National Prospectus

(Norwegian: Nasjonalt prospekt)

ALGINOR ASA

(A public limited liability company incorporated under the laws of Norway)

Share Issue of up to 2,000,000 new shares in Alginor ASA at an Offer Price of NOK 35 per share and with an Application Period from 16 September 2021 to 7 October 2021 at 23:59 (CEST)

Alginor ASA ("**Alginor**" or the "**Company**", and together with its consolidated subsidiaries the "**Group**") is offering up to 2,000,000 new shares in the Company each with a nominal value of NOK 1 (the "**Offer Shares**"), at an offer price of NOK 35 per Offer Share (the "**Offer Price**") in connection with a share issue raising gross proceeds of up to NOK 70,000,000 (the "**Share Issue**"), directed towards (i) the Company's shareholders as at 23 July 2021 as registered in Norwegian Central Securities Depository (the "**VPS**") the second business day thereafter (T+2) (the "**Cut-off Date**") and which are not a party to the Investment Agreement (as defined below) or an affiliate to such party (as defined in the Investment Agreement) and (ii) other investors (so that the parties to the Investment Agreement and their affiliates as defined in the Investment Agreement cannot subscribe for Offer Shares), who are not resident in a jurisdiction where such offering would be prohibited, or otherwise restricted by the legislation of the country in question, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action (the "**Eligible Applicants**").

The application period for the Offer Shares (the "**Application Period**") commences on 16 September 2021 and expires on 7 October 2021 at 23:59 (CEST).

The number of Offer Shares to be issued will be determined based on the number of Offer Shares applied for during the Application Period. Assuming complete payment of the Offer Shares subscribed for and allocated in the Share Issue, the delivery of the Offer Shares in the Norwegian Central Securities Depository (the "**VPS**") is expected on or about 29 October 2021, following and subject to registration of the share capital increase pertaining to the Offer Shares in the Norwegian Register of Business Enterprises. The Offer Shares will have equal rights and rank pari passu with the Company's shares (the "**Shares**").

Investing in the Company's Shares, including the Offer Shares, involves a high degree of risk. See section 3.9 "Risk factors related to the Group and the industry in which it operates" and section 4.13 "Risk factors related to the Offer Shares and the Share Issue".

*This prospectus (the "**Prospectus**") is a national prospectus (Norwegian: Nasjonalt prospekt) and has been registered with the Norwegian Register of Business Enterprises in accordance with section 7-8 of the Norwegian Securities Trading Act. Neither the Financial Supervisory Authority of Norway (Norwegian: Finanstilsynet) (the "**Norwegian FSA**") nor any other public authority has carried out any form of review, control or approval of the Prospectus. This Prospectus does not constitute an EEA-prospectus, as defined in article 3 of Regulation (EU) 2017/1129.*

Haugesund,

13 September 2021

IMPORTANT INFORMATION

This Prospectus (with the date set out on its cover) has been prepared by Alginor in connection with the Share Issue. The Prospectus has been prepared to comply with the Norwegian Securities Trading Act section 7-5 and related legislation and regulations. The Prospectus has been prepared in the English language. The Prospectus has not been reviewed, controlled or approved by the Norwegian FSA or any other public authority, but has been registered with the Norwegian Register of Business Enterprises pursuant to section 7-8 of the Norwegian Securities Trading Act. The Prospectus is not subject to, and has not been prepared to comply with, the EU Prospectus Regulation (Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017) and related legislation.

Prospective investors are expressly advised that an investment in the Offer Shares entails a high degree of financial and legal risks and that they should therefore read this Prospectus in its entirety, including but not limited to section 3.9 "Risk factors related to the Group and the industry in which it operates" and section 4.14 "Risk factors related to the Offer Shares and the Share Issue", when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each reader should consult his, her or its own legal advisor, independent financial advisor or tax advisor for legal, financial or tax advice.

Neither the Company nor any of their respective representatives or advisor is making any representation to any offeree, applicant or subscriber of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree, applicant or subscriber under the laws applicable to such offeree, applicant or subscriber.

Prospective investors should assume that the information appearing in the Prospectus is accurate only as at the date of the Prospectus, regardless of the time of delivery of the Prospectus or the Offer Shares. The business, financial condition, results of operations and prospects of the Company could have changed materially since that date. The Company expressly disclaims any duty to update this Prospectus except as required by applicable law. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in the Company's affairs or that the information set forth in this Prospectus is correct as at any date subsequent to the date hereof.

All inquiries relating to this Prospectus must be directed to the Company. No other person is authorised to give information, or to make any representation, in connection with the Share Issue or this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or its advisors.

No action has been, or will be, taken in any jurisdiction other than Norway by the Company that would permit an offering of the Offer Shares, or the possession or distribution of any documents relating thereto, or any amendment or supplement thereto, in any country or jurisdiction where specific action for such purpose is required. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or issue, or a solicitation of an offer to buy or apply for, any securities in any jurisdiction in any circumstances in which such offer or solicitation is not lawful or authorised. Persons into whose possession this Prospectus may come are required by the Company to inform themselves about and to observe such restrictions. The Company shall not be responsible or liable for any violation of such restrictions by prospective investors.

The securities described herein have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "U.S. Securities Act"), or with any securities authority of any state of the United States. Accordingly, the securities described herein may not be offered, pledged, sold, resold, granted, delivered, allotted, taken up, or otherwise transferred, as applicable, in the United States, except in transactions that are exempt from, or in transactions not subject to, registration under the U.S. Securities Act and in compliance with any applicable state securities laws.

Neither the Company nor any of its representatives have considered or concluded that the activities described in this Prospectus will qualify as green activities under the classification system in the forthcoming EU Taxonomy on

environmentally sustainable activities[1] (which at present does not include any proposal for technical screening criteria for seafood production and where such classification may imply an in-depth assessment as regards compliance with several of the six environmental objectives therein).

The Prospectus and the Share Issue are subject to Norwegian Law. Any dispute arising in respect of or in connection with this Prospectus or the Share Issue is subject to the exclusive jurisdiction of the Norwegian courts with Haugaland District Court as legal venue in the first instance.

[1] *Cf. Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment (2020/852/EU) and the Final Report from the Technical Expert Group (TEG) of March 2020*

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APPENDICES

1 STATEMENTS

1.1 Responsibility for the Prospectus

This Prospectus has been prepared by the Company in connection with the Share Issue. The Board of Directors of Alginor is responsible for this Prospectus. The members of the Board of Directors of Alginor confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Haugesund, 13 September 2021

The Board of Directors of Alginor ASA

Øyvind Gjerde
Chairman

Kari Eikeskog
Board member

Turid Thormodsen
Board member

Bjørn Bugge
Board member

Åse Tveit Samdal
Board member

Hans Sandvold
Board member

Gisle Børre Johansen
Board member

1.2 Forward-looking statements

This Prospectus contains forward-looking statements relating to, among other things, the business, strategy, projects, the potential benefits of the Company's ingredients, the Company's ability to establish commercially favourable long-term agreements with its potential customers and/or meet customers' quality criteria, estimations regarding stable supply of ingredient volumes, current and future pricing model for the Company's ingredient portfolio, future progress and timing of development and commercialisation activities, future size and characteristics of the markets that could be addressed by the Company's ingredients, expectations related to the use of proceeds from the Share Issue, future financial performance and results, projected costs, prospects, plans and objectives of the Company and/or the kelp-based ingredient industry.

Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "intends", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Prospectus, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development.

Neither the Company nor any of its subsidiary undertakings or any such person's officers or employees provide any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Prospectus or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.

1.3 Third party information

This Prospectus may contain industry and market data obtained through third parties, including, inter alia, independent industry publications, purchased market reports, market research, internal surveys and other publicly available information. Any information sourced from third parties has been accurately reproduced and, as far as the Company is aware and are able to ascertain from information published by said third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

2 INFORMATION ON ALGINOR

2.1 Company name, business registration number and LEI

The Company's registered and commercial name is Alginor ASA. The Company's registration number in the Norwegian Register of Business Enterprises is 913 422 082, and its legal entity identifier (LEI) is 549300CE1P68DNRPT428.

2.2 Business address and contact details

The Company's registered office is in the municipality of Haugesund, Norway. The contact details of the Company are as follows:

Business address	Haraldsgata 162, NO-5525 Haugesund, Norway
Postal address	P.O. Box 194, NO-5501 Haugesund, Norway
Telephone number	+47 52 70 73 10
Email	investor@alginor.no

2.3 Board of Directors, CEO and CFO

At the date of this Prospectus, the Company's Board of Directors consists of the following persons:

Øyvind Gjerde	Chairman
Åse Tveit Samdal	Board member
Bjørn Bugge	Board member
Turid Thormodsen	Board member
Hans Sandvold	Board member
Kari Eikeskog	Board member
Gisle Løhre Johansen	Board member

Mihaela Diana Rucinschi is a non-voting observer to the Board of Directors.

The Company's Chief Executive Officer ("**CEO**") is Thorleif Thormodsen. The Company's Chief Financial Officer ("**CFO**") is Haakon Farstadvoll.

During the last five years preceding the date of this Prospectus, none of the members of the Company's Board of Directors, the CEO or the CFO has, or had, as applicable:

- any convictions in relation to fraudulent offences;
- been involved in any bankruptcies, receiverships, liquidations or companies put into administration where he/she has acted as a member of the administrative, management or supervisory body of a company, nor as partner, founder or senior manager of a company; or
- received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), nor been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

3 ADDITIONAL INFORMATION ON ALGINOR

3.1 Organisational structure and applicable legislation

The Company is a public limited liability company organised and registered under the laws of Norway pursuant to the Norwegian Public Limited Liability Companies Act.

3.2 Date of incorporation

The Company was incorporated in Norway on 24 March 2014 as a private limited liability company, was converted to a public limited liability company on 19 January 2016 and changed its name from Alginor AS to Alginor ASA at the same time.

3.3 Objective of the Company

Pursuant to section 3 of the Company's Articles of Association, the business of Alginor is biorefining and production of ingredients, formulas and finished products, harvesting, trade, marketing and distribution, innovation, research and development related to macroalgae and other bio marine raw material through Alginor's own operations and investments or through collaboration.

3.4 Shares, share capital and share options

As of the date of this Prospectus, the Company's share capital is NOK 12,463,185 divided amongst 12,463,185 Shares, each with a nominal value of NOK 1. The Company's Shares are registered in book-entry form with the VPS.

The Company has one class of shares, and all shares provide equal rights in the Company. The Shares carry one vote each.

As of the date of this Prospectus, the Company has issued four rounds of warrants:

i) 375,000 warrants, whereof 37,500 warrants are held by members of the Company's Board of Directors, 225,000 warrants are held by the employees of the Company, and 112,500 are held by former employees. Each warrant entitles its owner to buy one Share at a price of NOK 6.25 (the price increases by 5% each year). The warrants expire on 30 June 2023.

ii) 100,000 warrants held by the employees of the Company. Each warrant entitles its owner to buy one Share at a price of NOK 6.25 (the price increases by 5% each year). The warrants expire on 28 June 2024. Only persons who are employed in Alginor as of 28 June 2021 are entitled to realise warrants. In the event of a listing of the Company's Shares on a regulated market or a multilateral trading facility, all warrants which have not been exercised prior to the first day of trading will be terminated.

iii) 225,000 warrants are held by the employees of the Company. Each warrant entitles its owner to buy one Share at a price of NOK 17.50 (the price increases by 5% each year). The warrants expire on 9 June 2025. Only persons who are employed in Alginor as of 10 June 2022 are entitled to realise warrants. In the event of a listing of the Company's Shares on a regulated market or a multilateral trading facility, all warrants may be exercised on the date of the first listing day, however provided in said event, that the holder of said warrants is ineligible to sell any Shares acquired pursuant to the warrants until 10 June 2022.

iv) 505,000 warrants are held by the employees of the Company. Each warrant entitles its owner to buy one Share at a price of NOK 17.50 (the price increases by 5% each year). The warrants expire on 1 July 2026. Only persons who are employed in Alginor as of 1 July 2024 are entitled to realise warrants.

Additionally, up to 440,000 warrants will be issued to the Company's employees after completion of the Share Issue and tranche C of the Investment Agreement (as defined in section 3.5.6.2 below). If the total number of warrants (including i) to iv) as described above) exceeds 10% of the share capital in the Company after completion the Share Issue and

tranche C, the number of warrants subscribed and allocated in this round shall be adjusted downward proportionally for each subscriber. The Investment Agreement, including tranches A to D and the warrants programme, is described in further detail in section 3.5.6.2 below.

Other than as set out above, there are no share options or other rights to subscribe or acquire Shares issued by the Company as of the date of this Prospectus.

3.5 Business of Alginor

3.5.1 Introduction to Alginor ASA

Alginor is a Norwegian marine biotech company developing a fully integrated and sustainable value chain for harvesting and biorefining of the brown kelp *Laminaria hyperborea*. The Company is developing a diversified portfolio of up to 12 kelp-based ingredients for pharmaceutical and nutraceutical applications for B2B sale across seven global market segments.

The Company's goal is to provide a substantial and sustainable supply of naturally occurring, clean and fully traceable high-performance ingredients without compromising the environment on sea, land and air. Alginor is dedicated to shift the paradigm in marine resource exploitation through a strong focus on effective and efficient biomass utilisation. Through biorefining, the Company aims to significantly increase the utilisation ratio of the harvested biomass relative to the current industry standard, without using any formaldehyde or other toxic chemical to preserve the biomass.

Based on its biorefining and total utilisation approach, the Company seeks to supply a broader offering of kelp-based ingredients than what is currently available on the market, which includes both established and novel ingredients derived from *Laminaria hyperborea*.

3.5.2 Overview of industry and principal markets

3.5.2.1 *Introduction*

Laminaria hyperborea contains a variety of naturally occurring components with nutritional and pharmaceutical properties such as alginate, cellulose, fucoidan and polyphenols. The Company's future aim is to develop, market and sell a variety of kelp-based ingredients to several global main markets including pharmaceuticals, cosmetics, biomaterials, human health & nutrition, feed ingredients, agricultural ingredients and chemicals. Alginor's offerings will be labelled and marketed as ingredients and the Group is currently not planning on launching any products under its own brand.

Prospective investors should be advised that Alginor is still undergoing development and that the Company has yet to commercialise and sell any of its portfolio products. Going forward, the Company will focus on entering the human health & nutrition market and the agricultural market through commercialisation of its food grade alginate product and borea powder product, respectively.

Currently, there is a scarce supply of pure, well-defined and traceable kelp-based ingredients of high quality for sale to the global markets. The overall quality of kelp-based ingredients is primarily determined by the choice of kelp species and whether the kelp is farmed or harvested in the wild. Generally, ingredients extracted from wild-caught kelp demands a higher price than ingredients extracted from farmed kelp because wild kelp normally contains alginates with a higher content of guluronic acid, which is needed for pharmaceutical applications, e.g., anti-reflux applications like Gaviscon or any application where alginates are used to form gels. Globally, most of the large-scale production of seaweed or kelp-based ingredients is primarily based on farmed seaweed or kelp species, such as *Saccharina japonica*. Few global suppliers have access to wild-caught kelp, and even fewer have access to Alginor's choice of raw material, *Laminaria hyperborea*. *Laminaria hyperborea* has been harvested and utilised commercially in Norway for more than 50 years, and it is one of two kelp species being utilised industrially today to produce alginates. Its industrial value has and continues to be almost exclusively based on the manufacturing of alginates and some fucoidans, whereas the remaining biomass is discarded as waste, which is the common approach for most players in the global industry.

Laminaria hyperborea is an abundant, renewable marine resource made up of naturally occurring, valuable substances that can be used to manufacture high performance ingredients to numerous industries. Globally, *Laminaria hyperborea* has an estimated standing biomass of 100 million tonnes, whereof an estimated[2] 56 million tonnes grow along the Norwegian coastline. Based on the Company's own estimations, between 30 and 35 million tonnes grow within the regulated harvesting area and between 4–7 million tonnes are available for harvesting each year pursuant to the current national and regional harvesting regulations. The regulated harvesting area in Norway is divided into 451 parcels, which are further divided into five parcel groups of approximately 90 parcels each, namely the A-parcels, B-parcels, C-parcels, D-parcels and E-parcels. These parcel groups rotate annually in a five-year cycle to ensure a sustainable harvest scheme, i.e., one group (or 90 parcels) is open for harvest each year while the others are closed. Based on the harvesting scheme, Alginor can plan its harvesting schedule years in advance. Further, the Company has developed an algorithm that estimates the volume within each parcel, facilitating for targeting parcels with the largest kelp volumes. Today, annual catch volumes of *Laminaria hyperborea* in Norway is somewhere between 150,000 to 180,000 tonnes, ranging from 0.15% to 0.18% of the 100 million tonnes standing biomass.

Figure 1 below provides an overview of the regulated *Laminaria hyperborea* harvesting parcels prepared by the Company.

Figure 1: Left shows distribution of *Laminaria hyperborea* along the Norwegian coastline (note that the actual coastline is not drawn). Right shows the 451 harvesting parcels (green) superimposed over the distribution. The graphics are developed by Alginor using publicly available data.

3.5.2.2 *Product portfolio and market segment introduction*

Alginor Life Science Ingredients			
Pharmaceutical Ingredients		Food & Nutraceutical Ingredients	
Mannitol	Fucoidan	Carotenoids	Amino Acids
Cellulose	Alginate	Savoury	Laminarin
Oligosaccharides	Polyphenols	Borea Powder	Biobased Materials

Figure 2: Product portfolio and markets.

[2] Variation in Population Structure and Standing Stocks of Kelp Along Multiple Environmental Gradients and Implications for Ecosystems Services, Section for Marine Biology, a section of the journal Frontiers in Marine Science.

Alginor's product portfolio is divided into two main market categories, pharmaceutical ingredients and food & nutraceutical ingredients as shown on Figure 2. The various ingredient offerings may have more than one suitable market segment within each category. For example, alginates may, depending on its overall quality, certifications and properties, be sold as an ingredient for numerous applications in the pharmaceutical segment, health & nutrition segment, cosmetics segment and welding segment.

The Company has identified seven potential market segments for its ingredients, including pharmaceutical and APIs, cosmetics, biomaterials, health & nutrition, feed ingredients, agricultural ingredients and chemicals. The Company's primary focus is to first enter the health & nutrition market with its food grade alginate product and feed grade Borea powder. Secondly, the Group aims to penetrate the pharmaceutical market with pharmaceutical grade alginates (and/or alginate derivatives) and cellulose after construction and commissioning of its planned cGMP facility once cGMP approval and other the necessary certifications are acquired.

Based on its financial model for the next 10 years, the Company estimates a portfolio value of €1,654 per tonne dry matter at full-scale industrial production from a total of 100,000 metric tonnes wet kelp.

3.5.2.3 *Laws, regulations and standards*

The Group's planned harvesting, processing, manufacturing, formulating, packaging, labelling, advertising and distribution of the Group's ingredients are subject to comprehensive laws, regulations and standards enforced by various regional, national and local regulatory bodies. The Group must comply with comprehensive manufacturing requirements and practices relating to its development and sales of products for the nutraceutical and pharmaceutical market, including quality, procedure, storage and handling control, training of employees and hygienic standards.

The Group aims to manufacture certain ingredients, including alginates, cellulose and fucoidans, in accordance with current Good Manufacturing Practice, which requires a Certificate of Suitability issued by the European Directorate for the Quality of Medicines in Strasbourg. In order to obtain the certification, the Group must follow the directions provided in the ICH Q7[3] and the product requirements and specifications set forth in the European Pharmacopeia. The Group is targeting Certificates of Suitability for its alginate, cellulose, fucoidan and mannitol production lines. The certificate will be based on production of Sodium Alginate according to the European Pharmacopeia "0625E – Sodium Alginate[4]", cellulose according to "0315 – Cellulose[5], powdered" and "0316 – Cellulose[6], Microcrystalline" and the production of Mannitol will follow the definition "0559E - Mannitol[7]".

The Group aims to manufacture food products such as additives, functional food, savoury products and other products sold under the regulations for human consumption. This authorisation is governed by the Norwegian Food Authority. The approval must cover the entire value chain.

Further, the Group will require feed approval authorised by the Norwegian Food Authority for its agricultural ingredients, first and foremost Borea powder.

[3] ICH Harmonised Tripartite Guideline: Good Manufacturing Practice Guide for Active Pharmaceutical Ingredients - Q7 (Step 4)'. International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use, 10 November 2000. https://www.ich.org/page/quality-guidelines.

[4] Sodium alginate consists mainly of the sodium salt of alginic acid, which is a mixture of polyuronic acids [(C6H8O6)] composed of units of D-mannuronic acid and L-guluronic acid. Sodium alginate is obtained mainly from algae belonging to the class Phaephyceae.

[5] Cellulosi pulvis C6nH10n+2O5n+1, purified, mechanically disintegrated cellulose prepared by processing alpha-cellulose obtained as a pulp from fibrous plant material.

[6] Cellulosum microcristallinum, purifie, partly depolymerised cellulose prepared by treating alpha-cellulose, obtained as a pulp from fibrous plant material, with mineral acids.

[7] C6H14O6, D-Mannitol, content 97.0 % to 102.0 % (dried substance).

3.5.3 Key strengths

3.5.3.1 *Fully integrated value chain*

Alginor is developing a fully integrated company seeking to control every link of the value chain. Raw material sourcing, separation and pre-treatment for production of ASMs (Alginor Starting Materials) will be carried out by the Company's wholly owned subsidiary, Hypomar AS, whereas downstream processing and quality control will be carried out by Alginor Biorefinery AS and Oewa AS, respectively. The Company believes that full integration is important as a means for achieving accurate and reliable product traceability and safety. Through its fully integrated value chain, Alginor will be able to document the complete lifecycle of its ingredients, from harvesting of *Laminaria hyperborea* to finished ingredient, offering value to clients and their customers. Further, full integration offers advantages with respect to logistical operations and optimisation throughout the supply chain. Through vertical integration, the Group's exposure to third party risk is more limited (e.g., raw material suppliers), and the Group can conduct its business in a more effective and efficient manner.

3.5.3.2 *Raw material focus*

Out of 480 kelp species in Norway, Alginor focuses exclusively on the brown kelp *Laminaria hyperborea*. This focus facilitates for a high degree of specialisation and optimised processes throughout the value chain. Further, *Laminaria hyperborea* has a proven track record for industrial exploitation and offers unique selling points compared to other kelp species due to its natural habitat in cold and harsh waters.

3.5.3.3 *Unhindered access to large quantities of a fully renewable raw material and predictable harvesting regulations*

Marine plants such as *Laminaria hyperborea* are among the planet's largest renewable resources. *Laminaria hyperborea* has an estimated standing biomass of 100 million tonnes, whereof an estimated[8] 56 million tonnes grow along the Norwegian coastline. Based on the Company's own estimations, between 30 and 35 million tonnes grow within parcels regulated for harvesting.

Alginor's current harvesting vessel, Hypomar Inceptor, was granted its first commercial harvesting license for *Laminaria hyperborea* in 2019 issued by the Norwegian Directorate of Fisheries. Under the current regulations, a commercial harvesting license grants the harvesting vessel in question unlimited access to *Laminaria hyperborea* within the open harvesting parcels. The harvesting license needs to be registered to an identified vessel. In the short to mid-term, the Group seeks to acquire one additional license to be registered with the Group's future harvesting vessel, Hypomar Ocean. In the long-term, the Group seeks to acquire an additional three licenses to be registered with the Group's future Hypomar Ultimo vessels. To obtain a license, needs to be registered in Norway and have Norwegian majority ownership.

3.5.3.4 Very low raw material cost

As of the date of this Prospectus, a public fee of 0.42%[9] of the catch value must be paid to the Norwegian government. The current catch value per tonne is estimated at approximately NOK 300. Applied to Alginor's long-term harvesting goal of 100,000 tonnes the government fees payable would be approximately NOK 126,000. As far as the Company is aware, there are no plans to increase the harvesting fee in the near future.

[8] Variation in Population Structure and Standing Stocks of Kelp Along Multiple Environmental Gradients and Implications for Ecosystems Services, Section for Marine Biology, a section of the journal Frontiers in Marine Science.

[9] Vedtak om avgift på viltlevende marine ressurser Resolution on excise on wild-living marine resources (No.: *Vedtak om avgift på viltlevende marine ressurser*) section 1, ref. act of 19 may 1933 nr. 11 on excise duties (No.: *særavgiftsloven*).

3.5.3.5 *Zero formaldehyde, lower costs, increased raw material utilisation and well-defined starting materials*

Formaldehyde is the key enabler for production of alginates in today's industry. Formaldehyde solves issues related to biomass degradation and unwanted pigment colourisation in the final product by putting all bioactivity on hold after harvesting. Further, formaldehyde is integral to the traditional downstream alginate production process.

Formaldehyde is quite useful in solving the abovementioned issues. However, formaldehyde makes it impossible or economically unviable to extract other substances than alginates and possibly some fucoidans from the kelp biomass, and thus keeps the raw material utilisation ratio low at approximately 15–20% of the dry biomass. The remaining biomass after alginate extraction is primarily disposed of as waste material. Use of formaldehyde also requires substantial resources in the form of energy, freshwater and manpower to lower the formaldehyde concentration in the final ingredient to acceptable government and customer levels through extensive washing steps. Likewise, this applies to any unused biomass that is released back into the ocean.

Alginor is developing upstream and downstream processes that allow for extraction and isolation of valuable substances in *Laminaria hyperborea* without using formaldehyde or any alternative toxic preservatives. Contrary to the current industry practice, Alginor separates each plant into four distinct kelp fractions quickly after harvesting, stabilising each fraction through pre-treatment steps and drying, creating so-called Alginor Starting Materials (ASMs), namely ASM Stipe, ASM Leaf, ASM Epiphytes and ASM Haptera. Based on the Company's tests, the ASMs are shelf stable for up to one year without any preservatives. Through its upstream methods, the Company seeks to solve issues related to degradation and unwanted colourisation without using any formaldehyde. Further, separation into ASMs facilitates for less comprehensive and highly optimised downstream processing because the Company can design and develop processing lines dedicated to each kelp fraction.

Tests based on the Company's methods have indicated that the Company is able to obtain equal or better-quality alginates with less costs incurred compared to the current industry methods. Further, because green chemistry and mild processes conditions are cornerstones in the Company's AORTA innovation, the Company may be able to achieve higher alginate yields than the current industry's formaldehyde extraction process. Further, the Company may be able to extract up to 11 other ingredients from the kelp biomass because the Company's methods do not involve any formaldehyde. During AORTA 2, all portfolio ingredients were extracted from the Company's ASMs at lab scale, whereas its main offerings alginate, fucoidan and cellulose were extracted at larger pilot scale.

In any event, the Company has solved issues related to low biomass utilisation and waste through its residual product borea powder. Any dry biomass that is not used for alginate production or other ingredients may at any time be allocated to the residual product, thereby increasing the dry biomass utilisation ratio by up to 100% and preventing biomass waste.

3.5.3.6 Scalability

In Norway, release of biomass contaminated with formaldehyde requires a local release permit. Once the annual limit is reached, any production involving release of biomass contaminated with formaldehyde must cease. These restrictions do not apply to Alginor, providing the Company with greater scaleup potential than any Norwegian competitor using formaldehyde in their production processes.

3.5.3.7 *Strong project implementation record and ability to secure public funding*

Alginor's total development budget for the period 2015–2023 is NOK 167 million, whereof NOK 111 million comes in the form of public grants. Over the last seven years, the Company has carried through several R&D projects, most notably the Company's first major EU project, AORTA 2[10], which was completed on 31 December 2020. The final project report, including all project deliverables and milestones, was accepted by the EU on 10 April 2021 with excellent remarks. The

[10] The AORTA 2 project has received funding from the European Union's Horizon 2020 research and innovation programme SME phase 2 under grant agreement No 830698.

project cost over NOK 33 million over 28 months, whereof 70% was financed by project grants from the EU. Over the project period, the Company completed more than 23,000 man-hours and 21 project deliverables.

In July 2020, Alginor's DACOTA proposal was accepted as one of 64 out of 2,000 proposals under the European Innovation Council's "Green Deal" call under Horizon 2020[11]. The Company was selected for so-called blended finance under which the Company will receive a €2.5 million project grant and be eligible to receive up to €15 million in long-term equity pursuant to an investment from the European Innovation Council Equity Fund. For more information regarding the DACOTA project see section 3.5.8 of this Prospectus. For more information regarding the Investment Agreement concluded between the Company, the EIC Fund, Borregaard, the Hatteland Group and Zirconia see section 3.6.5.2.

3.5.4 Vision and strategy

The Company's goal is to achieve total utilisation of the kelp biomass through industrial scale biorefining. As far as the Company is aware, biorefining remains a novel venture in the kelp industry. Over the last seven years, Alginor has developed technology for harvesting and biorefining the brown kelp *Laminaria hyperborea*. Alginor's purpose is to create long-term value by significantly improving the overall utilisation of the Norwegian *Laminaria hyperborea* biomass without using formaldehyde and by offering a variety of safe and clean kelp-based food and pharmaceutical grade ingredients to global niche markets.

All or most of the Company's current competitors are focusing on one or two select products and partial utilisation of the kelp biomass. While alginates are the main driver in the industry, Alginor strongly believes in the advantages of utilising the harvested raw material in its entirety instead of just utilising a fraction to produce alginates. Sustainable and proper utilisation of the biomass, with an aim to extract as many valuable substances as possible without any toxic or environmentally harmful chemicals, are among the Company's core values and an integral part of its strategic decision-making.

The Group's long-term strategy is to develop, market and sell a portfolio of up to 12 products extracted from *Laminaria hyperborea* as ingredients for pharmaceutical, cosmetic and nutraceutical applications, including alginates, oligosaccharides, fucoidans, cellulose, polyphenols, carotenoids, amino acids, laminarin, mannitol, savoury, biobased materials and borea powder. Prospective investors should be advised that the Group is developing several new ingredients derived from kelp, for example polyphenols and carotenoids, and that new markets may need to be developed for the commercialisation of certain ingredients.

Establishing production of food grade alginates and entering the health & nutrition ingredient market will be the Group's key priority going forward, before gradually launching more portfolio products and entering new markets. Alginates already have well-established markets and the Group's alginates are closer to market than the other portfolio products. Establishing a production facility for food grade alginates is considered to have the lowest technical and financial risk, and to offer the best prospects for generating positive cashflow early. Further development of the other portfolio ingredients will happen continuously through the Group's ongoing development projects.

Alginor's AORTA 2 project was completed on 31 December 2020. The aim of the project was to demonstrate the feasibility of the Company's core separation and green chemistry technologies with respect to extracting up to 12 ingredients from *Laminaria hyperborea* without using formaldehyde. During the project, all ingredients were extracted at various scales ranging from lab scale to larger piloting runs at external partners.

The Group's strategy for the period 2021–2025 is closely linked to its ongoing DACOTA project. DACOTA is a continuation of the findings from the AORTA 2 project. The aim of DACOTA is to outline a complete plan for demonstration of the

[11] The DACOTA project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 10101129.

Group's core technologies on a relevant industrial scale. DACOTA is projected to conclude on 30 April 2022. The findings from the project are expected to lead to investment decisions to be taken during and after competition of the project regarding a kelp reception facility, a pilot biorefinery, a cGMP facility and a harvesting vessel. The Group's target in the demonstration phase is a processing and harvesting capacity of 10,000 tonnes wet kelp. Long-term, the Group's goal is to reach a harvesting and processing capacity of 100,000 tonnes wet kelp.

3.5.5 Sustainability

The Company's business is being developed in a long-term perspective with a strong focus on sustainability and environmental impact throughout the value chain, long-term value creation for shareholders and positive societal impact through inclusion and meaningful job creation. The Company aims to consider and implement relevant sustainability factors as an integral part of its decision-making processes with a view to create a profitable and long-lasting business with a positive environmental impact both on sea and land, to the benefit of shareholders, employees and society. Key factors include, among others, the following:

- utilisation of abundant and self-renewable raw materials, i.e., *Laminaria hyperborea*
- raw material harvesting pursuant to Norway's current and future regulations for sustainable harvesting of *Laminaria hyperborea*
- significant investments related to the development of a next generation harvesting method with a view to increase harvesting control, capacity, efficiency, and availability in difficult terrain harvesting areas which are currently unavailable with today's trawling method, and reduce potential negative impacts to marine ecosystems and biodiversity
- long-term investments in R&D, equipment and facilities with a view to dramatically increase the utilisation ratio of the harvested biomass (up to 100% downstream) when compared to the current industry practice
- strong focus on proper biomass treatment, preservation, documentation and safety
- no biomass and/or chemical release to the environment throughout the value chain with limited use of chemicals and zero use of aggressive and pollutive preservation/stability agents, e.g., formaldehyde
- further develop and commercialise a portfolio of up to 12 kelp-based ingredients (as opposed to producing alginates exclusively) with a view to increase the overall value and profitability of the harvested biomass
- strategically placed industrial facilities on a marine industrial area with access to existing state-of-the-art infrastructure, including energy, water, transportation & logistical systems, docks for ship unloading and uploading, all in close proximity to the raw material
- high degree of automation as a fundamental criterion for process development and execution with an aim to (i) minimise the risk of human error and off and onshore accidents and (ii) develop and maintain a stable and reliable supply of well-documented and generic ingredients in accordance with applicable certifications and regulations (e.g., current Good Manufacturing Pratice) as well as specific customer criteria
- operations, processes, and policies are being developed, qualified, standardised and automated with a view to safeguard employees' health and safety, minimise operational accidents and limit and/or eliminate employees' exposure to dangerous process chemicals
- dedication to maintaining long-lasting inclusion and gender, ethnic and cultural diversity and enforcing a zero-tolerance policy for any form of discrimination and/or harassment

3.5.6 History and significant events

3.5.6.1 *Overview*

Table 1 below provides an overview of significant events in the history of the Group:

TABLE 1 – OVERVIEW OF SIGNIFICANT EVENTS IN THE HISTORY OF THE GROUP.

Year	Event
2014	Alginor AS was founded
2015	Founded subsidiaries Oewa AS and Hypomar AS
2016	Converted from a private limited liability company to a public limited liability company and changed its name from Alginor AS to Alginor ASA
2017	Founded subsidiaries Alginor Industrial Estate AS and Alginor Biorefinery AS
2016-2018	AORTA feasibility study conducted
2018	The AORTA 2 projected was approved under Horizon 2020
2018-2020	All portfolio ingredients extracted at lab and/or larger-scale piloting based on the AORTA processing technology
2018–2020	The AORTA 2 project was completed
2019	The Company was granted its first commercial harvesting license for *Laminaria hyperborea*
2020	The DACOTA proposal was approved for blended finance of up to €17.5 million in the EIC's "Green Deal" call under Horizon 2020
2021	Entered into an agreement with Jakob Hatteland Bygg AS for the purchase of the Ydra facility at Avaldsnes, Norway, at a price of NOK 29.4 million
2021	Alginor's wholly owned subsidiary, Hypomar AS' Biofilm was approved by the Research Council of Norway for up to NOK 12.6 million in public funding
2021	Investment agreement signed by Zirconia AS, the Hatteland Group, the EIC Fund and Borregaard for a total capital raise of up to NOK 497 million over four tranches (A to D)
2021	Tranche A direct issue of 6,605,770 shares at NOK 35.00 per share towards the Hatteland Group (NOK 25 million), the EIC Fund (NOK 109 million) and Borregaard (NOK 97 million) for a total capital raise of NOK 231 million

3.5.6.2 *The investment agreement entered into in connection with the Company's blended finance option awarded through the EIC Accelerator's "Green deal" call under Horizon 2020*

As set out in the tabular included in section 3.5.6.1 above, Alginor's DACOTA project was in 2020 selected for so-called blended finance of up to €17.5 million through the EIC Accelerator's "Green Deal" call under Horizon 2020.

Blended finance is comprised of a €2.5 million grant and up to €15 million in long-term equity financing from the EIC Fund in consideration for Shares in Alginor. Any investment from the EIC Fund needs to be matched fully by a simultaneous pari passu investment by other investors, which includes a so-called lead investor who is not already a shareholder in the company. The lead investor is required to perform technical due diligence of the company in question and invest an amount equal to at least 50% of the EIC Fund's investment in the equity round.

On 23 July 2021, an investment agreement was signed between Elhatt AS, Jahatt AS, Øyhatt AS and Jakob Hatteland Holding AS (collectively referred to as the "**Hatteland Group**"), Zirconia AS (Alginor's founding company), the EIC Fund and Borregaard AS (the lead investor) ("**Borregaard**") (the "**Investment Agreement**"). The Investment Agreement comprises, among other things, a total capital increase of up to NOK 497 million over four tranches, A to D (the "**Transaction**"). On 6 August 2021, all items related to the Investment Agreement were unanimously resolved at the Company's extraordinary general meeting. As of the date of this Prospectus, tranche A has been executed at a price of NOK 35.00 per share, raising aggregate gross proceeds of NOK 231 million in cash. After completion of tranche A, the EIC Fund and Borregaard hold approximately 25% each of the Company's Shares.

Tranche B of the Transaction comprises the Share Issue, whereas tranche C is a private placement towards the EIC Fund and Borregaard where each party is obligated to invest an amount corresponding to 50% of the total capital raised in

the Share Issue, for an aggregate amount of up to NOK 70 million. Combined, the Share Issue and tranche C will raise gross proceeds of NOK 140 million if the Share Issue is fully subscribed. In any event, the EIC Fund and Borregaard's shareholder percentage will remain the same as after tranche A (25%).

Tranche D of the Transaction is a private placement with gross proceeds of up to NOK 126 million directed at Borregaard. The subscription price is NOK 35.00 per Share if subscription takes place on or before 30 April 2023 and NOK 36.75 per Share if subscription takes place after 30 April 2023. Tranche D may be executed starting 1 May 2022 and shall at the latest be completed by 30 April 2024. If tranche B is not fully subscribed, Borregaard's subscription in tranche D will be reduced to ensure that Borregaard's ownership interest in the Company will equal 35% on a fully diluted basis (taking into account any unexercised warrants) after completion of tranche D. If tranche C is subscribed by the EIC Fund and Borregaard, and Borregaard does not fully subscribe and pay tranche D (Borregaard is not obliged to subscribe tranche D), Borregaard shall, pursuant to the Investment Agreement, pay to the Company a break fee in an amount of five per cent of the amount contemplated to be subscribed under tranche D, limited upwards to NOK 5,985,000.

As part of the Investment Agreement, the Company has issued certain representations and warranties to the EIC Fund, Borregaard and the Hatteland Group. The warranties are primarily related to fundamental issues connected to the issuance of new Shares and the Shares delivered, as well as compliance with national and international laws and regulations. In the event of a warranty breach, the Company will be obliged to compensate any direct losses etc, suffered or incurred as a result of a breach of such representation and warranties. If it is not lawful for the Company under applicable laws to pay compensation in cash, the Company shall compensate the loss by issuing new shares to the EIC Fund, Borregaard and the Hatteland Group at a subscription price equalling the nominal value of the Company's Shares in a number having as consequence that the aggregate number of the shares issued in Tranche A, Tranche C and such new issued Shares held by each of EIC Fund, Borregaard and/or the Hatteland Group respectively, equals the number it would have held if the shares issued in Tranche A and Tranche C would have been issued at a subscription price reflecting a pre-money valuation of the Company prior to completion of Tranche A of NOK 205,009,525 less the loss incurred by EIC Fund, Borregaard and/or or the Hatteland Group.

3.5.7 Overview over Alginor's operations

3.5.7.1 *Introduction*

Alginor is a Norwegian marine biotech company developing a fully integrated and sustainable value chain for harvesting and biorefining of the brown kelp *Laminaria hyperborea*. The Company is developing a core business consisting of harvesting, production, sales and marketing of kelp-based ingredients. The Group is currently conducting a perennial development project for harvesting and biorefining of macroalgae. The project has a total budget of NOK 167 million for the period 2015–2023. The Group seeks 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 kelp biomass), without using formaldehyde or any alternative toxic preservative and while keeping emissions to air, land and ocean at a minimum.

The Group has made significant investments in developing its core technologies and aims to become a significant player within kelp harvesting and processing through substantial investments in new harvesting vessels and production facilities. For more information regarding planned investments related to upscaling and demonstration see section 3.6.2 of this Prospectus.

The Company is still under development and its current operations are limited to lab and pilot scale. Most of the Group's operations are carried out through industrial development projects, such as DACOTA and Fucomed/CarboNor. The Group is currently planning the upscaling of its operational activities as part of the DACOTA project and expects to gradually gain a presence in the health & nutrition market from mid-2023 and onwards.

3.5.7.2 *Business model and value chain*

Alginor's business model comprises a vertically integrated value chain for sustainable and traceable kelp harvesting, processing and B2B sale of ingredients derived from kelp to the global pharmaceutical and nutraceutical & food markets.

The Company's business is fundamentally based on two interlinked key concepts: biorefining and total utilisation of the dry kelp biomass. The Group has a strong focus on sustainability and the transitioning into a greener kelp industry, which are reflected in the Group's objective of achieving a significantly higher resource utilisation and broader ingredient offering than its competitors, with lower emissions and no formaldehyde or pollutive process chemicals throughout the value chain.

The concept of biorefining is simply put based on establishing processes for the manufacturing of multiple products from the feedstock volume that is being fed to the refinery. The concept of total utilisation refers to the utilisation ratio of the dry biomass feedstock post downstream processing, i.e., to what extent the biorefinery produces biomass waste. Alginor seeks to combine these concepts and utilise the entire feedstock biomass with highly limited to zero waste for the production of up to 12 ingredients. The residual of the biomass which the Company currently cannot categorise as a defined product will be sold as borea powder in order to achieve total utilisation of the downstream biomass.

The Group's core upstream and downstream technologies are closely linked and designed to facilitate for total biomass utilisation, i.e., utilising as much as possible of the harvested dry biomass volume. It is the Group's opinion that achieving total biomass utilisation is unfeasible or economically unviable if the biomass is exposed to formaldehyde at any step of the supply chain. Traditional harvesting methods rely on formaldehyde to stabilise the raw material in-between harvesting and transport to the processing facility, and it is therefore imperative that the Group controls the harvesting link to ensure that the raw material is treated in a way that is compliant with the Group's downstream processes. Vertical integration throughout the supply chain enables the Group to offer clients supply chain transparency, ingredient traceability and safety.

The objective of the Group's upstream methods is to create stable kelp-intermediates (ASMs), whereas downstream the downstream processing lines manufacture ingredients according to each specific kelp fraction as illustrated below in Figure 3. During the demonstration phase, Hypomar Ocean and the reception facility at Ydra will be closely integrated for ASM production. In the long-term, the Group aims to implement the entire ASM production system on-board fully integrated harvesting vessels (Hypomar Ultimo), in order to ensure optimally stable kelp fractions prior to downstream processing.

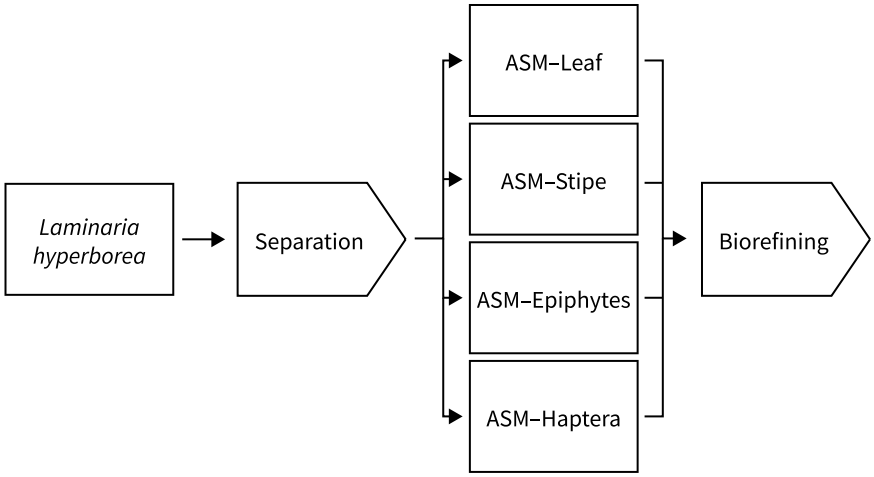

Figure 3: Separation of the raw material into Alginor Starting Materials (ASM).

3.5.7.3 *Harvesting and ASM production at Skudeneshavn, Norway and external piloting*

The Company's pilot facility is located in Skudeneshavn, Norway. The ASM pilot is (formally) operated through the Company's fully owned subsidiary, Hypomar AS. The facility is leased from Steiningsholmen Eiendom AS. Piloting and production of ASMs has been ongoing since 2019. The pilot's current annual capacity is approximately 1,000 tonnes wet kelp. Hypomar's harvesting vessel, Hypomar Inceptor, supplies the pilot with biomass. Hypomar Inceptor is licensed for

commercial harvesting of *Laminaria hyperborea* and has an estimated annual harvesting capacity of 3,000 tonnes wet kelp.

Alginor's ASM piloting activities have escalated gradually following the implementation of the Company's AORTA 2 project. The pilot facility is a crucial component for securing stable supply and manufacturing of ASMs used for large-scale piloting of finished ingredients at external facilities, and lab-scale in-house piloting of selected ingredients such as alginates, cellulose, fucoidans and borea powder through the Company's R&D processing line.

During the Company's AORTA 2 project, large-scale piloting runs based on the Company's ASMs took place at selected external facilities including Borregaard's Biorefinery Demo facility in Sarpsborg, Norway, Nofima's Biotep facility in Tromsø, Norway, and BioBase's pilot plant in Ghent, Belgium. Regular pilot runs at selected facilities are expected to continue as part of the ongoing DACOTA project.

The Company has signed a new agreement with Steiningsholmen Eiendom AS for a larger facility and will move and upgrade its piloting operation during H2 2021. See section 3.6.2 for more information.

3.5.7.4 *Upscaling forecast*

The Group aims to enter a phase of technology demonstration in H2 2023 and execute significant investments after the completion of its ongoing DACOTA project, which is projected to conclude on 30 April 2022. From this date and onwards the Group aims to invest in a new harvesting vessel, processing equipment and facilities with a view to demonstrate its core technologies in a relevant industrial environment. The Group aims to establish its first large-scale facility (cGMP facility) for food and pharmaceutical grade alginates and cellulose in late 2023 at Avaldsnes, Norway, with an aim to establish manufacturing processes approved pursuant to cGMP production as soon as possible thereafter. The cGMP facility is primarily a tool for relevant technology demonstration and verification before executing an investment decision regarding a 100,000 tonnes wet kelp processing facility. The Group expects the cGMP facility to be a cash-generating unit after a successful run-in period. The demonstration phase is expected to commence gradually from H2 2023 and throughout 2024.

The Group recently entered into an agreement with Jakob Hatteland Bygg AS for the purchase of the former Ydra facility at Avaldsnes, Norway. Here, the Group plans to establish a kelp reception facility and a pilot biorefinery unit during 2022, with target capacities of 10,000 and 1,000 tonnes wet kelp, respectively.

Figure 4 below provides an illustrative overview of the Group's planned upscaling:

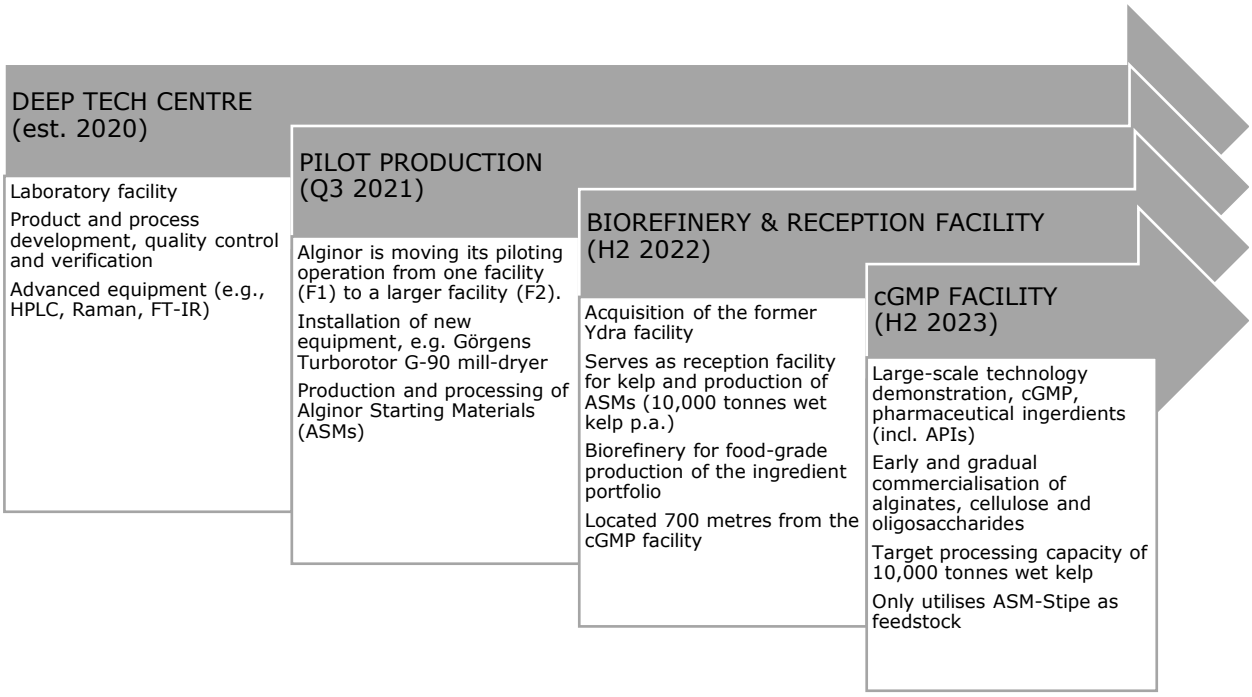

Figure 4: Overview of planned upscaling

3.5.8 Overview over Alginor's research and development projects

3.5.8.1 *Introduction*

Alginor's projects have been recognised for its high level of innovation and potential disruptive impact by several national and international public funding bodies, including, among others, Horizon 2020, the EIC's "Green Deal" call, Eurostars (Eureka), the Research Council of Norway and Innovation Norway. The Group's total development budget for the period 2015–2023 is NOK 167 million, whereof NOK 111 million comes in the form of public grants.

The Group's existing operational activities are largely linked to its ongoing research and development projects. The Group has established a limited pilot scale harvesting and early kelp processing operation at Skudeneshavn, Norway, to secure access to biomass needed in its projects and to further the development of the Group's core technologies. During 2021, the Group will move its operation to a new and larger facility and implement further investments in processing equipment, see section 3.6.2. for more.

The Group has invested NOK 25 million in an in-house advanced laboratory in Haugesund, Norway, through Alginor's wholly owned subsidiary, Oewa AS. The in-house laboratory is equipped with modern, state-of-the-art equipment, including HPLC (High-performance Liquid Chromatography), SEC-MALS (Size Exclusion Chromatography with Multi-Angle Light Scattering), FTIR (Fourier-Transform-Infrared) and Raman spectroscopy. The laboratory is essential for performing advanced R&D, high precision measurements of e.g., compound identification, compound molecular composition and molecular weight, and quality control. The laboratory was integral to the success of the Company's AORTA 2 project both as a means for keeping project results in-house and for educational and experimental purposes. The laboratory is being further developed and upgraded continuously and continues to be an integral part of the Company's day-to-day R&D project activities. Further, the Group has access to NMR (Nuclear Magnetic Resonance) at the University of Bergen through the Polyphenols project.

Table 2 below shows an overview over completed and ongoing projects:

TABLE 2 – OVERVIEW OVER COMPLETED AND ONGOING PROJECTS.

Amounts in NOK	Sponsor	Gross budget costs	Accumulated costs	Remaining budget
AORTA – Marinforsk	The Research Council of Norway	9,134,435	9,134,435	-
Fucomed – Biomedical fucoidan	The Research Council of Norway	23,200,000	2,119,063	21,080,937
CarboNor – Algal biopolymers	The Research Council of Norway	8,211,000	958,453	7,252,547
AORTA – Tax refunds 2017–2020	The Research Council of Norway/Eurostars	4,095,544	4,095,544	-
DACOTA – EIC Accelerator	Eu Horizon 2020	36,500,000	651,343	35,848,657
Bio4Fuels – Biobased fuels	The Research Council of Norway	200,000	200,000	-
Cation – Biorefinery design	N/A	2,788,560	2,788,560	-
ALEHOOP – Algal proteins	EU Horizon 2020/BIC	5,000,000	463,760	4,536,240
AORTA Pre-Project	Regional Research Fund Vestlandet	1,102,286	1,102,286	-
AORTA - Bionær	Regional Research Fund Vestlandet	6,228,053	6,228,053	-
AORTA 2 – SME Phase II	EU Horizon 2020	32,277,280	32,277,280	-
Fucomed – RFF	Regional Research Fund Vestlandet	732,443	732,443	-
Hypomar Havpilot – Harvesting	Innovation Norway	11,161,456	11,161,456	-
Polyphenols – Extraction and identification	The Research Council of Norway	8,400,000	2,370,780	6,029,220
Algefilm	The Research Council of Norway	18,000,000	-	18,000,000
TOTAL GROSS PROJECT COSTS		**167,031,057**	**74,283,456**	**92,747,601**

Table 3 below shows accumulated grants received as of 31 December 2020 and remaining grants as of the date of this Prospectus:

TABLE 3: ACCUMULATED GRANTS RECEIVED AS OF 31 DECEMBER 2020 AND REMAINING GRANTS AS OF THE DATE OF THIS PROSPECTUS.

Project	Rest	Total approved grants ex-ante	Accounted grants	Remaining grants
AORTA – Marinforsk	0%	4,610,370	4,610,370	-
Fucomed – Biomedical fucoidan	89.30%	16,250,000	1,742,492	14,507,508
CarboNor – Algal biopolymers	78.60%	4,105,000	878,542	3,226,458
AORTA – Tax refunds 2017–2020	21.20%	11,000,000	8,668,485	2,331,515
DACOTA – EIC Accelerator	98.20%	26,000,000	465,704	25,534,296
Bio4Fuels – Biobased fuels	0%	-	-	-
Cation – Biorefinery design	0%	1,044,303	1,044,303	-
ALEHOOP – Algal proteins	93.60%	4,060,000	260,474	3,799,526
AORTA Pre-Project	0%	500,000	500,000	-
AORTA - Bionær	0%	2,475,161	2,475,161	-
AORTA 2 – SME Phase II	0%	19,645,220	19,645,220	-
Fucomed – RFF	0%	673,128	673,128	-
Hypomar Havpilot – Harvesting	0%	4,500,000	4,500,000	-
Polyphenols – Extraction and identification	74.00%	4,200,000	1,091,461	3,108,539
Algefilm	100.00%	12,600,000	-	12,600,000
TOTAL GRANTS	**58.31%**	**111,663,182**	**46,055,840**	**65,107,842**

3.5.8.2 *The DACOTA project*

3.5.8.2.1 *Introduction*

Alginor ASA is an awardee of the European Innovation Council's (EIC) "*Green Deal*" call of the Horizon 2020 programme framework. The Company's DACOTA proposal for upscaling and commercialisation of the findings from the AORTA 2 project was selected for the maximum applicable amount of €17.5 million in the form of so-called "*blended finance*", whereof €2.5 million is in the form of a grant and up to €15 million is long-term equity financing from the European Union.

3.5.8.2.2 *Financial structure*

Financially, DACOTA is divided into two parts: The grant, which is allocated to the project period from 2 November 2020 to 22 April 2022; and the equity, which is allocated to capital expenditures in fixed assets. The grant agreement (No 101011290) for the €2.5 million was signed in October 2020 and the Company has received a 60% pre-financing of approximately €1.5 million, whereas the remaining grant will be paid out over the course of the project.

The Investment Agreement signed on 23 July 2023 between the Company, the EIC Fund, the Hatteland Group, Borregaard and Zirconia concluded the equity part of the project. See section 3.5.5.2 for more information.

3.5.8.2.3 *Content and implementation*

The Company's DACOTA project launched 2 November 2020 and is projected to conclude on 30 April 2022. The project findings will form the basis for investment decisions to be taken during and after completion of the project regarding a kelp reception facility, a pilot biorefinery, a cGMP facility and a harvesting vessel. The Company aims to will enter the operational demonstration phase in H2 2023. The objective of the demonstration phase is to validate the Company's technologies and the production of the Company's main offerings on a large scale through a vertically integrated

operation, before executing an investment decision regarding a full-scale industrial biorefinery with a target annual capacity of 100,000 tonnes wet kelp.

See section 3.6.2 of this Prospectus for a more detailed overview over CAPEX.

3.5.8.3 *The Fucomed project - Fucoidans*

The Company's Fucomed project[12] is an industrial research project exploring fucoidan's potential in bio-medical applications in collaboration with the University of Bergen, the University of Oslo, and KTH Royal Institute of Technology in Stockholm. The main objective of the project is upscaling the extraction process for fucoidan from lab-scale to industrial scale for the production of pharmaceutical and medical applications and devices.

Fucomed has an estimated budget of NOK 23.2 million. NOK 16.24 million of the funds for this project will come from a grant from the Research Council of Norway. The project is expected to be completed during 2023.

3.5.8.4 *The CarboNor project – Alginates and cellulose*

The Company's CarboNor project[13] focuses on converting carbohydrate polymers into high-value biotech products in collaboration with KTH Royal Institute of Technology, Stockholm. The main objective of the project is to show that the parties' technologies are combinable and scalable to an industrial level for the production of high-quality alginates and cellulose for pharmaceutical and medical applications and devices. The project manager is Linn Margrethe Bringedal. Ms. Bringedal holds a MSc in chemical process technology and has 6 years operational experience from DuPont where she worked with operating the GMP process line for production of special alginates.

CarboNor has an estimated total budget of €1.1 million, whereas the Company's budget in the project is €821,000. €410,500 of the funds for this project will come from a grant (formally awarded by Eurostars (Eureka)) from the Research Council of Norway. The project is expected to be completed during 2022.

3.5.8.5 *The Polyphenols project (Industrial PhD programme (Nw: Nærings-Ph.D.))*

The project is focusing on analysis and bioprospecting of polyphenols from *Laminaria hyperborea* for applications as Life Science Ingredients. The project is a joint PhD project between the Company and the University of Bergen's Department of Chemistry. The PhD candidate is Marie Emilie Wekre. The main objective of the project is to obtain more information on *Laminaria hyperborea*'s polyphenols, on exact molecular level, and research the polyphenols' suitability for use in food, feed and health by optimising extraction, isolation, identification and quantification methods for these compounds.

The project is financed by the Company and the Research Council of Norway with 50% each. The project is expected to be completed during 2023.

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 101011290.

3.5.8.6 *ALEHOOP – novel food*

ALEHOOP[14] is an international consortium project focusing on combining proteins from marine and terrestrial by-products into novel food and feed products. Alginor's role in the project is to analyse the biomass and the proteins, and supply 12 companies spread over Europe with proteins from kelp by-products. The proteins will be used for manufacturing a variety of products including, among others, protein bars, shakes and vegetarian meat alternatives.

[12] Project ID 310167 (This project has received funding from the Eurostars-2 joint programme with co-funding from the European Union Horizon 2020 research and innovation programme.).
[13] Project ID Eurostars-114505 (Eurostars is a joint venture between the EU through
[14] This project has received funding from the Bio Based Industries Joint Undertaking (JU) under grant agreement No 887259. The JU receives support from the European Union's Horizon 2020 research and innovation programme and the Bio Based Industries Consortium.

Alginor's project budget in the ALEHOOP project is NOK 5 million. NOK 4.1 million is funded by a grant awarded by the European Union. The project is expected to be completed during 2024.

3.5.8.7 *The Algefilm project*

Plastics are becoming one of the greatest environmental challenges facing the world today. On an annual basis, 8 million tonnes of waste end up in the ocean, whereof up to 80% are plastics.[15] An estimated 37% of foods being sold in the EU are packaged in plastics.[16] Starting in July 2021, the European Union and others (including Norway[17]) are enforcing a full ban on numerous ordinary single use plastic products.

On June 11, the Group's wholly owned subsidiary Hypomar AS' Algefilm project was approved by the Research Council of Norway with a gross budget of NOK 18 million and a NOK 12.6 million grant (70% aid intensity). The project will run from 16 August 2021 until 15 August 2023.

The Algefilm project focuses on developing fully degradable kelp-based biomaterials tailored for food packaging that can replace single use plastics. The aim is to achieve this through utilising the *Laminaria hyperborea* components alginate, cellulose and alga fibres to obtain algae films that satisfy the requirements for protection of food products. Project goals include developing packaging for liquid, dry, and fatty goods, as well as recyclable alternatives to thermoplastics.

Project partners and research institutions include Dypp AS, Oewa AS (subsidiary wholly owned by the Group), RISE PFI and Nofima, whereas Borregaard ASA will be a project supplier.

3.5.9 Products and markets

3.5.9.1 *Overview*

Alginor aims to develop, manufacture and sell naturally occurring ingredients and derivates thereof extracted from *Laminaria hyperborea* to the global pharmaceutical, cosmetic and food & nutraceutical ingredient markets. All ingredients may be marketed and sold as pharmaceutical, cosmetic and/or food & nutraceutical ingredients depending on their regulatory status (e.g., food grade or pharma grade pursuant to cGMP). Table 4 below shows an overview over each ingredient's selling points, global markets and applications:

TABLE 4: SELLING POINTS, GLOBAL MARKETS AND APPLICATIONS.

Alginor life science ingredients	(unique) selling point(s)	Global market segments	Applications, potential applications*
Alginates	High guluronic acid (g) content that gives strong gelling power. No formaldehyde exposure	API's, pharmaceutical excipients, cosmetics, health & nutrition, chemicals/welding	Dental impression materials, formulations for controlled drug release, wound healing fibres, antacids, gel forming stabilisers in food, industrial paper coating, welding electrodes
Alginate derived oligosaccharides	Composed almost exclusively of guluronic acid. Strong chelating ability at low viscosity. No formaldehyde exposure	API's, pharmaceuticals	Cystic fibrosis*, COPD*
Fucoidan	Highest molecular weight and sulphate content on the market, high bioactivity	API's, pharmaceutical excipients, cosmetics, health & nutrition	Anti-adhesives*, cell protection against viral infections*, digestion tablets, immune stimulating*, blood thinner*, medical devices, hyaluronic acid replacement, moisturisers, 3d printing
Cellulose	High molecular weight and tensile strength, native	Pharmaceuticals, cosmetics, health & nutrition	Film formation, gelling agent, viscosifier, cell growth medium, cosmetics, plastic replacement, wound dressings, skincare, contact lenses, 3d printing
Mannitol	Natural, nonsynthetic	Pharmaceuticals, health & nutrition	Sweetener for diabetic food and kidney failure, regulate brain and eye pressure

[15] Ellen MacArthur Foundation, 2016
[16] IEEP, 2018
[17] The Norwegian Environment Agency, 2019

Polyphenols	Unique composition, high bioactivity	Pharmaceuticals, cosmetics, health & nutrition, feed	Antioxidants, immune stimulating, anti-bacterial, anti-ageing, food supplements, UV-protection, animal nutrition
Amino acids	Complementary to soybean protein, vegan protein source	Health & nutrition, feed	Food and feed supplements, fish feed, flavour enhancers
Carotenoids	Scientifically proven reduction of body fat, treatment of fat-liver	Pharmaceuticals, cosmetics, health & nutrition	Anti-obesity, antioxidant, anti-cancer, fucoxanthin, liver treatment
Savoury	Strong salting ability while maintaining a low and healthy mineral composition. Low calories, rich in healthy phytochemicals	Health & nutrition	Sweet, salty and umami flavour
Borea powder	Increasing gut animal health, weight gain and immune stimulating	Feed, agricultural	Soil nutrients, fertiliser, seed germination, plant disease resistance, growth accelerator
Laminarin	High purity	Health & nutrition, feed	Beverages, dietary supplements, piglet feed to treat separation stress (weight loss and death)
Biobased materials	Green, bio-degradable plastics	Cosmetics, health & nutrition	Coating, packaging, straws

3.5.9.2 *Alginates*

Alginates are highly versatile high molecular weight biopolymers with unique gelling and viscosity-increasing properties. They are part of the building and structure material in brown kelp, such as *Laminaria hyperborea*. Purified alginates are used as ingredients in a broad variety of established applications and end-user products across different market segments, including, pharmaceutical products, medical devices, cosmetics, food, feed, and plastic substitutes. The chemical structure of the alginates within the kelp are largely dictated by the species of kelp and their growth conditions, while upstream and downstream treatments of the harvested biomass during the alginate isolation effects the properties of the purified material. Its applicational value, potential market segments and price are determined accordingly.

Generally, alginates rich in guluronic acids (high-G alginates) are used in gelling applications, whereas alginates rich in mannuronic acid (high-M alginates) are used for numerous applications including viscosity-increasing agents. Alginor aims to develop, market and sell high-G alginates as pharmaceutical ingredients from its cGMP facility once it acquires cGMP approval, as well as high-M alginates.

3.5.9.2.1 *Overview of the alginate market*

The Group estimates the global supply of commercial alginates at approximately 44,000 tonnes with a value of USD 750 million. Annual market growth is approximately 3%[18]. See Table 5 for distribution of market segments, volumes, values and type of alginate. Overall demand for alginates in the pharmaceutical, cosmetics, food and welding industry is high.[19]

TABLE 5: ESTIMATED ALGINATE WORLD MARKET VOLUMES, VALUE AND TYPE.

	Volume MT	Value USD million	Alginate Type
Total market	44,000	750	M and G
Textile printing	21,000	190	M
Food industries	11,000	265	G
Pharmaceutical industries	8,000	230	G
Welding industries	2,500	37	G and M
Others	1,500	28	G and M

[18] Grand View Research. 'Alginate Market Size, Share & Trends Analysis Report By Type (High M, High G), By Product (Sodium Alginate, Propylene Glycol Alginate), By Application (Industrial, Pharmaceutical), And Segment Forecasts, 2020 - 2027', 2020. https://www.grandviewresearch.com/industry-analysis/alginate-market.
[19] Grand View Research. 'Alginate Market Size…'. 2020.

Alginor's long-term target alginate volume is 3,750 tonnes equal to an overall market share of 5.31% of the estimated future market of 70,612 tonnes[20]. The target volume has an estimated sales value of €75 million.

3.5.9.2.2 *The food and nutraceutical market for alginates*

Alginor aims to offer alginates for food applications sold B2B as bulk commodity. The product may be sold both as alginic acid and variants of sodium alginate.

The annual global supply of alginates to the food industry is approximately 11,000 tonnes[21] (25% of the total addressable market), with an approximate value of USD 265 million.

Competitors in the food and nutraceutical markets are primarily located in China, but also include Japan, France, Chile and Norway. The Group expects to gain competitive advantages by offering both high-M and high-G alginates targeted to different food applications with a high degree of ingredient customisation made possible by the Group's patent applied processing methods. Furthermore, the Group expects to gain additional competitive advantages due to its green solutions with no formaldehyde and through an increased client and consumer focus on proper resource utilisation, sustainability and traceability.

3.5.9.2.3 *The pharmaceutical market for alginates and alginate derivatives*

Alginor aims to enter the pharmaceutical markets once it has the necessary certifications and approvals. The Company aims to offer high-G alginates to the pharmaceutical industry sold B2B as bulk commodity. The alginates will be sold as alginic acid and/or sodium alginate.

Pharmaceutical grade alginates are applicable as ingredients for dental impression materials, formulations for controlled drug release and wound healing, and APIs (e.g., anti-reflux medicine like Gaviscon). High-G alginates are in high demand in the pharmaceutical market primarily due to their ability to form gels, and gel strength increases as a function of the G-content in the alginate. Strong gelling properties are common for all existing and identified potential alginate applications within pharmaceutical applications.

Annual global supply of alginates to the pharmaceutical industry is approximately 8,000 tonnes[22] (18.2% of total addressable market), with an approximate value of USD 230 million. The pharmaceutical market for alginate is estimated to have an annual growth rate of 4%[23].

Competitors in the high-end market are located in Japan, France, Chile, and Norway. The world's largest supplier of alginates to these markets is DuPont/IFF, located in Norway. Alginor's alginate ingredients will be competing with products extracted from *Laminaria hyperborea* currently on the market as well as products from other kelp-types. Alginor's most immediate direct competitors are DuPont/IFF (Norway), Kimica (Japan/Chile) and Algaia (France). These companies offer relevant, stable supplies of pharmaceutical grade alginates as well as excellent service and ingredient documentation. Relatively speaking, Algaia is a newcomer whereas DuPont/IFF and Kimica are established manufacturers that have been in the industry for decades. They all have strong, strategic positions in the high-end markets, cGMP approved manufacturing processes, and supply chain control through autonomous harvesting.

3.5.9.2.4 *Potential market application and value of alginate-based oligosaccharides*

Through well controlled chemical or physical induced reduction in the alginate chain length, molecules with low chain lengths (oligomers) can be produced. Utilising high-G alginates for such production, oligomers with high G content can be produced (oligo-G). The combination of their small size and structure allows inhaled oligo-G to penetrate high-

[20] Grand View Research. 'Alginate Market Size…'. 2020.
[21] Grand View Research. 'Alginate Market Size…'. 2020.
[22] Grand View Research. 'Alginate Market Size…'. 2020.
[23] Prof Research. 'Global and Chinese Sodium Alginates Industry, 2013 2023 Market Research Report', 2018.

viscosity lung fluids present in individuals suffering from cystic fibrosis (CF), and to induce a reduced viscosity of this fluid. This reduces breathing problems for the patients and also improved antibacterial activity following antibiotic administration required to eliminate the frequent bacterial lung infections seen in CF patients.

Alginor is in close dialogue with AlgiPharma who is conducting clinical development of Oligo-G for treatment of CF patients. AlgiPharma has documented oligo-G to have an excellent safety profile and to show significant improvement in the patients' condition. The oligo-G induced reduction of lung fluid viscosity offers the possibility for therapeutic use of oligo-G for treatment of both CF and COPD patients seeing as patients with these conditions suffer from viscous lung fluids resulting in reduced fluid transport within and out of the lungs. Alginors Oligo-G production will match AlgiPharma's demand and forecasts. The even larger COPD market gives room to expand the utilisation of Oligo-G even further.

Oligo-G's ability to reduce the viscosity of lung fluids seems to be paralleled by disruption of bacterial biofilms, allowing the immune system or antibiotics to target the microorganism more effectively. This observation may indicate that the use of oligo-G could enhance the effect of antibiotic treatment also in certain other types of bacterial infections.

For the CF indication, the annual market demand for highly purified oligo-G is estimated to about 7 tonnes with an approximate market size of USD 17 million. For COPD which show a much higher incidence than cystic fibrosis, the global demand is estimated at 7,000 tonnes.

Crucial for the efficacy of oligo-G treatment of cystic fibrosis is a guluronic acid content of above 88%. *Laminaria hyperborea* with its high-G alginate and Alginor's proprietary alginate isolation processes provide an ideal starting material for the production of Oligo-G, while current production of oligo-G relies on alginate with a considerably lower G-content, leading to about 75% loss of input material during the hydrolytic process. The use of Alginor's high-G alginate drastically reduces this loss to provide a much more efficient process. In addition, Alginor has initiated a collaboration with the Stockholm-based Royal Institute of Technology (KTH) through the joint CarboNor project, upscaling an enzymatic process for the production of Oligo-G to further increase the efficiency of the process.

3.5.9.3 *Fucoidans*

Fucoidans constitute a broad class of high molecular weight, branched and sulphated polysaccharides primarily found in the leaves of brown kelp such as *Laminaria hyperborea*. The molecules contain as their main building blocks sulphated fucose residues, but different species of kelp contain fucoidans with varying proportion of also other sugars.

3.5.9.3.1 *Market potential for high molecular weight fucoidans*

Alginor aims to supply high molecular weight, native fucoidans that are structurally defined, characterised, and with tailored properties. As no supply of such fucoidans in large quantities are marketed, their applications and values remain undefined. The Company has been in contact with several potential customers who would like to extend initial results obtained with high molecular weight fucoidans in order to further explore what they believe to be interesting applications of such molecules, but these companies have up to now been unable to source well characterised fucoidans and/or sufficient amounts of such material.

Native fucoidans are used as ingredients in a variety of market segments primarily within dietary supplements and topically applied cosmetics. Purified fucoidan macromolecules have been proposed used also for higher priced, more demanding applications as locally injectable cosmetics (for tissue augmentation), as well as for several other applications. Fucoidans from *Laminaria hyperborea* can potentially be used for several the above-mentioned applications, but marketing of native, high molecular weight fucoidans will require substantial further product development as well as regulatory approvals before being marketed.

The value of high molecular fucoidans is predicted to be strongly linked to its chemical composition/structure which will affect its properties, as well as the level of documentation supporting this and the purity of the material.

3.5.9.3.2 *Potential market application for fucoidan based oligosaccharides and fucose*

Through well controlled chemical or physical induced reduction in native fucoidan chain length, molecules with low chain lengths (fuc- and complex-oligomers) will be produced and. These molecules can be isolated following separation. Published results from in vitro and in vivo testing of these indicate that certain fractions of such oligosaccharides may have biological activities that could be of commercial interest if optimised and documented.

Fucoidan oligosaccharides have been claimed to improve gastric health and the cardiovascular system by blood-thinning effects. A first medication for the treatment of renal dysfunction and kidney injuries, based on low molecular weight fucoidan has recently been certified by the Chinese food and drug administration.

Extensive hydrolysis of fucoidan will lead to release of the monosaccharide residues used as their building blocks. Following separation of the different monosaccharides, these can be separated and isolated. Such processes constitute one of several methods for production of fucose which has several applications as sweeteners as well as higher cost ingredients for more demanding applications.

Competitors for highly purified fucoidan-based oligosaccharides include Elicityl Oligotech (France).

3.5.9.4 *Cellulose*

As the most important skeletal component in plants, the cellulose polysaccharide constitutes an almost inexhaustible polymeric raw material with commercially attractive properties. Cellulose consists of repeating D-glucose building blocks forming a linear, stiff and biodegradable polymer. Its composition allows for a high number of physical and chemical modifications with formation of versatile semicrystalline fibre both from endogenous cellulose and its derivatives. Annual production amounts to about 1.5×10^{12} tonnes, most of which is used for the production of paper and cardboard.

Alginor's cellulose product, Alga-C, is made through bioprocessing of harvested *Laminaria hyperborea*. Compared with wood cellulose, Alga-C cellulose has a higher molecular weight and crystallinity. Moreover, cellulose from *Laminaria hyperborea* does not contain hemicellulose and lignin, both of which are present in wood and makes it difficult to remove contaminants during the cellulose isolation process.

These differences make kelp cellulose easier to produce and also explains its superiority to wood cellulose with respect to mechanical strength and structural properties. Using its patent applied bioprocess, Alginor has documented that high volumes of cellulose can be produced from *Laminaria hyperborea* at a commercially viable cost, facilitating for production of cellulose with superior properties. These superior properties are highly desirable also for the preparation of high-performance cellulose-derivatives such as micro- and nano-cellulose.

Approximately 2% (~3.2 million tonnes) of the annually produced cellulose is used for the production of cellulose fibre derivatives, as well as for the synthesis of a large number of cellulose esters and ethers. Such cellulose derivatives are used for coatings, laminates, optical films, and sorption media, as well as for additives to affect the physical properties in building materials, pharmaceuticals, food supplements and cosmetics. Alginor and partners have shown that nanocellulose from *Laminaria hyperborea* has a much higher modulus strength and toughness compared to similar wood and bacterial celluloses.

In parallel with internally driven documentation of the superior properties of its native cellulose, Alginor will also seek customers for such products in high value, established market segments like personal care, and later expand into other segments like food supplements, pharmaceuticals, and composites.

3.5.9.4.1 *Market overview of native cellulose and its derivates*

The global cellulose market size was estimated to USD 211.68 billion in 2019, while the CAGR from 2020 to 2026 is predicted to 2.9%.[24] An increase in paper production and the use of cellulose fibre in the textile industry are the main drivers for the market increase. The bulk market for cellulose is valuated to roughly USD 1 per kg.[25] This market, however, lies outside Alginor's business interest.

Higher qualities include cellulose documented for pharmaceutical applications as excipients, microcrystalline cellulose (MCC), and nanocellulose. Prices can reach €100 per kilo for pharma applications. However, Alginor is operating with a more conservative estimate of €20 per kilo in its current sales and income projections.

MCC is made from wood by cleaning the plant and grinding it into a fine, white powder, and is used for several applications including pharmaceutical excipients and as thickener and stabiliser in topical cosmetics, food and beverages. The MCC market size was USD 868.5 million in 2018 and is expected to grow to USD 1,360 million by 2026, giving a growth rate of 5.8% per year.[26] Global market insights also states that the MCC market is split nearly equally three ways between pharmaceuticals, personal care and food.

Examples of major European producers of cellulose and fibrillar derivatives of these are Borregaard, Stora Enso, Rettenmeier and FMC. These companies and most other global producers use wood as raw material for their biorefining processes requiring aggressive chemicals during the biorefining steps as well as for the follow-on preparation of the marketed material. The cellulose derived from wood has lower performance compared to Alga-C from kelp as its aspect ratio, crystallinity and the resulting mechanical properties are much lower than that of Alga-C from *Laminaria hyperborea*.

Based on the development of cellulose-based ingredients, an extended portfolio of such products will be implemented into Alginor's main business plan. Market research done by the Company shows that this portfolio has huge potential, and the different cellulose. based ingredients are expected to be a part of Alginor's commercial products within 2–3 years. The products will be branded and protected as unique Alginor products, product names will be protected, both as unique products and as product families for further development of the markets.

Due to the variety of the cellulose products developed, different commercialisation strategies are needed. However, the market itself need to be developed, due to the lack of availability of similar products today. It is expected that the market for these products will be higher than that of the available product supply. The primary output of the products will be B2B with selected customers, e.g., AlgiPharma, Procter & Gamble, BASF or Johnson & Johnson.

3.5.9.5 *Polyphenols*

Polyphenols from brown kelp contain a high content of phlorotannin's not present in terrestrial plants. These polyphenols have the strongest antioxidant properties of currently known polyphenols. Polyphenols in today's market are mainly produced from grape seeds, green tea and apples

In the long-term, Alginor plans to commercialise polyphenols extracted from *Laminaria hyperborea* for use in food supplements, cosmetics and pharmaceuticals.

[24] Global Market Insights, Inc. 'Cellulose Market Size and Share | Industry Analysis - 2026', 2019. https://www.gminsights.com/industry-analysis/cellulose-market.
[25] Figure provided by Borregaard ASA.
[26] Global Market Insights, Inc, 2019.

3.5.9.5.1 *The market for polyphenols*

The markets for polyphenols are located in North America, Europe, the Asia-Pacific region and Latin America. Polyphenols' antioxidant activity make them well suited for their current application in foods and beverages, as well as in the cosmetic market as anti-aging and sunscreen products.

An increase in the demand for polyphenols is expected in the coming years, driven by a general health concern among consumers, an increase in the geriatric population and rising demands for herbal products. Several beverages, such as coffee, green tea and wine, are good sources for polyphenols. The main customers for polyphenols are large companies serving the human and animal nutrition segments.

The total accessible market for polyphenols is estimated to USD 1,120 million in 2022 (aggregate of grape seed, green tea, apple, and other polyphenol types).[27] The market is expected to grow at an annual rate of 7–8% in the established segments. In addition, new applications areas are expected to further expand the market.

Alginor will establish contact with known users of polyphenols, initially in Europe, before entering the markets in USA and Asia.

3.5.9.6 *Carotenoids and fucoxanthin*

Carotenoids are a family of coloured plant pigments, and in brown algae fucoxanthin is the dominating member of this family. Harvested kelp contain only ~0.01% fucoxanthin, and the extraction of fucoxanthin is an expensive and time-consuming process which lead to a high cost of the final product. With 60% of the manufacturing cost for current producers being tied to raw material cost, this make Alginor's access to large volumes of low-cost raw material a significant competitive advantage.

3.5.9.6.1 *The fucoxanthin market*

The global fucoxanthin market value is USD 731 million, and it is forecasted to grow at an annual rate of approximately 4.6%. Currently, the main three applications for fucoxanthin are within food (42%), cosmetics and pharmaceuticals due to its claimed antioxidant, anti-obesity, and anti-cancer activities.

USA and China are the two clear leaders in the fucoxanthin production with Nutraceutical International Corporation (US) as the leading company (1.7 tonnes annually) and with a Chinese producer in second place (1 tonne). The largest European competitor is the Spanish company Poliphenoles Naturales SL who produces 200 kg.

3.5.9.7 *Mannitol*

Mannitol is a simple sugar alcohol that can be isolated from several plant species, including Laminaria hyperborea, or be produced from different sugars through fermentation or hydrogenation of fructose.

3.5.9.7.1 *The mannitol markets*

The largest application area in terms of volume is as a food additive as where it is used as a sweetener (mannitol has about 75% of glucose's sweetener effect) and a tonicity agent

Mannitol is increasingly being used in mint-based candies and gums due to its cooling effect. It has a low hygroscopicity, leading to low absorption of water from air and making it suitable for coatings in dried fruits, hard candies and chewing gums, an application area that is on the rise.

[27] Prasad, Eswara. 'Polyphenol Market…', 2017.

In the pharmaceutical sector mannitol is also used as a sweetener and taste masking agent, and it has also been used as a diuretic indirectly affecting several diseases.

Prices in Norway are between USD 12–20 per kg for most applications, except for pharmaceuticals, where the price is around USD 100 per kg.

3.5.9.8 *Laminarin*

Laminarin is a storage glucan used as a food reserve by seaweeds and is extracted from brown seaweed. Its properties include digestive help and the ability to trigger the immune systems in humans and animals. It also helps to stimulates kidney function, increases circulation, and purifies the blood. The main uses of laminarin are in food and beverages and as dietary supplements. The manufacturers are mostly found in Asia, with a clear majority located in China. Improved digestion is important in veterinary medicine, and laminarin has shown to be a promising alternative to the zinc oxide, used in veterinary medicine, e.g., to treat separation stress and weight loss in piglets when separated from the mother.

3.5.9.8.1 *The laminarin market*

The global market is estimated to USD 2 million with a volume of 100 tonnes. Alginor believes the market is supply-side driven, where the annual growth rate is estimated to 7%–8%. Most of the laminarin on the market today is made from the seaweed *Saccharina japonica*, and the general market price is roughly USD 20 per kg. Due to Alginor's biorefining approach, Alginor expect lower total production costs than current producers and be competitive on price.

3.5.9.9 *Proteins and amino acids*

Amino acids are the building blocks of proteins, the latter play an essential role in all physiological processes in living organisms. In animals and humans, ingested proteins are broken down to amino in the digestive system and subsequently absorbed to provide such building blocks. Alternatively, amino acids can be supplied as part of the food as a replacement for protein. Industrial applications of proteins and amino acids therefore constitute important ingredients in industrial production of food but can also serve several other applications due to the effect these have on other molecules.

Proteins from *Laminaria hyperborea* contain all essential amino acids which are required as nutrients for animals and humans. A growing trend of increasing proteins consumption from plants at the expense of proteins from meat is strongly encouraged for all, and such proteins are needed for people following a vegan diet.

Population growth and socio-economic changes such as rising incomes, increased urbanisation and aging populations have led to an increasing demand for proteins. Current protein demand for the 7.3 billion inhabitants of the world is approximately 202 million tonnes. 58% of the protein eaten worldwide comes from plant sources such as soy, cereals, and potatoes, with the rest coming from meat, fish, dairy, and eggs. To satisfy the current protein demand Europe imports large amounts of soybeans every year. According to a report done by Europa Bio, between 2014 and 2016, the EU imported over 30 million tonnes[28] of soybeans on a yearly basis.[29] The same report also states that only 5% of the soybeans were produced in Europe, while the remaining 95% were imported.

[28] 30 million tonnes equal roughly 90% of the import.
[29] EuropaBio. 'The EU Protein Deficit, Trade and GMOs', n.d. 10. https://www.europabio.org/agricultural-biotech/publications/eu-protein-deficit-trade-and-gmos.

3.5.9.9.1 *The protein markets*

The global alternative protein market accounted for USD 8.26 billion in 2017 and is expected to witness a CAGR of 7.4% during 2018–2024.[30] There is a shift in the consumer behaviour tied to nutritional awareness, giving an increased interest in alternatives to the traditional animal and fish protein sources.

Norway has a large fish farming industry, and naturally also several producers of fish feed. The value of this protein is around USD 2 per kg and is not a source of focus for Alginor. In the special diet segment, such as body building, the retail prices are generally USD 20–40 per kg.[31]

The protein and amino acid markets are still new to Alginor, but the company will work towards establishing relevant contacts in networks in these markets as well.

3.5.9.10 *Biobased materials*

The structural biopolymers alginate and cellulose make up 30-40% of the dry weight material present in biomass from *Laminaria hyperborea*. In the living kelp these are present mainly as insoluble homopolymer or heteropolymer fibres.

The industrial isolation of alginate from insoluble fibres is usually carried out by the selective solubilisation and removal of most types of unwanted/contaminating molecules, followed by solubilisation and isolation of the alginate molecules from the remaining insoluble fibrous material. As cellulose is sparingly soluble and uniquely resistant to alkaline hydrolysis, such hydrolysis of shredded and dry biomass can be used to solubilize and remove remaining other material, leaving insoluble, high molecular weight cellulose behind.

Alginate and cellulose in native or modified form can be used as ingredients for making sheets, pads and other materials for different applications, either alone, in combinations with each other and/or other ingredients to obtain products (composite materials) with the desired properties for various applications.

The biobased, fibrous material from *L. hyperborea* is currently used in an Alginor project to produce and characterize such products to identify compositions that by comparative analysis to other materials have attributes making these attractive replacements for different plastics and also other materials. Products containing a high proportion of native alginate or cellulose is expected to show properties similar to these ingredients including being biodegradable, while the use of derivatives and combinations with other ingredients may affect biodegradability as well as other properties.

Replacement of animal-derived as well as terrestrial based vegetable ingredients with similar ones derived from ocean-based, vegetable biomass from sustainable resources is highly recommended for industrial applications within a high number of application areas. One such example is the replacement of animal intestine-based or plastic based sausage skins with an alginate-based fibre, and such fibres are also applied within the welding industry.

3.5.9.10.1 *The market for biobased materials*

One important application of biobased fibres from *L. hyperborea* will be as a potential replacement for plastics, and it is therefore relevant to examine this market, and target commercially attractive applications where biobased fibres will provide competitive advantage:

The market for plastics is huge as it can be used as raw material for products in everyday life but also in highly specialized areas (advanced medical devices and other). Plastic production has increased from 15 million tonnes in 1964 to 311 million tonnes in 2014 and is expected to double over the next 20 years. Plastic recycling has attracted a lot of attention

[30] Business Wire. 'Protein Alternatives - Global Market Growth, Trends and Forecasts (2019—2024) by Source Type and Application', 4 April 2019. https://www.businesswire.com/news/home/20190404005269/en/Protein-Alternatives---Global-Market-Growth-Trends-and-Forecasts-2019-2024-by-Source-Type-and-Application---ResearchAndMarkets.com.
[31] Alginor researched different health food stores in Haugesund.

with demands to improve the negative environmental impact of plastic production and the waste management. In the packaging industry only 1/3 of the plastic packaging is recycled. One scenario expects the ocean to contain one tonne of plastic for every three tonnes of fish by 2025, and by 2050 the ocean will contain more plastic than fish measured by weight. In recent years, bioplastics have been promoted as an alternative to conventional petroleum-based non-biodegradable plastics. The production volume was 2.11 million tonnes in 2018. The market share was low (1% of all plastic) but is expected to increase in the future. There is a real need to replace plastics and harmful so-called bioplastics with clean and biodegradable alternatives as the *L. hyperborea* biobased materials.

An example of the exploited use of algae-based fibres is in the above-mentioned sausage industry where its use as a sausage skin in Europe alone is 500 tonnes per year, at a value of 7,5 million US dollars, - and growing. In North America a market of the same size is emerging.

Alginates are extensively used also in the manufacturing of welding electrodes, and Alginor will also evaluate the properties if its biobased composite materials within this application to identify those with cost effective improvements. The global market is 2,000 tonnes, with heavy weight in Europe and Asia at a value of 30 million US dollars.

3.5.9.11 *Borea powder*

Soil nutrients are constantly being depleted due to over farming. All of these nutrients eventually run into the oceans, without a return path. Seaweed provides a way to naturally return vital soil nutrients from the ocean back to your plants, trees, and turf[32].

According to an article on bio stimulants[33], seaweed fertiliser has a comprehensive effect on the "crop-soil-fertiliser" system. It increases the yield and improves quality by stimulating crop growth, regulating soil, and improving fertiliser efficiency. Seaweed contains a large number of unique ingredients that are incomparable to terrestrial plants. It reduces the surface tension of water, forms a film on the surface of plants, increases the contact area, and makes the water-soluble substances easily penetrate the plant cells, i.e., the plants can effectively absorb the nutrients in the algae extract.

Kelp is an excellent source of potassium and increases available nitrogen to plants[34]. Soluble kelp is a highly effective natural plant fertiliser and organism food that enhances seed germination, promotes healthy root development, increases disease resistance, and accelerates leaf shoot and stem development. One of the most prominent reasons to use seaweed fertilisers is that they do not contain foreign weed seeds in them unlike bark mulch[35]. For example, gardeners that used terrestrial bark mulch in order to block weeds, later found various invasive weeds growing in the patch that came from the bark mulch.

3.5.9.11.1 *The fertiliser markets*

The global seaweed fertiliser market was valued at USD 9.6 million in 2017[36] and it is expecting to grow around 7% annually. According to the Hexa Research, recently consumers have become more concerned around the negative affect of the chemical fertilisers on their wellbeing and the environment. Expanding health and environmental concerns coupled with the demand for organic food, particularly in such nations as the U.S., Germany, and U.K. is anticipated to increase within the coming years. The governments of numerous nations have ordered controls on the utilisation of manufactured

[32] Green Earth Ag and Turf. 'Soluble Seaweed Extract Powder', n.d. https://greenearthagandturf.com/products/organic-fertilizers/granular-fertilizers/soluble-seaweed-extract-powder/.
[33] Doraagri tech. 'The Benefits of Seaweed Fertilizer'. Medium, 10 December 2019. https://biostimulants.medium.com/the-benefits-of-seaweed-fertilizer-8f0449cc6fbb.
[34] Garden Tea Co. 'Soluble Kelp Powder', n.d. https://www.gardenteacompany.com/soluble-kelp-powder/.
[35] Eartheasy Guides & Articles. 'How to Use Seaweed to Mulch Your Garden', n.d. https://learn.eartheasy.com/articles/how-to-use-seaweed-to-mulch-your-garden/.
[36] Hexa Research. 'Global Seaweed Fertilizer Market Size And Forecast, by Form (Powder, Liquid), by Application (Farm, Garden), by Region, and Trend Analysis, 2015 - 2025', 2019. https://www.hexaresearch.com/research-report/seaweed-fertilizer-market.

fertiliser on account of their negative impacts on the environment and human wellbeing. The drift is expected to fuel the request for ocean growth fertilisers as an environmentally friendly substitute for their chemical partners within the future.

3.5.10 Laws and regulations

The Group will be subject to a variety of local, national and international laws, regulations and standards once it initiates commercialisation of its product portfolio and enters the market.

Harvesting of *Laminaria hyperborea* is subject to a variety of laws and regulations. It is Alginor's intention to follow all current and future applicable laws and regulations for harvesting to the best of its ability. However, Alginor cannot be certain that the conduct of its future large-scale harvesting operations does not violate any applicable law or regulation.

3.5.11 Dependency on patents, licenses etc.

3.5.11.1 *Laminaria hyperborea harvesting regulations*

Harvesting of *Laminaria hyperborea* in Norway has been regulated for over 50 years. Currently, a commercial harvesting license granted by the Directorate of Fisheries grants the harvesting vessel in question unlimited access to harvest *Laminaria hyperborea* within the open parcel group and its parcels. The Company was granted its first commercial harvesting license in 2019, registered to the harvesting vessel Hypomar Inceptor.

The Group's business is highly dependent on its ability to source raw material from the Norwegian harvesting fields. The Group holds it unlikely that the current Norwegian harvesting scheme will be subject to material change in the near and long-term future. However, any material change to the harvesting scheme or withdrawal of harvesting licenses would likely have a material adverse effect on the Group's business going forward.

3.5.11.2 *Intellectual property rights*

Patenting is the Company's preferred measure for protecting its innovations and the Company is actively pursuing an aggressive patent strategy. As of the date of this Prospectus, the Company holds granted patents in two separate patent families, with an additional four patent applications in three separate patent families filed and pending. Additionally, the Company has several patent applications in the pipeline which will be filed consecutively.

3.5.11.3 *Freedom to operate*

As far as the Group is aware, the Group has unrestricted freedom to operate its current and planned business operations without relying on any specific patents or licenses to intellectual property rights.

3.6 Significant events and planned investments

3.6.1 Significant events

Significant events for the two years preceding the date of this Prospectus are listed in Table 6 below:

TABLE 6: SIGNIFICANT EVENTS.

Year	Event
2019	Acquired first harvesting vessel – Hypomar Inceptor
2019	Hypomar Inceptor was granted a commercial harvesting license for *Laminaria hyperborea* from the Norwegian Directorate of Fisheries
2019	AORTA bionær project completed with a total cost of NOK 6.2 million
2019	AORTA Marinforsk project completed with a total cost of NOK 9.1 million
2019	Fucomed pre-project completed with a total cost of NOK 0.7 million
2019	The Fucomed project was approved by the Research Council of Norway for a total budget of NOK 23.2 million and a NOK 11.6 million grant. The grant was later increased to NOK 16.2 million
2019	Entered rental agreement for first pilot production facility at Steiningsholmen in Skudeneshavn, Karmøy
2019	Raised a total of NOK 14.4 million in equity from share issuances
2019	Number of shareholders increased from 82 to 144
2019	Interim project report for AORTA 2 approved by the EU
2019	Awarded a NOK 4 million grant in the ALEHOOP consortium project
2019	Alginor's R&D manager Georg Kopplin's research on the effect of fucoidan from *L. hyperborea* on macular degeneration was published in the journal Marine Drugs
2019	Alginor employee Marie Emilie Wekre's research on the extraction and characterisation on polyphenols from seaweed was published in the journal Marine Drugs
2020	CarboNor project was approved by Eurostars (Eureka)/the Research Council of Norway for a total budget of NOK 8.2 million and a NOK 4.1 million grant
2020	Number of shareholders increased from 144 to 231
2020	Norway shut down due to the coronavirus. All staff relegated to their homes
2020	Established offices in Oslo, Norway
2020	Carried through its first pilot run of ASMs at Bio Base Europe Pilot Plant in Ghent, Belgium
2020	Raised a total of NOK 22 million in equity from share issuances
2020	Carried out pilot runs of alginates and cellulose at Borregaard's Biorefinery Demo facility in Sarpsborg, Norway
2020	The DACOTA project was approved for blended finance with a €2.5 million grant and up to €15 million in long-term equity financing under the "Green Deal" call of the EIC Accelerator (Horizon 2020)
2020	Oewa AS acquired new offices over three floors in Kirkegata 169 in Haugesund, Norway and invested NOK 25 million in a new laboratory in the same building
2020	AORTA 2 project completed on 31 December 2020 with a total cost of NOK 32.3 million
2020	Hypomar Havpilot project completed with a total cost of NOK 11.1 million
2020	Grant agreement for DACOTA project signed in concert with the EU
2020	Hypomar AS was granted a NOK 4 million loan (Nw.: *vekstgarantilån*) from DNB guaranteed by Innovation Norway
2021	Entered into an agreement with Jakob Hatteland Bygg AS for the purchase of plot and buildings at Avaldnes, Norway, for a consideration of NOK 29.4 million
2021	The Algefilm project was approved by the Research Council of Norway for a total budget of NOK 18 million and a NOK 12.6 million grant
2021	Entered rental agreement with Steiningsholmen Eiendom AS for a larger facility at Skudeneshavn, Norway
2021	Raised NOK 17 million in a private placement in February at a share price of NOK 175 per share pre share split 1:5 (NOK 35 after split)

2021	Number of shareholders increased from 231 to 299
2021	AORTA 2 final project report, including technical and financial reports, approved by the EU with excellent results
2021	Started dialogue with a major customer regarding supply of high G alginates
2021	Acquired a G-90 TurboRotor mill-dryer with cyclone and bag filters from Görgens Mahltechnik GmbH in Germany
2021	Investment agreement signed by Zirconia AS, the Hatteland Group, the EIC Fund and Borregaard for a total capital raise of up to NOK 497 million over four tranches (A to D)
2021	Tranche A direct issue of 6,605,770 shares at NOK 35 per share towards the Hatteland Group (NOK 25 million), the EIC Fund (NOK 109 million) and Borregaard (NOK 97 million) for a total capital raise of NOK 231 million

3.6.2 Planned investments

This section comprises planned investments for the next two years following the date of this Prospectus.

3.6.2.1 *Planned investments outside the scope of the DACOTA CAPEX programme*

Sections 3.6.2.1.1 – 3.6.2.1.2 below cover investments outside the scope of the DACOTA CAPEX. These investments will be financed through a combination of placement proceeds and bank loans.

3.6.2.1.1 *Pilot kelp reception and food grade alginate facility*

During H2 2021, the Group will move its pilot operation to a new and upgraded facility certified for food production. The Group plans to make investments to buildings, infrastructure and process equipment and establish larger scale production of ASM and food grade alginates. The planned investments are expected to significantly increase the biomass utilisation ratio of the harvested kelp. Harvesting operations and raw material supply to the facility will continue from the Hypomar Inceptor harvesting vessel.

Total CAPEX is estimated at NOK 12.5 million, with NOK 5 million already being invested in equipment.

3.6.2.1.2 *The Ydra facility*

The Group has, through its wholly owned subsidiary Alginor Industrial Estate AS, entered into an agreement with Jakob Hatteland Bygg AS for the purchase of the former Ydra facility at Avaldsnes, Norway, at a price of NOK 29.4 million.

The property has its own dock suitable for off-loading large biomasses in its immediate vicinity, and space for multiple, larger harvesting vessels. The Avaldsnes industrial area is located in close proximity to target harvesting fields that are expected to cover the Company's biomass needs before full-scale industrialisation commences. The property covers a total of 6,500 square metres, whereas the existing facility covers 2,340 square meters over two floors. Production facilities, including sections for testing, servicing, packaging, compressing, flushing and storage, are located on the first floor (1,700 square metres), whereas administration office space and the laboratory are located on the second floor (540 square metres). The two floors are connected by stairs for easy, direct access between the laboratory and production. The property's area at Avaldsnes is regulated for a building density of 80% and up to 20 meters in height.

Ydra is moving its operation to a new facility which is expected to be ready by May 2022 if there are no delays. Ydra will rent the facility from Alginor Industrial Estate AS during this period. The Group expects to be fully operational in the facility during H2 2022.

The facility will be upgraded to comply with food production. The Group will consider an extended use of this facility as it gains ownership control and may develop an extended concept.

3.6.2.2 *Planned investments related to the DACOTA CAPEX programme of NOK 300 million (€30 million)*

Sections 3.6.2.2.1 – 3.6.2.2.4 below cover investments related to the DACOTA CAPEX programme. The CAPEX related to infrastructure, equipment and the harvesting vessel for these investments are estimated at approximately NOK 300 million.

Investment decisions will be taken during and after the completion of the DACOTA project on 30 April 2022. It should be noted that the financing of the total CAPEX budget of NOK 300 million is covered in its entirety by the equity provided through the Investment Agreement. If there is a need to raise CAPEX above the estimated budget, the budget may be complemented by additional applications for grants and/or loans, provided that reasonable credit terms and criterions are met.

3.6.2.2.1 *Kelp reception facility – NOK 15 million*

The Group plans to establish a kelp reception facility and ASM production unit at the Ydra facility with an initial capacity of 10,000 tonnes wet kelp.

The estimated budget is NOK 15 million.

The Group aims to expand this capacity up to the physical maximum of the plant preparing for the total reception of around 100,000 tonnes wet kelp material over time.

3.6.2.2.2 *Pilot biorefinery – NOK 40 million*

Biorefining of kelp requires custom-made equipment and processes, and currently no piloting facility specifically designed for kelp processing exists. Piloting in external facilities has offered good insight into process design and optimisation so far. However, fully test and optimise the Company's methods on a continuous and improved basis, the Company will need its own biorefinery pilot. The Company strongly believes that the establishment of a kelp pilot biorefinery is of high importance as a preparatory and risk mitigating measure for successfully up-scaling its current and future activities. Additionally, Alginor believes that the pilot biorefinery will play a key role in developing new process lines and ingredients and offer continuous insights into optimising current and future process lines for the foreseeable future.

The Group intends to make further investments to the Ydra facility and establish a pilot biorefinery for production of all 12 ingredients at food grade quality. Whereas the cGMP facility will focus mainly on large volumes and pharmaceutical products, the pilot biorefinery will be optimised for the remaining products at food grade. The Ydra facility is at the same industrial area as the planned cGMP facility (within 700 metres of each other), offering additional advantages with respect to internal logistical operations and close cooperation between the pilot biorefinery and the cGMP facility's different personnel.

The estimated budget is NOK 20 million in equipment and NOK 20 million for infrastructural upgrades in the Ydra facility.

3.6.2.2.3 *Hypomar Ocean harvesting vessel – NOK 45 million*

Hypomar Ocean will be constructed as an integrated harvesting and production vessel for separation and pre-treatment of ASMs with a capacity matching the planned volumes in the pilot biorefinery and the cGMP facility within the demonstration phase. The vessel will be constructed to supply given pre-treated starting materials (ASM) prepared onboard for delivery to the production facilities for further processing.

There is a tight link between the planned kelp reception facility in the Ydra facility and the deliverables from Hypomar Ocean serving as two highly integrated operations.

The estimated budget is NOK 45 million.

In order to meet increased production volumes after the initial demonstration phase, the Company will acquire and/or arrange for the construction of one or more Hypomar Ultimo harvesting vessel(s), each with an estimated capacity of approximately 30,000 tonnes wet kelp.

3.6.2.2.4 *Land and building for the planned cGMP facility at Avaldsnes, Norway*

The Group is planning to establish a facility for production of large volumes of pharmaceutical grade alginates and cellulose in accordance with cGMP at Avaldsnes, Norway.

The parties have already identified a suitable plot for the planned facility. Karmsund Havn and certain third parties, possibly including the Company, are likely to finance the construction of the cGMP building facility through establishing a special purpose vehicle having ownership of both land and buildings, whereas the Group will enter into a long-term rental agreement for the property. The Group has already started projecting the building facility through its DACOTA project and is working with Karmsund Havn IKS and Norconsult AS on outlining the building facilities specifications. The Group aims to facilitate the start of the construction process in 2022, with the construction being completed in 2023. Commissioning of the facility is expected to continue throughout the year 2023 and early 2024.

3.6.2.2.5 *Infrastructure and equipment related to the cGMP facility at Avaldsnes, Norway – NOK 160 million*

The Group is in the process of identifying and testing process equipment to be implemented in the cGMP facility with an aim to establish large scale processing lines for pharmaceutical grade alginates and cellulose, timely structured in line with the planned construction of the cGMP building facility. Necessary infrastructure related adjustments will be borne by the Company, notwithstanding a third-party financing arrangement for the building.

The estimated budget for process equipment investments is NOK 110 million.

The estimated budget for infrastructure related investments is NOK 50 million.

3.6.2.2.6 *Operating expenses related to the demonstration phase – NOK 40 million*

The DACOTA project includes expenditure related to a run-in period covering the demonstration of all elements in the project.

The estimated budget for these operations is NOK 40 million.

3.7 Related party transactions

Set out in Table 7 below is an overview of services purchased by the Group/Company from related parties during the two years preceding the date of this Prospectus.

TABLE 7: TRANSACTIONS WITH RELATED PARTIES.

Amounts in NOK ex. VAT	Services	2020	2019
Zirconia AS (Controlled by CEO Thorleif Thormodsen)	Office rent/management services	2,174,000	2,411,000
Innovatech AS (Controlled by former board member Kjetil Rein)	Project engineer	659,415	1,601,805
Heltor AS (Controlled by former CFO Helge Tordahl)	Management/finance	1,913,796	998,539

3.8 Material contracts

See sections 3.5.6.2 and 3.9.11 about the Investment Agreement and breach of representations and warranties.

Other than set out above, neither the Company nor any other member of the Group has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Furthermore, the Group has not entered into any other contract outside the ordinary course of business that contains any provision under which any member of the Group has any obligation or entitlement that is material to the Group as of the date of this Prospectus.

3.9 Risk factors related to the Group and the industry in which it operates

3.9.1 *Overview*

An investment in the Offer Shares involves inherent risk. Before making an investment decision with respect to the Offer Shares, investors should carefully consider the risk factors and all information contained in this Prospectus. The risks and uncertainties described in this section 3.9, and in section 4.13

"Risk factors related to the Offer Shares and the Share Issue" are the principal known risks and uncertainties faced by the Group as of the date hereof that the Group believes are relevant to an investment in the Offer Shares. An investment in the Offer Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described in this section 3.9, and in section 4.13 "Risk factors related to the Offer Shares and the Share Issue", should not be considered prior to making an investment decision in respect of the Offer Shares. If any of the risks described in this Prospectus were to materialise, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flows and/or prospects, which could cause a decline in the value of the Offer Shares, resulting in the loss of all or part of an investment in the same.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operations, cash flows and/or prospects. The risks mentioned herein could materialise individually or cumulatively.

3.9.2 *The Group may not be successful in implementing its strategies in the future*

The Group may not be successful in implementing its strategies in the future. The adopted strategies may not be right for the Group or may not result in fulfilment of the financial goals or other objectives. The Group’s future development and success depends on the strategies being accurate for the Group, that the measures are being efficiently and correctly implemented and that they provide the expected result. If the strategies are not accurate for the Group or are not accurately implemented or implemented within the expected time frames, earnings may not be maintained or grown and savings may not be realised. This may negatively affect the Group’s business, results of operations, financial position, profitability and future prospects.

3.9.3 *Substantial competition could materially affect the Group's financial performance*

The Group is targeting global ingredient markets and will face varying degrees of competition in all of the markets in which it intends to operate. The Group will face competition from major domestic and international ingredient producers specialising in manufacturing of alginates and fucoidans extracted *Laminaria hyperborea* or other types of kelp, that have established positions in the market. The Group considers DuPont (Norway) to be the market leader for alginates in general and the Group's most immediate competitor in the pharmaceutical and food segments. DuPont is one of two companies that focuses on the same raw material as the Group.

Direct competitors are ingredient manufacturing companies that sell the same ingredients and compete for the same customers as the Group. Indirect competitors are companies that operate within the same industry as the Group but who are focusing on different raw materials, products, customers etc., e.g., cellulose from wood pulp and alginates or fucoidans from farmed kelp.

The Group's most notable competitors have strong, strategic positions in the high-end markets, cGMP approved manufacturing processes and supply chain control through autonomous harvesting. If the Group is delayed or unsuccessful in obtaining a cGMP certificate for its manufacturing processes, the Group's revenues and profitability may suffer for certain products in the high-end and mid-end markets.

3.9.4 *The Group's future success depends on its ability to retain key personnel*

The Group is highly dependent on its key personnel. The loss of a key employee may impede the achievement of scientific development and commercial objectives. There is no assurance that the Group will be able to retain key personnel, nor can assurances be given that the Group will be able to recruit new key personnel in the future. Any failure to attract or retain such personnel could result in the Group not being able to successfully implement its business plan, which again could have a material and adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

3.9.5 *The Group depends on the performance of business partners and third-party subcontractors*

The Group may from time to time be depending on business partners and third-party subcontractors to deliver products and perform services timely and in compliance with contractual requirements. If a business partner or a subcontractor is unable to deliver its services according to the negotiated terms for any reason, including the deterioration of its financial condition, the Group may be required to buy the services from another source at a higher price.

Further, a business partner or a subcontractor could cause damage, for which the Group could be held liable by its customer or a third party, with limited right or possibility for the Group to claim recourse from such business partner or subcontractor.

Each of these factors may have a material adverse effect on the Group's business, revenue, profit and financial condition.

3.9.6 *The Group's profitability may be negatively affected if customers were to fail or refuse to pay, or if a customer becomes insolvent or goes bankrupt*

In the event that customers were to fail, refuse to pay or delay payment, or if a customer becomes insolvent or goes bankrupt, or if the Group's customers terminate their contracts with the Group, there is a risk that the Group's business, results of operations and financial position and future prospects could be negatively affected.

3.9.7 *The Group may be subject to litigation or otherwise be involved in disputes that could have a material adverse effect on the Group's business, revenue, profit and financial condition*

The Group may, from time to time, be involved in litigation matters and other disputes. These matters may include, among other things, contract disputes, personal injury claims and governmental claims for taxes or duties as well as other litigation that arises in the ordinary course of business. The ultimate outcome of any litigation matter and the potential costs associated with prosecuting or defending such lawsuits, including the diversion of management's attention to these matters, could have a material adverse effect on the Group's business, revenue, profit and financial condition.

3.9.8 *Damage to the Group's reputation and business relationships may have a material adverse effect beyond any monetary liability*

The Group's business depends on customer goodwill, the Group's reputation and the Group's ability to maintain good relationships with its customers, suppliers and employees. Any circumstances that publicly damage the Group's goodwill, injure the Group's reputation or damage the Group's business relationships may lead to a broader adverse effect on its business and prospects than solely the monetary liability arising directly from the damaging events by way of loss of business, goodwill, customers, and employees.

3.9.9 *The Group is exposed to liquidity risk and any inability to maintain sufficient cash flows could materially disrupt its business operations, harm its reputation and its ability to raise further capital and financing*

The Group monitors its cash flow forecasts to ensure that it has sufficient cash available on demand to meet expected operational expenses. The Group's future liquidity needs depend on a number of factors and is subject to uncertainty with respect to inter alia future earnings and working capital variations. A limited liquidity position may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity, and worst case, force the Group to cease its operations.

3.9.10 *The Group may need additional equity or debt funding in the future in order to execute its strategy or for other purposes, which may not be available on favourable terms, or at all*

The Group may in the future require additional funds in order to execute its business strategy, or for other purposes. Adequate sources of funds may not be available, or available at acceptable terms and conditions, when the Group needs it. If the Group raises additional funds by issuing additional shares or other equity or equity-linked securities, it may result in a dilution of the holdings of existing shareholders. If adequate funds are not available on a timely basis, the Group may need to scale back, sell or eliminate certain of its assets and/or activities, which may have a material adverse effect on the Group's business, revenue, profit and financial condition.

3.9.11 *Breach of representation or warranties in the Investment Agreement may require the Group to pay compensation or issue shares at par value resulting in dilution of the Company's shareholders*

In case of breach of the representations or warranties issued by the Company in the Investment Agreement described in Section 3.5.6.2 above, the Company may be required to compensate the loss incurred by EIC Fund, Borregaard and the Hatteland Group by paying compensation to EIC Fund, Borregaard and the Hatteland Group or, if the Company is not permitted pursuant to applicable law to pay such compensation, by issuing new Shares at a subscription price equalling the nominal value of the Company's Shares, resulting in a dilution of the holdings of the other shareholders in the Company.

3.9.12 *The Group relies on intellectual property, trade secret laws and contractual restrictions to protect its proprietary rights and, if these rights are not sufficiently protected, its ability to compete and generate revenue could suffer*

The Group relies on patent, trademark, copyright and trade secret laws, combined with contractual restrictions and physical measures to protect the Group's trade secrets, proprietary information and other intellectual property rights. The Group's ability to obtain, maintain and protect its intellectual property rights may affect the Group's ability to compete effectively in selected markets.

Patent protection is the Group's preferred method for securing its intellectual property rights and the Group will, when it believes that patent protection is appropriate and obtainable, pursue an aggressive patent strategy. Group is working with Håmsø Patent Agency (Norwegian: Patentbyrå) for innovations and patent protection related to up-stream technologies and processes, whereas the Group is working with Dehns for innovations and patent protection related to down-stream technologies and processes. The Group currently holds one patent in Norway and has several pending

patent applications related to up-stream and down-stream technologies and processes in Norway and in other jurisdictions, which the Group believes may provide a competitive advantage in select markets.

The Group relies on trade secret laws and practices to protect its technology and processes, including limited dissemination and access, confidentiality agreements with employees, consultants, business partners, universities, other public agencies and institutions, and others to protect, and physical security to protect its trade secrets and proprietary information when the Group believes that patent protection is unobtainable or inappropriate. The Group cannot, however, guarantee or give assurances that said protective measures will satisfactorily prevent the unauthorised disclosure or use of proprietary information or provide adequate remedies in the event of infringement, misappropriation or other violations of the Group's proprietary information and other intellectual property rights. The Group's trade secrets, and proprietary technology and processes may also become known or be independently developed by its competitors.

Misappropriation of the Group's intellectual property rights could enable the Group's competitors to benefit from its proprietary rights without payment and any inability to adequately protect the Group's proprietary rights could harm the Group's ability to compete effectively, to generate revenue and to grow its business.

The Group may, from time to time, seek to enforce its intellectual property and proprietary rights against third parties, which can be difficult and expensive. Intellectual property rights do not guarantee success in any attempts to enforce said rights against third parties, and any such litigation may result in substantial reallocation of resources and, if decided unfavourably against it, could have a material adverse effect on the Group's business and financial results.

3.9.13 *Third parties may claim that the Group's products or processes infringe their intellectual property rights*

The Group continuously monitors and carefully evaluates its conduct with respect to third party intellectual property rights, insofar it is possible. The Group has no intention of infringing, misappropriating, or otherwise violating the intellectual property rights of third parties. The Group cannot, however, be certain that its conduct, products or processes do not infringe or otherwise violate such rights. The Group may, from time to time, become the subject of legal proceedings, including allegations and claims of alleged infringement or misappropriation of patents and other intellectual property rights. When the Group launches its commercialisation phase and enters highly competitive markets, such claims may be filed against the Group and the number of such claims may grow as the Group expands its business.

Legal proceedings involving intellectual property rights are highly uncertain, regardless of a claim's merit, and may involve complex legal and scientific questions. Said proceedings can be expensive to litigate or settle, require substantial reallocation of resources, and be highly time consuming. Failure to prevail in such matters could lead to the enforcement judgments awarding substantial damages and injunctive or other equitable relief against the Group. If the Group were to be held liable or discover or be notified that its products, technologies or processes potentially infringe or otherwise violate the intellectual property rights of third parties, the Group may face loss of reputation, inability to exploit some or all of such intellectual property rights and technology and may need to obtain licenses from third parties or substantially re-engineer its products, technologies or processes to avoid infringement. Obtaining necessary licenses on commercially favourable terms may not be possible, or at all, and re-engineering the Group's products, technologies or processes may prove unsuccessful or such efforts may cause delays or require the Group to stop selling and marketing of certain products.

Any of the abovementioned could cause the Group to incur significant costs or prevent it from selling its products, which in turn could have a material adverse effect on the Group's business, reputation, results of operations, financial condition and prospects.

3.9.14 *Biorefining of kelp is a new venture subject to inherent risks and the Group's management may be required to make complex judgments regarding deliveries of custom-made equipment that may not be suitable or perform as anticipated*

While biorefining is an established method in the oil and wood industry, among others, it is a novel venture in the kelp ingredient industry. The Group can to some extent emulate and seek guidance in these industries when establishing its biorefinery, but it ultimately falls on the Group and its management to assess, decide and carry out the venture, and the Group and its managements assessments and decisions are expected to be highly complex and may not prove to be right. The Group expects that a significant portion of its factory and process equipment needs to be custom-made and specifically designed for biorefining of kelp, which may increase technical complexity, risk of failure, lower performance and/or functionality than anticipated and required, and delivery times. If technical difficulties and risks related to equipment, process, manufacturing designs, performance, functionality and upscaling materialise it may have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

3.9.15 *The Group's core technologies are new and may not be as applicable as anticipated or perform as expected on an industrial scale, which may lead to delay or suspension of the Group's operational activities*

The Group's core technologies have been tested through small-scale in-house and external piloting, and the Group's most important products have gone through larger scale piloting at external facilities. While these piloting runs have indicated that the Group's core technologies are industrially scalable, the Group may face significant challenges related to upscaling in the future due to errors, flaws or failures in, inter alia, equipment, designs, manufacturing processes and technology. Ultimately the Group's technologies may need to be re-engineered causing delay or suspension of the Group's operational activities, which may have a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

3.9.16 *The Group may be delayed or unsuccessful in obtaining necessary regulatory approval from international, national, or local authorities for some or all of its manufacturing processes, which may negatively affect the Group's business, revenue, profit and financial condition.*

The Group's manufacturing processes for API's (active pharmaceutical ingredients) and pharmaceuticals requires cGMP (current Good Manufacturing Process) approval and certification according to the European Directorate for the Quality of Medicines. Additionally, the production of pharmaceutical ingredients requires a CEP approval (Certificate of Suitability) from the European Directorate for the Quality of Medicines. The Group is targeting cGMP and CEP approval for its alginate, fucoidan, cellulose and mannitol processing lines. While the Group is doing everything within its power to obtain the necessary approvals, the decision ultimately rests with the issuing authorities and no assurances can be given that the Group will obtain them.

The Group's manufacturing processes for food products and products sold under the regulations for human consumption requires authorisation from the Norwegian Food Authority. While the Group is doing everything within its power to obtain food grade approval, the decision ultimately rests with the issuing authorities and no assurances can be given that the Group will obtain it.

Some of the Group's manufacturing processes and products require feed approval from the Norwegian Food Authority. If the Group is unsuccessful in obtaining approval, it cannot ensure total utilisation of the raw material biomass, which may negatively affect the Group's reputation.

If the Group is delayed or unsuccessful in obtaining some or all of the abovementioned approvals, the Group's business, revenue, profit and financial condition may be materially adversely affected.

3.9.17 *The Group's investments in specialised research and development may not be successful*

The Group invests significant amounts in product specialisation and long-term research and development activities mainly through its R&D projects. Developing new, higher-value products takes time and are subject to inherent risks and may prove to be more difficult to commercialise than anticipated, if at all. The Group seeks to work closely with its customers to ensure desired product quality and functionality, but this offers no guarantees that the Group's research and development efforts will prove technically and/or commercially successful or viable.

The Group has and will continue to focus its research and development projects on technologies, processes and applications that it believes to have commercial value. Commercial success may to some extent depend on the technical and commercial success of third parties that seeks to use the Group's products in their products and researching and developing new applications are generally associated with a high degree of failure, which may negatively affect the Group's anticipated application value and price of new or improved products.

3.9.18 *Harvesting of Laminaria hyperborea may not be free in the future*

There is a political risk that Norwegian authorities in the future decides to impose taxes or fees for harvesting of *Laminaria hyperborea* leading to an increase in the Group's operating costs, which may negatively affect the Group's business, profitability, financial position and future prospects.

3.9.19 *Effects related to climate change and changes in biodiversity may negatively impact the* Laminaria hyperborea *biomass, and limit, hinder, or eliminate the Group's ability to source its target raw material*

The Group is currently not aware of any specific biomass related risk linked to the effects of climate change. Future effects on the biomass caused by climate change and its consequences for the Group's business are, however, difficult or impossible to identify and quantify. Biological changes to the composition and/or content of the raw material may have undesirable effects on the Group's business and limit the commercial viability and profitability of the Group's future ingredients, and ultimately force the Group to consider manufacturing its ingredients based on a less desirable source of raw material, to the extent possible.

The biomass may, from time to time, be naturally exposed to e.g., grazing from sea urchins or bacteria, which may reduce or eliminate, temporarily or long-term, the biomass' prevalence in certain areas. Grazing of kelp is a common issue in numerous places in the world. Sea urchin grazing of kelp forests in Norway has been ongoing in Midt-Norge and Nord-Norge for 25-30 years. During the 1990s the sea urchin populations were reduced along the coast of Nord-Møre and Trøndelag, but not further north where they continue to have a presence. If the presence of sea urchins or other organisms grazing on the biomass becomes significant in the harvest areas and cause limitations on the availability of the biomass, either directly or through government regulations, the reduced access to raw material may have a negative adverse effect on the Group's business, financial condition, profitability and future prospects.

3.9.20 *Policies, procedures and systems to safeguard employee health, safety and security may not be adequate, now or in the future*

The Group does not intend to use process chemicals such as formaldehyde during harvesting or processing. Production will, however, involve other chemicals that may be dangerous. To mitigate risks related to employee health, safety and security, the Group will adopt detailed and specialised policies, procedures and systems for safeguarding its employees. It is the Group's intent and ambition to follow best practices for employee health, safety and security. The Group cannot, however, guarantee that these policies, procedures and systems provides adequate protection, or that employees or contractors receive adequate training or instructions, which could lead to severe consequences including serious injury or loss of life, which could impair the Group's operations and cause it to incur significant legal liability and damage the Group's reputation severely.

3.9.21 *The Group will be subject to a variety of potential ingredient liability risks in the future*

The manufacturing and sale of the Group's products involves inherent risk with respect to product liability claims and associated negative publicity. As a result, the Group may, from time to time, be involved in or named directly in product liability suits relating to the products it produces or the products that are produced using the Group's products. Such claims could be raised by various parties, inter alia, the Group's direct customers, other companies who purchased products from the Group's direct customers or by the end users of products produced with the Group's products.

Certain products, in particular products for the pharmaceutical, cosmetics and foods industry are required to meet certain market standards and specifications set by international, national or local regulatory bodies such as the World Health Organisation, the European Union and the Norwegian Food Authority. Although the Group does not use any harmful chemicals in its manufacturing processes, there is still a risk that products sold by the Group may not always adhere to the required standard or specification for a variety of reasons, including contamination of products in storage or during transit and handling, operator or customer error, customer adulteration of products or impurities with unknown impact that such products may contain.

Poor quality, defect and/or contaminated products may damage the Group's customers' end products, fail to meet quality or performance specifications, or result in injury or loss of life, any of which may subject the Group to litigation and significant compensation claims, fines and penalties. The above mentioned may also damage the Group's brand and reputation, resulting in negative customer perceptions and reduced product demand. Any increase in costs or decline in sales due to such incidents could have a material adverse effect on the Group's business, results of operations, financial conditions and future prospects.

3.9.22 *The price of the Group's products may fluctuate*

The Group's future financial performance and prospects are dependent on the price of the life science ingredients and/or products, which is subject to fluctuations.

3.9.23 *The Group may be exposed to activism*

Certain environmental organisations aim to eradicate the current industry's practices related to trawling for kelp. Such activities may extend to harvesting of kelp in general, and although the Norwegian practices for trawling for *Laminaria Hyperborea* is well established and has been thoroughly regulated for a longer period, the public opinion and view on kelp harvesting may change and influence public policies and regulations in the future, affecting the Group's prospects for acquiring necessary feedstock for its production processes.

3.9.24 *The Group may not acquire necessary rights to appropriate locations, buildings and infrastructure*

The Group's long-term strategy of reaching a processing capacity based on 100,000 tonnes wet kelp relies on establishing necessary facilities and infrastructure subject to agreements with third parties. Failure to agree and/or establish such agreements on economically favourable terms, or, in such event, failure to identify and execute suitable alternatives, may negatively impact the Group's strategic goals, development, revenue generation and future prospects.

3.9.25 *Insurance risk*

The Group may not be able to maintain adequate insurance in the future at rates considered reasonable or be able to obtain insurance against all relevant risks. The Group's insurance coverage is subject to certain significant deductibles and levels of self-insurance and does not cover all types of losses. The Group may experience increased costs related to insurance. Insurance coverage for the Group's operations may not be available on economically favourable terms and may not be able to insure certain activities at desirable levels. If insurance coverage is limited and/or limits increased, or the insurance market becomes more restricted, the Group's business and financial condition and results of operations could be adversely affected.

3.9.26 *Market risk, currency risk and interest risk*

The Group is and will in the future, to varying degrees, be exposed to fluctuations in interest rates and foreign currency exchange rates. The Group's cash balance is held in Norwegian *kroner* (NOK).

3.9.27 *Risks related to current and future financing needs*

The Group may not be able to obtain necessary financing to fund future growth and capital expenditures on acceptable terms, or at all, which may adversely impact the future prospects and profitability of the Group.

3.9.28 *Dependence on suppliers for components in plant construction and shipbuilding*

The Group will be dependent on third-party service providers for services related to both design, engineering and building of a production plant and harvesting vessels, in addition to production of components and process materials and equipment. Any disruptions or delays in the supply of such services and materials could negatively impact the progress of the projects and the Group's strategic plans.

3.9.29 *Risks related to ongoing and future epidemics and/or pandemics (e.g., Covid-19)*

Future epidemics and/or pandemics may, directly or indirectly and through their aftereffects, have a negative impact on the Group's business, financial condition, profitability and future prospects. Currently, the Group does not have any insurance in place to cover such scenarios and the Group does not intend to acquire such insurance at the time being.

Covid-19 has limited direct effects on the Group as of today. Indirect consequences may occur if e.g., equipment suppliers, subcontractors, business partners and infrastructure are affected. The Group may be exposed to a larger extent once it reaches a commercial ready state in the next years, provided that Covid-19 or its aftereffects continue to impact the world economy. Such effects are, however, impossible to quantify for the time being. The Group will continue to closely monitor the situation in 2021.

4 INFORMATION ON THE SHARE ISSUE AND THE OFFER SHARES

4.1 Background for the Share Issue

On 6 August 2021, the Company's extraordinary general meeting resolved to conduct the Share Issue. The Share Issue constitutes tranche B in the Transaction governed by the Investment Agreement outlined in section 3.5.6.2 above.

The gross proceeds from the sale of the Offer Shares in the Share Issue will be up to NOK 70,000,000. Assuming full subscription of the Share Issue, net proceeds are expected to be approximately 69,000,000 based on estimated total transaction costs of approximately NOK 1,000,000 related to the Share Issue. The main objectives of the Share Issue are to further strengthen the Company's capital base, offer Shares to existing shareholders who were not offered Shares pursuant to the investment agreement at an equal price per Share, and to increase the spread of shareholders in the Company.

The net proceeds will used for the following:

- finance the equity part of the CAPEX related to upgrading the pilot at Skudeneshavn, Norway with reference to section 3.6.2.1.1
- finance the equity part of the CAPEX related to the takeover, upgrade and expansion of the Ydra facility at Avaldsnes, Norway, with reference to section 3.6.2.1.2

4.2 Terms for the Share Issue

4.2.1 *Overview*

The Share Issue consists of up to 2,000,000 Offer Shares at an Offer Price at NOK 35 per Offer Share, directed towards Eligible Applicants.

The subscriptions for Offer Shares are made on the terms set out in this Prospectus and the Application Form (as defined in Section 4.11 below).

4.2.2 *Timetable for the Share Issue*

Below is an overview of the expected timetable in connection with the Share Issue:

Timetable for the Share Issue	
Cut-off Date	27 July 2021
Application Period commences	16 September 2021
Application Period ends	7 October 2021 at 23:59 (CEST)
Allocation of Offer Shares	Expected on or about 8 October 2021
Distribution of allocation letters	Expected on or about 11 October 2021
Payment date	Expected on or about 15 October 2021
Registration of the share capital increase in the Norwegian Register of Business Enterprises	Expected on or about 27 October 2021
Delivery date for the Offer Shares	Expected on or about 29 October 2021

Certain of the dates and times referred to above are indicative and may be subject to change (see section 4.11 below).

4.2.3 *VPS registration*

In participating in the Share Issue, each applicant must have a VPS account. VPS accounts can be established with authorized VPS registrars, which can be Norwegian banks, authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. Establishment of a VPS account requires verification of identity at the VPS registrar, in accordance with the Norwegian Act of 1 June 2018 no. 23 on Measures to Combat Money Laundering and the Financing of Terrorism and adherent regulation of 14 September 2018 no. 1324.

4.3 Number and type of securities offered

Up to 2,000,000 Offer Shares will be issued based on the received applications by the Company during the Application Period. The Offer Shares are ordinary shares in the Company and will be registered in the VPS in book-entry form.

4.4 Rights attached to the Offer Shares

The Offer Shares will be ordinary Shares in the Company, each having a par value of NOK 1. The rights attached to the Offer Shares will be the same as those attached to the Company`s existing Shares, and the Offer Shares will rank pari passu with existing Shares in all respects from such time as the share capital increase in connection with the Share Issue is registered with the Norwegian Register of Business Enterprises.

The holders of the Offer Shares will have a right to dividend from the time the share capital increase is registered in the Norwegian Register of Business Enterprises.

The Company's Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Company. Share transfers are not subject to approval by the Board of Directors.

4.5 ISIN

The Offer Shares will be registered under the same ISIN as the Company's other Shares (i.e. ISIN NO0010756042).

4.6 Offer Price

The Offer Price per Offer Share in the Share Issue is NOK 35, which is equal to the subscription price in Tranche A in the private placement resolved at the Company's general meeting held on 6 August 2021.

4.7 Proceeds and costs related to the Share Issue

The Share Issue consists of an offer by the Company to issue up to 2,000,000 Offer Shares at an Offer Price of NOK 35, thereby raising gross proceeds of up to NOK 70,000,000, with expected net proceeds of approximately NOK 69,000,000 based on estimated total transaction costs of approximately NOK 1,000,000 related to the Share Issue.

4.8 Proceeds and costs related to the Share Issue

Estimated total transaction costs and all other directly attributable costs in connection with the Share Issue is approximately NOK 1,000,000.

No expenses will be charged by the Company to the investors in the Share Issue.

TABLE 8: COSTS RELATED TO THE SHARE ISSUE.

Description	Amount
Lawyer & consultant fees	NOK 600,000
Advertisements & other costs	NOK 400,000
Total costs	NOK 1,000,000

4.9 Applicants and allocation of the Offer Shares

4.9.1 *Applicants in the Share Issue*

Offer Shares are directed towards Eligible Applicants, being (i) the Company's shareholders as at 23 July 2021 (as registered in the VPS on the Cut-off Date) and which are not a party to the Investment Agreement (as defined below) or an affiliate to such party (as defined in the Investment Agreement) and (ii) other investors (so that the parties to the Investment Agreement and their affiliates as defined in the Investment Agreement cannot subscribe for Offer Shares), who are not resident in a jurisdiction where such offering would be prohibited, or otherwise restricted by the legislation of the country in question, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action.

The minimum application for each investor is 300 Offer Shares, which is equal to a minimum application amount of NOK 10,500. There is no maximum application amount.

This Prospectus does not constitute an offer of, or an invitation to purchase, the offer Shares in any jurisdiction where such offer or sale would be unlawful.

4.9.2 *Allocation*

Allocation of the Offer Shares will take place on or about 8 October 2021. Allocation of the Offer Shares will be made at the sole discretion of the Company's Board of Directors in accordance with the resolution made by the Company's extraordinary general meeting held on 6 August 2021, and will be based on the following prioritized criteria:

(1) Shareholders in the Company as of 23 July 2021 (as registered in VPS on the Cut-off Date) and which are not a party to the Investment Agreement or an affiliate to such party as defined in the Investment Agreement.

(2) In the event of oversubscription, Offer Shares shall be distributed based on the subscribers' proportionate share of shares in the Company at the time of the Cut-off Date.

(3) Shares that are not subscribed for by existing shareholders in the Company can be subscribed for by other investors, however, so that the parties to the Investment Agreement and their affiliates as defined in the Investment Agreement cannot subscribe for shares.

If Tranche B is not fully subscribed within the Application Period, the board may use the authorization adopted by the annual general meeting 9 June 2021 to resolve issuance of additional Shares on the terms and within the limits that are set for Tranche B.

Application Forms must be validly submitted during the Application Period in order to be eligible for allocation.

The Board of Directors reserves the right to reduce or cancel any application for Offer Shares. Allocation of fewer Offer Shares than applied for by an applicant will not impact on the applicant's obligation to pay for the number of Offer Shares allocated.

Information of conditional allocation and payment instructions will be sent on or about 11 October 2021 by way of a notification to be issued by the Company.

4.10 Resolution relating to the Share Issue

On 6 August 2021, the Company's extraordinary general meeting resolved to conduct the Share Issue. The Board of Directors will, at the sole discretion, allocate the Offer Shares.

4.11 Application Period

The Application Period will take place from 16 September 2021 and expires on 7 October 2021 at 23:59 (CEST).

Applications for Offer Shares shall be made by correctly completing and signing an application form (the "**Application Form**"), attached hereto as Appendix C, and delivering the same to the Company within the Application Period at the following address or e-mail:

Alginor ASA

Haraldsgata 162

NO-5525 Haugesund, Norway

P.O. Box 194, NO-5501 Haugesund, Norway

Tel: +47 52 70 73 10

Email: investor@alginor.no

The applicant is responsible for the correctness of the information contained in the Application Form. Application Forms received after the end of the Application Period and/or incomplete or incorrectly completed Application Forms may be disregarded at the sole discretion of the Company. The Company shall not be held responsible for unavailable internet lines or servers or other logistical or technical problems that may result in applications not being received in time or at all by the Company. Applications for Offer Shares are binding once received by the Company and cannot be changed or withdrawn.

Multiple applications (i.e., applications on more than one Application Form) are allowed. Please note, however, that each separate Application Form submitted by the same applicant with the same number of Offer Shares applied for on both Application Forms will only be counted once, unless otherwise explicitly stated in one of the Application Forms.

4.12 No manager and/or settlement agent

The Company will not be using a manager or a settlement agent in the Share Issue. All share issues during the Company's lifetime have been executed and completed by the Company alone.

4.13 Conditions for completion of the Share Issue

Completion of the Share Issue is subject to (i) the Company's Board of Directors decision on the allocation of the Offer Shares, (ii) duly payment of the allocated Offer Shares by the applicants, (iii) registration of the share capital increase in the Company pertaining to the Share Issue with the Norwegian Register of Business Enterprises, and (iv) delivery of the Offer Shares in the VPS.

4.14 Payment and delivery of the Offer Shares

4.14.1 *Payment for the Offer Shares*

The total application amount (i.e., the allocated Offer Shares multiplied with the Offer Price) in the Share Issue, shall be paid by the applicant on the date set forth in the allocation letter issued by the Company. The payment of the Offer Shares allocated to an applicant is expected to fall due on or about 15 October 2021 (the "**Payment Date**"). Further settlement details will be included in the notification of allocation.

Delivery of the Offer Shares to investors being allocated Offer Shares in the Share Issue is expected to take place on or about 29 October 2021 and subject to due payment for allocated Offer Shares having been received from investors and registration of the share capital increase pertaining to the Share Issue with the Norwegian Register of Business Enterprises.

4.14.2 *Overdue payments*

Should payment be delayed for any reason, interest will accrue on the amount due at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments, which at the date of this Prospectus is 8.00% per annum. If the applicant fails to comply with the terms of payment, the Offer Shares will not be delivered to the applicant. The Company reserves the right to, at the expense and risk of the applicant, cancel the allocation and to reallocate or otherwise dispose of all or parts of the allocated Offer Shares on such terms and in such manner as the Company may decide in accordance with applicable Norwegian law and otherwise based on the Company's discretion, without further notice to the applicant in question in accordance with section 10-12, fourth paragraph of the Norwegian Public Limited Liability Companies Act if payment has not been received within the third day after the Payment Date. The Company may enforce payment of any amounts outstanding in accordance with applicable law.

4.15 Risk factors related to the Offer Shares and the Share Issue

4.15.1 *Overview*

An investment in the Offer Shares involves inherent risk. Before making an investment decision with respect to the Offer Shares, investors should carefully consider the risk factors and all information contained in this Prospectus. The risks and uncertainties described in this section 4.13, and in section 3.9 "Risk factors related to Group and the industry in which it operates", are the principal known risks and uncertainties faced by the Group as of the date hereof that the

Group believes are relevant to an investment in the Offer Shares. An investment in the Offer Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described in this section 4.13, and in section 3.9 "Risk factors related to the Group and the industry in which it operates", should not be considered prior to making an investment decision in respect of the Offer Shares. If any of the risks described in this Prospectus were to materialise, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flows and/or prospects, which could cause a decline in the value of the Offer Shares, resulting in the loss of all or part of an investment in the same.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operations, cash flows and/or prospects. The risks mentioned herein could materialise individually or cumulatively.

4.15.2 *There is currently no market for trading in the Company's Shares.*

There is currently no market for trading in the Company's Shares. Hence, among other things, the Company will not be subject to the regulations that apply to publicly traded shares, such as requirements regarding disclosure of material information about the Company's business. Further, the fact that the Shares are not subject to trading on a market may result in the Offer Shares being more difficult to sell as compared to shares that are already tradeable on a market.

4.15.3 *As part of preparations for a potential listing of the Company's Shares, existing shareholders may be diluted*

The Company intends to list its Shares on either Euronext Growth (formerly known as Merkur Market), Euronext Expand or Oslo Børs. As part of the listing preparations, and in order to meet the requirements for listing on Euronext Expand or Oslo Børs, the Company may in the future decide to issue new shares, which may in turn lead to dilution of the holdings of existing shareholders in the Company.

4.15.4 *Pre-emptive rights to secure and pay for Shares in additional issuance could be unavailable to U.S. or other shareholders.*

Under Norwegian law, unless otherwise resolved at the Company's general meeting of shareholders, existing shareholders have pre-emptive rights to participate on the basis of their existing ownership of Shares in the issuance of any new Shares for cash consideration. Shareholders in the United States, however, could be unable to exercise any such rights to subscribe for new Shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and Shares or an exemption from the registration requirements under the U.S. Securities Act is available. Shareholders in other jurisdictions outside Norway could be similarly affected if the rights and the new Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals under the laws of any other jurisdiction outside Norway in respect of any such rights and Shares, and doing so in the future could be impractical and costly. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new Shares, their proportional interests in the Company will be diluted.

4.15.5 *Investors could be unable to recover losses in civil proceedings in jurisdictions other than Norway.*

The Company is a public limited liability company organised under the laws of Norway. All of the members of the Company's Board of Directors and the senior management of the group reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Company in other jurisdictions.

4.15.6 *Norwegian law could limit shareholders' ability to bring an action against the Company.*

The rights of holders of the Shares are governed by Norwegian law and by the Articles of Association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under

which shareholders of Norwegian companies may bring derivative actions. For example, under Norwegian law, any action brought by the Company in respect of wrongful acts committed against the Company will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it could be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

4.15.7 *The Company's ability to pay dividends is dependent on the availability of distributable reserves and the Company may be unable or unwilling to pay any dividends in the future.*

Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the General Meeting. Dividends may only be declared to the extent that the Company has distributable funds and the Company's Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. As a general rule, the General Meeting may not declare higher dividends than the Board of Directors has proposed or approved. If, for any reason, the General Meeting does not declare dividends in accordance with the above, a shareholder will, as a general rule, have no claim in respect of such non-payment, and the Company will, as a general rule, have no obligation to pay any dividend in respect of the relevant period.

4.16 Underwriting

The Share Issue is not underwritten.

4.17 Governing law and legal venue

The Prospectus and the Share Issue are subject to Norwegian Law. Any dispute arising in respect of or in connection with this Prospectus or the Share Issue is subject to the exclusive jurisdiction of the Norwegian courts with Haugaland District Court as legal venue in the first instance.

APPENDIX A:

ARTICLES OF ASSOCIATION OF ALGINOR ASA

(Office translation)

Articles of Association Alginor ASA

Haugesund, 6 August 2021

§ 1.

The company's legal name is Alginor ASA.

§ 2.

The has its registered offices in the municipality of Haugesund.

§ 3.

The company's business is biorefining and production of ingredients, formulas and finished products, capture and harvesting, trade, marketing and distribution, innovation, R&D related to macroalgae and other biomarine raw materials by its own operations and investments or through cooperation.

§ 4.

The company's share capital is NOK 12,463,185 divided on 12,463,185 shares.

§ 5.

The share nominal value is NOK 1.00.

§ 6.

The company's Board of Directors shall have a minimum of 3 and a maximum of 7 members, with the addition of any members elected by and among the employees.

§ 7.

The company's shares shall be registered in Verdipapirsentralen (a Norwegian securities service)

§ 8.

The following matters shall be dealt with and resolved at the company's ordinary general assembly: Approval of the annual accounts and annual report, including the distribution of dividends. Other matters which according to Norwegian law or the articles of association shall be decided by the general assembly.

§ 9.

The company shall have a nomination committee, with up to four members to be elected by the general meeting.

The nomination committee shall propose to the general meeting election of board members to replace board members that resigns and in cases requested by the majority of the shareholders.

§ 10.

When documents relating to matters to be dealt with at the general meeting are made available for the shareholders on the company's website, the requirement to send the documents to shareholders stipulated by law does not apply. This also applies for any documents that pursuant to law shall be included in or attached to the notice of the general meeting. A shareholder may demand to have the documents sent to it.

Vedtekter for Alginor ASA

Haugesund, 6. august 2021

§ 1.

Selskapets foretaksnavn er Alginor ASA.

§ 2.

Selskapet har sitt forretningskontor i Haugesund kommune.

§ 3.

Selskapets virksomhet er bioraffinering og produksjon av ingredienser, formuleringer og ferdigprodukter, fangst og høsting, handel, markedsføring og distribusjon, innovasjon, forskning og utvikling relatert til makroalger og andre biomarine råvarer ved egen drift og investering eller gjennom samarbeid.

§ 4.

Selskapets aksjekapital er NOK 12.463.185 fordelt på 12.463.185 aksjer.

§ 5.

Aksjens pålydende er på kroner 1,00.

§ 6.

Selskapets styre skal ha minimum 3, maksimum 7 medlemmer, med tillegg av eventuelle medlemmer valgt av og blant de ansatte.

§ 7.

Selskapets aksjer skal være registrert i Verdipapirsentralen.

§ 8.

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres: Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte. Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 9.

Selskapet skal ha en valgkomité, med inntil fire medlemmer som velges av generalforsamlingen.

Valgkomiteen fremmer forslag til generalforsamlingen om valg av styremedlemmer til erstatning for styremedlemmer som fratrer, samt i tilfeller der flertallet av selskapets aksjonærer anmoder om dette.

§ 10.

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke lovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen. En aksjeeier kan likevel kreve å få tilsendt slike dokumenter.

APPENDIX B:

FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

ALGINOR ASA
FINANCIAL STATEMENTS
2020

REPORT OF THE BOARD OF DIRECTORS

1. OVERVIEW

Alginor seeks to establish a large-scale biorefinery for processing of the macroalga, *Laminaria hyperborea*. The Group's long-term goal is to become a leading global supplier of 12 sustainable life science ingredients to consumer manufacturing companies spread over seven market segments, including among others, pharmaceuticals, cosmetics, and nutraceuticals. The Group is developing harvesting and biorefining methods that facilitate for high value creation through total utilisation of the kelp biomass downstream, with increased substance yields and ingredient performance without using formaldehyde or any other pollutive chemical agent. The Group's value chain is fully integrated, transparent, and traceable from harvesting to finished ingredient and business-to-business sale.

Alginor's headquarter is located in Haugesund, Norway, whereas the Group's piloting facility is located in Skudeneshavn, Norway. Investor relations, legal and financing are operated from Oslo, Norway.

2. HIGHLIGHTS 2020

Alginor's AORTA 2 project concluded on 31 December 2020. AORTA 2 was the Group's first major project with the European Union and its completion marked a significant milestone for the Group. AORTA 2 lays the foundation for upscaling of the Group's technologies, AORTA (biorefining) and Hypomar (harvesting), and the commercialisation of the Group's product portfolio. During AORTA 2, Alginor implemented complete technology verification through in-house and external small- and large-scale piloting of its 12-product portfolio. The project cost over NOK 33 million, whereof 70 % was given as a grant, and through more than 23,000 man-hours 21 deliverables over a project period of 28 months were completed, including substantial plans for data management, IPR strategy, commercialisation and dissemination, a financial model of the Company's Base Case Scenario and Process Flow Charts for the complete technology.

In 2020, Alginor ASA's DACOTA proposal was awarded so-called "blended finance" of up to €17.5 million under the European Innovation Council's "Green Deal" call, part of the Horizon 2020 programme framework. The DACOTA project is a continuation of the AORTA 2 project.

DACOTA is divided into two partly overlapping financing phases, grant and equity. The grant phase runs from 1 November 2020 to 30 April 2022 with an estimated budget of €3.5 million, whereof 70 % is covered by the grant. Its main objective is to create complete designs for engineering and construction of a new harvesting vessel, a kelp reception facility, a biorefinery and a cGMP (current Good Manufacturing Practice) Flagship Demonstrator. The Group's target capacity after completing these investments is 10,000 tonnes wet kelp. The findings from the grant phase will form the basis for CAPEX investment decisions which will be partly financed by the equity component. The Group expects to enter the demonstration phase in H2 2023, after completion of the abovementioned investments. The objective of the demonstration phase is to validate and optimise the Group's core technologies in a relevant, upscaled environment, before executing an investment decision regarding a full-scale biorefinery with a target capacity of 100,000 tonnes wet kelp.

The Group's development budget for the period 2014–2023 is NOK 149 million, and the majority of the Group's development efforts are financed through public grants. For the period 2014–2020, the Group has received NOK 98.56 million in grant financing, whereas NOK 50.44 million remains for the period 2021–2023. In 2020, the Group launched two major industrial development projects in addition to the DACOTA project:

The **Fucomed** project is an industrial development project exploring fucoidan's potential in bio-medical applications in collaboration with the University of Bergen, the University of Oslo and KTH Royal Institute of Technology in Stockholm. The main objective of the project is upscaling the extraction process for fucoidan from lab-scale to industrial scale for the production of pharmaceutical and medical applications and devices. Fucomed's budget is NOK 23.2 million. NOK 16.24 million is funded through a grant from the Research Council of Norway. NOK 2.1 million has incurred as of 31 December 2020. The project is expected to be completed during 2023.

The **CarboNor** project focuses on converting carbohydrate polymers into high-value biotech products such as alginates, oligosaccharides, cellulose, and bioplastic, in collaboration with KTH Royal Institute of Technology in Stockholm. The main objective of the project is to document and validate that the parties' technologies are combinable and industrially scalable for production of the aforementioned products for pharmaceutical and medical applications and devices. CarboNor has a total budget of €1.1 million, whereas the Company's budget is €800 thousand. €400 thousand is funded through a grant (formally awarded by Eurostars) from the Research Council of Norway. NOK 960 thousand has incurred as of 31 December 2020. The project is expected to be completed in 2022.

During 2020, the Group invested NOK 26.3 million in facilities, infrastructure, and equipment to further upgrade its laboratory and its ASM Pilot in Skudeneshavn, and acquired new office space for the majority of the Group's personnel, including the R&D department, EPC (Engineering, Procurement, Construction) department, project management and administration, through its wholly owned subsidiary, Oewa AS. This will constitute Alginor's Deep Tech Centre in Haugesund.

The laboratory played a crucial role in the AORTA 2 project and allowed the Group to keep results in-house. The laboratory is essential for experimental development and for performing advanced product analyses, including high precision measurements of e.g., compound identification, compound molecular composition and weight, and ensuring quality control.

The laboratory is currently equipped with an experimental development processing line for alginates, fucoidan, cellulose and borea powder. Equipment include HPLC (High-Performance Liquid Chromatography), SEC-MALS (Size Exclusion Chromatography with Multi-Angle Light Scattering), FT-IR (Fourier-Transform-Infrared) and Raman spectroscopy. NMR spectroscopy analyses are performed at the Universty of Bergen. The laboratory will be crucial for performing quality control during the demonstration phase.

Alginor is closely monitoring developments related to the coronavirus. Contingency measures have been implemented to counteract potential consequences for the Company and to ensure employees' health and safety. Additional measures are considered on a continuous basis. The coronavirus' impact on the Group's primary activities and the operational side of the business as a whole has been very limited due to low and stable infection rates in Haugesund and the surrounding area where the Group is headquartered. This has allowed the Group's employees to carry out their work close to normal in line with national and local guidelines and requirements. No Group staff was laid off due to the pandemic.

By postponing planned share capital increases and monitoring the market carefully, the pandemic had minimal or no effect on the Group's share capital financing performance other than causing delays from the initial schedule.

The outbreak of the coronavirus lead to an increase in aid intensity from 50 % to 70 % for the Fucomed project.

3. FINANCIAL INFORMATION

Profit/loss

The Group's total revenue and operating income for 2020 was NOK 365 thousand compared to NOK 164 thousand in 2019. The revenues are related to minor product sales and sale of project services. Net loss for the Group in 2020 is NOK 4.89 million compared to a net loss of NOK 3.98 million in 2019. The increased loss is due to an increase in operational expenses correlating to an increase in the number of employees and an increase in the number of ongoing projects. Depreciation and amortisation for the Group totalled NOK 1.07 million compared to NOK 1.88 thousand in 2019.

Balance sheet

Total assets were NOK 79.35 million up from NOK 31.14 million in 2019. The increase in assets is mainly a result of the purchase of new offices and laboratory investments in Kirkegaten 169 in Haugesund and development expenses registered in the balance sheet. Group equity was NOK 28.21 million (35.5 % equity ratio) as of 31 December 2020 compared to NOK 14.68 million (47.2 % equity ratio) in 2019. Group share capital was NOK 5,362,200 (NOK 4,436,115 in 2019) and the share premium reserve was NOK 39,477,683 (NOK 23,937,413). Interest-bearing long-term debt amounted to NOK 16.66 million as the net interest-bearing long-term debt increased by NOK 14.48 million in 2020, up from NOK 2.18 million in 2019. The increase was due to long-term loans obtained in relation to investments in production equipment in the ASM Pilot and property for office space and the Oewa Laboratory in Haugesund.

Cash flow and liquidity

The Group's cash flow statement shows a net change in cash and cash equivalents for 2020 of NOK 668,505 compared to NOK –600,637 in 2019. The cash and cash equivalents were NOK 5.88 million at year's end, up from NOK 5.21 million at year's end in 2019. In addition, the Group has an unused revolving credit facility of NOK 2 million. The total liquidity of the Group was NOK 7.88 million at year's end.

4. GOING CONCERN

Alginor is well underway with its DACOTA project with an aim to demonstrate its innovation on a relevant scale (TRL 8 and 9, see Note 13 to the Consolidated Financial Statements). DACOTA implements the Group's operational, industrial, financial, and commercial strategy for the next years, and lays the foundation for full-scale industrialisation. The DACOTA project is fully funded for the project period, and CAPEX equipment related to upscaling and demonstration during and after the DACOTA project, including a new harvesting vessel, a pilot biorefinery, a reception facility and an cGMP (current Good Manufacturing Practice) Flagship Demonstrator to be located at Avaldsnes in Karmøy county, Norway, is likely to be partially funded by equity from the European Innovation Council in combination with equity from current shareholders and new investors. It is the Board's opinion that Alginor has good prospects, growth potential and potential

to create a profitable operation going forward through exclusive control and exploitation of its innovation.

In accordance with section 3-3a of the Norwegian Account Act, the Board confirms that the going concern assumption, under which the financial statements have been prepared, is appropriate and provide a fair representation of the Group's assets, debts, financial positions, and results.

5. ALLOCATION OF THE RESULT

The Board recommends allocating the Group's net loss for the year of NOK 4,894,920 as uncovered loss.

6. SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainability is a core value in Alginor's business model and an integral part of the Group's integrated value chain. The Group's main objective is to increase the global supply of high-quality ingredients from the renewable kelp biomass for use in medicines, cosmetics, and food, through sustainable harvesting and biorefining of all valuable substances found in the kelp, with no downstream biomass waste or use of formaldehyde or any other pollutive chemicals.

Norway's stock of *L. hyperborea* is estimated at 60 million tonnes and makes up 60 % of the estimated 100 million tonnes global biomass. An estimated average of 4 million tonnes is open for regulated harvested area each year. Currently, an estimated 150,000–180,000 tonnes (0.25 %–0.30 %) of the 60 million tonnes are harvested each year in Norway, whereas the biomass renews at an estimated rate of 7 million tonnes annually. The same volume is believed lost due to weather conditions and age. The kelp's renewal rate is believed to accelerate post harvesting due to increased exposure to sunlight, which is normally blocked by the mature kelps' leaves. The Group's future target 10 years ahead is 100,000 tonnes wet kelp (0.17 % of the standing biomass), which is unlikely to raise any sustainability issues related to the standing biomass.

The Group's production is currently limited to a piloting scale with no external pollution. The Group's upstream and downstream methods, including all process designs, are tailored to achieve total utilisation of the downstream biomass and centred around mechanical separation techniques and green chemistry extraction techniques. Through utilisation of the downstream biomass in its entirety combined with the Group's unique competence, the Group is facilitating for a highly efficient production process with significant increases in yields and volumes and a significant decrease in required input factors, for minimal environmental impact.

In the current industry, emissions are primarily related to ocean release of downstream leftover biomass and process chemicals e.g., formaldehyde. On this basis, the Group anticipates that future emissions related to production upscaling will continue to stay low.

7. RISK FACTORS

Alginor is still in a development phase and the Group is exposed to several risk factors, some of which are out of the Group's control.

Project risk

The DACOTA project is to the Group's knowledge a unique and novel venture in Europe. While most of the needed equipment for the biorefinery exists, the equipment has never been combined and put together with process flows for biorefining of the kelp biomass. Consequently, the Group's executive management may be required to make complex judgments related to equipment selection and other investments based on, among other things, inputs from our internal EPC team, external subcontractors and hired consultants.

However, the Group's management and the organisation have extensive experience and a proven track record of executing similar projects and the Board is confident that the organisation will be able to carry through the project. The Board believes these risks will apply to any players looking to establish a biorefinery for kelp and venture into the same market segments as the Group.

The Group's industrial research projects related to selected portfolio ingredients are novel and highly advanced and may not yield their expected results, which in turn may affect their applicational and commercial value and/or potentially lead to a delayed market entry, or no market entry at all.

Technological risk

The Group's methods are novel and unique and may prove more difficult to upscale than anticipated through piloting runs. Application of new processes and production principles may entail significant risks related to delays, product loss during production, high production costs, yields and product quality.

Key personnel

The Group depends on its key personnel and their general and specific industry expertise. Key personnel have been granted warrants to incentivise continued employment. Employees must be employed in the Company when realising warrants. The Board will propose warrants for key personnel that currently holds no warrants at the next ordinary general meeting. The Board will also propose an option programme to incentivise continued employment for current and future key personnel. Warrants and options may further align key employees' interests with those of the Company's shareholders.

Regulatory risk

Access to the Group's choice of raw material, *L. hyperborea*, is a critical risk factor outside the Group's control. The Group believes that *L. hyperborea* exhibits unique properties for high-quality applications that may not be obtainable from other kelp species. Commercial harvesting of *L. hyperborea* has been ongoing in Norway since 1972 and it is regulated by the Norwegian Directorate of Fisheries.

The Group is targeting mid and high-end markets that require certifications related to manufacturing. The Group's products cannot be sold to these segments if the Group fails to obtain an authorisation for food production from the Norwegian Food Safety Authority and an authorisation for cGMP production (current Good Manufacturing Practice) of active pharmaceutical ingredients from the Norwegian Medicines Agency. Failure to obtain said approvals will significantly restrict access to high-end markets and affect the market price of the Group's portfolio ingredients.

Through the DACOTA project, the Group is projecting in accordance with the requirements for both sets of certifications. The Group's personnel have experience and expertise related to both certifications, and the Group has access to professional consultants in the field of cGMP certification. The Group has already established contact with the Norwegian Medicines Agency regarding the cGMP certification.

Market risk

Strategic decision to not start sales prior to establishment of the cGMP Flagship Demonstrator + production for piloting.

The Group had no external sales of finished ingredients in 2020 and was therefore not exposed to any market risks. Commercialisation of the Group's product portfolio is not expected to start fully before 2023.

Liquidity risk

The Group completed two successful private placements in 2020. Net proceeds were primarily used to strengthen the Company's capital base, finance certain equipment related to piloting and partly finance industrial development projects. The Group's liquidity is closely monitored by the Board and the executive management.

Interest risk

The Group is to some extent exposed to interest risk through loan financing of property. See section 3 regarding interest-bearing debt.

Credit risk

The Group's credit risk is currently limited. In the coming years, credit risk will predominately be managed by public actors and therefore remain low.

Currency risk

The Group holds most of its assets in Norwegian kroner (NOK). The Group receives parts of its public grants in euro (€), but no specific hedging strategies have been implemented. The Group's future revenues are expected to be primarily in euro (€).

Risk related freedom to operate

The Group has no intention of infringing, misappropriating, or otherwise violate the intellectual property rights of other parties, and the Group is, with the assistance from international experts, continuously monitoring external parties' IPR which may be relevant for the Group's existing and planned products and processes to secure its freedom to operate. However, the Group may, from time to time, receive allegations and claims of alleged infringement or misappropriation of external patents and other intellectual property rights. Such claims or allegations will be evaluated together with the Groups advisors, and if considered relevant, be appropriately remedied.

8. REMUNERATION OF THE GROUP'S EXECUTIVE MANAGEMENT

The CEO and the Group's executive management are members of the defined contribution pension and insurance plans that cover all employees. The Board seeks to ensure that remuneration of executive management is competitive, but not industry leading. The Board will propose warrants for the CTO and CFO at the next general meeting. Executive management will be eligible pursuant to the option programme to be presented at the next general meeting.

The CEO and executive management may be awarded bonuses not more than 1/3 of annual gross salary due to individual or Company performance.

No bonuses were awarded to the CEO or executive management in 2020.

9. SHAREHOLDER MATTERS

All shares in Alginor ASA carry equal rights and are freely tradeable. In 2018 and 2019, Alginor issued 85,000 warrants to its employees and 15,000 warrants to members of the Board. Each warrant entitles its owner to purchase shares in the Company at a discounted price. In 2021, Alginor seeks to establish an option programme for the Group's executive management and key employees, enabling employees to purchase shares at a discounted price. The total number of outstanding shares as of 31 December 2020 was 1,072,440. The total number of shareholders was 231. Alginor ASA's share price, based on

issuance of new shares through the most recent placement, was NOK 125.00 at the end of 2020, compared to NOK 100.00 at the end of 2019.

10. ORGANISATION AND WORKING ENVIRONMENT

As of 31 December 2020, the Group had 22 full time employees, all of which were employed in Alginor. The Company strives to be an attractive workplace for current and future employees. The Group does not tolerate any form of discrimination or harassment. All employees and applicants are given equal opportunities regardless of ethnicity, gender, age, lineage, nationality, sexual orientation, marital status, religion, functional health or minority background. Alginor recruits and promotes its employees based on objective factors such as education, experience, performance, initiative, loyalty, cooperation, accessibility and growth potential.

Alginor hired six employees in 2020, five women and one man. The Company aims at maintaining a gender balanced workforce. In 2020, the workforce was divided evenly, 50/50. The sick leave rate for the Group was less than 2 % and well below the general national rate.

11. HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Group's operations and production were limited in 2020. Pilot scale harvesting and production of ASMs (Alginor Starting Materials) occurred based on need throughout the year, with no reported accidents to personnel, property or the environment. The Group does not use formaldehyde or any other dangerous chemicals that may expose personnel to harm during any stage of its operations or processes. The Group believes this is highly unlikely to change going forward.

The Group's core technologies for upstream and downstream processing have been developed with a view to have minimal impact on the environment. The Hypomar harvesting method is tailored to have little or no negative impact on the seabed and surrounding marine life compared to traditional harvesting methods. Unlike traditional harvesting methods, the Hypomar harvesting method does not use any formaldehyde. The AORTA processing technology is centred around green, mild chemistry, and the chemical extraction techniques do not involve use of formaldehyde or any substitute pollutive chemical. Biomass release to the ocean after downstream processing is expected to be zero or insignificant volumes once the demonstrator biorefinery and the ASM reception facility have reached their operational ready state.

In preparation of its planned upscaling activities, the Group has hired a HSEQ coordinator and implemented systems for quality management, including, inter alia, simplified processes, standardised tasks, registry for deviations, and chemical management for managing risk assessment and quick access to safety data sheets. The Group's objective going forward and when reaching a more operational state is to minimise health hazards and risks related to on and offshore activities, personnel injuries, environmental damages and negative environmental impacts, and damages to harvesting vessels and property. The Group practices and will continue to practice safety first as a core focus in every link of the value chain.

12. OTHER MATTERS AND EVENTS AFTER THE BALANCE SHEET DATE

Private placement in February

The Group had initially planned for a public placement with a national prospectus in February. After receiving word from the EIC's representatives that the equity process was starting, the Group decided to shift the majority of its administrative resources towards working on the due diligence. As a result, the public placement was terminated due to limited resources.

Instead, the Group offered investors who had already made direct contact and expressed their interest in participating in the planned public placement, the opportunity to invest in a limited private placement of up to 149 participants. The placement was executed over a one-week period in February. New shares were issued at NOK 175.00 per share for a total equity raise of NOK 16.8 million.

Total outstanding shares post placement as of 12 May 2021 was 1,171,483 shares.

The Group is moving its piloting operation to a new facility in Skudeneshavn

Although external piloting runs have offered valuable insight and indications in relation to the scalability of the Group's technologies, these facilities are not designed specifically for the processing of the kelp biomass. No such customised facility currently exists in Europe.

Therefore, Alginor will firstly seek to establish a food grade pilot biorefinery capable of producing the entire product portfolio. The pilot biorefinery is expected to play a key role in further optimising and developing the biorefinery process, which will be beneficial prior to and during the demonstration phase.

Therefore, the Group has, through its wholly owned subsidiary Hypomar AS, in 2021 entered into a new rental agreement for a larger piloting facility at Skudeneshavn, Norway, with Steiningsholmen Eiendom AS. The Group expects delivery of new equipment in Q2 2021 for further expansion of its ASM piloting operation and need more space to house the equipment. The new equipment will enable the Group's pilot to utilise the entire biomass that is brought to shore, for production of storage-stable

starting materials that will be further refined into ingredients in the demonstration phase.

The EIC process

Alginor and representatives from the European Investment Bank (acting on behalf of the European Innovation Council investment committee, overseen by the EU Commission) started the due diligence process for the equity part of up to €15 million as part of the DACOTA project in February 2021.

As of 8 April 2021, the preliminary due diligence process has been completed, and the process has entered a new phase that is ongoing as of the date of this report. As part of this second phase Alginor agreed to finance legal due diligence performed by an external lawyer chosen by the EIC. The Group cannot predict with certainty when the process is set to be completed. More information regarding this topic will be communicated to shareholders when appropriate.

AORTA 2 final report officially approved by the European Union

The technical and financial report for the AORTA 2 project were accepted by the European Union in April. Alginor received excellent overall remarks and the expert review stated that the "Project has delivered exceptional results with significant immediate or potential impact." The review states that the project management has been effective in all project parts and areas, with clear and realistic explanations for any changes, and that all ethical concerns have been covered responsibly. The general feedback is that the project results are innovative, relevant and have the potential for great positive impact on the global seaweed industry.

The official approval confirms no outstanding liabilities related to the EU SME-II grants received in the project period.

Significant decrease in current liabilities

After year end, outstanding liabilities to trade creditors have been reduced from NOK 12.7 million to NOK 2.6 million as of 30 April 2021, significantly reducing total current liabilities.

Equipment

In April, Alginor took delivery of a highly flexible TurboRotor G-90 mill-dryer with cyclone and bag filters made by Görgens Mahltechnik GmbH in Germany. The unit has been configured according to the specifications of the Group's EPC team and it is seen as a significant upgrade to the Group's ASM pilot.

13. OUTLOOK

The overall state of Alginor's technologies and its biorefinery project have reached an appropriate level for upscaling and testing in a relevant, industrial environment.

Following the completion of the AORTA 2 project, all products have been extracted, documented and verified in lab-scale and external larger scale piloting runs. What remains is a demonstration of the value chain in an upscaled, relevant environment at TRL 9.

Following the unexpected breakthrough in the EIC's "Green Deal" call of Horizon 2020, Alginor is able accelerate its investments and reach the demonstration phase sooner than expected. The target capacity for the demonstration phase is around 10,000 tonnes wet kelp, equalling 10 % of the Group's long-term target of 100,000 tonnes wet kelp. The DACOTA project and the related CAPEX programme will be a core focus for Alginor in 2021.

ASM piloting will continue throughout 2021. The pilot's performance and capacity are expected to increase significantly following facility and equipment upgrades in 2021. In 2020, the Group used a combination of Alginor personnel and temporary hired personnel to carry out operations at Skudeneshavn. This is expected to change in 2021, whereas Hypomar AS will hire permanent processing personnel as the production is being scaled up.

The Board expects to finalise the EIC process, in part or in whole, in H2 2021. If the process is delayed, the Group will initiate mitigating financial measures in order to keep the Group's progress and investment plans related to the ASM pilot in Skudeneshavn on track.

Alginor ASA will, in line with its explicit strategy and its communication to shareholders over time, seek an admission to listing on the Oslo Stock Exchange (Euronext) based on prevailing market conditions and the ongoing EIC process.

Covid-19 has limited direct effects on the Group as of today. Indirect consequences may occur if equipment suppliers, subcontractors, business partners and infrastructure are affected. The Group may be exposed to a larger extent once it reaches a commercial ready state in the next years, provided that Covid-19 or its aftereffects continue to impact the world economy. Such effects are, however, impossible to quantify for the time being. The Group will continue to closely monitor the situation in 2021.

Haugesund, 12 May 2021

The Board of Directors of Alginor ASA

Signed

Øyvind Gjerde
Chair

Signed

Turid Thormodsen

Signed

Bjørn Bugge

Signed

Åse Tveit Samdal

Signed

Kjetil Rein

Signed

Nina Widvey

Signed

Thorleif Thormodsen
CEO

STATEMENT OF PROFIT OR LOSS

Amounts in NOK	Note	2020	2019
Operating income and operating expenses			
Revenue		172,733	–
Other operating income		191,851	163,550
REVENUE AND OPERATING INCOME		364,584	163,550
Personnel expenses	3, 10	1,535,048	1,454,007
Depreciation and amortisation	6, 7	1,072,547	1,875
Other operating expenses	4	2,496,905	2,370,102
OPERATING EXPENSES		5,104,500	3,825,984
OPERATING (LOSS)/PROFIT		–4,739,916	–3,662,434
Financial income and expenses			
Financial income		104,684	14,959
Other interest expenses		464,517	177,306
Foreign exchange gain (loss), net		254,829	–82,593
Financial expense		50,000	70,000
NET FINANCIAL INCOME AND EXPENSES		–155,004	–314,940
RESULT BEFORE INCOME TAXES		–4,894,920	–3,977,374
Income taxes	2, 5	–	–
PROFIT (LOSS) FOR THE PERIOD		–4,894,920	–3,977,374
Profit (loss) is attributable to			
Owners of Alginor ASA		–4,894,920	–3,977,374
Non–controlling interest		–	–
TOTAL		–4,894,920	–3,977,374
PROFIT (LOSS) FOR THE PERIOD		–4,894,920	–3,977,374
Other comprehensive income			
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		–4,894,920	–3,977,374
Total comprehensive income is attributable to			
Owners of Alginor ASA		–4,894,920	–3,977,374
Non–controlling interest		–	–
TOTAL		–4,894,920	–3,977,374

STATEMENT OF FINANCIAL POSITION

Amounts in NOK	Note	31.12.2020	31.12.2019
Intangible assets			
Intangible assets under developement		28,841,605	13,439,939
Patents		1,444,818	420,511
TOTAL INTANGIBLE ASSETS	2, 7	30,286,423	13,860,450
Tangible non–current assets			
Land buildings and other real estate		18,189,106	1,522,278
Vessel		539,837	–
Operating moveable property, furniture, tools, other		13,063,306	3,836,756
TOTAL TANGIBLE NON–CURRENT ASSETS	6	31,792,249	5,359,034
Financial fixed assets			
Other receivables	8	967,250	–
TOTAL FINANCIAL NON–CURRENT ASSETS		967,250	–
TOTAL NON–CURRENT ASSETS		63,045,922	19,219,484
Current assets			
Accounts receivable	8	–	93,188
Other receivables	8	10,420,649	6,610,747
TOTAL RECEIVABLES		10,420,649	6,703,935
Cash and cash equivalents	9	5,880,823	5,212,318
TOTAL CURRENT ASSETS		16,301,472	11,916,252
TOTAL ASSETS		79,347,394	31,135,737

STATEMENT OF FINANCIAL POSITION CONT.

Amounts in NOK	Note	31.12.2020	31.12.2019
Equity			
Share capital	11	5,362,200	4,436,115
TOTAL RESTRICTED EQUITY		5,362,200	4,436,115
Other paid–in equity		39,427,683	21,937,413
TOTAL PAID-IN EQUITY		44,789,883	26,373,528
Uncovered loss		–16,584,327	–11,689,408
TOTAL EQUITY		28,205,555	14,684,120
Liabilities			
Interest bearing debt		16,656,130	2,179,278
Other non-current debt — EU Float (DACOTA and ALEHOOP projects)		16,368,424	–
Non-current lease liability	14	1,104,680	–
TOTAL OF OTHER NON-CURRENT LIABILITIES	8, 12	34,129,234	2,179,278
Current lease liability	14	736,454	–
Interest bearing debt	8, 12	1,031,148	320,722
EU SME–II Float	12	–	8,512,004
Trade creditors	15	12,728,074	4,336,892
Public dues payable		1,287,081	–
Other current liabilities		1,229,848	1,102,721
TOTAL CURRENT LIABILITIES		17,012,605	14,272,339
TOTAL LIABILITIES		51,141,839	16,451,617
TOTAL EQUITY AND LIABLITIES		79,347,394	31,135,737

Haugesund, 12 May 2021

The Board of Directors of Alginor ASA

Signed

Øyvind Gjerde
Chair

Signed

Turid Thormodsen

Signed

Bjørn Bugge

Signed

Åse Tveit Samdal

Signed

Kjetil Rein

Signed

Nina Widvey

Signed

Thorleif Thormodsen
CEO

STATEMENT OF CASH FLOW

Amounts in NOK		2020	2019
Cash flows from operating activities			
RESULT BEFORE INCOME TAXES		–4,894,920	–3,977,374
Income taxes paid		–	–
Depreciation and amortisation		1,683,990	1,875
Change in deferred revenue, net		–	–
Change in accounts receivable		93,188	–93,188
Change in accounts payable		–	2,578,931
Change in other working capital items, including unrealised foreign exchange		–4,291,388	–229,439
NET CASH FLOW FROM OPERATING ACTIVITIES		–7,409,130	–3,826,996
Cash flow used in investing activities			
Investment in non-current assets		–26,255,956	–4,465,783
Capitalised development assets		–30,203,481	–5,818,626
Payments of EU grants		12,723,881	–
NET CASH FLOW USED IN INVESTING ACTIVITIES		–43,735,556	–10,284,409
Cash flow from financing activities			
Long-term loan obtained	8	18,041,086	1,000,000
Pre-financing EU Float (DACOTA and ALEHOOP projects)	12	16,368,424	–
Repayment of leasing liability	8	–691,952	–
Repayment of other debt	8	–320,722	–
Received payments of equity, net of transaction costs		18,416,355	10,402,966
NET CASH FLOW FROM FINANCING ACTIVITIES		51,813,191	11,402,966
NET CASH FLOW FOR THE PERIOD		668,505	–600,637
Cash and cash equivalents at the beginning of the period		5,212,317	5,812,955
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		5,880,823	5,212,317
Cash and cash equivalents are comprised of:			
Bank deposits		5,880,823	5,212,318

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK	Share capital	Other paid in equity	Retained earnings	Total equity
BALANCE AT 1 JANUARY 2019	3,741,600	12,268,962	–7,712,035	8,298,527
Loss for the period	–	–	–3,977,374	–3,977,374
Other comprehensive income for the period	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	–	–3,977,374	–3,977,374
Dividends	–	185,910	–	185,910
Equity effect warrants	–	–1,226,569	–	–1,226,569
Capital increase expenses booked to equity	–	150,000	–	150,000
Issues of new shares not registered	694,515	10,559,110	–	11,253,625
Issues of new shares	694,515	9,668,451	–	10,362,966
TOTAL TRANSACTIONS WITH OWNERS	4,436,115	21,937,413	–11,689,409	14,684,120
BALANCE AT 31 DECEMBER 2019	4,436,115	21,937,413	–11,689,409	14,684,120
BALANCE AT 1 JANUARY 2020	4,436,115	21,937,413	–11,689,409	14,684,120
Loss for the period	–	–	–4,894,920	–4,894,920
Other comprehensive income for the period	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	–	–4,894,920	–4,894,920
Equity effect warrants	–	238,348	–	238,348
Capital increase expenses booked to equity	–	–3,806,618	–	–3,806,618
Issues of new shares	926,085	21,058,540	–	21,984,625
TOTAL TRANSACTIONS WITH OWNERS	926,085	17,490,270	–	18,416,355
BALANCE AT 31 DECEMBER 2020	5,362,200	39,427,683	–16,584,329	28,205,555

NOTE 1 CORPORATE INFORMATION

Alginor ASA ("the Company") is a public limited company and its head office is located in Haugesund, Norway.

The Company together with its subsidiaries ("Alginor" or the "Group") is building up a novel, integrated value chain from raw material sourcing to premium ingredients based on the seaweed *Laminaria hyperborea*.

Though proprietary biorefining technology applied on Alginor Starting Material (ASM) produced by the subsidiary Hypomar, Alginor develops a portfolio of 12 ingredients for 7 global market segments including pharmaceutical, cosmetic, food and nutraceutical business clients. The Company markets the product portfolio on a B2B basis.

Alginor ASA will, in line with its explicit strategy and its communication to shareholders over time, seek an admission to listing on the Oslo Stock Exchange (Euronext) based on prevailing market conditions and the ongoing EIC process.

The consolidated financial statements comprise Alginor ASA and its subsidiaries. The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the Company. The consolidated financial statements of Alginor ASA and its subsidiaries (collectively, the Group) for the year ended 31 December 2020 to be approved by the Board of Directors on 12 May 2021 and the General Meeting at latest on 30 June 2021.

BASIS OF PREPARATION

The consolidated financial statements for the Group are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and all interpretations from the International Financial Reporting Interpretations Committee (IFRIC), which have been endorsed by the EU commission for adoption within the EU.

The consolidated financial statements are prepared on a historical cost basis.

BASIS FOR CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled either directly or indirectly by the Company.

A subsidiary is consolidated as of the date at which control is acquired. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights result in control.

The consolidated financial statements have been prepared in accordance with uniform accounting principles for similar transactions for the companies Included in the consolidated accounts and are prepared based on the same accounting period as used for the parent company.

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated when preparing the consolidated financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Rent Concessions (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018–2020 — Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated into the respective functional currencies of the Group companies at the exchange rates at det dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based in historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit and loss within finance cost.

GOVERNMENT GRANTS

The Group recognises government grants when there is reasonable assurance that the entity will comply with the conditions attaching to them in the grant agreement, and that the grants will be received. A probability exceeding 50 % is considered to result in reasonable assurance.

The Group receives government grants related to development projects to support development costs. The nature of the

NOTE 1 CONT.

government grants that the Group receives are such that there normally is reasonable assurance that the entity will comply with conditions when the project is granted, and the entity will receive grants on the project costs accrued in the period. The Group is therefore maintaining periodic project accounting which keep track on the project costs that have accrued in the period. The part of the government grants that relate to accrued project costs are recognised in the financial statement when the cost is accrued.

Since development costs are recognised as intangible assets under development in the statement of financial position, the government grants are presented in the statement of financial position by deducting the grant in the arriving at the carrying amount of the asset. The grant is recognised in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

If the received payment of government grants is higher or lower than the recognised government grant, the difference will be recognised as a related contingent asset or liability.

INCOME TAX

The income tax expense consists of the aggregate of current taxes payable and changes in deferred tax. Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items recognised directly to equity, in which case the tax is also recognised directly in equity. Current tax is the expected tax payable on the taxable income for the period.

Deferred tax liabilities and assets are recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used in the tax returns. Deferred tax liabilities and assets are generally recognised for all taxable temporary differences. Deferred tax and deferred tax assets are only off-set as far as this is possible under taxation legislation and regulations.

PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost, less accumulated depreciation, and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an Item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Costs that occur subsequently to the asset being put in use, such as maintenance, are expensed, while costs expected to provide future economic benefits by prolonging useful life of the asset, are capitalised. Assets that are taken out of service are expensed.

DEPRECIATION

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Fixtures and office machinery: 3–5 years.
- Leasehold improvements: 5–15 years (remaining rental period is upper basis for useful life).

Right of Use assets recognised under IFRS 16 have the following estimated useful lives, though these are never longer than the estimated lease term:

- Right to use Motor vehicles: 3–5 years.
- Right of use Fixtures and office machinery: 3–5 years.
- Right of use land and buildings: 5–15 years.

INTANGIBLE ASSETS

Expenditures on research activities are recognised in profit or loss as incurred.

Development expenditures are capitalised only if the expenditure can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets. Otherwise, it is recognised in profit and loss as incurred.

Subsequent to initial recognition, development expenditures are cost less accumulated amortisation and accumulated impairment losses. Please see Note 14 for further information.

OTHER INTANGIBLE ASSETS

Other intangible assets, including customer relationships, patents, and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to

NOTE 1 CONT.

which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

RECEIVABLES RELATED TO GRANTS AND OTHER STATE SPONSORED PAYMENTS

Receivables are measured at fair value on initial recognition, and subsequently they are measured at amortised, less allowance for impairment.

CLASSIFICATION OF ASSETS AND LIABILITIES

Assets for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as non-current liabilities, except for next year's instalment on long-term debt. This is presented as current interest-bearing debt.

Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

CASH FLOW STATEMENT

In the cash flow statement changes in trade payables related to development projects are not included in "change of accounts payable" as part of the operating activities, but instead the payment of these trade payables is included as part of capitalised non-current assets.

Received prepayments of government grants for development projects are included as part of financing activities. Other grants are part of investing activities.

NOTE 2 SIGNIFICANT JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

The Group has not identified any significant judgements in application of its accounting policies. Estimation uncertainties relates primarily to:

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group reviews periodically whether non-current assets have suffered any impairment in accordance with the accounting policy. An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget and prognoses for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The main asset is the development costs that are booked in the balance sheet and its evaluation based on the Group's Integra model. The Integra model specifies the investments' main drivers such as future cash flow, future investments including funding structure and government grants.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7.

TAXES

Deferred tax assets are continuously assessed and are only recognised to the extent that is probable that future taxable profit will be large enough for the deferred tax asset to be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The operating losses suffered in prior years are related to start-up costs and development costs. Deferred tax assets are not recognised in the consolidated balance sheet for 2020.

NOTE 3 PERSONNEL EXPENSES

EMPLOYEE BENEFIT EXPENSE DURING THE YEAR

Amounts in NOK	2020	2019
Wages and salaries	9,996,212	5,748,629
Social security costs	1,566,826	912,905
Pension cost	416,559	269,578
Other personnel cost	413,706	429,163
Capitalised to projects*	–10,898,255	–5,996,268
Board fee	40,000	90,000
TOTAL	1,535,048	1,454,007
Number of employees	17	15

* Reference made to Note 1 Intangible assets.

The Norwegian companies pension schemes in Norway fulfil the requirements according to "Lov om obligatorisk tjenestepensjon".

Employees part of the Norwegian Companies' pension scheme: 15.

REMUNERATION FOR THE BOARD

The highest governing body of the Group is its Board of Directors. The Board has a majority of Non-Executive Directors. There are no specific agreements regarding fees at termination for the Chairman of the Board or other members of the Board. Alginor did not have any outstanding loans to, or guarantees made on behalf of, any Board member during 2020. Board fees paid in 2020 and outstanding numbers of shares as of 31 December 2020 are shown in the table below:

Amounts in NOK	Board fee	Number of shares	Warrants
Øyvind Gjerde (Chairman of the Board)	40,000	–	5,000
Turid Thormodsen	*	–	2,500
Kjetil Rein	–	15,000	7,500
Åse Tveit Samdal	–	–	–
Bjørn Bugge	*	8,220	–
Nina Widvey	–	3,670	15,000

* NOK 25,000 to be paid during 2021.

REMUNERATION TO LEADING EMPLOYEES

Employees reporting directly to the CEO are defined as leading employees. Remuneration to leading employees consists of a fixed payment as well as a variable element, plus pension contribution and other remuneration in kind.

Leading employees individual's remuneration and shareholding as of 31 December 2020 and 31 December 2019 are shown in the tables below:

Amounts in NOK	Person	Position	Fixed compensation	Variable compensation	Pension contribution	Benefits in kind	Number of shares	Number of shares on forward contracts
2020	Thorleif Thormodsen*	CEO	1,200,000	300,000	15,000	–	270,880	–
	Helge Tordahl†	CFO	–	–	–	–	50	–
	Kjetil Rein‡	CTO	780,000	520,000	26,000	–	15,000	7,500
2019	Thorleif Thormodsen	CEO	–	–	–	–	–	–
	Helge Tordahl	CFO	–	–	–	–	50	–
	Kjetil Rein	CTO	–	–	–	–	15,000	7,500

* Employment began on 1 October 2020. Mr Thormodsen worked as a contractor through Zirconia AS in the preceding period.
† See Note 10. Mr Tordahl is hired as a consultant through Heltor AS.
‡ Employment began on 1 May 2020. Before then, Mr Rein held a similar position as a contractor through Innovatech AS.

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.

The remuneration to leading employees is based on the same principles for remuneration that are applied for all employees of the Group.

SALARIES

Salary increases are due each 1 January, based on review of last year's results and performance. The Company emphasises annual statistics prepared by the interest groups Tekna, NITO and Econa.

BONUS 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.

Bonuses are determined by the Board.

NOTE 3 CONT.

FRINGE BENEFITS

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

PENSION SCHEMES

The Company offers ordinary defined-contribution pension for all employees, management included. This amounts to 5 % of ordinary salary up to a limit of 12G.

SEVERANCE SCHEMES

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

SHARE OPTION AGREEMENTS

The right to purchase shares at NOK 31.25 per share, increasing by 5 % per year, ending on 30 June 2024.

The following share options were outstanding on 31 December 2020:

Entity	Warrants	Last excercise date*	Exercise price in NOK
Board Chair Øyvind Gjerde	5,000	30.06.2024	39.90
Board Member Nina Widvey	15,000	29.06.2023	38.00
Board Member Kjetil Rein	7,500	29.06.2023	38.00
Board Member Turid Thormodsen	2,500	29.06.2023	38.00
Validé Haugesundregionen AS	2,500	29.06.2023	38.00
Other employees	50,000	29.06.2023	38.00
Other employees	15,000	30.06.2024	39.90
TOTAL 31 DECEMBER 2020	97,500		

* Warrants not exercised before first day of trading on a regulated markedplace will be terminated.

Amounts in NOK	No. of options	Average estimated fair value at grant date	Average exercise price	Market price at grant date
Granted 29 06.2018	80,000	6.60	31.25 + 5 % p.a.	31.25
Granted 28.06.2019	20,000	41.22		75.00
OUTSTANDING AT 1 JANUARY 2020	100,000			
Exercised in 2020 of the 2018 programme	–2,500		31.25 + 5 % p.a.	31.25
OUTSTANDING AT 31 DESEMBER 2020	97,500			

Fair values were estimated based on the Black-Scholes option price model. Expected volatility is based on comparison to peers and estimated to 30 %.

No dividends are expected in the periods. Expected lifetime is based on the last exercise date for each award. Market value of shares at grant date has been estimated, with reference to transactions in the shares for relevant periods.

The share option expense recognised in 2020 was NOK 263,348 and NOK 185,910 in 2019.

Key personnel have been granted warrants to incentivise continued employment. Employees must be employed in the Company when realising warrants. The Board will propose an option programme at the next ordinary general meeting to incentivise continued employment for current and future key personnel. The CEO has no warrants.

EXTERNAL CONSULTANTS — COMPLETION OF EXPERTISE

The Company has ongoing appointments with 7 consultants covering special subjects within regulatory/QA, AI, technology, engineering, sales/marketing and economic monitoring. The expenses vary between NOK 825 and NOK 1,000 per hours and the appointment can last for years, with 1–3 months period of notice. Two of the consultants have been hired during the year. The cost to consultants is included in other operating expenses.

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.

NOTE 4 OTHER OPERATING EXPENSES

OPERATING EXPENSES

Amounts in NOK	2020	2019
Office expenses	1,132,313	720,326
Travel expenses	313,733	9,289
Consultant fees*	2,494,864	1,444,723
Capitalised project expenses†	–2,867,072	–1,346,384
Other operating expenses	1,423,067	1,542,148
TOTAL OTHER OPERATING EXPENSES	2,496,905	2,370,102

* Fees to the elected auditor is included in consultant fees, reference is made to the table to the right.
† Reference made to Note 1 Intangible Assets.

EXPENSED AUDIT FEES

Amounts in NOK ex. VAT	2020	2019
Statutory audit	147,500	83,230
Tax services	48,450	–
Other services	255,580	55,040
TOTAL	451,530	138,270

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.

Other operating expenses are mainly related to office rental expenses and other office related expenses.

The main expenses in the Group are related to the development projects. The burn rate will depend on the development of the Company.

NOTE 5 INCOME TAX

ACCOUNTING PROFIT/LOSS BEFORE TAX

Amounts in NOK*	2020	2019
ACCOUNTING PROFIT/LOSS BEFORE TAX	–4,894,920	–3,977,374
At Norway's statutory income tax rate of 22 %	–1,076,882	–875,022
Other non-deductible expenses	–7,214	249,566
Not recognised deferred tax assets	–1,199,956	–1,634,361
Other differences	130,288	509,773
CALCULATED INCOME TAXES RECOGNISED IN PROFIT AND LOSS	–	–
Income taxes recognised in other comprehensive income	–	–
TOTAL INCOME TAX RECOGNISED IN PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	–	–

* In other differences the effect of Tax refund and internal profits are included.

DEFERRED TAX

Amounts in NOK	31.12.2020	31.12.2019
Deferred tax relates to the following		
Fixed assets & intangibles	–4,861,176	–6,066,750
Profit and loss account	638,032	–
TOTAL TEMPORARY DIFFERENCES	–4,223,144	–6,066,750
Losses available for offsetting against future taxable income	–19,054,277	–11,756,326
Not included in the basis for deferred tax	23,277,422	17,823,076
BASIS FOR DEFERRED TAXES	–	–
Deferred tax assets/liabilities 22 %	–	–
Deferred tax assets/liability recognised in the balance sheet*	–	–

* Deferred tax assets will be recognised when the Company reports taxable profit.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK	Vessel	Land, buildings and other real estate	Operating miveable property, furnitures and other	Total
Year end 31 December 2020				
ACQUISITION COST AS OF 1 JANUARY 2020	–	1,544,889	3,861,690	5,406,579
Additions	614,837	16,850,214	8,790,905	26,255,956
Recognised right-of-use assets	–	–	2,589,288	2,589,288
Disposal at cost	–	–	–	–
ACQUISITION COST AS OF 31 DECEMBER 2020	614,837	18,395,103	15,241,883	34,251,823
Accumulated depreciation as of 1 January 2020	–	22,611	24,935	47,546
Fx adjustment	–	–	–	–
Depreciation	75,000	183,386	1,425,604	1,683,990
Depreciation of right-of-use assets	–	–	728,039	728,039
Disposals	–	–	–	–
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2020	75,000	205,997	2,178,578	2,459,575
CARRYING AMOUNT AS OF 1 JANUARY 2020	–	1,522,278	3,836,755	5,359,033
CARRYING AMOUNT AS OF 31 DECEMBER 2020	539,837	18,189,106	13,063,306	31,792,248
Year end 31 December 2019				
Acquisition cost as of 1 January 2019	–	406,420	488,705	895,125
Additions	–	1,138,469	3,372,985	4,511,454
Fx adjustment	–	–	–	–
Disposal at cost	–	–	–	–
ACQUISITION COST AS OF 31 DECEMBER 2019	–	1,544,889	3,861,690	5,406,579
Depreciation	–	1,875	–	1,875
Disposals	–	–	–	–
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2019	–	22,611	24,935	47,546
CARRYING AMOUNT AS OF 1 JANUARY 2019	–	385,684	463,770	849,454
CARRYING AMOUNT AS OF 31 DECEMBER 2019	–	1,522,278	3,836,755	5,359,033
Depreciation method	Straight line	Straight line	Straight line	
Percentage	20 %	2 %	20 %	

Amounts in NOK	2020	2019
Depreciation of assets used in Development projects booked against the project cost	1,339,481	778,428

NOTE 7 INTANGIBLE ASSETS

Amounts in NOK	Intangible assets under development	Patents	Total
Year end 31 December 2019			
Opening net book amount	7,749,971	291,853	8,041,824
Additions	20,044,124	128,658	20,172,782
Grants recognised as a reduction to the assets	14,354,156	–	14,354,156
Amortisation charge	–	–	–
CLOSING NET BOOK AMOUNT	13,439,939	420,511	13,860,450
At 31 December 2019			
Accumulated costs	39,086,589	420,511	39,507,100
Accumulated grants	25,646,650	–	25,646,650
Accumulated amortisation	–	–	–
NET BOOK AMOUNT	13,439,939	420,511	13,860,450
Year end 31 December 2020			
Opening net book amount	13,439,939	420,511	13,860,450
Additions	37,570,356	1,024,307	38,594,663
Grants recognised as a reduction to the assets	22,168,690	–	22,168,690
Amortisation charge	–	–	–
CLOSING NET BOOK AMOUNT	28,841,605	1,444,818	30,286,423
At 31 December 2020			
Accumulated costs	76,656,945	1,444,818	78,101,763
Accumulated grants recognised as a reduction to the assets	47,815,340	–	47,815,340
Accumulated amortisation and impairment	–	–	–
NET BOOK AMOUNT	28,841,605	1,444,818	30,286,423

Intangible assets are under development and are not available for use.

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 149 million for the period 2015–2023. The business model for commercialisation is made in-house in a long-term business model for commercialisation.

The Company seeks 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.

IMPAIRMENT TEST OF INTELLECTUAL PROPERTIES AND PATENTS

Capitalised value of intellectual properties and patents are NOK 30.3 million as of 31 December 2020, based on assessments made in accordance with IAS 38 criteria. Using a nominal discount rate of 9 % before tax, there is no indication that write-downs are needed. By overall assessment of intangible assets at year-end, there is no indication that write-downs are needed.

The Group tests whether intangible assets not ready for its intended use have suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is the higher of value in use (VIU) and the fair value less costs of disposal (FVLCD).

The calculations use cash flow projections based on financial budgets approved by the Board for the following year, and prognoses approved by management for the subsequent four years. Value in use 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; and future growth related to terminal value estimates (revenue beyond the explicit period).

The Group has not identified more than one CGU due to the continuing development projects are related to each other.

Basis for the calculation is the Company's Base Case Scenario, prepared in a comprehensive model through the project's duration, named Integra. The Integra model includes all projects/investments and production from the beginning until 2032. The estimation period used for calculating the IP value is 5 years, adding a terminal value in the fifth year.

NOTE 7 CONT.

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 minus growth factor for future cash flows.

The capital issues in 2020 and the private placement in 2021 demonstrate that the fair value of the assets exceeds the booked values.

NOTE 8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

8.1 FINANCIAL ASSETS

FINANCIAL ASSETS AT AMORTISED COST

Amounts in NOK	31.12.2020	31.12.2019
Accounts receivables	–	93,188
Other receivables	11,387,899	6,610,747
TOTAL FINANCIAL ASSETS AT AMORTISED COST	11,387,899	6,703,935
Total current	10,420,649	6,703,935
Total non-current	967,250	–

Other receivables are mainly related to governmental grants and funding. The credit risk is classified as low.

The outstanding grants are recognised as very solvent due to state-sponsored payments from the Research Council of Norway (RCN), Innovation Norway (IN), Regional Research Funds (RRF), EU Horizon 2020, Eurostars (administered by the RCN). The grants from the Norwegian authorities are guaranteed and financed from Norway. The EU grants are financed and guaranteed by the EU.

8.2 INTEREST-BEARING LOANS AND BORROWINGS

	31.12.2020				
	Drawdown	Currency	Balance in NOK	Final maturity	Interest rate
Innovation Norway*	25.04.2017	NOK	1,500,000	10.06.2021	4.70 %
Haugesund Sparebank	01.12.2019	NOK	957,521	01.12.2039	3.90 %
DNB	05.11.2020	NOK	4,000,000	05.11.2031	3.69 %
Haugesund Sparebank	28.09.2020	NOK	2,803,992	28.09.2040	3.75 %
Haugesund Sparebank	09.11.2020	NOK	2,880,000	01.12.2040	3.75 %
DNB	27.03.2020	NOK	4,745,765	27.03.2036	5.25 %
DNB	26.10.2020	NOK	800,000	26.10.2036	4.00 %
INTEREST-BEARING LOANS AND BORROWINGS, EX. LEASING LIABILITY			17,687,278		
Leasing liabilities			1,841,134		
Other non-current debt — EU pre-financing payment — DACOTA and ALEHOOP†			16,368,424		
Restricted funds for deductions			–		
AMORTISED DEBT EXPENSES			–		
CARRYING VALUE			35,896,836		

	31.12.2019				
	Drawdown	Currency	Balance in NOK	Final maturity	Interest rate
Innovation Norway*	25.04.2017	NOK	1,500,000	10.06.2021	4.70 %
Haugesund Sparebank‡	01.12.2019	NOK	1,000,000	01.12.2039	4.90 %
			2,500,000		
AMORTISED DEBT EXPENSES			–		
CARRYING VALUE			2,500,000		

* Installments are waived until June 2021 on the start-up loan given by Innovation Norway. Zirconia AS has set surety for the loan given by Innovation Norway and the overdraft of NOK 1 million offered by Haugesund Sparebank.

† Pre-financing is a float and remains the property of the EU until the completion of the project. The floats are non interested-bearing. Further information Note 12.

‡ Long-term property loan.

NOTE 8 CONT.

Amounts in NOK	31.12.2020	31.12.2019
Current interest-bearing loans and borrowings		
First year payments leasing	736,454	–
First year installment of secured loan	1,031,148	320,722
TOTAL CURRENT INTEREST-BEARING LOANS AND BORROWINGS	1,767,602	320,722
Non-current interest bearing loans and borrowings		
Leasing liability	1,104,680	–
Secured loan*	16,656,130	2,179,278
TOTAL NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS	17,760,810	2,179,278
TOTAL INTEREST BEARING LOANS AND BORROWINGS	19,528,412	2,500,000

* Included loan from Innovation Norway NOK 1.5 million.

Movement in interest-bearing loans

Amounts in NOK	2020	2019
Opening balance	2,500,000	1,500,000
REPAYMENT	–320,722	–
New loans obtained	18,041,086	1,000,000
Leasing effect	–691,952	–
OUTGOING BALANCE	19,528,412	2,500,000

Covenants

The covenants are calculated on the Group's consolidated numbers. The relevant covenants are:

No covernants on external debt in 2020	
Pledge asset for loan Office builing	First priority
	Second priority — debitors
Unsecured loan Innovation Norway	Personal guarantee from CEO
Growth loan	Guaranteed by Innovation Norway
Bank overdraft	Collateral security from CEO Thorleif Thormodsen and Zirconia AS (owned by CEO)

Long-term loans and bank overdraft secured by pledges:

Amounts in NOK	Carrying value 31.12.2020
External debt — office building	16,187,278
Bank overdraft	2,000,000

The long-term loans and overdraft are secured by pledges in the following items:

Amounts in NOK	Carrying value 31.12.2020
Land buildings and other real estate	18,189,106
Operating moveable property, furniture, tools, other	13,603,143

8.3 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All activities for risk management purposes are carried out by the Group's senior management, and it is considered they have the appropriate skills, experience and supervision. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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.

NOTE 8 CONT.

FINANCIAL RISK

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 2020.

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.

AMOUNTS INCLUDED EARNED INTEREST

Agreed rest maturity assets	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total value in NOK
Long-term receivables	–	75,660	361,910	529,680	967,250
Accounts receivables	–	–	–	–	–
Other current receivables	10,420,649	–	–	–	10,420,649
TOTAL 2020	10,420,649	75,660	361,910	529,680	11,387,899
TOTAL 2019	6,703,935	–	–	–	6,703,935

Agreed rest maturity assets	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total value in NOK
Borrowings	1,406,148	1,781,148	1,406,148	13,093,834	17,687,278
Calculated interest on borrowings	733,769	675,434	601,542	2,806,993	4,817,739
Trade payables	12,728,074	–	–	–	12,728,074
Leasing	1,031,592	415,772	263,942	553,453	2,264,759
Other liabilities	2,548,632	–	–	–	2,548,632
TOTAL 2020	18,448,215	2,872,354	2,271,632	16,454,280	40,046,482
TOTAL 2019	7,579,466	1,473,079	1,232,259	1,992,934	12,277,738

8.4 FAIR VALUES

The fair value of trade and other payables, trade and other receivables, cash and cash equivalents, and revolving credit facilities approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

NOTE 9 CASH AND CASH EQUIVALENTS

Amounts in NOK	31.12.2020	31.12.2019
Cash at bank and in hand	5,880,823	5,212,318
Restricted cash*	508,021	252,620
Unused draft facility	2,000,000	2,000,000
TOTAL LIQUIDITY RESERVE	8,388,844	7,464,938

* Restricted cash is related to tax withholding account

NOTE 10 TRANSACTIONS WITH RELATED PARTIES

Amounts in NOK ex. VAT	Services	2020	2019	Debt to related party as 31 December.2020
Zirconia AS (Controlled by CEO Thorleif Thormodsen)	Office rent/management services	2,174,000	2,411,000	–
Innovatch AS (Controlled by CTO Kjetil Rein)	Project engineer	659,415	1,601,805	41,250
Heltor AS (Controlled by CFO Helge Tordahl)	Management/finance	1,913,796	998,539	–

NOTE 11 SHARE CAPITAL

SHAREHOLDERS

Share capital is NOK 5.36 million consisting of 1,072,440 shares, each with par value NOK 5 per share. Ownership equals voting rights.

The largest shareholders as of 31.12.2020 are as follows:

Shareholder	No. of shares	Ownership
ZIRCONIA AS	270,880	25.26 %
JAHATT AS	233,000	21.73 %
VALIDÉ AS	46,100	4.30 %
ØYHATT AS	42,000	3.92 %
JAKOB HATTELAND HOLDING AS	40,000	3.73 %
VALIDÉ INVEST I AS	36,000	3.36 %
CLEARSTREAM BANKING S.A.	25,672	2.39 %
AMAR GROUP AS	20,300	1.89 %
ADORA AS	20,000	1.86 %
NORDVEGEN FORVALTNING AS	19,100	1.78 %
SUM TEN LARGEST	753,052	70.22 %
Other shareholders (221)	319,388	29.78 %
TOTAL ADOPTED SHARES AS OF 31.12.2020	1,072,440	100.00 %

EQUITY ISSUANCES

Amounts in NOK	Date	No of shares	Share price	Total equity
Share issuance	06.01.2020	1,700	100.00	170,000
Private placement Karmøy Næringsfond AS and Jahatt AS	19.02.2020	30,000	100.00	3,000,000
Share issuance	24.06.2020	30,000	125.00	3,750,000
Share issuance	25.06.2020	10,000	125.00	1,250,000
Share issuance	02.07.2020	11,685	125.00	1,460,000
Share issuance	06.07.2020	3,250	125.00	406,250
Share issuance	30.07.2020	28,000	125.00	3,500,000
Share issuance	01.09.2020	6,860	125.00	857,500
Share issuance	03.09.2020	4,000	125.00	500,000
Share issuance	11.09.2020	25,672	125.00	3,209,000
Share issuance	25.09.2020	8,500	125.00	1,062,500
Exercise of warrants	13.11.2020	2,500	35.00	87,500
Share issuance	30.11.2020	23,050	125.00	2,881,250

NOTE 12 GOVERNMENT GRANTS

The Group receives public grants for financing of costs relating to development projects. Project costs are capitalised as intangible assets under development in the balance sheet. Public grants are recognised as a deduction in the related asset's carrying amount.

Through 2020 the Group received grants of NOK 22,168,690 related to these projects compared to NOK 14,354,156 in last year.

Amounts in NOK	2020	2019
Tax Refund (SkatteFUNN)	1,534,220	2,090,386
The Research Council of Norway (RCN)	3,022,328	2,577,854
Regional Research Funds (RRF) — Vestlandet	–	1,643,519
EU — SME Phase II and EIC Accelerator	14,807,719	4,442,397
Innovation Norway (IN)	2,804,424	3,600,000
TOTAL	22,168,690	14,354,156

RECOGNISED PROJECT COSTS AND GRANTS IN 2020

Amounts in NOK	Programme	Sponsor	Gross project costs*	Grant	Net project costs
Fucomed — Biomedical fucoidan		The Research Council of Norway	2,150,489	1,742,492	407,997
CarboNor — Algal biopolymers	Eurostars	The Research Council of Norway	729,258	649,347	79,911
AORTA — Tax refunds 2017–2020	SkatteFUNN	The Research Council of Norway	2,656,896	1,534,220	1,122,676
DACOTA — Commercialisation	EIC Accelerator "Green Deal"	EU Horizon 2020	651,343	465,704	185,639
Bio4Fuels — Biobased fuels		The Research Council of Norway	200,000	–	200,000
ALEHOOP — Algal proteins	BBI JU	EU Horizon 2020/BIC	413,946	260,474	153,472
AORTA 2 — R&D	SME Instrument Phase II	EU Horizon 2020	23,370,909	14,081,541	9,289,368
Hypomar Havpilot — Harvesting		Innovation Norway	3,481,599	1,544,424	1,937,176
Polyphenols — Extraction and identification		The Research Council of Norway	1,542,427	630,489	911,938
ASM Pilot — Raw material handling		Innovation Norway	2,501,877	1,260,000	1,241,877
TOTAL			37,698,744	22,168,690	15,401,666

* Gross costs are project costs before deduction of recognised grant related to the project. Net costs are project costs after the deduction of grants, and are capitalised as carrying amount of intangible assets under development.

RECOGNISED PROJECT COSTS AND GRANTS IN 2019

Amounts in NOK	Programme	Sponsor	Gross project costs	Grant	Net project costs
AORTA — R&D	Marinforsk	The Research Council of Norway	2,996,086	2,367,499	628,587
AORTA — Tax refunds 2017–2020	SkatteFUNN	The Research Council of Norway	2,146,995	2,090,386	56,609
ALEHOOP — Algal proteins	BBI JU	EU Horizon 2020/BIC	49,814	–	49,814
AORTA — R&D	Bionær	Regional Resarch Fund Vestlandet	1,643,519	1,643,519	–
AORTA 2 — R&D	SME Instrument Phase II	Horizon 2020 EU	7,221,501	4,442,397	2,779,104
AORTA — Pre-project		Regional Resarch Fund Vestlandet	100,408	–	100,408
Hypomar Havpilot — Harvesting		Innovation Norway	5,308,064	3,600,000	1,708,064
Polyphenols — Extraction and identification		The Research Council of Norway	577,737	210,355	367,382
TOTAL			20,044,124	14,354,156	5,689,968

NOTE 12 CONT.

GROSS BUDGET FOR THE TOTAL PROJECT COSTS 2020

Project	Rest	Gross budget project costs	Accumulated costs	Remaining budget
AORTA — Marinforsk	0 %	9,134,435	9,134,435	–
Fucomed — RCN	91 %	23,200,000	2,119,063	21,080,937
CarboNor — Eurostars	88 %	8,211,000	958,453	7,252,547
AORTA — SkatteFUNN	0 %	4,095,544	4,095,544	–
DACOTA — EIC Accelerator	98 %	36,500,000	651,343	35,848,657
Bio4Fuels	0 %	200,000	200,000	–
Cation — Biorefinery design	0 %	2,788,560	2,788,560	–
ALEHOOP	91 %	5,000,000	463,760	4,536,240
AORTA Pre-Project	0 %	1,102,286	1,102,286	–
AORTA — Bionær	0 %	6,228,053	6,228,053	–
AORTA 2 — SME Phase II	0 %	32,277,280	32,277,280	–
Fucomed — RRF	0 %	732,443	732,443	–
Hypomar Ocean Pilot — IN	0 %	11,161,456	11,161,456	–
Polyphenols — RCN	72 %	8,400,000	2,370,780	6,029,220
TOTAL GROSS PROJECT COSTS	50.2 %	149,031,057	74,283,456	74,747,601
Shares of total gross project costs			*49.8 %*	*50.2 %*

ACCUMULATED GRANTS RECEIVED AS OF 31 DECEMBER 2020

Project	Rest	Total approved grants ex-ante	Accounted grants	Remaining grants
AORTA — Marinforsk	0 %	4,610,370	4,610,370	–
Fucomed — RCN	89.30 %	16,250,000	1,742,492	14,507,508
CarboNor — Eurostars	78.60 %	4,105,000	878,542	3,226,458
AORTA — SkatteFUNN	21.20 %	11,000,000	8,668,485	2,331,515
DACOTA — EIC Accelerator	98.20 %	26,000,000	465,704	25,534,296
Bio4Fuels	0 %	–	–	–
Cation — Biorefinery design	0 %	1,044,303	1,044,303	–
ALEHOOP	93.60 %	4,060,000	260,474	3,799,526
AORTA Pre-Project	0 %	500,000	500,000	–
AORTA — Bionær	0 %	2,475,161	2,475,161	–
AORTA 2 — SME Phase II	0 %	19,645,220	19,645,220	–
Fucomed — RRF	0 %	673,128	673,128	–
Hypomar Ocean Pilot — IN	0 %	4,500,000	4,500,000	–
Polyphenols — RCN	74.00 %	4,200,000	1,091,461	3,108,539
TOTAL GRANTS	53.00 %	99,063,182	46,555,340	52,507,842
Shares of total approved grants			*47.0 %*	*53.0 %*

GOVERNMENT GRANTS — STATE AID RULES

Under the state aid rules, it is as a general rule prohibited to provide government funding support to companies. However, support awarded in compliance with the EU state aid rules are exempt from the general prohibition.

Government grants for development activities in Alginor ASA and/or the Group are provided in compliance with the exemptions of the state aid rules and the EU General Block Exemption Regulation for state aid*. These rules stipulate what type of activities are eligible for funding, which costs relating to these activities may be recovered partly or in full, and the maximum aid intensity that may be granted for the various activities, see for example Article 25, 26 and 28 of the Block Exemption.

Alginor ASA and/or the Group monitors and complies with the de minimis aid exemption† ceiling amount of €200,000 over a period of three fiscal years for small amounts.

OUTLOOK AND EVENTS RELATED TO GOVERNMENT GRANTS

Alginor's AORTA 2 project concluded on 31 December 2020. AORTA 2 was the Group's first major project with the European Union, and its completion marked an important milestone towards commercialisation of the Group's core upstream and

* COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

† COMMISSION REGULATION (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

NOTE 12 CONT.

downstream technologies, Hypomar and AORTA. During the AORTA 2 project, Alginor implemented complete technology verification through in-house and external small- and large-scale piloting of its 12-product portfolio. The project cost over NOK 33 million, whereof 70 % was given as a grant, and through more than 23,000 man-hours 21 deliverables were completed, including substantial plans for data management, IPR strategy, commercialisation and dissemination, a financial model of the Company's Base Case Scenario and Process Flow Charts for the complete technology. The successful verification of the AORTA technology brings the Company a giant step closer to its own production facilities, hereby creating a solid foundation for further demonstration and commercialisation.

The majority of the Group's development efforts are financed through public grants. In 2020, the Group launched three major industrial development projects:

The **Fucomed** project is an industrial development project exploring fucoidan's potential in bio-medical applications in collaboration with the University of Bergen, the University of Oslo and KTH Royal Institute of Technology in Stockholm. The main objective of the project is upscaling the extraction process for fucoidan from lab-scale to industrial scale for the production of pharmaceutical and medical applications and devices. Fucomed's budget is NOK 23.2 million. NOK 16.2 million is funded through a grant from the Research Council of Norway. NOK 2.12 million is incurred as of 31 December 2020. The project is expected to be completed during 2023.

The **CarboNor** project focuses on converting carbohydrate polymers into high-value biotech products such as alginates, oligosaccharides, cellulose and bioplastics, in collaboration with KTH Royal Institute of Technology in Stockholm. The main objective of the project is to document and validate that the parties' technologies are combinable and industrially scalable for production of the aforementioned products for pharmaceutical and medical applications and devices. CarboNor has a total budget of €1.1 million, whereas the Company's budget is €821,100. €410,500 is funded through a grant (formally awarded by Eurostars) from the Research Council of Norway. NOK 958,453 is incurred as of 31 December 2020. The project is expected to be completed in 2022.

In 2020, Alginor ASA's **DACOTA** proposal was awarded so-called "blended finance" of up to €17.5 million under the European Innovation Council's "Green Deal" call. The DACOTA project is a continuation of the AORTA 2 project. DACOTA is divided into two partly overlapping financing phases, grant and equity, which will lay the foundation for the demonstration phase. The first phase runs from 1 November 2020 to 30 April 2022 with an estimated budget of €3.5 million, whereof 70 % is covered by the grant. Its main objective is to create complete designs for engineering and construction of a harvesting vessel and a biorefinery demonstrator, each with target capacities of 10,000 tonnes wet kelp. The findings from the first phase will form the basis for investment decisions regarding the vessel and the facility, which will be partly financed by the equity component. Total CAPEX is estimated at approximately €30 million. The Group expects to enter the demonstration phase in H2 2023.

GOVERNMENT GRANTS LIABILITIES

Alginor has received pre-financing of approximately NOK 16.4 million from the European Union's EIC accelerator programme. These pre-financing remains the property of the EU until completion of the project. If the amount of earlier payments is greater than the final grant amount, the payment of the balance takes the form of a recovery. If the total amount of earlier payments is lower than the final grant amount, the remaining balance will be paid by the Agency within 90 days of receiving the final report. The calculation of the final grant amount is contingent on approved costs from interim project reports.

RECONCILIATION OF LIABILITIES AND ASSETS

Amounts in NOK	2020	2019
Receivables on project EU SME-II Float	–	3,007,366
Liabilities on project EU SME-II Float	–	8,512,004
Receivables on project DACOTA and ALEHOOP	726,180	–
Liabilities on project DACOTA and ALEHOOP	16,368,424	–
NET LIABILITIES	15,642,244	5,504,638

NOTE 13 TECHNOLOGY READINESS LEVELS

Technology Readiness Levels (TRLs) are part of a system used to assess the maturity of a technology or project. The TRL scale consists of nine levels, where level 1 is the lowest and level 9 is the highest. The system was initially defined by NASA in the 1990's but has since then been adopted by many public funding programmes, either for direct use (EU's Horizon 2020) or as a general help (The Research Council of Norway and Innovation Norway). Easily explained in "NASA terms", a TRL of 8 is reached when the rocket is ready for take-off into space, and at TRL 9 the rocket has successfully launched.

DEFINITIONS

Under the Horizon 2020 work programme the following definitions are used:

TRL 1 Basic principles observed.
TRL 2 Technology concept formulated.
TRL 3 Experimental proof of concept.
TRL 4 Technology validated in lab.
TRL 5 Technology validated in relevant environment (industrially relevant environment in the case of key enabling technologies).
TRL 6 Technology demonstrated in relevant environment (industrially relevant environment in the case of key enabling technologies).
TRL 7 System prototype demonstration in operational environment.
TRL 8 System complete and qualified.
TRL 9 Actual system proven in operational environment (competitive manufacturing in the case of key enabling technologies; or in space).

In preparing for the DACOTA application, Alginor had to document TRLs of 7–8.

THE GROUP'S TRL ASSESSMENT OF MAJOR DEVELOPMENT ELEMENTS AND FACILITIES

Costs related to TRL 0 to 3 must, as a main rule, be registered as expensed. Activities within TRL 3 are subject to individual assessment. Costs related to TRL 4 to 6 shall, as a main rule, be registered as capitalised in the balance sheet. TRLs are applied as a standard method for assessing technologies in projects in EU, the Research Council of Norway and Innovation Norway.

Projects ranging from TRL 7 to 9 are assumed to be activated entirely because they are fixed installations of process lines in permanent buildings — equal to a completed facility ready for commercial testing and production. From 2022 and onwards, the whole product portfolio and all our production facilities will operate according to TRL 8 and 9 and so will the major part of our projects and technology investments.

Technology Readiness Level	Alginor's projects/activities
1	Bioactives/Bioactive ingredients related to finished applications
2	Concept evaluations
3	Characterising new substances
4	In general, SkatteFUNN, industrial development project for biorefining and design of a demonstrator and full-scale biorefinery
5	Technical and commercialisation plan, the Biorefinery Programme; SME-I, feasibility study and business plan Alginor ASA; RRF-I, product portfolio and total utilisation concept feasibility studies; CarboNor; Polyphenols
6	The Marinforsk project 2017–2020; RRF-II 2017–2019; Fucomed; ALEHOOP; AORTA 2
7	Demonstrator 10,000 t/y, ready for demonstration; Hypomar Pilot
8	Demonstrator 10,000 t/y, demonstration completed; DACOTA
9	Industrial full-scale biorefinery 100,000 t/y, operational

NOTE 14 LEASES AS LESSEE

Applying IFRS 16, for all leases (except noted below), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

NOTE 14 CONT.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes printers, tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administration cost in profit or loss. These lease payments are immaterial and are not disclosed separately.

RIGHT-OF-USE ASSETS

Amounts in NOK	2020
Right-of-use assets as of 1 January	–
Additions right-of-use assets 2020	2,589,288
Depreciation of the year	728,039
Revaluation	–
FX effects	–
RIGHT-OF-USE ASSETS AS OF 31 DECEMBER	1,861,249
Remaining lease-term	2–6 years
Depreciation method	Linear

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 31 December 2020 is 5.5 %.

On 31 December 2019, the Group had only insignificant lease contracts and had no recognised right of use assets or lease liabilities.

DISCOUNTED LEASE LIABILITIES AND MATURITY OF CASH OUTFLOW

Amounts in NOK	2020
< 1 year	736,454
1–2 years	552,340
2–3 years	368,227
3–4 years	138,085
4–5 years	46,028
> 5 years	–
TOTAL DISCOUNTED LEASE LIABILITIES AS OF 31 DECEMBER	1,841,134
Interest expense on lease liabilities	79,123

RENTAL AGREEMENTS

Amounts in NOK	Lessor	Expiry date	Rent per month
Headquarter, Haugesund	Zirconia AS	3 months running	15,000
Offices, Oslo	Thon Eiendom AS	01.04.2023*	26,100
Hypomar Facilities, Skudeneshavn	Steiningsholmen AS	01.10.2021	22,396
Apartment, Skudeneshavn	Steiningsholmen AS	3 months running	7,000
Offices, Haugesund	Haraldsgaten 170 ANS	31.01.2022	15,585

* 3 months notice period.

NOTE 15 ACCOUNTS PAYABLE

Amounts in NOK	2020	2019
Accounts payable	12,728,074	4,336,892

NOTE 16 GOING CONCERN

Alginor is well underway with its DACOTA project with an aim to demonstrate its innovation on a relevant scale. DACOTA implements the Group's operational, industrial, financial and commercial strategy for the next years, and lays the foundation for full-scale industrialisation. The DACOTA project is fully funded for the project period, and CAPEX for the harvesting unit and biorefinery demonstrator is likely to be partially funded by equity from the European Union in combination with equity from current shareholders and new investors. It is the Board's opinion that Alginor has good prospects, growth potential and potential to create a profitable operation going forward through exclusive control and exploitation of its innovation.

In accordance with section 3-3a of the Norwegian Account Act, the Board confirms that the going concern assumption, under which the financial statements have been prepared, is appropriate and provide a fair representation of the Group's assets, debts, financial positions and results.

NOTE 17 LEGAL MATTERS/DISPUTES

The Group has not been involved in or been aware of any legal matters in 2020.

In the normal course of business the Group will from time to time be involved in minor complaints with various parties that will have no material impact on the Group's overall financial position.

NOTE 18 SUBSEQUENT EVENTS

PRIVATE PLACEMENT IN FEBRUARY

The Group had initially planned for a public placement with a national prospectus in February. After receiving word from the EIC's representatives that the equity process was starting, the Group decided to shift the majority of its administrative resources towards working on the due diligence. As a result, the public placement was terminated due to limited resources.

Instead, the Group offered investors who had already made direct contact and expressed their interest in participating in the planned public placement, the opportunity to invest in a limited private placement of up to 149 participants. The placement was executed over a one-week period in February. New shares were issued at NOK 175.00 per share for a total equity raise of NOK 6.8 million.

Total outstanding shares post placement as of 12 May 2021 was 1,171,483 shares.

THE GROUP IS MOVING ITS PILOTING OPERATION TO A NEW FACILITY IN SKUDENESHAVN

Although external piloting runs have offered valuable insight and indications in relation to the scalability of the Group's technologies, these facilities are not designed specifically for the processing of the kelp biomass. No such customised facility currently exists in Europe.

Therefore, Alginor will firstly seek to establish a food grade pilot biorefinery capable of producing the entire product portfolio. The pilot biorefinery is expected to play a key role in further optimising and developing the biorefinery process, which will be beneficial prior to and during the demonstration phase.

Therefore, the Group has, through its wholly owned subsidiary Hypomar AS, in 2021 entered into a new rental agreement for a larger piloting facility at Skudeneshavn, Norway, with Steiningsholmen Eiendom AS. The Group expects delivery of new equipment in Q2 2021 for further expansion of its ASM piloting operation and need more space to house the equipment. The new equipment will enable the Group's pilot to utilise the entire biomass that is brought to shore, for production of storage-stable starting materials that will be further refined into ingredients in the demonstration phase.

THE EIC PROCESS

Alginor and representatives from the European Investment Bank (acting on behalf of the European Innovation Council investment committee, overseen by the EU Commission) started the due diligence process for the equity part of up to €15 million as part of the DACOTA project in February 2021.

As of 8 April, 2021, the preliminary due diligence process has been completed, and the process has entered a new phase that is ongoing as of the date of this report. As part of this second phase Alginor agreed to finance legal due diligence performed by an external lawyer chosen by the EIC. The Group cannot predict with certainty when the process is set to be completed. More information regarding this topic will be communicated to shareholders when appropriate.

AORTA 2 FINAL REPORT OFFICIALLY APPROVED BY THE EUROPEAN UNION

The technical and financial report for the AORTA 2 project were accepted by the European Union in April. Alginor received excellent overall remarks and the expert review stated that the "Project has delivered exceptional results with significant immediate or potential impact." The review states that the project management has been effective in all project parts and areas, with clear and realistic explanations for any changes, and that all ethical concerns have been covered responsibly. The general feedback is that the project results are innovative, relevant and have the potential for great positive impact on the global seaweed industry.

The official approval confirms no outstanding liabilities related to the EU SME-II grants received in the project period.

SIGNIFICANT DECREASE IN CURRENT LIABILITIES

After year end, outstanding liabilities to trade creditors have been reduced from NOK 12.7 million to NOK 2.6 million as of 30 April 2021, significantly reducing total current liabilities.

EQUIPMENT

In April, Alginor took delivery of a highly flexible TurboRotor G-90 mill-dryer with cyclone and bag filters made by Görgens Machltechnik GmbH in Germany. The unit has been configured according to the specifications of the Group's EPC team and it is seen as a significant upgrade to the Group's ASM pilot.

STATEMENT OF PROFIT OR LOSS

Amounts in NOK	Note	2020	2019
Operating income			
Revenue		187,921	112,050
Other operating income		1,025,579	–
OPERATING INCOME		1,213,500	112,050
Operating expenses			
Personnel expenses	2	1,499,781	1,454,007
Depreciation	5, 6	65,503	1,875
Other operating expenses	3	2,593,603	2,223,432
OPERATING EXPENSES		4,158,887	3,679,314
OPERATING PROFIT		–2,945,387	–3,567,264
Financial income and expenses			
Other interest income		17,076	14,933
Financial income		353,705	–
Other interest expense		143,775	177,232
Financial expense		40,000	152,593
NET FINANCIAL INCOME AND EXPENSES		187,006	–314,892
RESULT BEFORE INCOME TAXES		–2,758,381	–3,882,156
Income taxes	4	–	–
PROFIT (LOSS) FOR THE PERIOD		–2,758,381	–3,882,156
Transfers and allocations			
Transfered from share premium reserve		–2,758,381	–3,882,156
PROFIT (LOSS) FOR THE PERIOD		–2,758,381	–3,882,156

STATEMENT OF FINANCIAL POSITION

Amounts in NOK	Note	31.12.2020	31.12.2019
Intangible assets			
Industrial development projects	6	27,728,116	13,439,939
Concessions, patents, licences, trademarks	6	1,444,818	420,511
TOTAL INTANGIBLE ASSETS		29,172,934	13,860,450
Tangible assets			
Land buildings and other real estate	5	9,881,380	1,522,278
Operating moveable property, furniture, tools, other	5	5,281,288	3,836,756
TOTAL TANGIBLE ASSETS		15,162,668	5,359,034
Financial fixed assets			
Equites and investments	9	7,975,000	815,000
Other long-term receivables		967,250	14,000
TOTAL FINANCIAL FIXED ASSETS		8,942,250	829,000
TOTAL NON-CURRENT ASSETS		53,277,852	20,048,484
Current assets			
Accounts receivable	7	–	93,188
Receivables from group companies		3,875,786	406,887
Other receivables	7	9,196,667	6,637,456
TOTAL RECEIVABLES		13,072,453	7,137,531
Cash and cash equivalents	8	3,988,065	4,354,589
TOTAL CURRENT ASSETS		17,060,518	11,492,120
TOTAL ASSETS		70,338,370	31,540,604

STATEMENT OF FINANCIAL POSITION CONT.

Amounts in NOK	Note	31.12.2020	31.12.2019
Equity			
Share capital	11	5,362,200	4,436,115
TOTAL RESTRICTED EQUITY		5,362,200	4,436,115
Share capital not registered		–	150,000
Share premium (reserve)		24,849,959	21,621,309
Other paid-up equity		418,592	180,244
TOTAL PAID-UP EQUITY		30,630,751	26,387,668
Uncovered loss		–	–11,375,891
TOTAL EQUITY	11	30,630,751	15,011,777
Non-current liabilities			
Debt to financial institutions		6,641,513	1,000,000
Leasing liability		17,868,424	1,500,000
TOTAL OF OTHER NON-CURRENT LIABILITIES	13	24,509,937	2,500,000
Current liabilities			
EU SME-II Float	12	–	8,512,004
Trade creditors		12,705,293	4,336,892
Value added taxes		1,237,505	506,125
Liabilities to group companies		54,000	24,000
Other short-term liabilities		1,200,882	649,803
TOTAL CURRENT LIABILITIES		15,197,680	14,028,824
TOTAL LIABILITIES		39,707,617	16,528,824
TOTAL EQUITY AND LIABLITIES		70,338,370	31,540,603

Haugesund, 12 May 2021

The Board of Directors of Alginor ASA

Signed

Øyvind Gjerde
Chair

Signed

Turid Thormodsen

Signed

Bjørn Bugge

Signed

Åse Tveit Samdal

Signed

Kjetil Rein

Signed

Nina Widvey

Signed

Thorleif Thormodsen
CEO

STATEMENT OF CASH FLOW

Amounts in NOK	2020	2019
Cash flows from operating activities		
RESULT BEFORE INCOME TAXES	–2,520,033	–3,882,156
Income taxes paid		
Depreciation and amortisation	65,503	1,865
Change in deferred revenue, net	8,368,401	2,578,931
Change in accounts receivable	–10,648,819	–622,374
NET CASH FLOW FROM OPERATING ACTIVITIES	–4,734,948	–1,927,474
Cash flow used in investing activities		
Investment in fixed assets	–16,840,428	–4,462,033
Activated Developement projects	–15,312,484	–5,818,626
Payment of sale in fixed assets	6,971,291	–
Investment in subsidiary, net of cash aquired	–7,160,000	–609,000
NET CASH FLOW USED IN INVESTING ACTIVITIES	–32,341,621	–10,889,659
Cash flow from financing activities		
Long term loan obtained	22,009,937	1,000,000
Payments group companies	–3,438,899	–
Equity Issue	18,139,007	10,414,966
NET CASH FLOW FROM/USED IN FINANCING ACTIVITIES	36,710,045	11,414,966
NET CASH FLOWS FOR THE PERIOD	–366,524	–1,402,167
Cash and cash equivalents at the beginning of the period	4,354,589	5,756,756
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,988,065	4,354,589

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The company accounts are presented in accordance with NGAAP (Norwegian Generally Accepted Accounting Principles) 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 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 development 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.

NOTE 2 PAYROLL EXPENSES

EMPLOYEE BENEFIT EXPENSES DURING THE YEAR

Amounts in NOK	2020	2019
Wages and salaries	9,725,865	5,748,629
Social security costs	1,527,509	912,905
Pension cost	416,559	269,578
Other personnel cost	411,595	429,163
Capitalised project expenses	–10,621,746	–5,996,268
Board fee	40,000	90,000
TOTAL	1,499,781	1,454,007
Number of employees	15	15

The Norwegian companies pension schemes in Norway fulfil the requirements according to ”lov om obligatorisk tjenestepensjon”

Please see further information in Alginor ASA Consolidated notes and disclosures on page Note 3 Personnel expenses on page 17.

NOTE 3 OTHER OPERATING EXPENSES

OPERATING EXPENSES

Amounts in NOK	2020	2019
Office expenses	1,057,278	502,984
IT equipment and licenses	412,308	310,372
Consultant fees*	2,172,934	1,283,953
Expenses EU SME-II Float	–2,867,072	–
Other operating expenses	1,818,155	126,123
TOTAL OTHER OPERATING EXPENSES	2,593,603	2,223,432

* Fees to the elected auditor is included in consultant fees, reference is made to the table below.

EXPENSED AUDIT FEES

Amounts in NOK ex. VAT	2020	2019
Statutory audit	344,900	83,230
Other services	15,200	55,040
TOTAL	360,100	138,270

NOTE 4 INCOME TAX

THIS YEAR’S TAX EXPENSE

Amounts in NOK	2020	2019
Taxable income		
Ordinary result before tax	–2,758,381	–3,882,156
Permanent differences	–1,501,427	–3,450,539
Changes in temporary differences	–193,131	1,448,970
TAXABLE INCOME	–4,452,939	–5,883,725
	31.12.2020	31.12.2019
Deferred tax relates to the following		
Fixed assets & intangibles	–6,505,047	–6,066,750
Gain and loss account	638,032	–
TOTAL TEMPORARY DIFFERENCES	–5,867,015	–6,066,750
Losses available for offsetting against future taxable income	–15,941,347	–11,481,804
Not included in the basis for deferred tax	21,808,362	17,548,554
BASIS FOR DEFERRED TAXES	–	–

Deferred tax assets/liability is not recognised in the balance sheet.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK	Land, buildings and other real estate	Operating moveable property, furnitures and other	Total
AT 1 JANUARY 2020	1,522,278	3,836,756	5,359,034
Accumulated depreciation 01.01	22,611	24,935	47,546
Depreciation*	65,503	–	65,503
Net additions	8,424,607	1,444,531	9,869,138
AT 31 DECEMBER 2020	9,881,380	5,281,288	15,162,668
Accumulated depreciation as of December 31 2020	88,114	24,935	113,049
Depreciation method	Straight line	Straight line	
Percentage	2 %	20 %	

* NOK 1,151,920 depreciation for developement projects are capitalised.

NOTE 6 INTANGIBLE ASSETS

Amounts in NOK	Development projects	Patents	Total
Year end 31 December 2019			
Opening net book amount	13,439,939	420,511	13,860,450
Additions	14,288,177	1,024,307	15,312,484
Amortisation charge	–	–	–
YEAR END 31 DECEMBER 2020	27,728,116	1,444,818	29,172,934

NOTE 7 ACCOUNTS RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Amounts in NOK	31.12.2020	31.12.2019
Accounts receivables	–	93,188
Other short-term receivables	9,196,687	6,637,456
Receivables from group companies	3,875,786	406,887

NOTE 8 CASH AND CASH EQUIVALENTS

Amounts in NOK	31.12.2020	31.12.2019
Cash at bank and in hand	3,988,065	4,354,589
Restricted cash	598,894	252,620

NOTE 9 FINANCIAL ASSETS

SHARES IN SUBSIDIARIES

Company name	Registered office	Ownership/ voting rights	Booked equity	Net result 2020	Book value
Alginor Biorefinery AS	Haugesund	100 %	–47,416	–211,888	200,000
Alginor Industrial Estate AS	Haugesund	100 %	–65,400	–14,849	165,000
Hypomar AS	Skudeneshavn	100 %	4,069,285	–293,449	4,440,000
Oewa AS	Haugesund	100 %	2,372,832	–706,056	3,170,000
TOTAL			6,329,301	–1,226,242	7,975,000

NOTE 10 SHARE CAPITAL

Share capital is NOK 5.36 million consisting of 1,072,440 shares, each with par value NOK 5 per share.

For further information please see notes and disclosures for the Consolidated Financial Statements on page 25.

NOTE 11 EQUITY

Amounts in NOK	Share capital	Share premium (reserve)	Share capital not registered	Other paid-up equity
01.01.2020	4,436,115	21,621,309	150,000	180,244
Reclassification of uncovered loss	–	–14,134,272	–	–
Capital increase expenses booked to equity	–	–3,845,618	–	–
Equity effect warrants	–	–	–	238,348
Share issuance	926,085	21,208,540	–150,000	–
AS OF 31 DECEMBER 2020	5,362,200	24,849,959	–	418,592

	Uncovered loss	Total equity
01.01.2020	–11,375,891	15,011,777
Reclassification of uncovered loss	14,134,272	–
Loss for the period	–2,758,381	–2,758,381
Capital increase expenses booked to equity	–	–3,845,618
Equity effect warrants	–	238,348
Share issuance	–	21,984,625
AS OF 31 DECEMBER 2020	–	30,630,751

NOTE 12 EU SME-II FLOAT

The official approval of the AORTA 2 final report confirms no outstanding liabilities related to the EU SME-II grants received in the project period. For information, please see Note 12 Government Grants on page 26.

NOTE 13 OTHER NON-CURRENT LIABLITITES

Amounts in NOK	2020	2019
Debt to financial institutions*	6,641,613	1,000,000
Other non-current liabilities†	17,868,424	1,500,000
TOTAL NON-CURRENT LIABILITIES	24,510,037	2,500,000

* Debt related to investments in property and office facilities.
† Debt Innovation Norway and advance payments from the EU.

NOTE 14 SUBSEQUENT EVENTS

For information, please see Note 18 Subsequent Events on page 31.

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To the General Meeting of Alginor ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alginor ASA, which comprise:

- The financial statements of the parent company Alginor ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Alginor ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

KPMG

Alginor ASA

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

KPMG

Alginor ASA

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Haugesund, 14 May 2021
KPMG AS

The auditor's report is signed electronically

Willy Hauge
State Authorised Public Accountant

alginor

ALGINOR ASA
FINANCIAL STATEMENTS
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 the market introduction of our products.

The company implements and invest 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 the company's strategy and projects.

Both consolidated and parent financial statements are discussed in the following sections, respectively referred to as the Group and Alginor ASA.

2. NATURE OF THE BUSINESS AND WHERE IT IS OPERATED

Alginor ASA is implementing a 7-year development project called AORTA for biorefining of macroalgae and a harvesting method for macroalgae 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 Kirkegaten 169 (OEWA AS), Haraldsgata 162 (Alginor ASA) and 170 (Alginor Biorefinery AS) in Haugesund, and Søragadå 73C (Hypomar AS).

Conversion to a Public Limited Company

As a basis for future financing and access to the financial market, the company was converted 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, Chairman of the Board
- Åse Tveit Samdal, Member
- Bjørn Bugge, Member
- Turid Thormodsen, Member
- Kjetil Rein, Member
- Annette Petersen-Øverleir, Member
- Nina Widvey, Deputy

3. ACCOUNTS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ALGINOR ASA FINANCIAL STATEMENTS

Accounting and financial management

As of 2019, the company complies with the Accounting Act for large companies (Public Limited Company) and the IFRS (stock exchange standard). Applied accounting principles are discussed in more detail in the notes.

Results

The consolidated financial statements for 2019 show a result of NOK -3,977,374 (against NOK -3,777,039 in 2018) and the Alginor ASA financial statements for 2019 show a result of NOK -3,882,156 (against NOK -3,700,681 in 2018). The results are affected by AORTA project expenses being capitalised and that government grants have been entered as a counter-item.

Balance

Assets

Total assets were NOK 31,135,737 in 2019 (NOK 22,023,783 in 2018) for the Group and NOK 31,540,603 in 2019 (NOK 22,161,335 in 2018) for Alginor ASA.

Non-current assets

Non-current assets were NOK 19,219,484 in 2019 (NOK 8,936,950 in 2018) for the Group and NOK 20,034,484 in 2019 (NOK 9,156,950 in 2018) for Alginor ASA.

Intangible assets

The Group and Alginor ASA's intangible assets, including patents, consist of identified sub-projects related to the Group and Alginor ASA's development project AORTA and amounts to NOK 13,860,450 in 2019 (NOK 8,041,824 in 2018). Intangible assets will be used by the company in-house for preparation of Alginor ASA'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 Group's strategy. The intangible assets also have alternative uses other than the company's main purpose (total utilisation of macroalgae).

Deferred tax advantages/assets

The Group and Alginor ASA have not capitalised deferred tax advantages in 2019.

Current assets

Total current assets were NOK 11,916,252 in 2019 (NOK 13,086,834 in 2018) for the Group and NOK 11,506,120 in 2019 (NOK 13,004,386 in 2018) for Alginor ASA.

Equity and liabilities

Equity

Equity as of 31 December 2019 was NOK 14,684,120 (47,2 %) (NOK 8,298,527 as of 31 December 2018) for the Group and NOK 15,011,777 (47,6 %) (NOK 8,529,967 as of 31 December 2018) for Alginor ASA. The share capital as of 31 December 2019 for both the Group and Alginor ASA was NOK 4,436,115 (NOK 3,741,600 as of 31 December 2018).

Liabilities

Total liabilities were NOK 16,451,617 in 2019 (NOK 13,725,256 in 2018) for the Group and NOK 16,528,824 in 2019 (NOK 13,631,368 in 2018) for Alginor ASA. Total of other non-current liabilities were NOK 2,500,000 in 2019 (NOK 1,500,000 in 2018) for both the Group and Alginor ASA.

Financial ratios

Interest coverage ratio

The Group and Alginor ASA have NOK 2,500,000 in interest-bearing debt and a current credit facility, which upon full withdrawal has an annual cost of approximately NOK 50,000 in 2019. The interest coverage ratio has increased in 2019 as a result of capital increases.

The Group and Alginor ASA's liquidity status

As of 31 December 2019, the Group had bank deposits of NOK 5,212,318 (NOK 5,812,954 as of 31 December 2018) and a NOK 2,000,000 unused credit facility. The Group's other short-term liabilities were NOK 1,102,721 in 2019, which includes social taxes (NOK 1,955,291 in 2018). The Group's trade creditors debt was NOK 4,336,892 (NOK 1,757,961 in 2018). In 2019, Alginor ASA had bank deposits of NOK 4,354,589 (NOK 5,756,756 in 2018) and a NOK 2,000,000 unused credit facility. In 2019, Alginor ASA's other short-term liabilities were NOK 673,803 (NOK 1,479,711 in 2018) and social taxes were NOK 506,125 (NOK 381,692 in 2018). Alginor ASA's trade creditors debt was NOK 4,336,892 (NOK 1,757,961 in 2018).

Cash flow

The Group cash flow analysis for 2019 shows a net change in cash and cash equivalents of NOK -600,637, which includes unused credit facility (NOK 4,613,680 in 2018). Alginor ASA's cash flow analysis for 2019 shows a net change in cash and cash equivalents of NOK -1,402,168. The ability to self-finance operations is limited during the development phase and depends on external capital raised from financing activities.

Innovation and development—balancing

Expenses for development of the AORTA project are capitalised because the project represents a clear value-creation for the Group and Alginor ASA. 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.

Alginor ASA is well underway with the implementation of its main project AORTA. The project takes place from 2015 to 2020. The AORTA project is, among other projects, 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-financed a project under AORTA with a gross budget of NOK 10 million ended in June 2019. The project manager was Henriette Wangen.

The Western Regional Research Fund has co-financed/partially funded an AORTA project with a gross budget of NOK 6 million, ending in Q1 2019. The project manager is Henriette Wangen. The Western 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 Kjetil Rein.

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

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:

a) The technical prerequisites for completing AORTA with aim that the technology will be available for internal use is met.
b) The company intends to complete AORTA and use the technology in the company's business.
c) The company has the ability to use AORTA for internal use.
d) It is likely that the AORTA project will provide revenue to the company in the future.
e) 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 further detail 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 around NOK 98.2 million for 2015 to 2021, of which NOK 40.9 million is already completed. The budget in 2020 is NOK 20 million which provides a project achievement of approximately 62 % 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 20 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 Group and Alginor ASA have capitalised development expenses to AORTA, including patents, with NOK 13,860,450.

Business model and commercialisation

It is within the Group's and Alginor ASA's business model to exclusively control and exploit the asset (innovation, technology), and there are several alternative scenarios for realising the asset's potential.

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

1. The establishment of early stage external production (SME).
2. Establishment of the Group's own pilot plant (the Skude 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 Group and Alginor ASA consider 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 consolidated financial statements and the Alginor ASA financial statements of 2019

In accordance with the Norwegian Accounting Act section 3-3, it is confirmed that the consolidated financial statements and the Alginor ASA financial statements assume continued operations. The Board believes the financial statements of 2019 provide a fair representation of the Group's and Alginor ASA's assets and debts, financial positions and results. 2020 is Alginor ASA's sixth full operating year.

Statements regarding corporate governance

In accordance with section 3-3b, it is confirmed that the Group and Alginor ASA has implemented Principles of Good Corporate Governance, which can be found at the company's website.

5. RISK FACTORS

During developmental stages, Alginor ASA and its subsidiaries will be exposed to several risk aspects, some of which are out of the Group's control. These risks 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. Simultaneously, 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 delay financing, technical and regulatory challenges, or underestimation of resource-use in relation to the nature and extent of the task.

Technological and project-related risks

Alginor ASA and its subsidiaries produce unique and innovative products that others may not produce due to infrastructure, access to raw material, and technological solutions. The application of new process and production principles may entail great risks pertaining to postponements, loss of product during piloting, high production costs, etc. The Board believes these risks apply to all players looking to venture into the same market segments as the Group.

Market risks and competition

Pricing, production and market size

Alginor ASA 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 the Group's product portfolio. The Board expects stable growth in prices, increased prices for wild-caught raw material, and decreased prices for cultivated raw material.

Competition

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

Regulatory risks

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

Operational risk factors

Volatility in operational results

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

Key personnel

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

Unidentified risks

Given the Group's use of disruptive technologies and innovative solutions, players 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 Group'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. As of 2019, the Group has secured access to raw material by obtaining an unlimited Freedom to Access permit issued by the Directorate

of Fisheries.

Commercialisation

Alginor ASA and its subsidiaries are carefully planning the upcoming commercialisation of the 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 introduced in phases.

Dependence on strategic partnerships

The Group's development projects are conducted in close cooperation with strategic partners, based on consortium agreements etc. Furthermore, the Group [has entered and] continues to enter into agreements with other companies and players to ensure future success.

Managing growth

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

Financial risk factors

Financial risk

Financial risk is mainly comprised of interest risk, currency risk, credit risk and liquidity risk.

Interest risk

The Group'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

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

Credit risk

The Group will mainly offer its products 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 Group's liquidity risk is closely monitored by the Board and management. The Board facilitates access to liquidity, particularly through equity funding.

Financing

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

6. WORKING ENVIRONMENT AND EXTERNAL ENVIRONMENT

The company is currently operated by a team of 20 members, consisting of 15 permanent employees and hired consultancy from 5 professionals whenever necessary. In 2019, just over 9.1 man-years were completed. It is expected that the number of employees will be stable through 2020.

The company has a good working environment. It has been registered sick leave in 2019 for a total of 67 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 health 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 will be 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

Acquiring laboratory by OEWA AS

During Q1 2020, Alginor will establish a modern laboratory for performing all advanced analyses in-house, in the daughter company OEWA AS. The laboratory will be built with equipment and systems that enables Alginor to perform a full analysis of the products. Alginor is constructing a so-called pico line—a miniature biorefinery—to be operated by OEWA AS. It is established according to ISO 22000 and ISO 13485. This gives Alginor the opportunity to highlight the AORTA technology and the company's product range vis-à-vis customers, partners and investors.

Implementation of share issues in 2020

The company is well on its way in preparing a national prospectus to be used in a public placement, which will provide free access to the Norwegian capital market and investors. The prospectus may also be applied within the EES area, provided that the offering is private and directed at a restricted number of investors in each country.

Outlining a National Prospectus for public placements of shares

The Board of Directors have decided to launch a new equity programme for 2020 in order to fund future growth and expand the company's capital base. The programme has a target of NOK 25 million in new equity by issuing 200,000 new shares under the Board's existing proxy.

The public placement may, tentatively, be carried out in 4 tranches of 50,000 shares each. In view of the ongoing disturbance of the capital markets due to the coronavirus outbreak, the company plans to launch the public placement when the market has stabilised, and the general conditions are more favourable.

Alternatively, or in combination with a public placement, the company may carry out private placements directed at certain investors without a national prospectus, provided that the subscription amount is at least € 100,000 per investor (the minimum subscription amount is a requirement pursuant to the Norwegian Prospectus rules).

8. OUTLOOK FOR 2020

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.

Completion of the SME project 31 August 2020

The company is well on track to complete the second interim reporting period of EU Horizon 2020 on 29 February 2020, while the third and final period expires on 31 August 2020 with offset of outstanding grants. The company will also finalise the Hypomar development project with Innovation Norway within March 2020. The expected grants relating to these two projects are totalling at around NOK 5 million and is expected to be paid to Alginor in cash within April 2020.

In addition to the recent private placement of NOK 3 million, the grants will improve Alginor's liquidity even further.

Considering the correction that unfolds in the financial markets due to the coronavirus outbreak, we appreciate that the company's ongoing long-term project AORTA—the core of our operations and related expenses through 2020—effectively receives public funding of 70 %.

The Board of Directors of Alginor ASA

Haugesund, 28 February 2020

Turid Thormodsen
Member

Øyvind Gjerde
Chairman

Åse Tveit Samdal
Member

Kjetil Rein
Member

Annette Petersen-Øverleir
Member

Bjørn Bugge
Member

Thorleif Thormodsen
CEO

Consolidated Financial Statements

Consolidated statement of profit or loss

Amounts in NOK	Note	2019	2018
Operating income and operating expenses			
Revenue		163,550	-
Other operating income		-	-
Operating income		**163,550**	**-**
Personnel expenses	3, 10	1,454,007	756,551
Depreciation and amortisation	6, 7	1,875	45,671
Other operating expenses	4	2,370,102	2,934,836
Operating expenses		**3,825,984**	**3,737,058**
Operating profit		**-3,662,434**	**-3,737,058**
Financial income and expenses			
Financial income		14,959	18,999
Foreign exchange gain (loss), net		-82,593	-
Financial expense		-247,306	-58,980
Net financial income and expenses		-314,940	-39,981
Result before income taxes		**-3,977,374**	**-3,777,039**
Income taxes	5	-	-
Profit (loss) for the period		**-3,977,374**	**-3,777,039**
Profit (loss) is attributable to			
Owners of Alginor ASA		-3,977,374	-3,777,039
Non-controlling interest		-	-
Total		**-3,977,374**	**-3,777,039**
Profit (loss) for the period		**-3,977,374**	**-3,777,039**
Other comprehensive income			
Other comprehensive income for the period		**-**	**-**
Total comprehensive income for the period		**-3,977,374**	**-3,777,039**
Profit (loss) is attributable to			
Owners of Alginor ASA		-3,977,374	-3,777,039
Non-controlling interest		-	-
Total		**-3,977,374**	**-3,777,039**

Consolidated Financial Statements

Consolidated balance sheet

Amounts in NOK	Note	31.12.2019	31.12.2018
Assets			
Non-current assets			
R&D	7	13,439,939	7,749,971
Concessions, patents, licences, trademarks	7	420,511	291,853
Total intangible assets		**13,860,450**	**8,041,824**
Land buildings and other real estate	6	1,522,278	406,420
Operating moveable property, furniture, tools, other	6	3,836,756	488,706
Right-of-use assets	6	-	-
Total tangible non-current assets		**5,359,034**	**895,126**
Total non-current assets		**19,219,484**	**8,936,950**
Current assets			
Accounts receivable	8	93,188	-
Other receivables	8	6,610,747	7,273,880
Total receivables		**6,703,935**	**7,273,880**
Cash and cash equivalents	9	5,212,318	5,812,954
Total current assets		**11,916,252**	**13,086,834**
Total assets		**31,135,737**	**22,023,783**

Consolidated Financial Statements

Consolidated balance sheet

Amounts in NOK	Notes	31.12.2019	31.12.2018
Equity and liabilities			
Equity		-	-
Share capital	11	4,436,115	3,741,600
Total restricted equity		**4,436,115**	**3,741,600**
Share premium (reserve)		23,027,122	12,287,768
Other paid-up equity		-1,089,709	-5,666
Total paid-in equity		**26,373,528**	**16,023,702**
Uncovered loss		-11,689,408	-7,725,175
Total equity		**14,684,120**	**8,298,527**
Liabilities			
Debt to financial institutions	8	1,500,000	1,500,000
Other long-term debt	8	1,000,000	-
Leasing liability		-	-
Total of other non-current liabilities		**2,500,000**	**1,500,000**
EU SME-II float		8,512,004	8,512,004
Trade creditors	8	4,336,892	1,757,961
Social taxes		506,125	381,692
Other short-term liabilities		596,596	1,573,599
Total current liabilities		**13,951,617**	**12,225,256**
Total liabilities		**16,451,617**	**13,725,256**
Total equity and liablities		**31,135,737**	**22,023,783**

Haugesund, 28 February 2020

Turid Thormodsen
Member

Øyvind Gjerde
Chairman

Åse Tveit Samdal
Member

Kjetil Rein
Member

Annette Petersen-Øverleir
Member

Bjørn Bugge
Member

Thorleif Thormodsen
CEO

Consolidated Financial Statements

Consolidated statement of cash flows

Amounts in NOK	2019	2018
Cash flows from operating activities		
Result before income taxes	**-3,977,374**	**-3,777,039**
Income taxes paid	-	-
Depreciation and amortisation	1,875	45,671
Change in deferred revenue, net	-	-
Change in accounts receivable	-93,188	-
Change in accounts payable	2,578,931	1,246,039
Change in other working capital items, including unrealised forex	-229,439	-3,463,489
Expensed interest	-	-
Effect of exchange rate differences on long-term loans	-	-
Net cash flow from operating activities	**-1,719,194**	**-5,948,818**
Cash flow used in investing activities		
Investment in fixed assets	-4,465,783	-835,929
Activated R&D expenses	-5,818,626	-2,737,883
Investment in subsidiary, net of cash acquired	-	-
Loan to employees	-	-
Net cash flow used in investing activities	**-10,284,409**	**-3,573,812**
Cash flow from financing activities		
Long-term loan obtained	1,000,000	-
Fees in relation to new loan	-	-
Payment and refunds of equity	10,402,966	5,624,306
EU SME-II float	-	8,512,004
Paid interest	-	-
Received interest	-	-
Net cash flow from/used in financing activities	**11,402,966**	**14,136,310**
Net cash flows for the period	**-600,637**	**4,613,680**
Cash and cash equivalents at the beginning of the period	5,812,954	1,199,274
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents from new subsidary at acquisition	-	-
Cash and cash equivalents at the end of the period	5,212,317	5,812,954
Cash and cash equivalents is comprised of:		
Bank deposits	5,212,318	5,812,954

Consolidated statement of changes in equity

	Share capital	Share premium	Other paid-up capital	Other equity	Sum
Balance at 1 January 2018	2,760,100	7,452,747	-	-3,719,291	6,493,556
Restated balance at 1 January 2018	**2,760,100**	**7,452,747**	**-**	**-3,719,291**	**6,493,556**
Profit from the period	-	-	-	-3,777,039	-3,777,039
Other comprehensive income for the period					-
Total comprehensive income for the period	**-**	**-**	**-**	**-3,777,039**	**-3,777,039**
Dividends	-	-	-	-	-
Other adjustments	-	-	-	-228,845	-228,845
Issues of new shares	981,500	4,829,355	-	-	5,810,855
Total transactions with owners	**981,500**	**4,829,355**	**-**	**-228,845**	**5,582,010**
Balance at 31 December 2018	**3,741,600**	**12,282,102**	**-**	**-7,725,175**	**8,298,527**
Balance at 1 January 2019	3,741,600	12,282,102	-	-7,725,175	8,298,527
Corrected errors	-	-	-	-	-
Restated balance at 1 January 2019	**3,741,600**	**12,282,102**	**-**	**-7,725,175**	**8,298,527**
Profit from the period	-	-	-	-3,977,374	-3,977,374
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-3,977,374**	**-3,977,374**
Dividends	-	-	-	-	-
Other adjustments	-	-	-1,000	-	-1,000
Equity effect warrants	-	185,910	-	-	185,910
Capital increase expenses booked to equity	-	-	-1,225,569	-	-
Issues of new shares not registered	-	-	150,000	-	150,000
Issues of new shares	694,515	10,559,110	-	-	11,253,625
Total transactions with owners	**694,515**	**10,745,020**	**-1,076,569**	**-**	**10,362,966**
Balance at 31 December 2019	**4,436,115**	**23,027,122**	**-1,076,569**	**-11,702,549**	**14,684,120**

Notes to the Consolidated Financial Statements

Note 1 Corporate information

Alginor ASA ("the Company") is a public limited company and its head office is located in Haugesund, Norway. The Company, together with its subsidiaries ("Alginor" of the "Group"), is building up a novel, integrated value chain from raw material sourcing to premium ingredients based on total utilisation of the macroalga *Laminaria hyperborea*.

Through biorefining of Alginor Starting Materials (ASM) which are supplied by the daughter company Hypomar AS, the Company develops a product portfolio of 12 ingredients. These ingredients are offered to 7 global market segments including pharmaceutical, cosmetic, food and nutraceutical business clients. The Company markets the product portfolio on a B2B basis. Alginor has a road map for listing of the Company's share on the stock exchange tentatively in the end of 2021.

The consolidated financial statements comprise Alginor ASA and its subsidiaries. The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the Company. The consolidated financial statements of Alginor ASA and its subsidiaries for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 28 February 2020.

Basis of preparation

The consolidated financial statements for the Group is prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and all interpretations from the Financial Reporting Interpretations Committee (IFRIC), which have been endorsed by the EU commission for adoption within the EU. The consolidated financial statements are prepared on a historical cost basis, except for certain financial assets.

Changes in accounting policies

The Group has implemented IFRS from 2019 as first year. Corresponding 2018 figures have been adapted in the financial statement. According to IFRS 1 first time adoption, certain implementation effects should be accounted for. No such effect has been identified from change of accounting principles from NGAAP to IFRS.

Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled either directly or indirectly by the Company. A subsidiary is consolidated as of the date at which control is acquired. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights result in control. The consolidated financial statements have been prepared in accordance with uniform accounting principles for similar transactions for the companies included in the consolidated accounts and are prepared based on the same accounting period as used for the parent company.

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated when preparing the consolidated financial statements.

Foreign currency transactions

Transactions in foreign currency are translated into the respective functional currencies of the Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based in historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit and loss within finance cost.

Government grants

The Group recognises an unconditional government grant related to R&D projects when the grant becomes receivable. The grants are recognised as a reduction in either cost or carrying amount of the assets, depending on accounting treatment of the relating projects. Expenses associated with research and development are mainly capitalised, and R&D expenses are mainly personnel expenses and consultancy fees.

Income tax

The income tax expense consists of the aggregate of current taxes payable and changes in deferred tax. Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items recognised directly to equity, in which case the tax is also recognised directly in equity. Current tax is the expected tax payable on the taxable income for the period.

Deferred tax liabilities and assets are recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used in the tax returns. Deferred tax liabilities and assets are generally recognised for all taxable temporary differences. Deferred tax and deferred tax assets are only offset as far as this is possible under taxation legislation and regulations.

Property plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Costs that occur subsequently to the asset being put in use, such as maintenance, are expensed, while costs expected to provide future economic benefits by prolonging useful life of the asset, are capitalised. Assets that are taken out of service are expensed.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- fixtures and office machinery: 3-5 years.
- leasehold improvements: 5-15 years (remaining rental period is upper basis for useful life).

Right-of-use assets recognised under IFRS 16 have the following estimated useful lives, though these are never longer than the estimated lease term:

- Right-of-use Motor vehicles: 3-5 years.
- Right-of-use Fixtures and office machinery: 3-5 years.
- Right-of-use Land and buildings: 5-15 years.

Intangible assets

Expenditures on research activities is recognised in profit or loss as incurred.

Development expenditures is capitalised only if the expenditure can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the assets. Otherwise, it is recognised in profit and loss as incurred.

Subsequent to initial recognition, development expenditures is cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, FVOCI and amortised cost. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVTPL and other financial liabilities at amortised cost.

Impairment

Non-derivative financial assets

Financial assets not classified as at FVTPL are assessed at each reporting date to determine whether there is objective evidence of impairment. The loss allowance is measured at an amount equal to lifetime expected credit losses.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy; or
- adverse changes in the payment status of borrowers or issuers.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment.

Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

The process of write-offs is enforced when the debt is more than 90 days past due and at least 3 reminders are issued in addition to the debtor being considered insolvent by the debt collector.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

R&D receivables

The outstanding grants are recognised as very solvent due to state-sponsored payments.

Financial rental agreements/leases

The Group uses exceptions in IFRS 16 for short-term leases and low value items.

Company offices and rental agreements

In 2018 Alginor acquired office spaces in Haraldsgata 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 adjusted to NOK 15,000 as of 1 July 2019. The rental agreement for Gullhuset has a six-month termination clause for both tenant and lessee.

As of February 2020, the Company rents additional office spaces in Haraldsgata 170 to make room for its 2020 team, totalling 20 persons. The rental price is NOK 15,585 per month. The agreement will terminate without notice as of 1 February 2022, unless the Company exercises its right to continuation for one or two more years.

In addition, the Company rents the Victoria facility from Hagland Eiendom at NOK 10,800 per month. The rental agreement has a 4-month mutual termination clause, and the Company recently sent a notice of termination to Hagland Eiendom. Following the termination of this rental agreement, the Company will move its personnel and operations from the Victoria facility to its newly acquired offices at Kirkegaten 169 in Haugesund.

Yearly rental costs for 2020, including rent during the 4-month termination period at the Victoria facility, are assumed to total NOK 410,220.

Note 2 Significant estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget and prognoses for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The losses recognised relates to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The operating losses suffered in prior years is, related start-up costs and research and development costs. Group management expect to utilise the tax loss carried forward in the coming years, consequently the utilisation is dependent on future profits.

The tax loss carried forward is not recognised in the financial statements for due to no operating income yet.

Note 3 Personnel expenses

Employee benefit expenses during the year:

Amounts in NOK	2019	2018
Wages and salaries	5,748,629	3,456,272
Social security costs	912,905	513,086
Pension cost	269,578	158,280
Other personell cost	429,163	127,857
Activated to project	-5,996,268	-3,498,944
Board fee	90,000	-
Total	**1,454,007**	**756,551**

Number of employees: pt. 15

The Norwegian companies pension schemes in Norway fulfill the requirements according to "Lov om obligatorisk tjenestepensjon".

Employees part of the Norwegian Companies' pension scheme: 15

Remunerations to CEO

Amounts in NOK	2019	2018
Wages and salaries	-	-
Consultant fee	2,411,000	2,350,627
Other benefits	-	-
Total	**2,411,000**	**2,350,627**

No loans or securities have been granted to the Chairman of the Board, CEO or other related parties.

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 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 at maxiumum 1/3 of gross annual salary, incentivised by specific goals. The bonus should remain within the total remuneration average. Bonuses are determined by the Board.

There are no bonus schemes in place as of December 2019.

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.

Warrants/option scheme

There are no option schemes in Alginor ASA, but a comparable warrants programme has been issued. The right to purchase shares at NOK 31.25 per share (price increases by 5 % per year) ends on 30 June 2023. To realise warrants, the holder must be employed on 30 June 2020. The CEO has no warrants, options or bonuses.

Remuneration for the Board

No Board fees have been expensed for 2019.

Distribution of CEO hours

	2019	2018
Administration, mentoring	505	635
EU project	493	600
Corporate finance—capital expansion	549	250
Project management and reporting	684	650
Development of Integra model	0	200
Financial analysis and projections	180	0

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 1,000 per hour and the appointment 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.

Note 4 Other operating expenses

Operating expenses

Amounts in NOK	2019	2018
Office expenses	720,326	428,871
Travel expenses	9,289	313,420
Consultant fees*	1,444,723	1,160,323
Other operating expenses	195,764	1,032,222
Total operating expenses	**2,370,102**	**2,934,836**

* fees to the elected auditor are included in consultant fees, reference is made to the table below.

Expensed audit fees, excluding VAT

Amounts in NOK	2019	2018
Statutory audit	83,230	122,469
Tax services	-	-
Other services	55,040	36,375
Total	**138,270**	**158,844**

Note 5 Income tax

Consolidated statement of profit or loss

Amounts in NOK	2019	2018
Current income tax		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous year	-	-
Tax effect from Group Contribution	-	-
Deferred tax	-	-
Relating to origination and reversal of temporary differences	-	-
Adjustment in previous years	-	-
Income tax expense reported in the statement of profit or loss	**-**	**-**

Consolidated statement of other comprehensive income

Amounts in NOK	2019	2018
Deferred tax related to items recognised in other comprehensive income during the year		
Cash flow hedges	-	-
Currency translation difference	-	-
Income tax recognised in other comprehensive income	**-**	**-**

A reconciliation between tax expense and the product of accounting profit multiplied by Norway's domestic tax rate for the years ended 31 December 2018 and 2017 is as follows:

Amounts in NOK	2019	2018
Accounting profit before tax	-3,977,374	-3,777,039
At Norway's statutory income tax rate of 23 % (2018) and 22 % (2019)	-875,022	-868,719
Adjustments in respect to current income tax of previous years	-	-
Utilisation of previously unrecognised tax losses	-	-
Other non-deductible expenses	249,566	773
Effect of change in tax rate in Norway	-	-
Not recognised deferred tax assets	-1,634,361	-869,492
Other differences	509,773	-
Calculated income taxes recognised in profit and loss	-	-
Income taxes recognised in other comprehensive income	-	-
Total income tax recognised in profit and loss and other comprehensive income	**-**	**-**

Deferred tax

Amounts in NOK	31.12.2019	31.12.2018
Deferred tax relates to the following		
Fixed assets & intangibles	-6,066,750	-4,617,780
Total temporary differences	**-6,066,750**	**-4,617,780**
Losses available for offsetting against future taxable income	-11,756,326	-5,776,384
Not included in the basis for deferred tax	17,823,076	10,394,164
Basis for deferred taxes	-	-
Deferred tax assets/liabilities 22 %	-	-
Deferred tax assets/liability recognised in the balance sheet	**-**	**-**

Note 6 Property, plant and equipment

Amounts in NOK	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
At 1 January 2019	**406,420**	**488,706**	**895,126**
Accumulated depreciation 01.01	-20,736	-24,935	-45,671
Depreciation	-1,875	-	-1,875
Net increase	1,138,469	3,372,985	4,511,454
At 31 December 2019	**1,522,278**	**3,836,756**	**5,359,034**
Accumulated depreciation as of December 31 2019	-22,611	-24,935	-47,546
Depreciation method	Straight line	Straight line	
Precentage	2 %	20 %	

Depreciation of assets used in R&D projects booked against the project cost	**2019**	**2018**
	778,428	-

Note 7 Intangible assets

Amounts in NOK	R&D	Patents	Total
Year end 31 December 2018			
Opening net book amount	5,100,808	203,135	5,303,943
Additions	2,649,163	88,718	2,737,881
Closing net book amount	**7,749,971**	**291,853**	**8,041,824**
At 31 December 2018			
Cost	7,749,971	291,853	8,041,824
Accumulated amortisation	-	-	-
Net book amount	**7,749,971**	**291,853**	**8,041,824**
Year end 31 December 2019			
Opening net book amount	7,749,971	291,853	8,041,824
Additions	5,689,968	128,658	5,818,626
Amortisation charge	-	-	-
Closing net book amount	**13,439,939**	**420,511**	**13,860,450**
At 31 December 2019			
Cost	13,439,939	420,511	13,860,450
Accumulated amortisation and impairment	-	-	-
Net book amount	**13,439,939**	**420,511**	**13,860,450**

Intangible assets are under development and are not depreciated because the assets are subject to impairment testing. Development expenses are netted in 2019, after grants totalling NOK 14,354,156 after capitalisation of development expenses of NOK 13,860,450.

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 98.2 million for the period 2015-2021. The business model for commercialisation is made in-house in a long-term perspective. Business is conducted from Haraldsgata 162 and Haraldsgata 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 13,860,450 as of 31 December 2019, based on assessments made in accordance with IAS 38 criteria. Using a discount rate of 15 %, there is no indication that write-downs are needed. By overall assessment of immaterial properties at year-end, there is no indication that write-downs are needed.

Patents

Activated patents of NOK 420,511 account for expenditures related to patent applications NO 20171834 and NO 20181459. The Group tests whether intangible assets with definite life has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the Board for the following year, and prognosis approved by management for the subsequent four years.

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).

Sensitivity to changes in assumptions

Amounts in NOK	Norway
EBITDA-margin	
A 10 % decrease in the EBITDA-margin would require an impairment of	-
If applying the EBITDA-margin achieved in 2019 to the forecast-period, it would require an impairment of	-
Discount rates	
A 10 % increase in the discount rate would require an impairment of	-
A 15 % discount rate would require an impairment of	-
Sales volume	
A 10 % decrease in the annual growth rate would require an impairment of	-
If applying the sales volume achieved in 2019 to the forecast period, it would require an impairment of	-
Long-term growth rate	
If the long-term growth rate is set to 0 %, it would require an impairment of	-

Note 8 Financial assets and financial liabilities

8.1 Financial assets

Financial assets at amortised cost

Amounts in NOK	31.12.2019	31.12.2018
Accounts and other receivables	6,703,935	7,273,880
Unbilled revenue	-	-
Total financial assets at amortised cost	6,703,935	7,273,880
Total current	6,703,935	7,273,880
Total non-current	-	-

8.2.Interest-bearing loans and borrowings

31.12.2019

	Drawdown	Currency		Balance in NOK	Final maturity	Interest rate
	25.04.2017	NOK	*1)	1,500,000	10.06.2021	4.70%
	01.12.2019	NOK		1,000,000	01.12.2039	4.90%
				2,500,000		
Restricted funds for deductions				-		
Amortised debt expenses						
Carrying value				**2,500,000**		

31.12.2018

	Drawdown	Currency	Balance in currency	Balance in NOK	Final maturity	Interest rate
	25.04.2017	NOK		1,500,000	10.06.2021	4.70%
				1,500,000		
Amortised debt expenses				-		
Carrying value				**1,500,000**		

*1) *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 2 million offered by Haugesund Sparebank.*

Movement in interest-bearing loans

Amounts in NOK	2019	2018
Opening balance	-	-
Repayment	-	-
New loans obtained	1,000,000	-
Currency effect recognised in profit and loss	-	-
Net investment hedge recognised through OCI	-	-
Translation difference effects recognised through OCI	-	-
Closing balance	1,000,000	-
Total cash outflow for finance leases	-	-

Covenants

The covenants are calculated on the Group's consolidated numbers.

The relevant covenants are:

No covenants on external debt in 2019	
Wages and salaries	
No covenants on external debt in 2019	
Pledge asset for loan office building	First priority
	Second priority—debitors
Unsecured loan Innovation Norway	Personal guarantee from CEO
Bank overdraft*	Collateral security from CEO Thorleif Thormodsen and Zirconia AS (owned by CEO)

The long-term loan is secured by pledges:

Amounts in NOK	Carrying value 31.12.2019	Carrying value 31.12.2019
External debt—office building	1,000,000	-
Bank overdraft*	2,000,000	-

** As of Q1 2020 the Group has renegotiated the loan terms, and the collateral security has expired. Interest rate in 2019: 5.25 %*

8.3 Financial instrument risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by the Group's senior management, and it is considered they have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors review and agree to policies for managing each of these risks, which are summarised below.

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 fail to meet consumer needs and regulatory requirements, the demand for said products will diminish.

Financial risk

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 2019.

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.

8.3 Cont.

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group's policy and approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the reputation of Alginor ASA, constantly monitor the liquidity of all companies within the Group. As of 31 December 2019 the Group has unrestricted cash of NOK 5.2 million. In addition, revolving credit facilities amount to NOK 2 million of which NOK 0 has been drawn, making the total liquidity reserves NOK 7.2 million.

8.4 Fair values

The fair value of trade and other payables, trade and other receivables, cash and cash equivalents, and revolving credit facilities approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

Primary financial instruments held or issued to finance the Group's operations:

Amounts in NOK	31.12.2019	31.12.2019	31.12.2018	31.12.2018
	Book value	Fair value	Book value	Fair value
Accounts receivable	93,188	93,188	-	-
Other receivables and unbilled revenue	5,891,903	5,891,903	7,273,880	7,273,880
Cash and cash equivalents	5,212,318	5,212,318	5,812,954	5,812,954
VAT	718,845	718,845	-381,692	-381,692
Liabilities to financial institutions	-2,500,000	-2,500,000	-1,500,000	-1,500,000
EU SME II Float	8,512,004	8,512,004	8,512,004	8,512,004
Other liabilities	-1,102,721	-1,102,721	-1,573,599	-1,573,599

Note 9 Cash and cash equivalents

Amounts in NOK	31.12.2018	31.12.2018
Cash at bank and in hand	5,212,318	5,812,954
Restricted cash	252,620	207,991

Note 10 Transactions with related parties

Amounts in NOK ex. VAT	Services	2019	2018
Zirconia AS (Controlled by CEO Thorleif Thormodsen)	Office rent/management services	2,411,000	2,650,627
Innovatech AS (Controlled by CTO Kjetil Thormodsen Rein)	Project engineer	1,601,805	785,600
Heltor AS (Controlled by CFO Helge Tordahl)	Management/finance	998,539	0

Note 11 Share capital

Share capital is NOK 22,841 million consisting of 887,223 shares, each with par value NOK 25.695.

The biggest shareholders 31.12.19 are as follows:

Shareholder	No. of shares	Ownership
Zirconia AS	271,780	30.6 %
Jahatt AS	214,000	24.1 %
Validé AS	46,100	5.2 %
Øyhatt AS	42,000	4.7 %
Validé Invest I AS	36,000	4.0 %
Jakob Hatteland Holding AS	30,000	3.4 %
Amar Group AS	20,300	2.3 %
Adora AS	20,000	2.2 %
Kjetil Thormodsen Rein	15,000	1.7 %
Strategic Garden AS	10,800	1.2 %
Risanger Holding AS	10,140	1.1 %
Other shareholders	171,103	19.4 %
Total adopted shares as of 31.12	**887,223**	**100** %

Note 12 Government grants

The Group receives public grants for work relating to R&D. Through 2019 the Group received grants of NOK 14,354,156 related to these projects.

Grant	Amounts in NOK
Tax Refund (SkatteFUNN)	2,090,386
The Research Council of Norway (NFR)	2,367,499
Western Regional Research Fund (RFF—Rogaland)	1,643,519
The Research Council of Norway (NFR)—Industrial Ph.D. scheme	210,355
European Union Commission - Horizon 2020	4,442,397
Innovation Norway	3,600,000

Note 12 cont.

Project name/acronym	Gross project cost in NOK	Sponsor and programme	Incurred project cost in NOK	In %
"AORTA"—the SME-II project	27,700,000	Horizon 2020 EU	9,230,000	33.32 %
"Fucomed"—biomedical applications	23,200,000	The Research Council of Norway	0	0.00 %
"Hypomar Pilot"	10,000,000	Innovation Norway	7,500,000	75.00 %
"Marinforsk"	9,103,000	The Research Council of Norway	9,103,000	100.00 %
"Polyphenols"	8,400,000	The Research Council of Norway	1,000,000	11.90 %
"Bionær"	6,228,054	Western Regional Research Fund	6,228,054	100.00 %
"Alehop"	5,800,000	Horizon 2020 EU	50,000	0.86 %
"Cation"—technology development	4,546,903	Tax refund (Skattefunn)	4,546,903	100.00 %
"Biorefinery"—process design	1,200,000	Innovation Norway	1,200,000	100.00 %
"AORTA"—the pre-study	1,000,000	Western Regional Research Fund	1,000,000	100.00 %
"Fucomed"—the pre-study	1,000,000	Western Regional Research Fund	1,000,000	100.00 %
Total gross projects	**98,177,957**		**40,857,957**	**42 %**

Project name/acronym	Grant	Grant in % of gross	Paid grant in NOK pr. 31.12.19
"AORTA"—the SME-II project	19,390,000	70.00 %	7,000,000
"Fucomed"—biomedical applications	11,600,000	50.00 %	0
"Hypomar Pilot"	4,500,000	45.00 %	3,600,000
"Marinforsk"	4,500,000	49.43 %	4,500,000
"Polyphenols"	2,500,000	29.76 %	350,000
"Bionær"	3,000,000	48.17 %	3,000,000
"Alehop"	4,060,000	70.00 %	0
"Cation"—technology development	4,546,903	100.00 %	4,546,903
"Biorefinery"—process design	600,000	50.00 %	600,000
"AORTA"—the pre-study	500,000	50.00 %	500,000
"Fucomed"—the pre-study	500,000	50.00 %	500,000
Total gross projects	**55,696,903**	**57 %**	**24,596,903**

Note 13 Contingent liabilities

Alginor has received pre-financing of approximately NOK 8.5 million from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No. 830698. This float remains the property of the EU until completion of the project when a payment of the balance will be performed. If the amount of earlier payments is greater than the final grant amount, the payment of the balance takes the form of a recovery. If the total amount of earlier payments is lower than the final grant amount, the remaining balance will be paid by the Agency within 90 days of receiving the final report. The calculation of the final grant amount is contingent on approved costs from three interim project reports. Periodic report 1 has been submitted and approved without any review comments. Periodic report 2 will be submitted by the end of March 2020, and the final project report will be submitted by the end of October, 60 days after project completion on 31 August 2020.

Note 14 Technology readiness levels

Technology Readiness Levels (TRLs) are part of a system used to assess the maturity of a technology or project. The TRL scale consists of nine levels, where level 1 is the lowest and level 9 is the highest. The system was initially defined by NASA in the 1990's but has since then been adopted by many public funding programmes, either for direct use (EU's Horizon 2020) or as a general help (The Research Council of Norway and Innovation Norway). Easily explained in "NASA terms", a TRL of 8 is reached when the rocket is ready for take-off into space, and at TRL 9 the rocket has successfully launched.

Under the Horizon 2020 work programme the following definitions are used:

- TRL 1—basic principles observed
- TRL 2—technology concept formulated
- TRL 3—experimental proof of concept
- TRL 4—technology validated in lab
- TRL 5—technology validated in relevant environment (industrially relevant environment in the case of key enabling technologies)
- TRL 6—technology demonstrated in relevant environment (industrially relevant environment in the case of key enabling technologies)
- TRL 7 – system prototype demonstration in operational environment
- TRL 8 – system complete and qualified
- TRL 9 – actual system proven in operational environment (competitive manufacturing in the case of key enabling technologies; or in space)

Alginor's AORTA 2 project is receiving funding through the SME Instrument Phase 2 and had to have reached TRL 6 at project start to be eligible. Alginor passed this eligibility test for the AORTA technology platform. The goal is for all products in the project to be at level 7 or 8 at project end. Alginor recently submitted a proposal to the Eurostars programme, where TRL is typically between 4-6.

Alginor has 11 portfolio projects as described in our project overview. At least once every year, in the future prior to every accounting period, the Company is assessing the development and status of TRL for each project in the portfolio.

As Alginor is currently piloting several products in the "Skude Pilot", and planning for physical investments in a scaled-up pilot plant for ASM (Alginor Starting Material)—this plant will reach TRL 9.

Note 15 Government grants

Under the state aid rules, it is as a general rule prohibited to provide government funding support to companies. However, support awarded in compliance with the EU state aid rules are exempt from the general prohibition.

Government grants for R&D activities in Alginor ASA and/or the Group are provided in compliance with the exemptions of the state aid rules and the EU General Block Exemption Regulation for state aid. These rules stipulate what type of activities are eligible for funding, which costs relating to these activities may be recovered partly or in full, and the maximum aid intensity that may be granted for the various activities, see for example Article 25, 26 and 28 of the Block Exemption.

Alginor ASA and/or the Group monitors and complies with the de minimis aid exemption ceiling amount of EUR 200,000 over a period of three fiscal years for small amounts.

Note 16 Subsequent events

On 20 February 2020, OEWA AS, a fully owned subsidiary of Alginor ASA, acquired an office and production property in Kirkegaten 169 in Haugesund, for a total amount of NOK 6 million. The property will be used as an office, laboratory and production facility for the Group as of 1 April 2020. The property comes with 13 fully owned parking spaces and is financed by a long-term loan from Den Norske Bank over 20 years.

Hypomar AS, a fully owned subsidiary of Alginor ASA, has started production of ASM (Alginor Starting Materials) at the Company's pilot plant, Skude Pilot, in Skudeneshavn.

The Group plans in Q1 2020 to transfer immaterial assets from Alginor ASA to the different subsidiaries in order to optimise the different workflows during 2020.

The equity issue in December 2019 was formally completed 18 February 2020. The Company has issued 65 000 new shares to a price of NOK 100 per share for a total of NOK 6.5 million. As of 28 February 2020, Alginor has 144 individual shareholders.

Alginor ASA Financial Statements

Income Statements

Amounts in NOK	Note	2019	2018
Operating income			
Revenue		112,050	-
Other Operating Income		-	-
Operating Income		**112,050**	**-**
Operating expenses			
Personnel expenses	2	1,454,007	756,551
Depreciation	5, 6	1,875	45,671
Other operating expenses	3	2,223,432	2,858,592
Operating expenses		**3,679,314**	**3,660,814**
Operating profit		**-3,567,264**	**-3,660,814**
Financial income and financial expenses			
Financial income		44,929	18,967
Financial expense		-359,821	-58,834
Net financial income and expenses		-314,892	-39,867
Result before income taxes		**-3,882,156**	**-3,700,681**
Income taxes	4	-	-
Profit (loss) for the period		**-3,882,156**	**-3,700,681**
Transfers and allocations			
Uncovered losses		-3,882,156	-3,700,681
Sum allocated		**-3,882,156**	**-3,700,681**

Balance sheets as of 31 December 2019

Amounts in NOK	Note	2019	2018
Intangible assets			
R&D	6	13,439,939	7,749,971
Concessions, patents, licences, trademarks	6	420,511	291,853
Total intangible assets		**13,860,450**	**8,041,824**
Tangible assets			
Land buildings and other real estate	7	1,522,278	406,420
Operating moveable property, furniture, tools, other	7	3,836,756	488,706
Total tangible assets		**5,359,034**	**895,126**
Financial fixed assets			
Equities and investments	9	815,000	220,000
Total financial fixed assets		**815,000**	**220,000**
Total non-current assets		**20,034,484**	**9,156,950**
Current assets			
Accounts receivable	7	93,188	-
Other receivables	7	7,058,343	7,247,630
Total receivables		**7,151,531**	**7,247,630**
Cash and cash equivalents	8	4,354,589	5,756,756
Total current assets		**11,506,120**	**13,004,386**
Total assets		**31,540,603**	**22,161,335**

Balance sheets as of 31 December 2019

Amounts in NOK	Note	2019	2018
Paid-up equity			
Share capital	11	4,436,115	3,741,600
Total restricted equity		**4,436,115**	**3,741,600**
Share capital not registered		150,000	-
Share premium (reserve)		21,621,309	12,287,768
Other paid-up equity		180,244	-5,666
Total paid-up equity		**26,387,668**	**16,023,702**
Uncovered loss		-11,375,891	-7,493,735
Total equity		**15,011,777**	**8,529,967**
Non-current liabilities			
Debt to financial institutions		2,500,000	1,500,000
Leasing liability		-	-
Total of other non-current liabilities		**2,500,000**	**1,500,000**
Current liabilities			
EU SME-II Float		8,512,004	8,512,004
Trade creditors		4,336,892	1,757,961
Social taxes		506,125	381,692
Other short-term liabilities		673,803	1,479,711
Total current liabilities		**14,028,824**	**12,131,368**
Total liabilities		**16,528,824**	**13,631,368**
Total equity and liablities		**31,540,603**	**22,161,335**

Haugesund, 28 February 2020

Turid Thormodsen
Member

Øyvind Gjerde
Chairman

Åse Tveit Samdal
Member

Kjetil Rein
Member

Annette Petersen-Øverleir
Member

Bjørn Bugge
Member

Thorleif Thormodsen
CEO

Cash flow statement

Amounts in NOK	2019	2018
Cash flows from operating activities		
Result before income taxes	**-3,882,156**	**-3,700,681**
Income taxes paid	-	-
Depreciation and amortization	1,875	45,671
Change in deferred revenue, net	-	-
Change in accounts receivable	-93,188	-
Change in accounts payable	2,578,931	1,246,039
Change in other working capital items, including unrealised forex	-492,187	-3,596,044
Expensed interest	-	-
Effect of exchange rate differences on long term loans	-	-
Net cash flow from operating activities	**-1,886,725**	**-6,005,015**
Cash flow used in investing activities		
Investment in fixed assets	-4,465,783	-835,929
Activated R&D expenses	-5,818,626	-2,737,883
Investment in subsidiary, net of cash acquired	-595,000	-
Loan to employees	-	-
Net cash flow used in investing activities	**-10,879,409**	**-3,573,812**
Cash flow from financing activities		
Long term loan obtained	1,000,000	-
Payments of EU funds (SME-II)	-	8,512,004
Payment and refunds of equity	-	-
Equity Issue	10,363,966	5,624,306
Net cash flow from/used in financing activities	**11,363,966**	**14,136,310**
Net cash flows for the period	**-1,402,168**	**4,557,483**
Cash and cash equivalents at the beginning of the period	5,756,756	1,199,274
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents from new subsidary at acquisition	-	-
Cash and cash equivalents at the end of the period	4,354,589	5,756,756

Notes to the Financial Statements

Note 1 Corporate information

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 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.

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 carry-forwards 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 to the Financial Statements

Note 2 Personnel expenses

Employee benefit expenses during the year:

Amounts in NOK	2019	2018
Wages and salaries	5,748,629	3,456,272
Social security cost	912,905	513,086
Pension cost	269,578	158,280
Other personell cost	429,163	127,857
Activated to project	-5,996,268	-3,498,944
Board fee	90,000	-
Total	**1,454,007**	**756,551**

Number of employees: pt. 15

The Norwegian companies pension schemes in Norway fulfil the requirements according to "Lov om obligatorisk tjenestepensjon".

Employees part of the Norwegian Companies' pension scheme: 15

Please see further information in Alginor ASA consolidated notes disclosures.

Note 3 Other operating expenses

Operating expenses

Amounts in NOK	2019	2018
Office expenses	502,984	357,083
IT equipment and licenses	310,372	212,143
Consultant fees*	1,283,953	791,265
Other operating expenses	126,123	1,498,101
Total other operating expenses	**2,223,432**	**2,858,592**

* fees to the elected auditor is included in consultant fees, reference is made to the table below.

Expensed audit fees

Amounts in NOK ex. VAT	2019	2018
Statutory audit	83,230	122,469
Tax services	-	-
Other services	55,040	36,375
Total	**138,270**	**158,844**

Note 4 Income tax

This year's tax expense

Amounts in NOK	2019	2018
Tax on ordinary profit/loss	-	-
Payable tax	-	-
Change in deferred tax assets	-	-
Tax expense on ordinary profit/loss	**-**	**-**
Taxable income		
Ordinary result before tax	-3,882,156	-3,700,681
Permanent differences	-3,450,539	-3,362
Changes in temporary differences	1,448,970	2,022,022
Taxable income	**-5,883,725**	**-1,682,021**

Taxable income

Amounts in NOK	31.12.2019	31.12.2018
Deferred tax		
Deferred tax relates to the following		
Fixed assets & intangibles	-6,066,750	-4,617,780
Other differences		
Total temporary differences	**-6,066,750**	**-4,617,780**
Losses available for offsetting against future taxable income	-11,481,804	-5,598,080
Not included in the basis for deferred tax	17,548,554	10,215,860
Basis for deferred taxes	-	-

Deferred tax assets/liability is not recognised in the balance sheet.

Note 5 Property, plant and equipment

Amounts in NOK	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
At 1 January 2019	**406,420**	**488,706**	**895,126**
Accumulated depreciation 01.01	-20,736	-24,935	-45,671
Depreciation	-1,875	-	-1,875
Net increase	1,138,469	3,372,985	4,511,454
At 31 December 2019	**1,522,278**	**3,836,756**	**5,359,034**
Accumulated depreciation as of 31 December 2019	-22,611	-24,935	-47,546
Depreciation method	Straight line	Straight line	
Precentage	2 %	20 %	

Depreciation of assets used in R&D projects booked against the project cost	**2019**	**2018**
	778,428	-

Note 6 Intangible assets

Amounts in NOK	R&D	Patents	Total
Year end 31 December 2018			
Opening net book amount	5,100,808	203,135	5,303,943
Additions	2,649,163	88,718	2,737,881
Closing net book amount	7,749,971	291,853	8,041,824
Year end 31 December 2019			
Additions	5,689,968	128,658	5,818,626
Amortisation charge	-	-	-
At 31 December 2019	**13,439,939**	**420,511**	**13,860,450**

Note 7 Accounts receivables and other short-term receivables

Amounts in NOK	31.12.2019	31.12.2018
Accounts receivables	93,188	-
Other receivables	7,044,343	7,253,969
Total	7 137 531	7,253,969

Notes to the Financial Statements

Note 8 Cash and cash equivalents

Amounts in NOK	31.12.2019	31.12.2018
Cash at bank and in hand	4,354,589	5,756,756
Restricted cash	252,620	207,991

Note 9 Financial assets

Company Name	Registered office	Ownership/voting rights	Booked equity	Net result 2019	Book value
Alginor Biorefinery AS	Haugesund	100%	164,472	-15,890	200,000
Alginor Industrial Estate AS	Haugesund	100%	158,430	-40,900	165,000
Hypomar AS	Skudeneshavn	100%	162,734	7,372	260,000
OEWA AS	Haugesund	100%	79,889	-45,800	190,000
Total			**565,525**	**-95,218**	**815,000**

Note 10 Share capital

Share capital per year's end is NOK 4.436 million consisting of 887,223 shares, each with par value NOK 5 per share.

As per today, the share capital is NOK 4.595 million costisting of 918,923 shares, each with par value of NOK 5 per share.

The number of shareholders is 144.

For further information, please see notes disclosures for the consolidated financial statements.

Note 11 Equity capital

	Share capital	Share premium	Sharecapital not registered	Other paid in capital
01.01.2019	**3,741,600**	**12,287,768**	**-**	**-5,666**
Share capital not registered	-	-	150,000	-
Capital increase expenses booked to equity	-	-1,225,569	-	-
Equity effect warrants	-	-	-	185,910
Share issue	694,515	10,559,110	-	-
As of 31 December 2019	**4,436,115**	**21,621,309**	**150,000**	**180,244**

	Other equity	Total equity
01.01.2019	**-7,493,735**	**8,529,967**
Profit/loss for the period	-3,882,156	-3,882,156
Share capital not registered	-	150,000
Capital increase expenses booked to equity	-	185,910
Equity effect warrants	-	-1,225,569
Share issue	-	11,253,625
As of 31 December 2019	**-11,375,891**	**15,011,777**

Note 12 Subsequent events

For information, please see notes disclosures for the consolidated financial statements.

KPMG

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To the General Meeting of Alginor ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alginor ASA, which comprise:

- The financial statements of the parent company Alginor ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Alginor ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

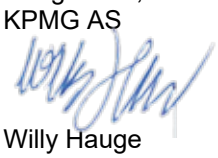
Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Haugesund, 28 February 2020
KPMG AS



Willy Hauge
State Authorised Public Accountant

APPENDIX C:

APPLICATION FORM FOR THE SHARE ISSUE

IN ALGINOR ASA

On 6 August 2021, the extraordinary general meeting in Alginor ASA (the "**Company**"), reg.no.: 913 422 082, resolved to carry out a share issue, raising gross proceeds of up to NOK 70,000,000 (the **"Share Issue**") by offering up to 2,000,000 new ordinary shares in Company (the "**Offer Shares**") at an offer price of NOK 35.00 per Offer Share (the **"Offer Price**").

The terms and conditions for the Share Issue are set out in this application form (the "**Application Form**") and the national prospectus dated 13 September 2021 (the "**Prospectus**").

Eligible Applicants: The Offer Shares will be offered towards (i) the Company's shareholders as of 23 July (as registered in the VPS on 27 July 2021 (the "**Cut-off Date**")) and which are not a party to the Investment Agreement (as defined in the Prospectus) or an affiliate to such party (as defined in the Investment Agreement) and (ii) other investors (so that the parties to the Investment Agreement and their affiliates as defined in the Investment Agreement cannot subscribe for Offer Shares), who are not resident in a jurisdiction where such offering would be unlawful, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action (the "**Eligible Applicants**").

As resolved by the extraordinary general meeting on 6 August 2021, the preferential rights of the existing shareholders are waived in order to complete the Share Issue. The Company's board of directors (the "**Board**") are responsible for the completion of the Share Issue.

Application Period: The application period for the Share Issue commences on 16 September 2021 and ends on 7 October 2021 at 23:59 (CEST) (the "**Application Period**").

Application procedures: An Eligible Applicant (each, an **"Applicant**") may apply for Offer Shares in the Share Issue (the "**Application**") by completing and signing this Application Form and returning it to investor@alginor.no during the Application Period. The Application is binding when it is received by the Company and cannot be changed or withdrawn. By this action the Applicant confirms that the Applicant has received, familiarised itself with and accepted the terms and conditions set out in this Application Form and the Prospectus, and that the Allocated Shares (as defined below) will be subscribed for. Application Forms that are incomplete or incorrectly completed, or that are received after the end of the Application Period, and any applications that may be unlawful, may be disregarded, at the discretion of the Board.

Minimum Application Amount: The minimum application is 300 Offer Shares, which is equal to minimum application amount of NOK 10,500.

Allocation of Offer Shares: Offer Shares are allocated to Applicants (the "**Allocated Shares**") at the Board's sole discretion, based on the allocation criteria's set out in the Prospectus. The Board has the right to reduce or cancel any Application. Allocation of fewer Offer Shares than applied for by an Applicant will not impact on the Applicant's obligation to pay for the number of Allocated Shares. Information of conditional allocation and payment instructions will be sent on or about 11 October 2021 by way of a notification to be issued by the Company.

Payment and delivery of the Offer Shares: The deadline for payment (the "**Payment Day**") is expected on or about 15 October 2021. The Subscriber is obliged to make the payment of the offer amount (the number of Allocated Shares multiplied with the Offer Price) to **account number 3240.11.43318** (the Company's share issue account). If payment is not made on or before the Payment Day, the Board reserves the right to cancel the Application, reallocate or otherwise dispose of the Allocated Shares at the Applicant's expense and risk. If payment is delayed for any reason, interest will accrue on the amount due at a rate equal to the prevailing interest rate under the Norwegian Act relating to Interest on Overdue Payments. If the applicant fails to comply with the terms of payment, the Allocated Shares will not be delivered to the Applicant.

Allocated Shares and shareholder rights: The Allocated Shares will be issued in accordance with Norwegian law.

Conditions: Completion of the Share Issue is subject to (i) the Board's decision on the allocation of the Offer Shares, (ii) duly payment of the allocated Offer Shares by the applicants, (iii) registration of the share capital increase in the Company pertaining to the Share Issue in the Norwegian Register of Business Enterprises, and (iv) delivery of the Allocated Shares in the Norwegian Central Securities Depositary (VPS). Items (i) to (iv) above are referred to as the "**Conditions**".

Applicable law and dispute resolution: The Application and the Share Issue are subject to Norwegian law. Disputes that may arise in connection with the terms of the Order or the Placement shall be decided by Norwegian courts with Haugaland District Court as the exclusive venue in the first instance.

Specification of the Application of Offer Shares in the Share Issue: The signatory hereby applies for the following number of Offer Shares:

Application amount NOK (Minimum NOK 10,500)	**Number of Offer Shares** (Minimum 300)
Bank **Share Issue account Alginor ASA**	Haugesund Sparebank 3240.11.43318

Information about the Subscriber (capital letters)

Name of the Applicant:	**Registration number (if applicable)**:
Address:	**Phone number daytime:**
Zip code/place:	**E-mail address:**
VPS-account:	**Applicants LEI number (if applicable)**
Identification number / organisation number:	

Please note: If the Application Form is sent to the Company by e-mail, the e-mail will be unsecured unless the applicant takes measures to secure it. The Company recommend the applicant to secure all e-mails with the Application Forms attached.

Authorisations: By signing and submitting this Application Form, the Applicant gives the Chairman of the Board or the person he appoints a binding and irrevocable authorisation to subscribe for the Allocated Shares in the Share Issue on behalf of the Applicant. Once this Application Form has been signed and delivered to the Company, it cannot be revoked.

Signing: By signing and submitting this Application Form the Applicant confirms that:

(i) *I/we have received and familiarised myself/ourselves with the Company and assessed the risk and the possibility of partial or full loss related to the Application of Offer Shares and accept this. I/we confirm that the investment decision has been made at my/our own discretion and fully at my/our own risk.*

(ii) *I/we have read and understood the content of the Prospectus and accept that the Board reserves the right to freely cancel/reduce my/our Application without justification.*

(iii) *I/we undertake to participate in the Share Issue on the terms set out in this Application Form and the Prospectus and give the Chairman of the Board or the person he appoints a binding and irrevocable authorisation to subscribe.*

(iv) *I/we are eligible to apply for and subscribe for Offer Shares under the terms set forth in this Application Form and the Prospectus.*

(v) *I/we apply and subscribe for the number of Offer Shares specified above, subject to the terms and conditions set out in this Application Form and the Prospectus.*

Date and place Signature

Alginor ASA
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NO-5525 Haugesund, Norway
www.alginor.no