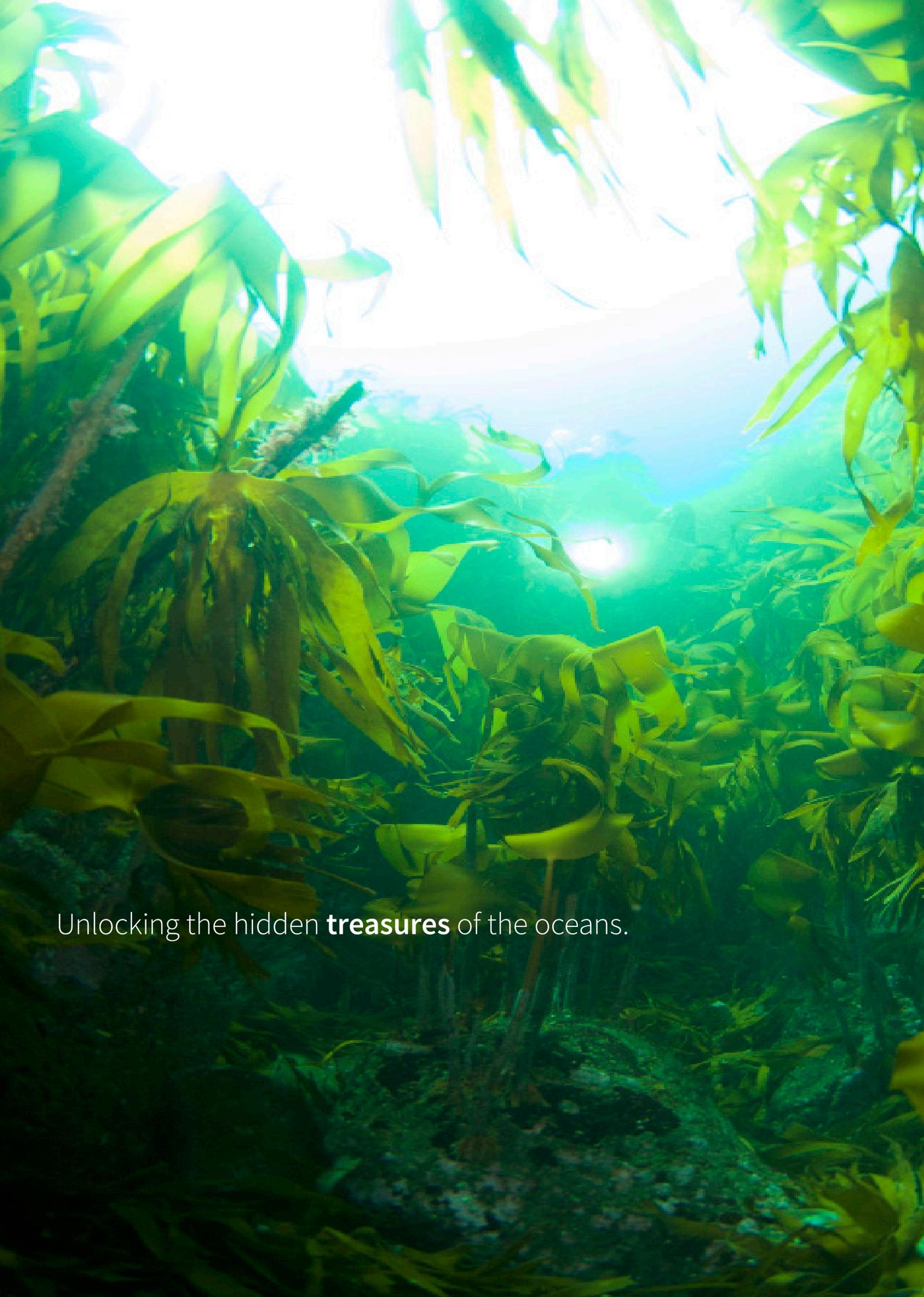




# Alginor ASA

Annual Report 2018

An underwater photograph of a dense kelp forest. The water is a deep, clear blue-green. Sunlight filters down from the surface, creating a bright, hazy glow in the upper portion of the frame. The kelp plants have long, dark brown stalks and large, flat, greenish-brown blades that sway gently. The overall scene is serene and vibrant, showcasing the natural beauty of a marine ecosystem.

Unlocking the hidden **treasures** of the oceans.



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# Old Art — New Narrative

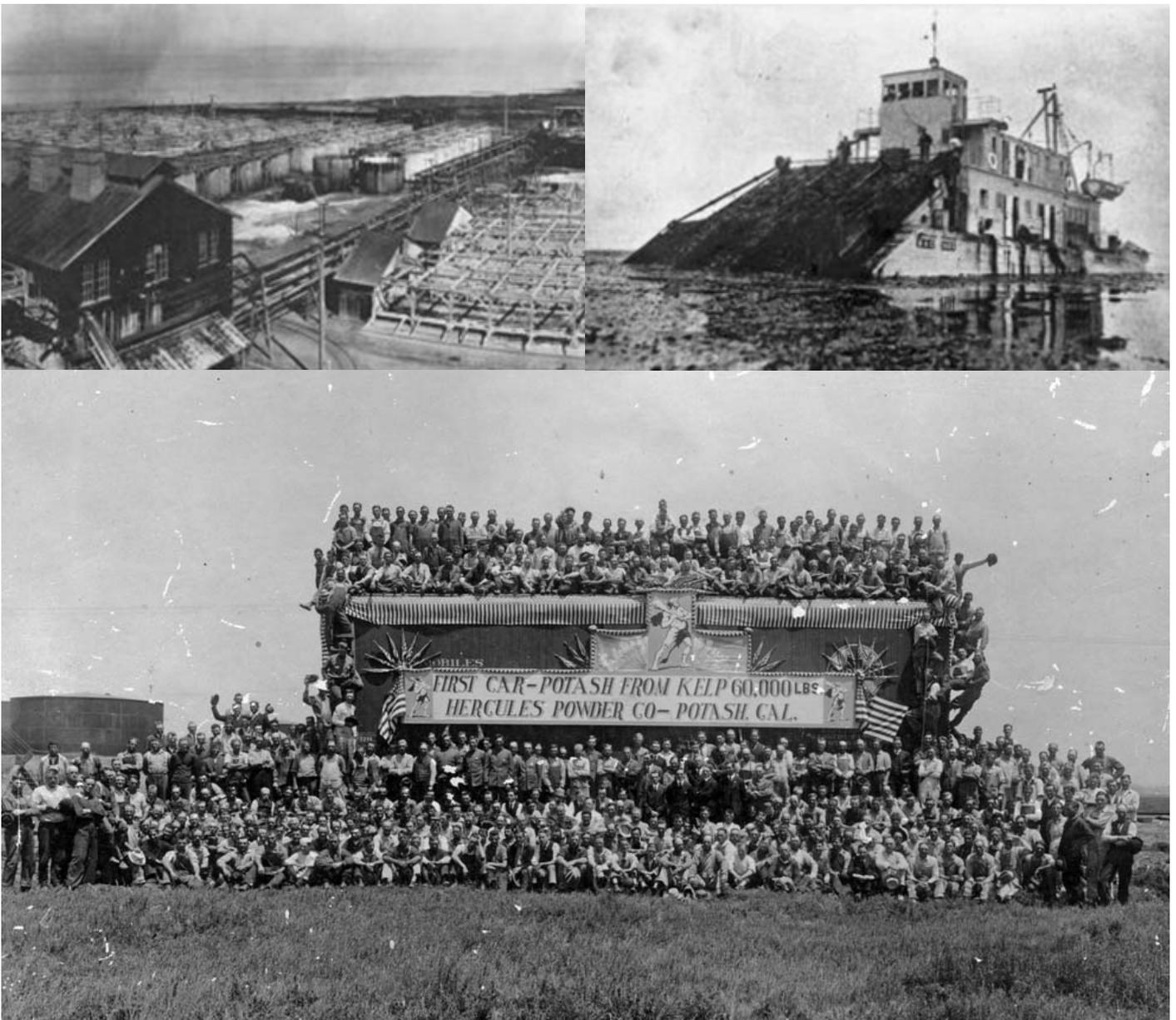
World War One caused severe supply shortages and great demand for chemicals, especially explosives. Germany was the leading producer of chemicals at the time and controlled the world's largest supply of mineral potash (potassium carbonate; potassium fertiliser). This organic compound was an important component in the production of black powder

Immediately following the start of the Great War, Germany put an end to all pot bag exports, including a stop of sales to the United States, the world's largest pottery consumer (used as a fertiliser).

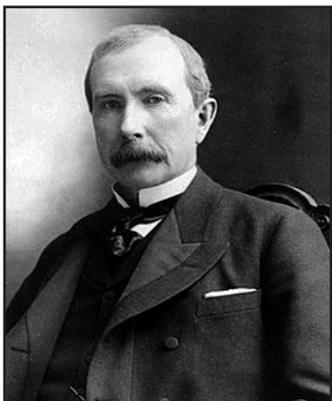
In response to this high demand and wartime opportunity, American businessmen founded a new California industry,

which, among other things, extracted pot ash using wildy harvested kelp as material. The plant was a great success and the company grew to 1,400 employees in just a few years! The plant harvested 1,500 to 2,000 tonnes of kelp every single day and produced 54 different biochemical products from kelp.

The Californian kelp industry was the largest ever established in the United States for the processing of sea plants. Unfortunately, California's great kelp adventure was short-lived, and was ultimately replaced by post-war petrochemicals.



# From Squander to Sustainability and Zero Emissions



John D. Rockefeller (1839 – 1937) played a key role in the development of the modern petroleum industry through his systematic and targeted philanthropic work. In 1870, Rockefeller established Standard Oil Ltd. for the commercialisation of petroleum as an energy source. Whale oil had

paraffin was utilised. Today's alginate industry only extracts a small fraction of the raw material, while the remaining valuable components are pumped into the sea.

Alginor wants to contribute to writing history on the use of plants from the sea and continue the great kelp adventure that once took place in California. In line with Rockefeller's spirit, Alginor wants to use refining as a starting point for new value generation / wealth generation / creation of value/wealth based on total utilisation, sustainability and zero emissions.

become too expensive for most people and a cheaper source of energy was needed for lighting. Only the paraffin itself (kerosene) was extracted from the oil and the rest of the oil was considered waste. It was not until the late 1800s that Rockefeller increased the application for oil through refining technology. This led to a massive creation of wealth, and Rockefeller became one of the world's richest men, controlling about 90% of American bio refineries and pipelines in the early 1880s.



We believe today's alginate industry can be compared to the beginning of the petroleum industry where only





## Alginors AORTA-teknologi åpner for totalutnyttelse av *Laminaria hyperborea* gjennom bioraffinering



*Laminaria hyperborea*

Alginat	Fucoidan	Cellulose	Laminaran
Mannitol	Polyfenoler	Bioaktiver	Aminosyrer
Smak	Mineraler	Barkepulver	Boreapulver

Siden 2016 har Alginor ASA sammen med ledende FoU-institutter utviklet teknologiplattformen AORTA med en kostnadsramme på NOK 50 mill for høsting og bioraffinering av makroalgen *Laminaria hyperborea* (stortare).

AORTA-prosjektet mottar tilskudd fra Norges Forskningsråd, Innovasjon Norge, Regionale Forskningsfond Vestlandet og SkatteFUNN. Selskapet gjennomfører nå et SME Instrument Fase II prosjekt med tilskudd på NOK 20 mill i regi av EUs Horizon 2020 ihht. tilskuddsavtale nr. 830698.

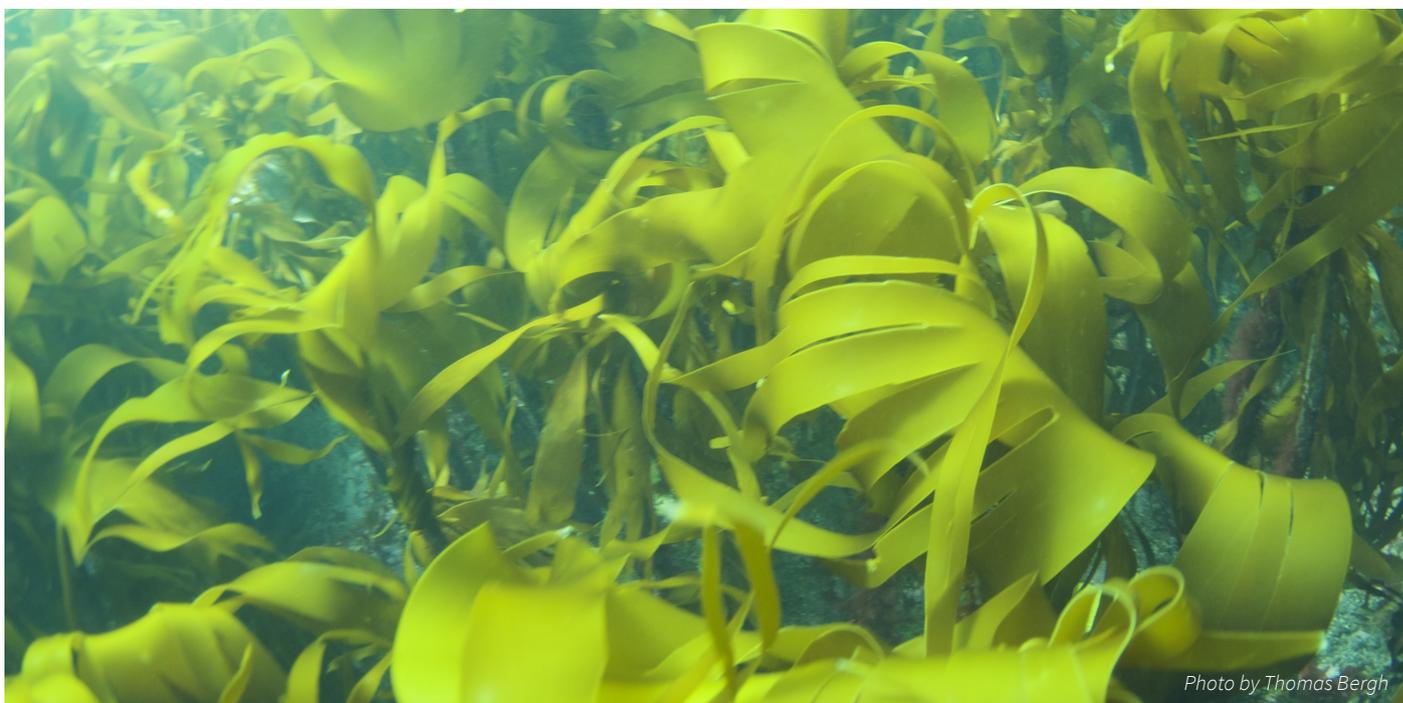
Basert på storskala pilotering og Industri 4.0 prinsipper planlegger vi etablering av en demonstrator for verdiskapende, bærekraftig og ressurseffektiv totalutnyttelse av stortare for fremstilling av en unik produktportefølje av life science ingredienser til det globale markedet.

10 ansatte og 50 aksjonærer investerer i lønnsom bioøkonomi - i praksis.

[www.alginor.no](http://www.alginor.no)

Kontakt oss på tlf: 52 70 73 10 eller [APO@alginor.no](mailto:APO@alginor.no)





## A forest of gold in the **Norwegian Sea**

Every year, 26 million tonnes of macroalgae (seaweed and kelp) are used globally, of which 25 million tonnes are grown, while only 1 million tonnes are wild-caught kelp. The bulk of the grown raw material is consumed in Asia, while the wild caught portion is most attractive for industrial applications. About 480 different types of macroalgae have been identified in Norway. These are divided into three groups; green algae, red algae and brown algae. Alginor focuses on one type of kelp, specifically the large brown algae *Laminaria hyperborea* (so-called tangle or cuvie). Tangle is among the largest renewable resources we have, with a standing biomass of about 100 million tonnes in the Norwegian Sea, of which about 60 million tonnes are in Norwegian waters.

Tangle thrives best in cold, nutritious marine areas and is therefore unique to the area around the polar circle. Tangle gets its distinctiveness due to the lower temperature, light summers and dark winters. The Northern Atlantic Coast is therefore one of the few places that provides ideal conditions for large-scale growth. Phenols protect the plants' chlorophyll from the sun's strong UV radiation and precisely the phenols are the source of the so-called formalin issue.

The tangle compensates for the cold water with a distinct bark structure, which combined with stronger starch components, gives a longer stalk than comparable kelp in Asia, such as its relative *Laminaria japonica*. Kelp types in warmer waters usually have much larger leaves relative

to the stalk, which affects the quality of the raw material. Therefore, tangle has a unique biochemical composition with high concentrations of the most attractive properties, and will, if utilised properly, provide great value. For example, Fucoidan extracted from tangle has the highest known molecular weight and degree of sulfation among all species of kelp. Moreover, alginate from tangle is also of unique quality; the tangle is exposed to harsh weather conditions and strong ocean currents, which results in a particularly long stalk. Due to the structure of the long stem, a high content of guluronic acid occurs, which results in high gelling ability.

Macroalgae are strongly in focus in R&D environments in Norway and the EU and are referred to by SINTEF as "the new farming adventure". SINTEF envisions farming/cultivating kelp (sugar kelp/Devil's apron) in Norway in volumes up to 20 million tonnes in 2050. In Norway we are most familiar with wild-caught kelp, where the annual harvest is about 150,000 tonnes – which amounts to approximately 15% of the global access. The annual harvest can probably be quintupled, equivalent to the entire global supply, if innovative and sustainable harvesting methods are used.

This gives Norway a strong comparative advantage for the development of new industry, compared to players in Asia and other parts of the world. Alginor's focus is to exploit this advantage to establish a long-term position in the market, given a solution to the formalin problem.

# This is Alginor

Today, the market demands traceable ingredients which are manufactured under sustainable conditions without the excessive use of chemicals, and the use of toxic compounds that result in the release or loss of biological raw material. Green ingredients are highly sought after because today's end users are finally making such demands. Therefore, our business model is based on sustainable, total utilisation – through biorefining – of the macroalgae *Laminaria hyperborea*.

These macroalgae comprise a unique biomass, giving Norway a superior comparative advantage. Alginor intends to exploit this to establish lasting competitive advantages based on our innovative process technology AORTA, and the harvesting method Hypomar, which after a pilot period can be scaled to industrial levels.

The company's strategy for vertical integration is to claim positions throughout the value chain; from harvesting kelp by using the Hypomar method to production of ingredients for sale to multiple segments within the global market for Life Science Ingredients.

Alginor is a commercial start-up company and has 10 regular employees and 5 consultants, all of whom have become shareholders through acquisitions of shares by participation in public placements. The employees have also received stock-based incentives through warrants.

We are facilitating a high value creation potential for Alginor ASA and the shareholders, and the commercialisation phase begins now.



**Thorleif Thormodsén**  
CEO  
Financial Analyst, CEFA  
tt@alginor.no



**Nina Widvey**

Senior Vice President (until 28 June 2019)  
B.Sc. Mechanical Engineer  
nw@alginor.no

Experience from corporate development and larger projects within refining of marine raw materials. Hypomar Project Manager.



**Henriette Wangen**

Business Development Manager  
M.Sc. Molecular Biology  
hw@alginor.no

Experience in sales, marketing and management. Thorough laboratory experience. Good knowledge in design of legal documents. AORTA project leader.



**Kjetil Øie Kristiansen**

COO  
M.Sc. Offshore Technology  
kk@alginor.no

Experience from several projects related to offshore operations, as well as certification, design and construction of feed barges. AORTA project leader.



**Christina Steiness**

Apprentice Office Administration  
christina.steiness@alginor.no

Performs administrative work, including case processing and daily operations.



**Linn Margrethe Bringedal**

Process Engineer & QA  
B.Sc. Chemistry and Biotechnology  
linn@alginor.no

Nine years of experience from alginate business with focus on manufacturing, development of process design, equipment evaluation, process control and quality control (GMP, ISO). M.Sc. Chemical Process Technology in 2020.

**Annette Petersen-Øverleir**

Internal Relations Manager  
Master of Economic Analysis  
apo@alginor.no

Experience within investor relations and good knowledge in international economics and capital markets, resource management and energy markets.

**Georg Kopplin**

CSO & R&D Manager  
Ph.D. (cand.) Biotechnology  
gk@alginor.no

Experience with biopolymers at Nobipol. Has played a major role in characterisation of alginate and especially fucoidan. World leader in fucoidan. AORTA project leader.

**Astrid Bruvik Øvregård**

Project Coordinator  
B.A. Molecular Biology  
aba@alginor.no

In-depth experience in development of project applications. Responsible for several national/international breakthroughs. Good knowledge and experience in molecular biology.

**Sandra Støle**

Accounting & Project Secretary  
ss@alginor.no

Experience within customer relations and keeping company books. Monitoring project progress and project financials.

**Marie Emilie Wekre**

Ph.D. (cand., Industrial Ph.D. scheme)  
M.Sc. Chemistry  
marie.wekre@alginor.no

Professional and practical experience in natural chemistry, chemical analyses, analysis of polyphenols groups and pigments from marine algae.



**Arild Steinnes**

Business Manager Alginates & Director of Regulatory Affairs

Long experience in development and global sales of biopolymers. Expertise on the market side and how to get products to market quickly. Large customer network.



**Kjetil Rein, CTO**

M.Sc. Mechanical Engineering

Long experience in engineering and development of components and system within automotive, space, offshore and fish farming industry. Has also experience in designing a full scale processing plant, including process equipment and procedures.



**Loyd Arve Nornes**

Developer

Experience from technology development. Expert problem solver who thinks outside the box.



**Helge Tordahl**

Internal Auditor

IT and economic expert. Long experience from business development, sales and management, in addition to revision, corporate development and board leadership.



## Our Area of Business

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Alginor seeks total utilisation of all inherent components in the Norwegian **tangle** (*Laminaria hyperborea*) through biorefining. Norway has Europe's largest occurrence of tangle (60 million tonnes, which make up 60% of the total kelp forest), covering vast areas of the Norwegian Sea.

Alginor is developing new separation and extraction methods which makes the process more efficient and environmentally friendly. Unlike today's production method, our methods avoid toxic emissions to the surroundings. The technology enables us to make the production process scalable and the company has defined various steps in relation to inbound raw material volumes per year.

Today's alginate industry is only utilising about 15% of the biomass in the tangle, resulting in 85% raw material containing formalin being dumped directly into the sea. The bioenergy industry can utilise up to 100%, but profitability is very low. Extraction of kelp proteins only is also unprofitable, even though the aquaculture industry is in dire need of new sources of protein.

Alginor is planning to launch the first biorefinery in Norway focusing on total utilisation and resource efficient treatment of macroalgae, in order to extract pure and formula-specific products for use in food, feed, pharmaceuticals, agriculture, chemicals and materials. Controllable scaling is a key concept/factor for/in controlling risk. Therefore, Alginor has worked to find sustainable production levels on small and large scales while meeting the regulatory requirements set forth by

the **Norwegian Food Agency** (Næringsmiddeltilsynet), **The Norwegian Medicines Agency** (Legemiddelverket), ISO and customer requirements. Alginor's first step in attaining production capacity is to build a pilot plant — **The Alginor Pilot** — followed by a **demonstrator** ("Flagship Demonstration Plant" in accordance with EU terminology). Later, the demonstrator will be complemented by a full-scale industrial **biorefinery**.

Alginor's strategic core is the raw material, while a broad product portfolio towards several market segments provides diversification of risk. Traceability, sustainable production and quality are paramount in large companies' choice of suppliers.

Our mission is to ensure delivery of products of the highest quality by maintaining full control of access to raw material, traceability and quality assurance through our own production.

Business development takes place in a long-term perspective, and our goal is to be an integrated and independent company. Alginor ASA will be a holding company for operating subsidiaries in a corporate group.

Alginor has established the following subsidiaries: Hypomar, for development of a new harvesting method; OEWA AS for early commercialisation of high value and pharmaceutical ingredients (GMP standard) from the pilot plant; Alginor Biorefinery AS which is responsible for operations and technology related to a future biorefinery; and Alginor Industrial Estate AS which is responsible for plots, buildings and infrastructure.

# The **AORTA** Technology Platform

## Alginor's **O**cean **R**efining **T**otal utilising **A**pplication

AORTA is a technology platform that consists of a harvesting method — Hypomar — and a processing technology for the manufacture of well-defined ingredients from fresh raw materials, by solving major challenges associated with today's industrial practice.

AORTA solves a **bottleneck problem** — a plug in a downstream line — which occurs in the value chain for tangle as a result of today's alginate industry's extensive use of formalin, both during harvesting and in production. The issue is connected to negative **browning effects** in the end products due to phenols and other bioactive substances in the raw material, as well as **foreign DNA** that originates in other organisms on the tangle. AORTA resolves the issue with its innovative harvesting method combined with green process technology.

### **AORTA's advantages over today's industrial practice**

- Total utilisation of the raw material and zero emissions to the environment.
- A broad product portfolio that provides opportunities and diversification.
- Unique product features due to higher purity.
- Eliminates the use of toxic preservatives.
- Zero pollution and loss of raw material and other input factors.
- Reduced costs by allocation to a larger product volume.
- High product sales price due to higher purity and quality.

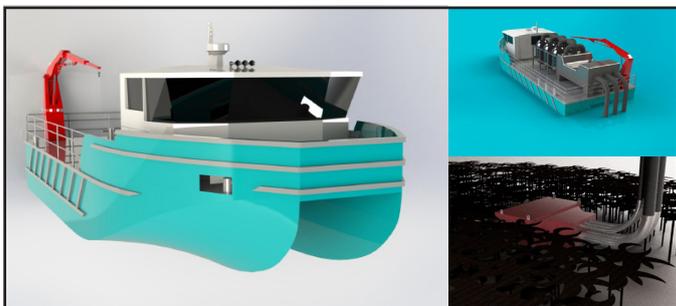
- Sustainable harvesting and traceability of raw materials.

### **Starting materials and product portfolio**

All production normally starts with a raw material in one form or another. According to "Good Manufacturing Practice" (GMP), which governs and controls the approval of the manufacture of drug ingredients (API: Active Pharmaceutical Ingredient), production should start with a clearly defined "Starting Material". AORTA provides new starting materials, drastically improving and streamlining the subsequent production compared to today's practice.

The new starting materials are attractive to all manufacturers in the industry and could be sold externally while at the same time providing the basis for Alginor's own production of ingredients. Initially, the starting materials will be delivered from Hypomar AS for further processing in Alginor Biorefinery AS and Oewa AS.





### Hypomar Harvesting

- Sustainable, gentle towards the environment
- Full control of the harvesting process
- No loss of raw material
- Does not destroy the seabed or wildlife
- No toxic chemicals
- Maintains good raw material quality
- Larger boats, longer harvest intervals



Wide product portfolio			
Alginate	Fucoidan	Cellulose	Laminaran
Mannitol	Polyphenols	Bioactives	Amino Acids
Savoury	Minerals	Bark Powder	Borea Powder

### AORTA biorefining

- Effective resource management
- Total utilization
- No toxic chemicals
- Recycling of water and chemicals
- Reduced energy costs

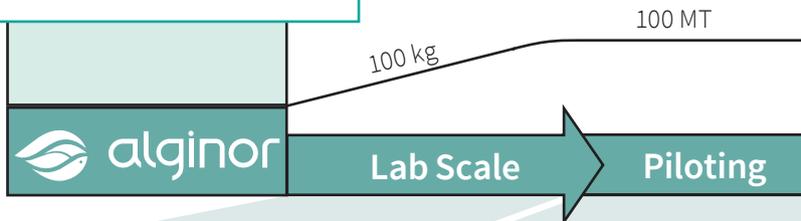
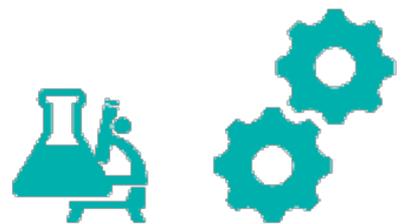
### Benefits

- Control over the entire value chain, from harvest to finished product
- Well-defined starting material
- Product portfolio with 12 products
- New, unique products
- Pure and formula-specific products
- Zero emissions, recycling
- No destruction of the seabed
- Lower costs and less emissions related to with transport and logistics
- Lower production costs (SMC)



### New paradigm:

- Sustainable harvest
- Total utilisation
- Zero emissions
- Green product portfolio
- Unhindered access to harvest
- High market prices
- Global market



### Alginor Laboratory — Oewa lab — Pico and micro production

Production capacity: 200—2,000 kg/year

Pilot lab established at Victoriashjørnet, Haugesund. The lab is being built to perform complete analysis of the products, work with product development and product improvements.

Mapping of product portfolio, new applications and production and packaging of samples and other products for market development.



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### Pilot collaboration with partners

Production capacity: 10—100 MT/year finished products

- Piloting and testing of production methods, capacities and product specifications
- Piloting and design: Cation project
- Piloting and design: the AORTA project
- Oewa AS is used for market introduction of high-quality products



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### Demonstrator Biorefinery

Capacity: 1,500 MT/year finished product

Tentative investment decision: 2021—22  
 Realisation period: 12 months construction,  
 <6 months testing and verification.

The Hypomar project is tightly linked to the establishment of the Demonstrator facility.



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### Full-scale Industrial Biorefinery

Capacity: 15,000 MT/year finished product

Dimensioned up to 10 times larger than the demonstrator. The biorefinery is to be based on 36 months of testing and optimisation by the demonstrator. Includes API processing line for larger-scale production of pharmaceutical products.

- Industry 5.0 (man + auto/digi/robo = smart factory)
- Large-scale harvesting of raw materials through Hypomar
- Full raw material control, quantity and pricing

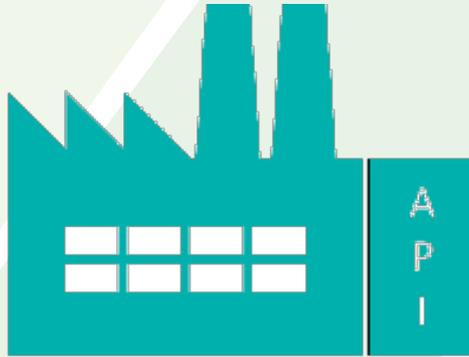
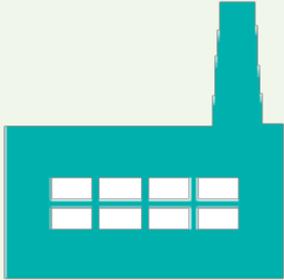


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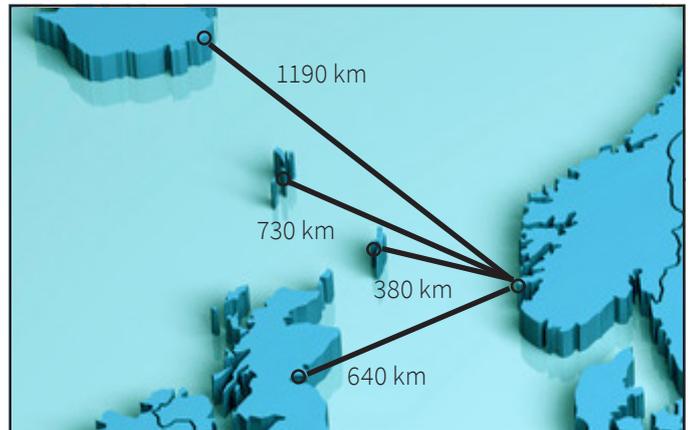


10.000 MT

100.000 MT

Demonstrator

Industrialisation



#### The Norwegian Perspective

- A standing biomass of 100 million tonnes of seaweed in the Atlantic Ocean, Norway ~ 60 million tonnes.
- Annual harvest in Norway of 150,000 tonnes (0.25% of the Norwegian standing biomass).
- 480 species in Norway, but only hyperborea and ascophyllum are industrial raw materials.
- Italian and American company since 1937/39, same harvesting technique since 1967.

#### Value Creation Potential

- Today's raw material costs ca NOK 25 per kg
- Estimated production cost of farmed seaweed > NOK 5 per kg, approaching NOK 1 in the future
- Product value of NOK 10—20 per kg raw material
- Bioeconomical value creation is imperative for sustainable industry

#### Total Market Value

€4,900 mn

Biopolymers  
Agriculture

#### Potential Market

€165.4 mill

Global

12 unique products

#### Opportunities

CAGR  
10,28 %

Biopolymers  
Agriculture



Unique  
Team

Sustainable

Growth  
Perspective

Global Value  
Creation

Profitable  
Product  
Portfolio

# Selected Highlights of 2018

## Trial license for harvesting tangle approved

The Directorate of Fisheries (Fiskeridirektoratet) granted Alginor ASA a license for harvesting tangle. The company wants to control its own raw material supply to ensure quality throughout the production process while reducing the risk of projected future increase in raw material prices.

The license is granted in connection with the development of the Hypomar method for harvesting and pre-treatment of tangle. The company will acquire its own harvest vessels that provide access to harvesting of raw materials on a large scale in compliance with the regulations and permits granted by the Directorate of Fisheries.

## Development project AORTA with forced progress in accordance with plan

The AORTA technology has been further developed through two major projects, namely AORTA-I of NOK 6 million financed by the Regional Research Fund (Regionalt Forskningsfond) and AORTA-II of NOK 9 million funded by the Marine Research Program (Marinforsk) at the Research Council of Norway (Norges Forskningsråd). Both projects have been approved for faster progress than originally planned and will be completed by the first half of 2019.

AORTA-I has focused on the products alginate, protein and phenols, whereas AORTA-II has focused on the products laminaran, cellulose, mannitol, savoury, bioactives, minerals and bark and borea (drilling) powder. **The twelfth ingredient – fucoïdan** – has been developed through a separate preliminary project funded by the Regional Research Fund (Regionalt Forskningsfond).

## Letters of intent with market participants

The company is now working on concrete product development towards several partners and has entered into intent agreements with five players within the market segments foodstuffs, industrial applications, drugs and medical aids, all of which are linked to our future product portfolio. The company has reason to believe that these market contacts will help accelerate commercialisation in the near future.

## Alginor's laboratory at Victoria

Alginor ASA is currently in the process of commissioning a new laboratory in the old head office of Haaland Shipping Company (Haaland Rederiet) at Victoriahjørnet; until recently a private hospital, with lab and operating rooms in the third floor. An investment budget of NOK 4 million shall cover advanced analysis equipment and inventory.

## Establishing "Picoline" at Victoria

Further, a pico process line is established at Victoria with a budget of NOK 1,5 million. This is a miniature biorefinery for the preparation of all ingredients from *Laminaria hyperborea* for testing by customers as well as verification of AORTA by market players and investors.

## Breakthrough RFF Western Norway – Preliminary project

In the fall of 2018, Alginor received approval of a preliminary project with a budget of NOK 1 million based on two bioactive ingredients from tangle. The preliminary project forms an important basis for continuation of a major project in the future that will lead to a complete value chain for the processing of bioactive ingredients from tangle. The preliminary project's main objective was to complete a technology study that has analysed extraction and cleaning methods, as well as separation and storage technology for the bioactive ingredients.



The preliminary project was completed and approved in 1<sup>st</sup> quarter of 2019 and associated grants are paid to the company.

## Breakthrough EU SME Phase II



In July 2018, Alginor ASA was accepted as one of 1,658 applicants to the European Union's (EU) Horizon 2020 SME-II. Among the applicants who submitted their applications on 23<sup>rd</sup> May 2018, a mere 129 were summoned to Brussels to pitch

before a panel of business experts. Furthermore, only 65 of those who were summoned made an impression worth financing. Alginor ASA takes pride in being in the top 4% — atop the podium in the Champion's League of Innovators!

The application process was a comprehensive and lengthy one, followed by a resource-demanding period of review and signing of the Grant Agreement. Alginor ASA will receive a cash grant of €1,94 million to aid implementation of the business plan, with a total project cost of €2.77 million.

The implementation plan is identical to the company's operational strategy, and the project period spans 24 months starting September 2018.

Essentially, the SME project plans verification of the entire AORTA platform, from harvesting raw materials, to presenting product in powder form. The project comprises seven work packages emphasising piloting, verification and early commercialisation.

At road's end in 3<sup>rd</sup> quarter of 2020, the project's goal is complete verification of the AORTA platform for full utilisation of tangle. Verification of this technology will form the basis of an investment decision on constructing a full-scale demonstrator facility for industrial verification, ideally in the Haugaland region.

As aid, EC offers twelve days of coaching at no cost by experts in pertinent fields, namely Karin de Hiep and Stephen Brown. COO Kjetil Øie Kristiansen will manage the project with co-workers at Alginor ASA.

The company is well prepared for the EC's extensive reporting requirements, having engaged Helge Tordahl as internal auditor.

## Breakthrough Innovation Norway — Hypomar

During October 2018, Alginor unveiled its new upscaling plan for harvesting — Hypomar. Following a successful presentation before a panel of six experts at Innovation Norway's Regional Council, funding was granted to the Hypomar Project. This grant will form the investment basis of a harvest vessel — Hypomar Havpilot — planned to harvest tangle in the order of 5000 metric tonnes per year.

During the project's duration, Alginor will perform large-scale harvesting tests alongside studies of the seabed and presence of tangle before and after harvesting. Raw materials and starting materials will be processed to finished products for internal and external testing.

Hypomar's budget is NOK 10 million, of which NOK 4.5 million were granted through Innovation Norway's environmental initiative *Miljøteknologiordningen*. At Alginor's first public offering in 2019, the first NOK 3 of 10 million were received. Further payments from Innovation Norway demand completion of Alginor's public offering, of which NOK 4.5 million remain at 60,000 shares.



## Collaboration with the Bellona Foundation

After the breakthrough with Innovation Norway, Alginor ASA initiated a collaboration with the environmental foundation Bellona, to further develop our unique harvesting method, Hypomar.

The Bellona Foundation's role is tailoring and guiding a Responsible Research and Innovation strategy (RRI), ensuring environmental and societal sustainability in all aspects.

Moreover, the Bellona Foundation will act as an independent environmental consultant in developing the value chain.

## Industrial Ph.D. scheme grant from The Research Council of Norway

In December 2018, Alginor applied for funding of a doctoral project within the company, which was granted by The Research Council of Norway in early 2019. The research includes analysis and bioprospecting of polyphenols found in tangle, and is conducted by Marie Emilie Wekre, one of our new hires. University of Bergen's Department of Chemistry is on the forefront of prospecting and characterisation of polyphenols, and their state-of-the-art equipment including NMR-spectrometers is available for Alginor ASA under the guidance of associate professor Monica Jordheim.

### New hires

Alginor ASA has seen two new hires during the fall of 2018: Marie Emilie Wekre and Linn Margrethe Bringedal.

**Linn Margrethe Bringedal** is currently working towards a master's degree in chemical process technology at the Norwegian University of Science and Technology (NTNU). Linn Margrethe previously worked on alginate production at DuPont's (prev. FMC Biopolymer) nearby facility, focusing on process management, quality control and process development at their GMP production line for pharmaceutical ingredients.



**Marie Emilie Wekre** holds a B.Sc. in chemistry from University of Bergen and has recently completed her master's in Chemistry and Analysis at the same institution. Marie Emilie has been brought onboard to further our understanding of the issues and challenges regarding the use of formalin in today's algae and alginate industry.



### Approved for vocational apprenticeships

In collaboration with Rogaland County Council, Alginor ASA has been approved as host for vocational apprentices, in the discipline Office and Administration. **Christina Steinnes** joined us in 3<sup>rd</sup> quarter.

### Minister of Research and Higher Education paid a visit

In June we received a pleasant visit from Minister of Research and Higher Education Iselin Nybø (Lib.). Both the minister and attending politicians of The Standing Committee on Energy and the Environment were given an in-depth presentation of Alginor ASA. The government agrees with our vision of total utilisation of the ocean's resources.



### Investor memorandum for Alginor ASA

The company has approved a stock exchange plan for the future listing of the company's shares on the Oslo Stock Exchange or NASDAQ, when the time is right.

To highlight strategy and potential, Alginor ASA has formulated a comprehensive investor memorandum. The memorandum presents an explicit budget for the next three years, as well as a financial illustration of the implementation of our plans through the next decade. The reader may contact us for full access.

Our financial model Integra provides a detailed presentation of the base case scenario through the NPV method.

The company's shares are registered with the Norwegian Central Securities Depository (VPS).

**Alginor ASA emphasises an open and trusting dialogue with its shareholders and investors.**

Alginor was established on 24 March 2014 and converted to a public stock company (ASA) in 2016, to facilitate future financing and access to the financial market.

Company stock is registered with the Norwegian CSD and the shares are freely transferable. The company has drawn a “roadmap to stock exchange” and prepares to list on the Oslo Stock Exchange when the time is right.

Alginor ASA strives to treat its shareholders fair and equally. Though not on a listed market, the company seeks to abide by the guidelines of The Norwegian Corporate Governance Board (NOUS) on good practice and governance. Any deviations from said guidelines will be resolved as the company nears stock exchange listing.

For questions regarding investing in Alginor ASA, visit

**[www.alginor.no/investors/](http://www.alginor.no/investors/)**

# Financial Statements Alginor ASA 2018

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*Haugesund, 24 June 2019*

# Financial Statements

All figures provided in NOK.

## Income Statements

Operating income	Note	2018	2017
Other operating income		0	0
<b>Operating expenses</b>			
Personnel expenses	10	756,551	559,152
Depreciation		45,671	0
Other operating expenses	3;9;10;16	2,858,592	1,555,841
Total operating expenses		3,660,814	2,114,993
Operating result/profit		-3,660,814	-2,114,993
<b>Financial income and financial expenses</b>			
Other financial income		18,967	2,449
Other financial expenses	7	58,834	115,058
Net financial items		-39,867	-112,609
Ordinary result before taxes		-3,700,681	-2,227,602
Taxes on extraordinary items	2	0	0
<b>Net income</b>		<b>-3,700,681</b>	<b>-2,227,602</b>
<b>Transfers and allocations</b>			
Uncovered losses		-3,700,681	-2,227,602
Sum allocated		-3,700,681	-2,227,602

# Financial Statements

## Balance sheets as of 31 December 2018

### Fixed assets

Intangible assets	Note	2018	2017
R&D	6;16	7,749,971	5,100,808
Concessions, patents, licences, trademarks	6	291,853	203,135
Sum intangible assets		8,041,824	5,303,943
<b>Tangible assets</b>			
Land, buildings and other real estate	15	406,420	0
Operating movable property, furniture, tools, other		488,706	104,867
Total tangible assets		895,126	104,867
<b>Financial fixed assets</b>			
Equities and investments	13	220,000	220,000
Total financial fixed assets		220,000	220,000
<b>Total fixed assets</b>		<b>9,156,950</b>	<b>5,628,810</b>
<b>Current assets</b>			
<b>Receivables/Monetary claims</b>		<b>2018</b>	<b>2017</b>
Other short-term receivables	5;11	5,681,805	2,572,497
Total receivables		5,681,805	2,572,497
Bank deposits, cash, etc.	4	5,756,756	1,199,274
<b>Total current assets</b>		<b>11,438,561</b>	<b>3,771,771</b>
<b>Total assets</b>		<b>20,595,511</b>	<b>9,400,581</b>

# Financial Statements

## Balance sheets as of 31 December 2018

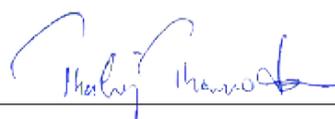
### Equity

Paid-up equity	Note	2018	2017
Share capital	12;14	3,741,600	2,760,100
Share premium (reserve)	14	12,287,768	7,458,413
Other paid-up equity	14	-5,666	-5,666
<b>Total paid-up equity</b>		<b>16,023,702</b>	<b>10,212,847</b>
<b>Retained earnings</b>			
Uncovered losses		-7,493,735	-3,793,054
<b>Total equity</b>		<b>8,529,967</b>	<b>6,419,793</b>

### Liabilities

Other long-term liabilities		2018	2017
Convertible debt		0	186,550
Debt to financial institutions	7	1,500,000	1,500,000
Allowance for SME II project	7	6,946,179	0
<b>Total other long-term liabilities</b>		<b>8,446,180</b>	<b>1,686,550</b>
<b>Short-term liabilities</b>			
Trade creditors	11	1,757,961	511,922
Value added taxes		381,692	305,827
Other short-term liabilities		1,479,711	476,489
<b>Total short-term liabilities</b>		<b>3,619,364</b>	<b>1,294,238</b>
<b>Total liabilities</b>		<b>12,065,544</b>	<b>2,980,788</b>
<b>Total equity and liabilities</b>		<b>20,595,511</b>	<b>9,400,581</b>

Haugesund 24. juni 2019



Thorleif Thormodsen  
Administrerende direktør



Turid Thormodsen  
Styremedlem



Øyvind Gjerde  
Styrets leder



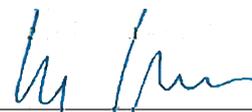
Åse Tveit Samdal  
Styremedlem



Kjetil Rein  
Styremedlem



Annette Petersen-Øverleir  
Styremedlem



Bjørn Bugge  
Styremedlem

# Financial Statements

## Balance sheets as of 31 December 2018

<b>Cash flow from operational activities</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Ordinary result before taxes		-3,700,681	-2,227,602
Ordinary depreciation		45,671	0
Change in warehouse, account receivables and trade creditors	5	1,246,039	-416,077
Change in other accrual items	7	-2,030,219	-1,157,648
<b>Total cash flow from operational activities</b>		<b>-4,439,190</b>	<b>-3,801,327</b>
<b>Cash flow from investment activities</b>			
Pay-out for acquiring/purchasing tangible assets	15	-835,929	-104,867
Pay-out for acquiring/purchasing equities and investments in other companies	13	0	-220,000
Activated R&D expenses	6;16	-2,737,883	-1,930,217
Payments of EU funds (SME II)	7;16	6,946,179	0
<b>Net cash flow from investment activities</b>		<b>3,372,367</b>	<b>-2,255,084</b>
<b>Cash flow from financial activities</b>			
Payments for new long-term debt	7	0	1,686,550
Pay-outs for down/repayment of short-term debt	11	0	-2,195,614
Payments and refunds of equity	14	5,624,305	7,748,913
<b>Net cash flow from financial activities</b>		<b>5,624,305</b>	<b>7,239,849</b>
Net change in liquidity in the year		4,557,482	1,183,438
Cash and bank deposits per 01.01		1,199,274	15,836
<b>Cash and bank deposits per 01.01</b>	4	<b>5,756,756</b>	<b>1,199,274</b>

# Notes — Financial Statements

## Note 1 Accounting/Audit principles

The company accounts are presented in accordance with NGAAP (Norwegian Generally Accepted Accounting Rules) and in compliance with the Norwegian Accounting Act and principles in the NRS (Norwegian Accounting Standard).

### Subsidiaries/associated companies

Subsidiaries and associated companies are assessed pursuant to the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless write-downs have been necessary. Write-downs are made at fair value when impairment occurs due to causes that cannot be assumed to be transient and the write-down is considered necessary according to good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends and other distributions are recognised in the same year as they are deposited in the subsidiary. If dividend exceeds share of withheld result post purchase the excess portion represents repayment of invested capital, and the dividends are deducted from the value of the investment in the balance sheet.

### Classification and assessment of balance sheet items

Current assets and short-term liabilities are comprised of items that are due for payment within one year of the balance sheet date, as well as items that are tied to the product cycle. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at whichever is the lowest: the acquisition cost or the real value. Short-term liabilities are capitalised at a nominal amount when they are established/at the time they are established.

Fixed assets are valued at acquisition cost but are written down to fair market value in the event of impairment that is not expected to be temporary. Fixed assets with a limited economic life are depreciated systematically. Long-term liabilities are capitalised at a nominal amount at the date they are established.

### Receivables

Account receivables and other receivables are entered in the balance sheet at face value after deduction for provisions/allowances for expected losses. Provisions/Allowances for losses are made on the basis of individual assessments of the individual receivables. In addition, unspecified provisions/allowances are made for other account receivables to cover expected losses.

### Research and development

Research and development expenses are capitalised to the extent that a future financial advantage can be identified associated with the development of an identifiable intangible asset. Otherwise such expenses are capitalised consecutively. Capitalised research

and development are depreciated linearly over the course of their economic lifespan.

### Intangible assets

Patents and technology that have a limited or exhaustive lifespan are capitalised at acquisition cost with deduction for depreciations. Patents and technology are not depreciated but are subjects to a value test – the so-called Impairment Test – at each accounting.

### Government / Public grants

The company follows good accounting practice, NRS no. 4, with regard to accounting of government grants, meaning that the grants are booked for reduction of the accounting items to which they relate. Expenses associated with research and development are mainly capitalised, and R&D expenses are mainly personnel expenses and consulting fees.

### Taxes

The tax expense in the financial statement includes both the periods payable taxes and change in deferred taxes. Deferred taxes are calculated by 22% based on the temporary differences that exists between accounting and tax values, as well as tax loss carryforwards at the end of the financial year.

Temporary tax-increasing and tax-reducing differences that reverse or can reverse in the same period are equalised and netted.

Net deferred tax advantages are recognised in the balance sheet to the extent that it is probable that they can be utilised, and this is currently not capitalised for the sake of caution.

### Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

# Notes — Financial Statements

## Note 2 Taxes

This year's tax expenses are divided into:	2018	2017
Payable tax	0	0
Change in deferred tax	0	0
<b>This year's total tax expense</b>	<b>0</b>	<b>0</b>
<b>Calculation of this year's tax base</b>		
Ordinary result before taxes	-3,700,681	-2,227,602
Permanent differences	-3,362	-1,407,910
Change in temporary differences	2,022,022	1,280,541
<b>This year's tax base</b>	<b>-1,682,021</b>	<b>-2,354,971</b>
<b>Payable tax in the balance sheet</b>	<b>0</b>	<b>0</b>
<b>Overview of temporary differences</b>		
Tangible assets including goodwill	-4,617,780	-2,595,758
<b>Total</b>	<b>-4,617,780</b>	<b>-2,595,758</b>
Accumulated carry-forward deficit before group company contribution	-5,598,080	-3,916,059
Net temporary differences as of 31.12	-10,215,860	-6,511,817
Differences not included in deferred tax/tax benefit	-10,215,860	-6,511,817
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Deferred tax advantage (22% this year, 23% last year)</b>	<b>0</b>	<b>0</b>

Deferred tax is not capitalised.

## Note 3 Other operating expenses

### Auditor

Auditor expenses are distributed as follows:

	2018	2017
Statutory audit	122,469	123,403
Other attestation services	0	10,900
Other non-audit services	36,375	10,200
<b>Total fees to the auditor</b>	<b>158,844</b>	<b>144,503</b>

Other non-audit services are essentially related to technical assistance for accounting and tax papers. The auditor's work related to capital transactions/public placements for the period is posted against the company's share premium fund.

At the Annual General Meeting the Board of Directors proposed to change the auditor to KPMG. The reason for this is based on previous collaboration with the company's audit resources, and that KPMG has a "right to sign" in Haugesund. Alginor has been pleased with the collaboration with Ernst & Young and want to use their audit services for separate assignments in the years ahead if possible.

## Note 4 Cash and cash equivalents

	2018	2017
Bank deposits	5,756,756	1,199,274
<b>Cash and cash equivalents in the cash flow statement</b>	<b>5,756,756</b>	<b>1,199,274</b>

Bank deposit 5,756,756 includes allowance/a provision on tax deductible account with a par value of 207,991.

## Note 5 Account receivables and other receivables

	2018	2017	Change
Other receivables	5,681,805	2,572,497	3,109,308
<b>Total receivables</b>	<b>5,681,805</b>	<b>2,572,497</b>	<b>3,109,308</b>

Credit SkatteFUNN	NOK	2,090,717	The amount will be paid in October 2019.
Receivable RFF Vest	NOK	1,143,519	The amount will be paid in June 2019; final report is approved.
Receivable RFF Vest Fucomed	NOK	104,901	A total grant of NOK 500,000 has been paid out in 2019.
Receivable the Norwegian Research Council	NOK	1,335,501	The amount has been paid in full in 2019.
Credit VAT	NOK	810,785	The amount has been paid in full in 2019.

No amount has been set aside for losses on receivables in 2018.

# Notes — Financial Statements

## Note 6 Intangible assets

Acquisition cost	Development cost	Patents, licences, etc.	Total
Acquisition cost 01.01.18	5,100,808	203,135	<b>5,303,943</b>
Other acquisitions – internally developed	2,649,163	88,718	<b>2,737,881</b>
<b>Acquisition expenses as of 31.12.18</b>	<b>7,749,971</b>	<b>291,853</b>	<b>8,041,824</b>

Intangible assets are under development and are not depreciated because the assets are subject to impairment testing.

Development expenses are netted in 2018, after grants totalling NOK 2,649,163 after capitalisation of development expenses of NOK 11,045,526, increase in patents by NOK 88,718 and after deduction of attributed grants of NOK 8,307,645.

### The AORTA Project

Alginor ASA is currently conducting a perennial development project named AORTA, for the biorefining of macroalgae. The project has a total budget of NOK 62.5 million for the period 2015-2021. The business model for commercialization is made in-house in a long-term perspective.

Business is conducted from Haraldsgaten 162 and Haraldsgaten 139 (Victoriahjørnet) in Haugesund. The company wishes to produce a unique product portfolio of products derived from macroalgae, based on the idea of total utilisation (i.e. 100% exploitation of the dry biomass), while keeping water, air and ocean emissions at zero.

### Value test of intellectual properties

Capitalised value of intellectual properties and patents are NOK 8,041,824 as of 31 December 2018, based on assessments made in accordance with NRS 19 criteria.

Using a discount rate of 15%, there is no indication that write-downs are needed. By overall assessment of immaterial properties at yearend, there is no indication that write-downs are needed.

### Patents

Activated patents of NOK 291,853 account for expenditures related to patent applications NO 20171834 and NO 20181459.

### Test of losses for IP impairment according to NRS 19

The company has assessed the utility value of the property using

accepted methods. Utility value is calculated by discounting expected future cash flow. Typical parameters in such calculations are product revenue; revenue growth; operational expenditures (OPEX); gross margin; investments (CAPEX) in IP; investments in tangible assets; discount rate; future growth related to terminal value estimates (revenue beyond the explicit period); and estimates for product revenue based on a given product matrix for a period.

Basis for the calculation is the company's Base Case Scenario, prepared in a comprehensive Excel model through the project's duration, named Integra. Project Manager of Integra is Helge Tordahl.

The estimation period used for the calculating the IP value is 5 years, adding a terminal value at fifth year. Terminal value (TV) is estimated using Gordon's Growth Method formula such that last year's cash flow (CF) divides into required rates of return (a) minus growth factor for future cash flows (g):  $CF / (a - g)$ .

# Notes — Financial Statements

## Note 7 Interest-bearing credits

This note provides information regarding contractual conditions interest-bearing credits.

	2018	2017
<b>Long-term obligations</b>		
Effective interest rate: 4.70%		
Start-up loan Innovation Norway	1,500 000	1,500,000
Project allowance SME-II	6,946 179	0
<b>Sum long-term obligations</b>	<b>8,446 179</b>	<b>1,500,000</b>
<b>Short-term obligations</b>		
Effective interest rate: 5.75%		
Debt to credit institutions	0	0
<b>Sum short-term obligations</b>	<b>0</b>	<b>0</b>

## Note 8 Financial risk factors

### Market risk

The demand for Alginor's products depends on the international ingredient market. Prices will vary significantly between countries and continents. Regulatory requirements will also affect the demand for food ingredients. If the quality of Alginor's products fails to meet consumer needs and regulatory requirements, the demand for said products will diminish.

### Financial risks

Financial risks comprise interest risk, currency risk, credit risk and liquidity risk. Alginor constantly seeks to monitor these risk factors and actively manage risk through commercial operation and financial agreements. Loans have floating interest, exposing the company to a general interest risk. Pertaining to future operations, the company has not implemented specific hedging strategies and the company has not secured any future transactions per 31 December 2018.

### Liquidity risk

The company's liquidity risk is closely and constantly monitored by the Board and the management. The Board's concern is that liquid reserves should stand in relation to the company's business and its working capital combined with uncovered capital requirements for necessary investments. The Board continuously facilitates access to liquidity, particularly through equity funding.

## Liquid assets — restricted funds for tax deduction/overdraft

	2018	2017
Restricted funds for deductions		
Interest rate: 0.25%	207,991	172,529
Overdraft		
Interest rate: 5.75%	0	0

The start-up loan given by Innovation Norway is interest-free for two years and instalments are waived until June 2021. Zirconia AS has set surety for the loan given by Innovation Norway and the overdraft of NOK 1 million offered by Haugesund Sparebank.

## Note 9 Financial and operational rental agreements

### Financial rental agreements

The company has no financial agreements per balance sheet date.

### Company offices and rental agreements

During 2018, Alginor acquired offices spaces in Haraldsgaten 162 with a separate entrance. The office houses two workstations, archives and restrooms. The section is included as a 25/655 party in Sameiet Gullhuset (a co-ownership) in Haugesund and is currently 100% financed with equity.

The company rents offices from Zirconia AS at NOK 25,000 per month, adjusted to NOK 15,000 as of 1st July 2019. In addition, the company rents the Victoria facility from Hagland Eiendom at NOK 10,000 per month.

Yearly rental costs for 2019 and onwards are assumed to total NOK 300,000 until the company acquires its own facilities.

# Notes — Financial Statements

## Note 10 Employee benefits and transactions to related parties

	2018	2017
Salaries and holiday pay	3,456,272	2,175,184
Activated personnel expenses – projects	-3,498,944	-2,139,862
Employer's tax	513,086	333,989
Pension costs	158,280	107,639
Other benefits	127,857	82,202
<b>Sum</b>	<b>756,551</b>	<b>559,152</b>

### Principles guiding executive compensation

Alginor has defined its leading employees as Alginor's corporate management. Any remuneration given by the company follows the principle of gross salary, such that any tax-related consequences for benefits received, is of no concern to the company.

### Salaries

Salary increases are due each 1 January, based on guidelines given above as well as review of last year's results and performance. The company emphasises annual statistics prepared by the interest groups Tekna and Econa.

### Bonus and incentive schemes

Leading employees are eligible to receive benefits in addition to their base salary in the form of bonuses. A bonus is awarded in relation to base salary, nominally 1/3 of gross annual salary, incentivised by specific goals. The bonus shall remain within the total remuneration average. Bonuses are determined by the Board. There are no bonus schemes in place as of 31 December 2018.

### Fringe benefits

Leading employees are eligible to receive fringe benefits that are common for equivalent working positions in Haugesund.

### Pension schemes

The company offers ordinary defined-contribution pension for all employees, management included. This amounts to 5% of ordinary salary.

### Severance schemes

The CEO has a six-month period of notice and no severance scheme is drafted.

### Options

There is no options scheme in Alginor ASA, but a comparable warrants program has been issued.

### Warrants

80,000 warrants have been issued, of which the Board and Alginor employees are issued 15,000 and 65,000, respectively. Warrants give

the right to purchase shares at NOK 31,25 per share, increasing by 5% per year, ending on 30 June 2023. To realise warrants, the holder must be employed on 30 June 2020. The CEO has no warrants.

### Remuneration for the Board

No Board fees have been expensed for 2018.

CEO remunerations	2018	2017
Remunerations	CEO	CEO
Consultant fees	2,350,627	609,309
Salary and other	0	0
Pension	0	30,465
Bonus	0	0
Other remunerations	0	0

### Distribution of hours

	Sum
Administration, projects and mentoring	635
EU project/Grant agreement	600
Facilitating capital expansions	250
Management and reporting AORTA projects	650
Development of Integra model	200

### External consultants – completion of expertise

The company has ongoing appointments with 5 consultants covering special subjects within regulatory/QA, technology, engineering, sales/marketing and economic monitoring. The expenses vary between NOK 825 and NOK 1000 per hours and the appointments can last for years, with 1-3 months period of notice.

### Internalising personnel resources and expertise

The company continuously considers the need for internalisation, meaning employing external resources. In the start-up phase, it is important with flexible access to expertise, which advocates the use of consultants. For critical functions the company will prefer ordinary employments.

# Notes — Financial Statements

## Note 11 Nærstående parter

Identification of related parties. The company's related parties consist of:

- Members of the Board of Directors and corporate management
- Shareholders
- Companies that are owned directly or indirectly

### Fees and transactions with related parties:

	Expensed (ex VAT)	Related party	Role in Alginor	Type of agreement/service
Zirconia AS	300,000	Thorleif Thormodsen	CEO Alginor	Rent
Zirconia AS	2,350,627	Thorleif Thormodsen	CEO Alginor	Hired CEO
Innovatech AS	785,600	Kjetil Thormodsen Rein	Project engineer	Hired consultant

### Related parties trade creditors

	2018	2017
Innovatech AS (Kjetil Rein)	0	-26,000
Zirconia AS (Thorleif Thormodsen)	-1,337	0
<b>Sum</b>	<b>-1,337</b>	<b>-26,000</b>

### Balance related parties

	2018	2017
Hypomar AS	63,887	40,199
Oewa AS	25,000	25,000
Alginor Industrial Estate AS	-5,000	0
Alginor Biorefinery AS	20,000	0
<b>Sum</b>	<b>103,887</b>	<b>65,199</b>

## Note 12 Shares, share capital

The share capital was NOK 3,741,600 on the balance sheet date consisting of 748,320 shares each with a par value of NOK 5 per share. The company has two share classes: A shares and B shares. The B shares have normal voting rights but cannot vote in the election of the Board.

Otherwise, there are equal rights attached to the two share classes. At the Annual General Meeting in 2019, the Board of Directors proposed to merge the shares into a share class with the same rights.

The company's 53 shareholders with holdings at the end of 2018 are as follows:

Shareholder	A shares	B shares	Ownership	Voting right
Zirconia AS	271,780	0	36.32 %	67.78 %
Jahatt AS	0	184,000	24.59 %	0.00 %
Validé AS	7,600	38,500	6.16 %	1.90 %
Validé Invest AS	0	36,000	4.81 %	0.00 %
Øyhatt AS	0	32,000	4.28 %	0.00 %
Amar Group AS	20,300	0	2.71 %	5.06 %
Adora AS	20,000	0	2.67 %	4.99 %
Kjetil Thormodsen Rein	15,000	0	2.00 %	3.74 %
Strategic Garden AS	5,060	5,740	1.44 %	1.26 %
Risanger Holding AS	10,140	0	1.36 %	2.53 %
Totalt største aksjonærer	349,880		86.34 %	87.25 %
Andre aksjonærer	51,120	51,080	13.66 %	12.75 %
<b>Total adopted shares as of 31.12</b>	<b>401,000</b>	<b>347,320</b>	<b>100 %</b>	<b>100 %</b>

# Notes — Financial Statements

## Shares owned by Board members, CEO and senior management as of 31 December 2018

Entity	Persons	Duty	Number of shares	Ownership
Zirconia AS	Thorleif Thormodsen	CEO as of 15,12,17	271,780	36.32%
Adora AS	Nina Widvey	Senior VP	20,000	2.67%
Nina Widvey		CEO of all subsidiaries except Oewa AS	3,580	0.48%
Kjetil Rein		Board member, Alginor ASA	15,000	2.00%
Annette Petersen-Øverleir		Board member, Alginor ASA	1,540	0.21%

## Note 13 Investments in shares

Company	Acquisition date	Business office	Ownership and voting rights	Posted equity	Net result 2018	Accounted value
Hypomar AS	20.06.17	Haugesund	100 %	-54,638	-12,459	50,000
Oewa AS	20.06.17	Haugesund	100 %	-14,312	-21,394	50,000
Alginor Biorefinery AS	22.12.17	Haugesund	100 %	41,362	-12,068	60,000
Alginor Industrial Estate AS	22.12.17	Haugesund	100 %	16,148	-37,282	60,000
						<b>220,000</b>

All subsidiaries are non-operating, and none of them make up more than 1% of the balance sheet total, the equity or the result of Alginor ASA. The subsidiaries are considered both individually and collectively to be of immaterial importance. Therefore, a (concern) company

group accounting has not been made for the financial year of 2018. A company group accounting will be prepared for 2019.

## Note 14 Equity

	Share capital	Share premium	Other paid-up equity	Other equity	Sum
Equity 01.01.18	2,760,100	7,452,747	-5,666	-3,793,054	6,419,793
Public placements	981,500	4,829,355	—	—	—
Net result	—	—	—	-3,700,681	-3,700,681
Equity 31.12.18	3,741,600	12,282,102	—	-7,493,735	8,529,967

In April 2019, the company completed a public placement of 40,000 new shares at NOK 75,00 per share, totalling NOK 3 million.

## Note 15 Tangible assets

	Operating movable property
Acquisition cost 01.01	104,867
Beginning of period	835,929
End of period	0
Acquisition cost 01.01	940,796
Accumulated depreciation 01.01	0
Depreciation during period	-45,671
Accumulated depreciation 31.12	-45,671
Accounted value 31.12	895,125
Longevity	3-5 years

## Note 16 Government grants

The company receives public grants for work pertaining to R&D. Through 2018, the company received grants of NOK 12.68 million related to these projects:

	Amount
SkatteFUNN	1,411,182
Regional Research Fund	1,481,481
Research Council of Norway	1,272,499
EU - SME II	8,512,004

## UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Alginor ASA

### Uttalelse om revisjonen av årsregnskapet

#### Konklusjon

Vi har revidert årsregnskapet for Alginor ASA som består av balanse per 31. desember 2018, resultatregnskap og kontantstrømpoppstilling for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

#### Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

#### Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret og daglig leder (ledelsen) er ansvarlig for den øvrige informasjonen. Vår uttalelse om revisjonen av årsregnskapet dekker ikke den øvrige informasjonen, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese den øvrige informasjonen med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom den øvrige informasjonen og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

#### Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvike selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

#### Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig

dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg

- ▶ identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- ▶ opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- ▶ vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimaterne og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- ▶ konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- ▶ vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

## Uttalelse om øvrige lovmessige krav

### Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til disponering av resultatet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

### Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Bergen, 24. juni 2019  
ERNST & YOUNG AS

*Revisjonsberetningen er signert elektronisk*

Øyvind Nore  
statsautorisert revisor



# The **Board's Annual Report** of 2018

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*Haugesund, 24. juni 2019*

# The Board's Annual Report

## 1. INTRODUCTION

“Algae from the North” = Alginor! The company believes in a great future for macroalgae – kelp – based on the unique raw material, which has a standing biomass of 100 million tonnes of which 60% is in Norway. Macroalgae is a big focus in the R&D environment in Norway and the EU and is referred to by SINTEF as “the new farming adventure”.

Alginor seeks a strategic position in a future value chain that will be accessible due to our total utilisation technology of macroalgae. We have established networks with several players in the macroalgae business in Norway and abroad and have ongoing collaborations with relevant players for the future commercialisation of the company and market introduction of our products.

The company implements and invests in a technological development project – AORTA – which includes process, industrial design, equipment selection, facilities and infrastructure related to raw material processing and processing of macroalgae. The project is based on Industry 5.0 principles. AORTA will enable total utilisation of macroalgae with a vision of zero emissions from production. The investment has a very high upside, provided a successful implementation of strategy and projects.

## 2. NATURE OF THE BUSINESS AND WHERE IT IS OPERATED

Alginor ASA is implementing a 7-year development project called AORTA for biorefining macroalgae and a harvesting method for tangle called Hypomar. Our business model is based on in-house commercialisation with vertical control in the value chain from raw material to product – in a long-term perspective. The business is currently operated from Haraldsgaten 162 and Haraldsgaten 139 (Victoriahjørnet) in Haugesund.

### Conversion to a Public Limited Company

As a basis for future financing and access to the financial market, the company was converted to and registered as the Public Limited Company Alginor ASA in the Register of Business Enterprises (Foretaksregisteret) on 19 January 2016.

The company shares are registered in the Norwegian Central Securities Depository (Verdipapirsentralen) and the shares can be traded freely. The company has prepared a “road map to the stock exchange” and facilitates stock exchange listing of the company's shares on the Oslo Stock Exchange in the future. Alginor will strive for equal treatment of all shareholders and will follow the recommendation from NUES on Good Corporate Governance.

## The Board and corporate management

The current Board of Directors was elected at the Annual General Meeting on June 29, 2018. The Board consists of the following persons:

- Øyvind Gjerde, Board Chairman
- Åse Tveit Samdal, Member
- Bjørn Bugge, Member
- Turid Thormodsen, Member
- Kjetil Rein, Member
- Annette Petersen-Øverleir, Member

## 3. ACCOUNT OF THE FINANCIAL STATEMENTS

### Accounting and financial management

The company complies with the Accounting Act for large companies (Public Limited Company) and aims for a future transition to the IFRS standard tentatively in 2020. Applied accounting principles are discussed in more detail in the notes.

### Result

The financial statements for 2018 shows a result of NOK -3,700,681 against a result of NOK -2,227,602 in 2017. The result is affected by AORTA project expenses being capitalised and that government grants have been entered as a counter-item.

### Balance

#### Assets

Total assets were NOK 20,595,511 in 2018 against NOK 9,400,581 in 2017.

#### Fixed assets

Total fixed assets were NOK 9,156,950 in 2018 against NOK 5,628,810 in 2017.

#### Intangible assets

Intangible assets, including patents, consists of identified sub-projects related to the company's development project AORTA and amounts to NOK 8,041,824 against NOK 5,303,943 in 2017. Intangible assets will be used by the company in-house for preparation of Alginor's product portfolio. It is possible to sell the assets (i.e. the technology) to other players, but this is not in line with the company's strategy. The asset has alternative uses other than the company's main purpose (total utilisation of macroalgae).

#### Deferred tax advantages/assets

The company has chosen not to capitalise deferred tax advantages in 2018.

#### Current assets

Total current assets amounted to NOK 11,438,561 in 2018 against 3,771,771 in 2017.

### Equity and liabilities

#### Equity

Equity at the end of the year was NOK 8,529,967

(41.4%) against NOK 6,419,793 in 2017. The share capital was NOK 2,760,100 as of 31 December 2017. The share capital was increased to NOK 3,741,600 as of 31 December 2018.

### Liabilities

Total debt amounted to NOK 12,065,544 against NOK 2,980,788 in 2017. Of the total debt at the end of the year, convertible and subordinated loans constituted a total of NOK 1,500,000.

### Financial ratios

#### Interest coverage ratio

The company has no ordinary interest-bearing debt other than a current overdraft, which upon full withdrawal has an annual cost of approximately NOK 50,000 in 2018. The interest coverage ratio has increased in 2018 as a result of capital increases.

#### The company's liquidity status

At the end of the year, the liquidity status was good, with a NOK 5,756,756 deposit. The level of other short-term liabilities was NOK 1,479,713 and government fees were NOK 381,692 while the trade creditors debt amounted to NOK 1,757,961.

The company has no maturity on ordinary debt in 2018. The company has taken out a start-up loan (Startlån) from Innovation Norway (Innovasjon Norge) which is interest and instalment free until 2019.

Liquidity has improved through 2018 with an increased limit of NOK 1 million in Haugesund Sparebank, a start-up loan from Innovation Norway (4 years, 2 years interest and instalment free) and government grants from the Research Council of Norway (Norges Forskningsråd) and the Regional Research Fund (Regionalt Forskningsfond), as well as capital from stock expansions.

The company aims to have liquidity to cover 12 months of operation with no income (for IPOs it is a requirement that the company must document 12 months of liquidity).

#### Cash flow

The cash flow analysis for 2018 shows a net change in cash and cash equivalents of NOK 4,557,482, which includes unused overdraft. The ability to self-finance operations is limited during the development phase and depends on external capital raised from financing activities.

#### Transactions with owners

The company rents office facilities from the main shareholder on a lease over 5 years. In addition, an agreement has been entered into on an ongoing basis for deliveries of services from multiple shareholders on a consultancy basis, until the company's own permanent employees can perform the same tasks.

#### Annual result and disposal

The company's result for 2018 is transferred to

uncovered losses.

#### Innovation and development – balancing

Expenses for development project AORTA are capitalised because the project represents a clear value creation for the company. The expenses that are capitalised include material expenses, direct personnel expenses and a share of joint expenses deducted from accumulated grants, depreciation and impairment losses.

Expenditure on research activities carried out with anticipation to gain new scientific or technical knowledge and understanding, are capitalised as expenses in the income statements during the period they accrue.

The company is well underway with the implementation of its main project AORTA that takes place in the period 2015-2020. The project is, among others, funded and approved by the SkatteFUNN R&D tax incentive scheme for a second period from 2018-2021. The project manager is Thorleif Thormodsen.

Through the Marine Research Program (Marinforsk), the Research Council of Norway (Norges Forskningsråd) co-finances a project under AORTA with a gross budget of NOK 9 million which will end in June 2019. The project manager is Henriette Wangen.

The Regional Research Fund (Regionalt Forskningsfond) has co-financed/partially funded an AORTA project with a gross budget of NOK 6 million, ending in first quarter of 2019. The project manager is Henriette Wangen. The Regional Research Fund also co-finances an AORTA pre-project over 6 months with a gross budget of NOK 1 million. The project manager is Georg Kopplin.

Innovation Norway co-finances the AORTA project Hypomar with a gross budget of NOK 10 million from 2018 to 2020. The project manager is Nina Widvey.

EU Horizon 2020 co-finances an AORTA project with a gross budget of NOK 27 million from 2018 to 2020. The project manager is Kjetil Kristiansen.

The company capitalises net development expenses as mentioned above (after grant(s)) related to the AORTA project based on the following criteria according to the accounting standard IAS 38.57:

- The technical prerequisites for completing AORTA with aim that the technology will be available for internal use is met.
- The company intends to complete AORTA and use the technology in the company's business.
- The company has the ability to use AORTA for internal use.
- It is likely that the AORTA project will provide revenue to the company in the future.
- The company possesses the organisational,

technical and financial resources combined with financial strategy required to complete the development and use the intangible asset.

- f) By implementation of project accounting in a separate accounting system (Tripletex) and department, that collaborates with an external accountant, the company always has the ability to reliably measure project expenses attributable to the intangible asset while its being developed.

The criteria mentioned in (e) are of particular importance and are therefore discussed in more detailed here:

The company has established an effective organisation with good project management for implementation of the project. The organisation has managed to make a difference in all external application processes and at the same time driven the project forward in line with the progress plan. All facilities that are required for technical implementation is acquired either in-house or from a collaborator, including access to specific raw algae fractions of macroalgae.

AORTA has a total budget of just over NOK 62.5 million for 2015 to 2021, of which NOK 22.3 is already completed. The budget in 2019 is NOK 12.9 million which provides a project achievement of approximately 56% of the total plan. By a combined financial strategy, the AORTA projects are now financed until 2021 through capital increases and up to 70% public project financing. The company expects that the total balance sheet of the development project will accumulate to the order of NOK 14.3 million in the year 2021 after deduction of grants.

The company has prepared a detailed report regarding the balance sheet of AORTA in accordance with IAS 38.57 which contains confidential information. The company assesses the overall likelihood of technological and commercial success to exceed 50%. The Board and management have decided to complete the project within the period 2019-2021. Against this background the company has capitalised development expenses to AORTA included patents with NOK 8,041,824.

#### **Business model and commercialisation**

The business model involves fully taking the asset (innovation, technology) for company use only and there are several alternative scenarios for realising the potential.

The AORTA project forms the basis for various investment choices in order:

1. The establishment of early stage external production (SME).
2. Establishment of the company's own pilot plant (The Alginor Pilot).
3. Establishment of a larger demonstrator ("Flagship") and later expansion to full-scale industrial plant.

An alternative to the chosen business model would be

to sell whole or parts of the technology to other players or to apply the technology to other types of bio marine raw materials. The company considers the sales value to be higher than capitalised intangible assets, but this is not a current issue.

## **4. OTHER STATEMENTS IN ACCORDANCE WITH THE NORWEGIAN ACCOUNTING ACT**

### **Statements regarding continued operations and the financial statements of 2018**

In accordance with Norwegian Accounting Act section 3-3, it is confirmed that financial statements assume continued operations. The Board believes the financial statements of 2018 provide a fair representation of Alginor ASA's assets and debts, financial positions and results. 2019 is the company's fifth operating year.

### **Statements regarding corporate governance**

In accordance with section 3-3b, it is confirmed that the company has implemented Principles of Good Corporate, which are to be published on the company's website.

### **Statements regarding remuneration for leading employees**

In accordance with section 7-31b, the company has produced a declaration to rule determination of salaries and other remunerations for leading employees, cf. the Norwegian Companies Act section 6-16a. This is discussed in more detail in the notes.

## **5. RISK FACTORS**

The company will as a business during developmental stages be exposed to several risk aspects, of which some are out of the company's control. They can be grouped into the following categories: business risks, technological and project risks, regulatory risks, market risks, and financial risk factors.

### **Overarching risk factors**

#### **Business risks**

Alginor conducts an ambitious and onerous strategy with associated capital needs. At the same time, constructing control systems and a value chain are resource taxing. Many measures are scheduled to be taken while the company maintains strategic control and operational business focus.

These risks imply that explicit financial prognoses for periods can be characterised by relatively high uncertainty and volatility for the short-term interval. Causes may include the risk of postponements in project progress e.g. due to delayed financing, technical and regulatory challenges, or underestimation of resource-use in relation to the task's nature and extent.

#### **Technological and project-related risks**

Alginor produces unique and innovative products that others may not produce due to infrastructure, access to raw material, and technological solutions. The application of new principles in process and production may entail great risks pertaining to postponements,

loss of product during piloting, high production costs, etc. The Board believes these risks apply to all actors looking to venture into the same market segments as Alginor.

### Market risks and competition

#### Pricing, production and market size

The company has obtained international market reports for all the important products in the portfolio, and has made an overview of prices, volumes, production and market size for Alginor's product portfolio. We expect stable growth in prices, increased prices for wild-caught raw material, although decreased prices for cultivated raw material as the industry continues to develop.

#### Competition

Due to the innovations' innate value potential, the company expects competition from both existing and new actors in the future. The company continuously monitors this landscape.

#### Regulatory risks

The Norwegian Food Safety Authority is the governing body on authorising businesses in food and feed industries. The Norwegian Medicines Agency is the governing body issuing production permits for production of pharmaceuticals (API: Active Pharmaceutical Ingredients).

### Operational risk factors

#### Volatility in operational results

Operational results will become predictable during the next two-three years. Greater volatility is expected as the company enters an ordinary commercialisation phase after finalising the SME project.

#### Key personnel

The organisation depends on key personnel with gained expertise in various subjects. Key personnel are granted warrants given continued employment.

#### Unidentified risks

Given the company's use of disruptive technologies and innovative solutions, actors should be prepared to face risk factors that are not currently present.

#### Patents

Conduction of business depends on the Freedom to Operate by current holders of IPR/patents. The company's mapping of patents has led to a preliminary conclusion stating Freedom to Operate.

#### Access to raw material

Access to and quality of raw material is a critical risk factor relating to volumes. Access is affected by regulatory affairs. Securing access to raw material means establishing own harvesting with a Freedom to Access permit issued by the Directorate of Fisheries.

#### Commercialisation

The company is carefully planning the upcoming commercialisation of the company's business, technology and product portfolio. Marketing and

introduction of products will happen gradually, beginning with a narrow range of customers, followed by a wider range and broader product portfolio over time (in phases).

#### Dependence on strategic partnerships

The company's development projects are conducted in close cooperation with strategic partners, based on consortium agreements etc. Furthermore, the company enters agreements with other companies and actors to ensure its future success.

#### Managing growth

The company is growing, and a larger organisation combined with the establishment of production and commercialisation is taking shape. This demands good routines, strategic consensus and a tight operational focus. The company's written plan of action is regularly updated.

### Financial risk factors

#### Financial risk

Financial risk mainly comprises interest risk, currency risk, credit risk and liquidity risk.

#### Interest risk

The company's interest risk is limited for the time being, as the loan from Innovation Norway is interest-free and only a minimal bank overdraft is expected.

#### Currency risk

Alginor holds most of its assets in NOK. No specific hedging strategies have been implemented pertaining to operations.

#### Credit risk

The company will offer its products mainly to larger food companies and distributors in a cooperative relationship. In the coming years, credit risk will predominately be managed by public actors, and therefore remain low.

#### Liquidity risk

The company's liquidity risk is closely monitored by the Board and management. The Board facilitates access to liquidity, particularly through equity funding.

#### Financing

The company's existing development projects through the coming two-three years, are funded by public grants and equity funding. The company seeks to increase business outside the ongoing development projects, demanding more equity funds and financing.

## 6. WORKING ENVIRONMENT AND EXTERNAL ENVIRONMENT

The company is operated by 10 permanent employees and hired consultancy from 5 professionals whenever necessary. In 2018, just over 10 man-years were completed. It is expected that the number of employees will be stable through 2019.

The company has a good working environment. It has been registered sick leave in 2018 for a total of 20 days. Alginor is approved as an IA company and the

company works closely with NAV Haugesund. The company has recently been approved as a public apprentice company and is aiming for admission of 1-2 apprentices in office and IT.

### **Equality and discrimination**

The company aims to be a workplace where it is full equality between women and men. The company will in the future seek to increase the proportion of women who holds positions in the company. Alginor shall be fair in all aspects of its role as an employer.

All employees and applicants will be shown equal opportunities regardless of race, gender, age, colour, lineage, sexual orientation, nationality, marital status, functional freshness or minority background. The choice of personnel on hiring or promotions are based on factors such as education, experience, proven characteristics, initiative, loyalty, cooperation, accessibility and growth potential. Alginor seeks balance between the genders when hiring.

### **Environmental reporting**

The company does not currently carry out its own production and does not pollute the external environment. In the future, the company will continuously prepare environmental reports related to its own production and operations. The company expects an increase in future environmental requirements.

### **Corporate social responsibility and external environment**

The company has great ambitions and goals in the environmental field and envisions zero emissions from production and a sustainable harvest of raw materials.

### **Advisory Board – Advisory Committee & Consultants**

To strengthen the company's organisation in terms of resources, expertise and networks, an advisory committee has been established who, pursuant to an agreement with the company, works together with several consultants in relevant disciplines.

## **7. EVENTS AFTER THE END OF THE YEAR**

During first quarter of 2019, the company has established a modern laboratory for performing all advanced analyses in-house. The laboratory is built with equipment and systems that enables the company to perform a full analysis of the products.

The company is constructing a so-called pico line at Victoria – a miniature biorefinery. It is established under ISO22000 and the ISO13485 standards. This gives the company the opportunity to highlight the AORTA technology and the company's product range vis-à-vis customers, partners and investors.

Based on an approved preliminary study called Fucomed (fucoïdan and fucoxanthin) with a budget of NOK 1 million, co-financed by Regional Research Fund, the company is working on the formulation of an application for implementation of (a) main project

for further development of Fucomed products and applications through the Regional Research Council and Eurostars.

The company has been off to a good start with the Hypomar project in collaboration with Bellona where several meetings have been held, including inspections and updates between the parties.

Bellona shows great commitment to the company's projects, mainly focusing on sustainable and nature-friendly harvesting, production and total utilisation of Norway's unique raw material base in the world in terms of quality and size of the biomass. Bellona is also involved in large-scale trials for cultivation of sugar kelp in collaboration with Austevoll ASA through the company Ocean Forest AS.

For the second time, Alginor has conducted a symposium over 2 days focusing on the development of AORTA and planning of commercialising the results. This time our two EU experts Karin de Hiep and Stephen Brown participated, and provided valuable input to the status and further implementation of the SME project.

In April, the company completed a public placement of 40,000 new shares at issue price NOK 75.00. The public placement amount of NOK 3,000,000 as well as new shares were registered in VPS on April 12, 2019. Capitalised value of the company ex post corresponds to NOK 59.1 million.

The Board of Directors has decided to implement the next tranche of 60,000 shares at a share price of NOK 75.00 and a total of NOK 4.5 million tentatively after the summer holidays 2019, but there is an opportunity to address this against investors any time after 1 July. With this, the company will fulfil the adopted share issue plan for 2019.

To prepare for a future IPO, the Board of Directors proposed that A and B shares be merged into one class of shares at the Ordinary General Meeting. Furthermore, the Board proposed that the existing Board authorisation for capital increases be replaced by a new Board authorisation which is valid for two years based on a common share class.

The Board also proposed to issue 7,500 warrants each to Linn Margrethe Bringedal and Marie Emilie Wekre in line with the other permanent employees, as well as include Kjetil Rein with 5,000 warrants, seeing as he will be permanently employed at the company. After this, the company will have issued a total of 100,000 warrants.

On May 17, the NIPI (Patentstyret) approved the company's patent application for its self-developed harvesting and separation method. The company plans to file three more patent applications related to the process technology shortly.



## Outlook

Our greatest technological challenges are nearly resolved, laying a solid foundation for production using the AORTA platform and the Hypomar method, pioneering the future.

The company is now entering an active phase of commercialisation, having analysed the opportunities for testing and production of chosen ingredients in already existing pilot facilities. External production is essential to the early phase, however, there are no facilities capable of fully utilising the potential of the AORTA platform.

Alginor ASA has therefore begun the process of planning facilities to house administration, R&D, sales and marketing, labs and a small-scale biorefinery, as well as a pharmaceutical standard production unit for the first two ingredients: Super G and Fucomed. Our subsidiary, Alginor Industrial Estate AS will acquire and own the plot on which the Alginor Pilot will be built.

The Board of Directors considers the company's outlook as very promising.

Haugesund, 24. juni 2019

Thorleif Thormodsen  
CEO

Turid Thormodsen  
Member

Øyvind Gjerde  
Chairman

Åse Tveit Samdal  
Member

Kjetil Rein  
Member

Annette Petersen-Øverleir  
Member

Bjørn Bugge  
Member



*Certificate delivered by the European Commission,  
as the institution managing Horizon 2020,  
the EU Framework Programme for Research and Innovation 2014-2020*

The project proposal **822693, AORTA 2**

**Alginor's Ocean Refining Total utilisation Application**

Submitted under the Horizon 2020's **SME instrument phase 2**  
call **H2020-EIC-SMEInst-2018-2020 (H2020-SMEInst-2018-2020-2)** of **14 March 2018**  
in the area of **EIC-SMEInst-2018-2020**

**SME instrument**  
by  
**ALGINOR ASA**  
HARALDSGATA 162  
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Norway

following evaluation by an international panel of independent experts

**WAS SCORED AS A HIGH-QUALITY PROJECT PROPOSAL  
IN A HIGHLY COMPETITIVE EVALUATION PROCESS\***

This proposal is recommended for funding by other sources since Horizon 2020 resources available for this specific Call were already allocated following a competitive ranking.

\* This means passing all stringent Horizon 2020 assessment thresholds for the 3 award criteria (excellence, impact, quality and efficiency of implementation) required to receive funding from the EU budget Horizon 2020.

**Corina Cretu,**  
Commissioner for  
Regional Policy

**Carlos Moedas**  
Commissioner for Research  
Science and Innovation

**Brussels, 13/04/2018**

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