 2023 figures NOK 4.6 million were non-recurring costs related to pre-concept of new production line. NOK 2.7 million was in comparison non-recurring costs in 2022. Personnel costs in the parent company decreased with NOK 1.6 million, mainly due to lower severance- and bonus costs. Personnel costs for the group in total decreased with NOK 0.8 million compared to 2022. The group figures for 2023 also include personnel costs from the acquired company Arctic Algae from Q2 2023. During 2023, NOK 5.4 million of total personnel expenses were capitalized to development projects. Other operating expenditures increased with NOK 6.8 million compared to last year for the parent company and increased with NOK 8.3 million for the group in total compared to 2022. 2023 group operating expenditures included effects from Arctic Algae from Q2 2023. Depreciation expenditures increased with NOK 0.3 million in 2023 for the parent company and NOK 1.7 million for the group in total.

The operating loss for 2023 was NOK 44.9 million for the parent company, compared to NOK 37.3 million in 2022. For the group in total operating loss for 2023 was NOK 48.6 million, compared to NOK 37.3 million in 2022.

Included net financial items, the total loss for 2023 for the parent company was NOK 41.3 million, compared to NOK 34.0 million in 2022. For the group the total loss for 2023 was NOK 45.5 million, compared to NOK 34.0 million in 2022.

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 in Arctic Bioscience have been granted NOK 48.7 million in public/government grants of which NOK 8.6 million was received in 2023. In 2020, the company received a grant of NOK 12.5 million from Innovation Norway related to the design of a new production facility. The final payment from this grant was received in 2023. In addition, Arctic Bioscience has in 2023 received a net total payment of NOK 1.5 million from The Research Council of Norway related to the project "Properties of phospholipids from Herring Roe in Psoriasis". In 2023, Arctic Bioscience has also earned grants related to SkatteFUNN scheme of NOK 4.75 million. The amounts have mainly been entered in their entirety as a reduction of capitalized costs related to the projects. Arctic Algae has received a grant of NOK 0.5 million from Regionalt Forskningsfond Møre & Romsdal, related to production of Omega-3 rich membrane lipids from Protistors, a project that will be conducted in 2024.

The group 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 37.9 million for the parent company in 2023, and negative NOK 40.3 million for the group in total (negative NOK 25.4 million in 2022), mainly driven by negative operating results. Of other items influencing operating activities, changes in inventory amounted to NOK 2.7 million, and changes in accounts receivable of NOK 3.9 million. Changes in accounts payable amounted to NOK 0.1 million. Finally, changes in other accrual items amounted to negative NOK 7.3 million for the parent

company and negative NOK 6.9 million for the group in total.

Net cash flow from investing activities was negative NOK 45.7 million for the parent company in 2023 (negative NOK 58.6 million in 2022). Major investments included NOK 34.1 million related to the phase IIb HRO350 clinical development program, and NOK 16.3 million connected to the acquisition of Arctic Algae. Received public grant of NOK 4.8 million has been netted in the total investing figures. For the group in total net cash flow from investing activities was negative NOK 43.1 million in 2023. In the group figures the effects from the access regarding the acquisition of Arctic Algae are included, in this also including access of goodwill of NOK 3.0 million.

Cash flow from financing activities during 2023 amounted to NOK 16.8 million for the parent company (NOK 0.7 million in 2022). This is related to an increase in share capital and share premium due to exercise of share options in February 2023 and the conversion of debt into share capital and share premium in relation to the Arctic Algae-transaction. Cash flow from financing activities for the group in total in 2023 also includes net new long-term liabilities of NOK 2.0 million, related to financial leasing contracts in the acquired company Arctic Algae.

Total net cash flow during 2023 ended at negative NOK 66.8 million for the parent company (negative NOK 83.2 million in 2022) and negative NOK 64.5 million for the group in total (negative NOK 83.2 million in 2022). In 2023 a credit facility of NOK 30 million was established. Total available liquidity at end of 2023 is NOK 107.3 million for the parent company (NOK 144.1 million in 2022) and NOK 109.6 million for the group in total (NOK 144.1 million in 2022).

Financial position – balance sheet as of 31.12.2023

The group's financial position at the end of the year remains strong. For the parent company total equity as of 31.12.2023 amounted to

NOK 262.8 million (NOK 287.4 million), and for the group in total NOK 258.6 million (NOK 287.3 million). This corresponds to an equity ratio at group level of 86% (88%).

Total non-current assets as of 31.12.2023 for the parent company amounted to NOK 171.1 million (NOK 129.5 million), and for the group in total NOK 167.1 million (NOK 129.4 million). The increase during the year is mainly allocated to an increase in intangible assets related to the pharmaceutical development program of HRO350 and the effects from the acquisition of Arctic Algae.

The parent company has NOK 130.3 million in current assets (NOK 198.3 million), and the group in total has current assets of NOK 133.2 million (NOK 198.3 million), at end of 2023. Inventories amounts to NOK 32.8 million, short-term receivables NOK 20.2 million for the parent company and NOK 20.8 million for the group in total, and cash NOK 77.3 million for the parent company and NOK 79.6 million for the group in total.

The parent company has no long-term debt. The group in total has NOK 2 million in long-term debt, related to financial leasing contracts. Total liabilities amount to NOK 38.6 million for the parent company (NOK 40.4 million), and NOK 41.7 million for the group in total (NOK 40.4 million).

Allocation of net profit/loss

Net loss for 2023 was NOK 41.3 million for Arctic Bioscience AS and NOK 45.5 million for the consolidated Group, compared to a net loss of NOK 34.0 million in 2022 for both the parent company and the consolidated Group in total. The Board proposes that the loss be covered by share premium reserve.

Subsequent events

Based on a concept development project, Arctic Bioscience is moving forward with GMP manufacturing line that will secure the production volumes in the years to come, both for the pharmaceutical and nutraceutical operations. As part of the concept development

project, funding solutions have been negotiated. In February 2024 an agreement with the company's primary bank and with Innovation Norway was reached, securing debt funding to the project of NOK 65 million. In addition, soft funding of NOK 3 million has been granted. The next phase in the project is estimated to commence in Q4 2024 depending on timing of other key processes and projects.

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 has both financial leasing contracts and a credit facility established and is therefore exposed to interest fluctuations. The credit facility is unused as of end 2023. The financial leasing contracts are based on floating interest rates, and the credit facility is based on 3 months NIBOR, with addition of a fixed margin.

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 2023. The Group's sick leave rate in 2023 was low. Total reported sick notices amounted to 67 days in 2023, equivalent to 1.5%. 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 2023, the parent company had 18 employees and in addition 2 consultants on a full-time basis outside of Norway. Of the 20 in total, 8 are female and 12 are male. In addition, the subsidiaries have 2 employees, 1 female and 1 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 people with inflammatory disorders..

 **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 31.12.2023, the Company had 25 369 552 issued shares, each with a par value of NOK 0.10, divided between 777 shareholders. The Company has one class of shares, and accordingly there are no differences in the voting rights among the shares.

In February 2023, 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 50 000 new shares due to exercise of share options. In April 2023, in accordance with the Board's proposal, the General Meeting resolved to increase the share capital and numbers of shares issued with 943 833 new shares due to debt conversion in relation to the acquisition of Arctic Algae AS.

Ronja Capital AS was the largest shareholder as of 31.12.2023, with 3 087 999 shares, representing 12.17%. Note 17 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 2023.

Business outlook

Forward looking statements are always associated with some degree of uncertainty. In 2023 the annual revenue growth was somewhat lower than what was foreseen in the annual report for 2022, and the development in gross margin was also affected more negative than anticipated. This is mainly explained by changes in some large customer's delivery plans into 2024 and the follow-on effect on the total product mix in 2023. The recruitment of all needed patients into the HeROPA clinical trial took more time than expected as the Clinical Trial Application process and some aspects of the global logistical operations took longer than expected. Full recruitment into the clinical trial was reached in January 2024.

Arctic Bioscience's main strategic focus in 2024 remains to finalize the HeROPA study for HRO350, and to conduct the six-month data read-out in H2 2024. This read-out will lay the foundation for a clinical phase III program and subsequent commercialization of our HRO350 candidate. Preparation related to the phase III program in the drug development program will start alongside finalizing the HeROPA phase IIb study. Arctic Bioscience will continue pursuing potential commercial partnerships for HRO350, a process which will have strong focus in 2024.

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. This study is now well underway. At end of 2023 the financial position is satisfying. The Board has constant focus on ensuring that Arctic Bioscience has a satisfactory capitalization to secure progress in the ongoing projects. In 2024 the company will work with various financing alternatives to secure the future funding of the company's activities post the 6 months data readout.

A strong foundation has been established for the nutraceutical business, both in terms of organizational conditions and in terms of dedicated and focused sales operations. Despite a slow development in total sales in 2023 compared to 2022, the Board believes that there is a significant potential for further growth going forward. Arctic Bioscience has

built a strong customer base with new and exciting customers onboarded the last couple of years. The order backlog for 2024 is good, and several new product introductions are in the pipeline. Several of the largest customers contributes with recurring revenues every year, underlining the solid foundation. The outlook in the Chinese market is also very positive, where a doubling in end-customer sales has been seen the last year. Effects from this market development are expected to be seen in the 2024 figures. Given the prospects and markets outlook for the nutraceutical business, Arctic Bioscience is aiming for solid sales growth in the coming years and forecast a break-even contribution from the nutraceutical business by end of 2025.

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 had a positive development during 2023, where several milestones were met, and is thus well positioned for further operations and growth. The Company has satisfying 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 for the financial year 1 January to 31 December 2023.

In our opinion, the Annual Report and Board of Directors Report include 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 give a true and fair view of the financial position on 31 December 2023.

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

Ørsta, 8. April 2024

The Board of Directors and CEO of Arctic Bioscience AS


Harald Nordal
Chairman


Jostein Christian Dalland
Board member



Per Magne Eggesbø
Board member

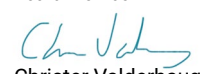

Asbjørn Solevågseide
Board member


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 | |
|----------------------|--------------------|--|----------|-------------------------|--------------------|
| 2023 | 2022 | | | 2023 | 2022 |
| | | Operating income and operating expenses | | | |
| 33 750 017 | 34 271 936 | Revenues | 1 | 33 750 017 | 34 271 936 |
| 0 | 197 105 | Other income | | 5 729 | 197 105 |
| 33 750 017 | 34 469 041 | Total income | | 33 755 746 | 34 469 041 |
| 21 795 457 | 33 049 694 | Raw materials and consumables used | 2 | 21 795 457 | 33 049 694 |
| 2 180 966 | -10 424 115 | Change in inventories of finished goods and work in progress | 2 | 2 180 966 | -10 424 115 |
| 22 726 320 | 24 355 029 | Salaries and other personnel expenses | 3.4 | 23 512 657 | 24 355 029 |
| 4 017 701 | 3 730 672 | Depreciation and amortisation expenses | 5.6 | 5 382 485 | 3 730 672 |
| 27 883 494 | 21 107 730 | Other expenses | | 29 470 345 | 21 146 886 |
| 78 603 938 | 71 819 010 | Total expenses | | 82 341 910 | 71 858 166 |
| -44 853 921 | -37 349 969 | Operating profit | | -48 586 164 | -37 389 125 |
| | | Financial income and expenses | | | |
| 3 735 885 | 1 892 865 | Other interest income | | 3 735 885 | 1 892 865 |
| 1 682 934 | 1 476 112 | Other financial income | | 1 683 270 | 1 476 112 |
| 547 007 | 1 152 | Other interest expenses | 7 | 992 623 | 1 250 |
| 1 355 036 | 2 966 | Other financial expenses | | 1 355 036 | 2 966 |
| 3 516 777 | 3 364 859 | Net financial items | | 3 071 497 | 3 364 761 |
| -41 337 144 | -33 985 110 | Net profit before tax | 8 | -45 514 667 | -34 024 364 |
| -41 337 144 | -33 985 110 | Net profit after tax | 8 | -45 514 667 | -34 024 364 |
| -41 337 144 | -33 985 110 | Net profit or loss | 9 | -45 514 667 | -34 024 364 |
| | | Attributable | | | |
| 41 337 144 | 33 985 110 | From share premium reserve | 10 | 45 514 667 | 34 024 364 |
| -41 337 144 | -33 985 110 | Total | | -45 514 667 | -34 024 364 |
| | | Earnings pr. share | | -1.79 | -1.39 |

BALANCE SHEET


as at 31 December

| Arctic Bioscience AS | | Amounts in NOK | Note | Arctic Bioscience Group | |
|----------------------|--------------------|---|-----------|-------------------------|--------------------|
| 2023 | 2022 | | | 2023 | 2022 |
| | | | | | |
| | | ASSETS | | | |
| | | Non-current assets | | | |
| | | Intangible assets | | | |
| 136 353 277 | 104 903 853 | Development | 3, 5, 11 | 136 353 277 | 104 903 853 |
| 1 779 509 | 2 139 669 | Concessions, patents, licenses and trademarks | 5 | 1 779 509 | 2 139 669 |
| 0 | 0 | Goodwill | 5, 12 | 2 525 745 | 0 |
| 138 132 786 | 107 043 521 | Total intangible assets | | 140 658 531 | 107 043 521 |
| | | Property, plant and equipment | | | |
| 14 117 607 | 19 069 656 | Building and plot | 6, 11 | 14 117 607 | 19 069 656 |
| 0 | 0 | Machines and facilities | 6 | 9 346 591 | 0 |
| 0 | 0 | Ships and other floating installations | 6 | 198 416 | 0 |
| 2 468 794 | 3 262 326 | Equipment and other movables | 6 | 2 775 497 | 3 262 326 |
| 16 586 401 | 22 331 982 | Total property, plant and equipment | 7 | 26 438 111 | 22 331 982 |
| | | Non-current financial assets | | | |
| 16 399 900 | 99 900 | Investments in subsidiaries | 12, 13 | - | - |
| 16 399 900 | 99 900 | Total non-current financial assets | | | |
| 171 119 087 | 129 475 403 | Total non-current assets | | 167 096 642 | 129 375 503 |
| | | Current assets | | | |
| 32 793 790 | 35 462 160 | Inventories | 2, 7 | 32 793 790 | 35 462 160 |
| | | Receivables | | | |
| 9 570 595 | 13 476 176 | Accounts receivable | 7, 14, 15 | 9 570 595 | 13 476 176 |
| 10 610 279 | 5 259 629 | Other current receivables | 11, 14 | 11 188 480 | 5 236 629 |
| 20 180 874 | 18 735 805 | Total receivables | | 20 759 075 | 18 712 805 |
| | | Investments | | | |
| 77 340 361 | 144 139 136 | Cash and cash equivalents | 16 | 79 602 069 | 144 151 573 |
| 130 315 025 | 198 337 101 | Total current assets | | 133 154 934 | 198 326 538 |
| 301 434 112 | 327 812 504 | TOTAL ASSETS | | 300 251 576 | 327 702 041 |

| Arctic Bioscience AS | | Amounts in NOK | Note | Arctic Bioscience Group | |
|----------------------|--------------------|---------------------------------------|-----------------|-------------------------|--------------------|
| 2023 | 2022 | | | 2023 | 2022 |
| | | | | | |
| | | EQUITY AND LIABILITIES | | | |
| | | Equity | | | |
| | | Paid-in capital | | | |
| 2 536 955 | 2 437 572 | Share capital | 12, 17 | 2 536 955 | 2 437 572 |
| 260 301 337 | 284 945 618 | Share premium reserve | 12 | 256 020 281 | 284 842 085 |
| 262 838 292 | 287 383 190 | Total paid-in capital | | 258 557 236 | 287 279 657 |
| | | | | | |
| 262 838 292 | 287 383 190 | Total equity | 3, 9, 10 | 258 557 236 | 287 279 657 |
| | | Liabilities | | | |
| | | Non-current liabilities | | | |
| 0 | 0 | Liabilities to financial institutions | 6, 7 | 2 048 730 | 0 |
| 0 | 0 | Total non-current liabilities | | 2 048 730 | 0 |
| | | Current liabilities | | | |
| 18 329 910 | 18 253 416 | Accounts payables | 14 | 18 375 982 | 18 253 416 |
| 2 196 684 | 1 740 611 | Public duties payables | | 2 253 032 | 1 740 611 |
| 18 069 226 | 20 435 287 | Other current liabilities | 3, 14, 18 | 19 016 596 | 20 428 357 |
| 38 595 820 | 40 429 314 | Total current liabilities | | 39 645 610 | 40 422 384 |
| | | | | | |
| 38 595 820 | 40 429 314 | Total liabilities | | 41 694 340 | 40 422 384 |
| | | | | | |
| 301 434 112 | 327 812 504 | TOTAL EQUITY AND LIABILITIES | | 300 251 576 | 327 702 041 |

Ørsta, 8. April 2024

The Board of Directors and CEO of Arctic Bioscience AS


Harald Nordal
Chairman


Jostein Christian Dalland
Board member

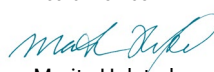

Per Magne Eggesbø
Board member



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 nutraceutical 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: REVENUE SEGMENTS

Arctic Bioscience's revenue come from sale of Romega nutraceutical products via B2C channels in Norway, and the sale of bulk oil and protein, customized and private label products via B2B channels globally.

Arctic Bioscience Group & Parent Company

| Amounts in NOK | 2023 | 2022 |
|----------------------------------|-------------------|-------------------|
| Revenues by business line | | |
| B2C | 4 275 159 | 3 494 493 |
| B2B | 29 474 858 | 30 777 443 |
| Total revenues | 33 750 017 | 34 271 936 |
| Revenues by region | | |
| Norway | 6 039 453 | 4 961 314 |
| Americas | 5 524 188 | 7 619 307 |
| Europe | 12 420 941 | 8 503 687 |
| APAC | 9 765 435 | 13 187 628 |
| Total revenues | 33 750 017 | 34 271 936 |

NOTE 2: INVENTORIES

Arctic Bioscience Group & Parent Company

| Amounts in NOK | 2023 | 2022 |
|--------------------------|-------------------|-------------------|
| Raw materials | 11 042 953 | 11 458 863 |
| Goods in progress | 9 313 717 | 9 759 877 |
| Self-made finished goods | 12 437 120 | 14 243 420 |
| Sum | 32 793 790 | 35 462 160 |

Arctic Bioscience Group & Parent Company

| Amounts in NOK | 2023 | 2022 |
|--|-------------------|-------------------|
| Inventories valued at acquisition cost | 33 078 099 | 36 243 649 |
| Provision for obsolescence | -284 309 | -781 489 |
| Sum | 32 793 790 | 35 462 160 |

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 642 380 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 9 295 223 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 3: WAGE COSTS, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES, ETC.

| Parent Company | | Amounts in NOK | Arctic Bioscience Group | |
|----------------|------------|-------------------------------|-------------------------|-------------------|
| 2023 | 2022 | | 2023 | 2022 |
| | | | | |
| | | Wage costs | | |
| 21 294 238 | 25 952 198 | Wages | 21 975 180 | 25 952 198 |
| 4 365 241 | 2 956 508 | Employer's tax | 4 432 764 | 2 956 508 |
| 1 754 416 | 1 399 888 | Pension costs | 1 781 404 | 1 399 888 |
| 687 004 | 725 425 | Other salary-related benefits | 697 888 | 725 425 |
| -5 374 579 | -6 678 990 | of which capitalized wages | -5 374 579 | -6 678 990 |
| 22 726 320 | 24 355 029 | Sum | 23 512 657 | 24 355 029 |
| | | | | |
| 18 | 17 | Number of employees | 20 | 17 |

Arctic Bioscience Group & Parent Company

| | CEO | Board |
|---------------------------------------|------------------|------------------|
| Benefits for senior executives | | |
| Salary / board fees | 2 557 012 | 2 250 000 |
| Bonuses | 600 000 | |
| Pension expenses | 86 828 | |
| Other allowance | 24 769 | |
| Sum | 3 268 609 | 2 250 000 |

In 2023, NOK 5 374 579 has been capitalized in wage costs related to development projects. The amount has been reduced to salaries above. The corresponding capitalized amount in 2022 was NOK 6 678 990. In addition to its own employees, the company has hired consultants corresponding to 2 positions at end of 2023. 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 | 47 630 | 250 000 |
| Jone R. Slinning | CFO | 13 200 | 0 |
| Runhild Gammelsæter | Medical Director | 24 774 | 101 570 |
| Hogne Hallaråker 1) | CSO | 450 000 | 33 030 |
| Per Christian Sæbø | COO | 22 940 | 57 390 |
| Daniele Mancinelli 2) | CTO | 133 020 | 51 570 |
| Dr. Yuming Feng 3) | EVP Global Business Dev. | 0 | 100 000 |
| Sum | | 691 564 | 593 560 |

- 1) Through company Gold Coast Nutrition
- 2) Personally and through 60% ownership in company Futuron AS
- 3) Through company Global Nutrios Consulting LLC

The company has granted a total of 593 560 outstanding share options to senior executives as of 31.12.2023. Of these 343 560 have been vested. CTO, Daniele Mancinelli, exercised 50 000 options in February 2023.

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 27.90 per share.

In March 2023 the Board of Directors resolved to extend the share options agreements for the following members of the management group; Daniele Mancinelli (CTO), Hogne Hallaråker (CSO) and Per Christian Sæbø (COO). The exercise price in these agreements was maintained at NOK 9.845 per share, and the duration of the option agreement was extended by 12 months, to March 1st 2024. All options being exercised into shares during the duration period will be subject to a lock-in period of 6 months from the time of exercise, where shares cannot be sold or transferred without the consent of the Board.

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.

| <u>Options outstanding</u> | <u>Strike price</u> |
|----------------------------|---------------------|
| 141 990 | 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 since 2022.

NOTE 4: PENSIONS

Both the Arctic Bioscience Group and the Parent company has a group pension insurance that covers all the 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 2023 amounts to NOK 1 754 416 for the Parent company and NOK 1 789 419 for the total Arctic Bioscience Group.

NOTE 5: INTANGIBLE ASSETS**Arctic Bioscience Group**

| Amounts in NOK | Development | Patents and trademarks | Goodwill | Sum |
|------------------------------------|--------------------|------------------------|------------------|--------------------|
| Acquisition cost 1.1.2023 | 111 124 705 | 2 731 889 | 0 | 113 856 594 |
| Access | 34 061 518 | 0 | 2 971 465 | 37 032 983 |
| Departure | 0 | 0 | 0 | 0 |
| Acquisition cost 31.12.2023 | 145 186 223 | 2 731 889 | 2 971 465 | 150 889 577 |
| Accumulated depreciation | -8 832 946 | -952 380 | -445 720 | -10 231 046 |
| Booked value per 31.12.2023 | 136 353 277 | 1 779 509 | 2 525 745 | 140 658 531 |
| Annual depreciation | 2 589 623 | 382 264 | 445 720 | 3 417 607 |
| Life expectancy | 7-10 years | 5-20 years | 5 years | |
| Depreciation plan | Linear | Linear | Linear | |

Parent Company

| Amounts in NOK | Development | Patents and trademarks | Sum |
|------------------------------------|--------------------|------------------------|--------------------|
| Acquisition cost 1.1.2023 | 111 124 705 | 2 731 889 | 113 856 593 |
| Access | 34 061 518 | 0 | 34 061 518 |
| Departure | 0 | 0 | 0 |
| Acquisition cost 31.12.2023 | 145 186 223 | 2 731 889 | 147 918 112 |
| Accumulated depreciation | -8 832 946 | -952 380 | -9 785 326 |
| Booked value per 31.12.2023 | 136 353 277 | 1 779 509 | 138 132 786 |
| Annual depreciation | 2 589 623 | 382 264 | 2 971 887 |
| Life expectancy | 7-10 years | 5-20 years | |
| Depreciation plan | Linear | Linear | |

In 2023, 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.

Booked 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.

The acquiring of Arctic Algae AS in Q1 2023 identified a commercial added value of NOK 2 971 465 not attributable to other balance values at the date of the acquisition. This value is booked as goodwill in the group accounts and will be depreciated over a period of 5 years.

NOTE 6: FIXED ASSETS**Arctic Bioscience Group**

| Amounts in NOK | Buildings and plots | Machines and facilities | Ships and other floating instal. | Equipment and other movables | Total |
|------------------------------------|---------------------|-------------------------|----------------------------------|------------------------------|-------------------|
| Acquisition cost 1.1.2023 | 20 382 817 | 0 | 0 | 5 165 619 | 25 548 436 |
| Access | -4 822 150 | 13 760 212 | 291 493 | 798 068 | 10 027 623 |
| Departure | 0 | -2 607 373 | 0 | 0 | -2 607 373 |
| Acquisition cost 31.12.2023 | 15 560 667 | 11 152 839 | 291 493 | 5 963 687 | 32 968 686 |
| Accumulated depreciation | -1 443 060 | -1 806 248 | -93 007 | -3 188 190 | -6 530 505 |
| Booked value per 31.12.2023 | 14 117 607 | 9 346 591 | 198 486 | 2 775 497 | 26 438 181 |
| Annual depreciation | 129 899 | 782 701 | 24 291 | 1 027 986 | 1 964 877 |
| Life expectancy | 10 - 50 years | 10 - 20 years | 10 years | 3 - 6 years | |
| Depreciation plan | Linear | Linear | Linear | Linear | |

Parent Company

| Amounts in NOK | Buildings and plots | Equipment and machines | Total |
|------------------------------------|---------------------|------------------------|-------------------|
| Acquisition cost 1.1.2023 | 20 382 817 | 5 165 619 | 25 548 436 |
| Access | -4 822 150 | 122 382 | -4 699 768 |
| Departure | 0 | 0 | 0 |
| Acquisition cost 31.12.2023 | 15 560 667 | 5 288 001 | 20 848 668 |
| Accumulated depreciation | -1 443 060 | -2 819 207 | -4 262 267 |
| Booked value per 31.12.2023 | 14 117 607 | 2 468 794 | 16 586 401 |
| Annual depreciation | 129 899 | 915 915 | 1 045 814 |
| Life expectancy | 10 - 50 years | 3 - 6 years | |
| Depreciation plan | Linear | Linear | |

Access of NOK 12 162 341 in Machines and facilities (Arctic Bioscience Group), NOK 222 707 in Ships and other floating install. (Arctic Bioscience Group) and NOK 418 775 in Equipment and other movables (Arctic Bioscience Group) are related to the acquiring of Arctic Algae AS at the time of the transaction.

The group has two leasing agreements at end of 2023 which are booked as financial leasing. One lease object was sold in 2023 and the corresponding lease agreement was terminated. This sale represents the departure in Machines and facilities in 2023. The difference between booked residual liability and purchase price of the leased object at time of transaction was NOK 172 445 and is booked as interest expenses.

Booked value of the leasing objects as of 31.12.2023 is NOK 2 922 109 and is presented under Machines and facilities in the group balance sheet. Annual depreciation and interest expenses for the leased assets are expensed during the year and constitute respectively NOK 375 682 and NOK 272 783. Residual liability as of 31.12.2023 related to the financial lease agreements is NOK 2 048 730 and is presented as non-current liabilities in the balance sheet. The lease agreements have a duration from 2021 until 2027.

At time of received payments public grants are entered as a reduction of capitalized costs related to the projects. Negative access of NOK 4 822 150 in Building and plots is received public grant from Innovation Norway related to one of the group's development projects. This project is a preliminary project started in 2020 related to construction of a production unit. A total of net NOK 9 594 413 has been capitalized under building and plots associated with this project as of end 2023.

NOTE 7: NON-CURRENT LIABILITIES AND ESTABLISHED CREDIT FACILITY

No part of the non-current liabilities to financial institutions falls due more than 5 years after the end of 2023. The non-current liabilities are related to financial leasing agreements. The Parent Company has provided a self-debtor guarantee for these liabilities, for an amount up to NOK 4.55 million.

The Parent Company has an established credit facility of NOK 30 million. The credit facility has been entered into on ordinary market terms and has a duration of 1 year with annual renewal. The credit facility has been effective from August 1st 2023. At 31.12.2023 the credit facility is undrawn.

The Parent Company has pledged the following assets as security for the credit facility:

Parent Company

| Amounts in NOK | 2023 |
|-------------------------------------|-------------------|
| Booked value pledged assets: | |
| Building and plot | 4 523 194 |
| Equipment and other movables | 2 468 794 |
| Inventories | 32 793 790 |
| Accounts receivable | 9 570 595 |
| Total booked values | 49 356 373 |

In addition, Export Finance Norway, has provided additional security via an export guarantee, corresponding to 50% of the size of the credit facility, NOK 15 million.

NOTE 8: TAX

| Parent Company | | Calculation of deferred tax / deferred tax asset: | Arctic Bioscience Group | |
|---------------------|---------------------|--|-------------------------|---------------------|
| 2023 | 2022 | Amounts in NOK | 2023 | 2022 |
| | | Temporary differences: | | |
| -11 543 191 | -6 670 632 | Fixed assets | -9 635 686 | -6 670 632 |
| -284 309 | -781 489 | Inventory | -284 309 | -781 489 |
| -40 191 | -40 191 | Receivables | -40 191 | -40 191 |
| 0 | 0 | Capitalized leasing agreements | 873 379 | 0 |
| 0 | 0 | Profit & loss accounts | 87 040 | 0 |
| 0 | -296 865 | Provisions w.m. | 0 | -296 865 |
| -11 867 691 | -7 789 176 | Net temporary differences | -8 999 767 | -7 789 176 |
| -203 721 677 | -162 039 877 | Accumulated carry-forward deficit | -223 377 822 | -162 133 510 |
| -215 589 368 | -169 829 053 | Basis for calculation of deferred tax | -232 377 589 | -169 922 686 |
| -47 429 661 | -37 362 392 | Deferred tax asset (22 %) | -51 123 070 | -37 382 991 |
| 47 429 661 | 37 362 392 | Of which no deferred tax asset is recogn. in the balance sheet | 51 123 070 | 37 382 991 |
| 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 | |
|--------------------|--------------------|---|-------------------------|--------------------|
| 2023 | 2022 | Amounts in NOK | 2023 | 2022 |
| | | Taxable income: | | |
| -41 337 144 | -33 985 110 | Profit before tax expense | -45 514 667 | -34 024 364 |
| -4 423 170 | -2 056 777 | Permanent differences | -4 416 970 | -2 056 777 |
| 4 078 515 | -2 333 052 | Change in temporary differences | 3 613 952 | 2 333 052 |
| -41 681 800 | -38 374 936 | Taxable income | -46 317 686 | -33 748 090 |
| | | 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: | | |
| -41 337 144 | -33 985 110 | Profit before taxes | -45 514 667 | -34 024 364 |
| -9 094 172 | -7 476 724 | Calculated tax on profit before tax | -10 013 227 | -7 485 360 |
| 0 | 0 | Tax expense in the income statement | 0 | 0 |
| -9 094 172 | -7 476 724 | Differences | -10 013 227 | -7 485 360 |
| -973 097 | -452 491 | Tax effect of permanent differences | -971 733 | -452 491 |
| 10 067 269 | 7 929 215 | Change in deferred tax assets | 10 984 960 | 7 937 851 |
| 9 094 172 | 7 476 724 | Sum explained difference | 10 013 227 | 7 485 360 |

NOTE 9: 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 2023, the company has continued to meet several important milestones according to its strategic plan. During 2023 strategic measures has also 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 the last years. The development of the company's drug candidate HRO350, for the treatment of mild-to-moderate psoriasis, has followed the strategic plan, and the HeROPA trial was fully recruited with the planned 519 patients in January 2024.

Sales of dietary supplement products, under the brand name Romega, have also shown a positive development during the last years. 2023 isolated had a small decline in nutra revenues and gross profit compared to 2022. One significant reason for this was postponement in delivery plans into 2024 by several of the company's large customers, which impacted the total revenues in 2023. Order backlog for 2024 is considered positive with a strong outlook.

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 is underway. 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 2023, where several milestones were met, and is well positioned for further operations and growth. The company has satisfying 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 10: EQUITY

Arctic Bioscience Group

| Amounts in NOK | Share capital | Share premium reserve | Sum equity |
|----------------------------|------------------|-----------------------|--------------------|
| Equity 01.01.2023 | 2 437 572 | 284 842 085 | 287 279 657 |
| Capital increase cash 2023 | 5 000 | 487 250 | 492 250 |
| Debt conversion 2023 | 94 383 | 16 205 613 | 16 299 996 |
| Profit/loss for the year | | -45 514 667 | -45 514 667 |
| Equity 31.12.2023 | 2 536 955 | 256 020 281 | 258 557 236 |

Parent Company

| Amounts in NOK | Share capital | Share premium reserve | Sum equity |
|----------------------------|------------------|-----------------------|--------------------|
| Equity 01.01.2023 | 2 437 572 | 284 945 618 | 287 383 190 |
| Capital increase cash 2023 | 5 000 | 487 250 | 492 250 |
| Debt conversion 2023 | 94 383 | 16 205 613 | 16 299 996 |
| Profit/loss for the year | | -41 337 144 | -41 337 144 |
| Equity 31.12.2023 | 2 536 955 | 260 301 337 | 262 838 292 |

In February 2023 a member of the management group exercised 50 000 share options. On basis of a board authorization granted by the general meeting, the Board resolved to increase the share capital by subscription of 50 000 new shares with a nominal value of NOK 0.10 per share, at a subscription price of NOK 9.845 per share, including a share premium of NOK 9.745. This share capital increase was registered with the Norwegian Register of Business Enterprises March 16th 2023.

Arctic Bioscience acquired a debt to Ronja Capital AS of NOK 16.3 million through the completed transaction of acquiring Arctic Algae AS from Ronja Capital AS at end of Q1-2023. The parties of this transaction agreed that the claim may be used as capital contribution in a share capital increase in Arctic Bioscience. In accordance with the Board of Directors proposal, the general meeting resolved on April 21st 2023, to increase the share capital 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. This share capital increase was registered with the Norwegian Register of Business Enterprises May 6th 2023.

NOTE 11: GOVERNMENT GRANTS

The company has several ongoing development projects, which are supported with various public grants.

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 was submitted to Innovation Norway in late 2022. Finalized grant payment of NOK 4.82 million was received in March 2023.

In addition, the company has in 2023 received a net total payment of NOK 1.46 million from The Research Council of Norway related to the project "Properties of phospholipids from Herring Roe in Psoriasis".

In 2023, the company has earned grants related to the SkatteFUNN scheme of NOK 4.75 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.

Arctic Bioscience is active in applying for grants from both Norwegian and international organizations.

Arctic Algae AS, which is a company in the group, received a grant of NOK 500 000 from Regional Forskningsfond in 2023 connected to a development project. In this connection, payment of 50% of the total grant was requested for payment. As the project was not fully started in 2023 no costs have been incurred so far. Thus, the grant revenues have therefor been accrued until 2024. NOK 250 000 is booked as unearned income as of 31.12.2023 and is presented as a part of other short-term liabilities in the group's figures.

NOTE 12: RELATED PARTY TRANSACTIONS

On February 13th 2023 Arctic Bioscience announced the acquisition of Arctic Algae AS, a company fully owned by Ronja Capital AS, the largest shareholder in Arctic Bioscience AS. The agreed purchase price was NOK 16.3 million. A third-party fairness opinion was conducted by Converto AS to confirm the enterprise value in this transaction. The transaction was thus considered to be at arm's length. The transaction was completed March 29th 2023.

At time of completion of the transaction Arctic Algae AS had non-current assets of NOK 12.8 million, other current receivables of NOK 0.15 million, long-term debt of NOK 4.3 million and current liabilities of NOK 0.39 million. Available cash in the company was NOK 5.1 million.

At completion of the transaction the Company took on debt to Ronja Capital AS equal to the purchase price. The Company and Ronja Capital AS had agreed that the claim should be used as capital contribution in a share capital increase in the Company. The debt was converted into equity at an ABS share price of NOK 17.27 per share.

NOTE 13: INVESTMENT IN SUBSIDIARIES**Parent Company**

| Amounts in NOK | Located | Ownership share | Aquisition cost | Booked value | Results 2023 | Equity 31.12.2023 |
|---------------------|---------|-----------------|-------------------|-------------------|-------------------|-------------------|
| Arctic Biopharma AS | Ørsta | 100% | 30 000 | 30 000 | -16 194 | -25 789 |
| Arctic Nutrition AS | Ørsta | 100% | 39 900 | 39 900 | -10 625 | -3 695 |
| Romega AS | Ørsta | 100% | 30 000 | 30 000 | -16 194 | -17 162 |
| Arctic Algae AS | Sande | 100% | 16 300 000 | 16 300 000 | -4 638 654 | 9 639 746 |
| Sum | | Total | 16 399 900 | 16 399 900 | -4 681 667 | 9 593 100 |

At end of 2023 there is no operations in the 3 subsidiaries Arctic Biopharma AS, Arctic Nutrition AS and Romega AS. Equity raises are planned in these 3 subsidiaries in 2024 to strengthen the companies' equity and the liquidity to handle fixed and unavoidable costs.

NOTE 14: SHORT-TERM RECEIVABLES AND SHORT-TERM LIABILITIES WITH GROUP COMPANIES**Parent Company**

| Amounts in NOK | 2023 | 2022 |
|------------------------------------|----------------|---------------|
| Receivables | | |
| Other short-term receivables Group | 54 195 | 23 000 |
| Total receivables | 54 195 | 23 000 |
| Liabilities | | |
| Accounts payable | 156 688 | 0 |
| Other short-term liabilities Group | 0 | 6 930 |
| Total liabilities | 156 688 | 6 930 |

NOTE 15: ACCOUNTS RECEIVABLE**Arctic Bioscience Group & Parent Company**

| Amounts in NOK | 2023 | 2022 |
|---|------------------|-------------------|
| Accounts receivable at face value | 9 610 786 | 13 494 069 |
| Earned, not invoiced revenue | 0 | 22 298 |
| Provision for losses | -40 191 | -40 191 |
| Booked value accounts receivable 31.12 | 9 570 595 | 13 476 176 |

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 16: RESTRICTED FUNDS

| Parent Company | | Amounts in NOK | Arctic Bioscience Group | |
|----------------|---------|---|-------------------------|---------|
| 2023 | 2022 | | 2023 | 2022 |
| 1 101 280 | 990 941 | Of which restricted bank deposits (withholding tax) | 1 131 282 | 990 941 |
| 1 101 280 | 990 941 | Sum restricted funds | 1 131 282 | 990 941 |

NOTE 17: SHAREHOLDERS

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

| | Quantity | Denomination | Booked |
|-----------------|------------|--------------|-----------|
| Ordinary shares | 25 369 552 | 0.10 | 2 536 955 |
| Sum | 25 369 552 | | 2 536 955 |

| Shareholder | Total shares | % owned |
|----------------------------------|--------------|---------|
| Ronja Capital AS | 3 087 999 | 12.17% |
| Capra Invest AS | 1 544 450 | 6.09% |
| MRFK Holding AS | 1 313 960 | 5.18% |
| Fjarde AP-fondene | 1 200 000 | 4.73% |
| Altitude Capital AS | 1 065 586 | 4.20% |
| Hawk Infinity AS | 1 045 450 | 4.12% |
| Vartdal Holding AS | 1 040 286 | 4.10% |
| Verdipapirfondet Delphi Nordic | 839 431 | 3.31% |
| Brødrende Vartdal AS | 803 601 | 3.17% |
| Kotler Equity Investment Limited | 667 330 | 2.63% |
| Life Capitol AS | 655 420 | 2.58% |
| Stette Invest AS | 602 375 | 2.37% |
| Kjølås Stansekniver AS | 574 859 | 2.27% |
| Ajea Invest AS | 555 359 | 2.19% |
| Eggesbø Eiendom AS | 520 240 | 2.05% |
| Eros AS | 520 240 | 2.05% |
| Strand Fiskeriselskap AS | 473 342 | 1.87% |
| Gold Cost Nutrition | 450 000 | 1.77% |
| Triplenine Vedde AS | 340 000 | 1.34% |
| Melesio Invest AS | 315 000 | 1.24% |
| Other | 7 754 624 | 30.57% |
| Sum | 25 369 552 | 100% |

Chairman of the Board Harald Nordal does not own any shares personally, but owns 100% of the shares in Siglar AS, which in turn owns 50% of the shares in Capra Invest AS that owns 1 544 450 shares in the company. Capra Invest AS also 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 206 896 options following capital raising processes. The options have a duration of 3 years after allotment in 2021 and have a redemption price from NOK 27.90 per share to NOK 31 per share.

North Star Ingredients Inc. holds 37 500 options. The options have a duration of 3 years after allotment in 2021 and have a redemption price of NOK 20.63 per share.

NOTE 18: OTHER CURRENT LIABILITIES

| Parent Company | | Amounts in NOK | Arctic Bioscience Group | |
|-------------------|-------------------|---|-------------------------|-------------------|
| 2023 | 2022 | | 2023 | 2022 |
| 2 283 152 | 1 708 405 | Holiday pay due | 2 383 909 | 1 708 405 |
| 9 295 223 | 10 238 372 | Provision for accrued production costs | 9 295 223 | 10 238 372 |
| 3 232 842 | 7 384 961 | Accrued salary and bonuses | 3 806 842 | 7 384 961 |
| 3 258 009 | 1 103 549 | Provision for accrued costs and other short-term debt | 3 530 622 | 1 096 619 |
| 18 069 226 | 20 435 287 | Sum other current liabilities | 19 016 596 | 20 428 357 |

INDIRECT CASH FLOW

| Arctic Bioscience AS | | Amounts in NOK | Note | Arctic Bioscience Group | |
|----------------------|--------------------|---|-----------|-------------------------|--------------------|
| 2023 | 2022 | | | 2023 | 2022 |
| | | | | | |
| | | Cash flows from operating activities | | | |
| -41 337 144 | -33 985 110 | Profit/loss before tax | | -45 514 667 | -34 024 364 |
| 4 017 701 | 3 730 672 | Ordinary depreciation | 5, 6 | 5 382 485 | 3 730 672 |
| 2 668 370 | -6 936 267 | Change in inventory | 2 | 2 668 370 | -6 936 267 |
| 3 905 581 | -5 771 390 | Change in accounts receivable | 15 | 3 905 581 | -5 771 390 |
| 76 495 | 9 893 700 | Change in accounts payable | | 122 567 | 9 893 700 |
| -7 260 639 | 7 701 079 | Change in other accrual items | 2, 18 | -6 850 824 | 7 712 329 |
| -37 929 636 | -25 367 317 | Net cash flow from operating activities | | -40 286 488 | -25 395 321 |
| | | Cash flow from investment activities | | | |
| -29 361 385 | -58 565 456 | Payments to buy tangible and intangible assets | 5, 6 | -45 334 088 | -58 565 456 |
| 0 | 0 | Payments from sale of tangible and intangible assets | 6 | 2 230 096 | 0 |
| -16 300 000 | 0 | Payments to buy shares and participation in other companies | 12, 13 | 0 | 0 |
| -45 661 385 | -58 565 456 | Net cash flow from investment activities | | -43 103 992 | -58 565 456 |
| | | Cash flow from financing activities | | | |
| 0 | 0 | Net new long-term liabilities | 6, 7 | 2 048 730 | 0 |
| 16 792 246 | 749 992 | Proceeds from equity | 10 | 16 792 246 | 749 992 |
| 16 792 246 | 749 992 | Net cash flow from financing activities | | 18 840 976 | 749 992 |
| -66 798 775 | -83 182 781 | Net change in cash and cash equivalents | | -64 549 504 | -83 210 785 |
| 144 139 136 | 227 321 917 | Cash and cash equivalents at the start of the period | | 144 151 573 | 227 362 358 |
| 77 340 361 | 144 139 136 | Cash and cash equivalents at the end of the period | 16 | 79 602 069 | 144 151 573 |
| 30 000 000 | 0 | Unused credit facility | 7 | 30 000 000 | 0 |
| 107 340 361 | 144 139 136 | Available liquidity at the end of the period | | 109 602 069 | 144 151 573 |

INDEPENDENT AUDITOR'S 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 41 337 144 in the financial statements of the parent company and a loss of NOK 45 514 667 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 2023, 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 2023, 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 at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the 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 2023, and its financial performance and its cash flows for the year then ended in accordance with the 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.

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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>

Ålesund, 8. april 2024
Contabile AS



Oddvar Sandnes
State Authorised Public Accountant

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 labeled "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 | 2023 | 2022 |
|---|--------------------|--------------------|
| Adjusted EBITDA | | |
| Net income | -45 514 667 | -34 024 364 |
| Net financial items | 3 071 497 | 3 364 761 |
| Operating profit | -48 586 164 | -37 389 125 |
| Depreciation | 5 382 485 | 3 730 672 |
| EBITDA | -43 203 679 | -33 658 453 |
| Special operating items | 4 606 173 | 2 662 333 |
| Adjusted EBITDA | -38 597 506 | -30 996 120 |
| Adjusted EBIT | | |
| Adjusted EBITDA | -38 597 506 | -30 996 120 |
| Depreciation | 5 382 485 | 3 730 672 |
| Adjusted EBIT | -43 979 991 | -34 726 792 |
| Adjusted gross profit | | |
| Revenue from sales | 33 750 017 | 34 271 936 |
| Cost of goods sold | 23 976 423 | 22 625 579 |
| Gross profit | 9 773 594 | 11 646 357 |
| Special operating items | 0 | 0 |
| Adjusted gross profit | 9 773 594 | 11 646 357 |
| Adjusted gross margin % | 29.0 % | 34.0 % |
| Special operating items include: | | |
| Pre-concept new production line | 4 606 173 | 0 |
| Severance costs | 0 | 2 662 333 |
| Sum | 4 606 173 | 2 662 333 |





ARCTIC BIOSCIENCE

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