



ALGINOR ASA
ANNUAL REPORT
2021



ALGINOR ASA
25 APRIL 2022



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KEY EVENTS OF 2021

JANUARY The AORTA-2 project received final approval from EU Horizon 2020. Began due diligence and negotiations with the EIC.

FEBRUARY Completed a one-week placement of NOK 16.8 million at NOK 175.00 per share. Post-placement, the company had 297 shareholders. The placement was oversubscribed by more than 240 %.

MARCH Fucoidan piloting run at BBEPP, on 100 kg of ASM Leaf.

APRIL Alginor completed the EIC's preliminary due diligence related to the equity component of DACOTA and was issued an indicate term sheet following approval in the EIC's investment committee.

MAY Entered technical due diligence processes with Borregaard's team of experts.

JUNE Reached an agreement with the owner of the Ydra facility at Husøy. Annual general meeting: The Alginor ASA share was split 5-for-1, resulting in 5,857,415 outstanding shares at nominal value NOK 1. Two board substitutions. The Algefilm project was approved by The Research Council of Norway.

JULY Investment agreement signed by Alginor, Zirconia, Hatteland, the EIC Fund and Borregaard for up to NOK 500 million.

AUGUST Investment agreement approved by the company's extraordinary general meeting. Completed tranche A of the investment agreement for a total of NOK 231 million at NOK 35.00 per share.

SEPTEMBER Launched public share issue Tranche B of the investment agreement.

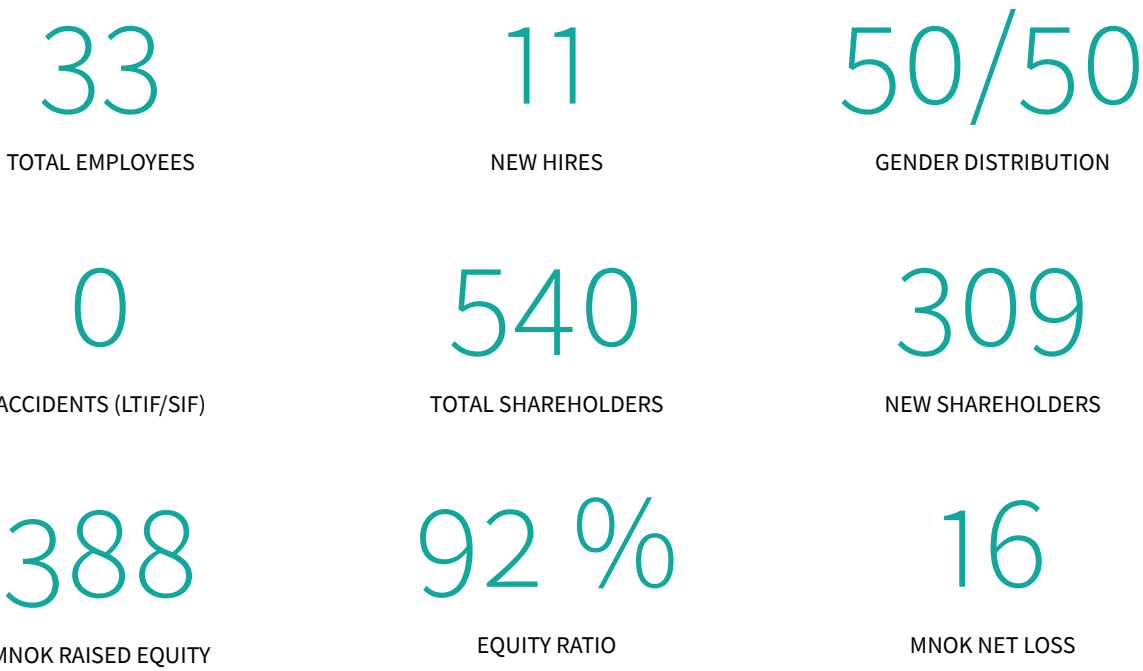
OCTOBER Completed tranche B of the investment agreement through a public share issue of NOK 70 million on par tranche A. The company registered 358 participants among new and existing investors and received applications totalling NOK 123 million over a three-week period. Post placement, Alginor had 540 shareholders.

NOVEMBER Completed tranche C of the investment agreement through a NOK 70 million direct issue towards the EIC Fund and Borregaard on par tranche B. The company held a presentation at SIG Seaweed 6 in Trondheim, Norway.

DECEMBER Purchased 30,000 square metres of newly developed industrial plots in the northern part of the Husøy area at Avaldsnes, Norway. Thorleif Thormodsen was elected chairman of the board by the company's extraordinary general meeting. Kjetil Rein was presented as the company's new CEO.

CEO Kjetil Rein, CFO Haakon Farstadvoll, Process Developer Silje Kristine Johannessen, and Process Engineer Linn Margrethe Bringedal after the signing of the agreement with Karmsund Havn IKS regarding the property at Avaldsnes.

2021 IN FIGURES



CHIEF EXECUTIVE LETTER

Dear fellow shareholders,

A very special and dynamic year in the history of our company lies behind us. In many ways, 2021 marked the start of a new era for Alginor full of excitement and opportunity, which I am sure will leave a defining and lasting positive impact for the years to come, as we progress towards our goal of establishing Europe's first fully integrated biorefinery business based on sustainable ingredients from *Laminaria hyperborea*.

Instrumental to our development and success is the continued motivation, drive, dedication, and combined effort of our employees — now numbering 33 (!) — who have continued to deliver exceptional results in a time of uncertainty marked by recurring social restrictions and measures related to the global Covid-19 pandemic. Seeing you all come together in a joint effort to overcome our challenges and achieve our goals under these unusual circumstances — many of you working out of your home — has been my privilege as a fellow employee, and now, as the company's newly appointed CEO. I am deeply impressed by your remarkable achievements in 2021 and look forward to thanking all of you in person once circumstances permit our longing return to the office and more “normal” times. I strongly believe that Alginor's future is promising in large parts thanks to you.

HATTELAND, THE EIC FUND AND BORREGAARD

In 2021, we closed our most significant and extensive capital raise to date, as the Hatteland family, the EIC Fund, and Borregaard AS, in a joint effort with 358 existing and new shareholders, invested NOK 388 million in Alginor ASA through four separate placements carried out under the company's own auspices. As a result, our financial condition and strategic prospects improved significantly.

ESTABLISHING A LONG-TERM BASE OF OPERATIONS

Our financing efforts in 2021 made possible the acquisition of our ever-desired plot on the Husøy Industrial area near Avaldsnes, which we believe will form a cornerstone in our business operations, up-scaling plans and long-term strategy. With this acquisition, we are solidifying our commitment and confidence in establishing a holistic, sustainable, and long-lasting business for many years to come.



DACOTA

Through our flagship project, DACOTA, we have over the last 17 months developed an extensive investment programme and created a solid basis for our planned up-scaling and business demonstration. While certain items have been set in order already, we are preparing for a significant increase in investment activities in 2022. We have identified all major components and established business relationships with their respective suppliers, and we are well on track to meet the project timeline due to the timely and consistent work of our employees.

As the DACOTA project nears its end on 30 June 2022 after 20 months, we embark on a new and exciting chapter aimed at demonstrating our business in an up-scaled environment.

ESTABLISHING EUROPE'S FIRST BIOREFINING BUSINESS BASED ON KELP

Over the years, we have been challenged with finding suitable facilities for the further development of our downstream technologies. Now, as before, we have concluded that no such facility truly exists.

Starting in 2022 and in line with our strategy, we will make sure this is no longer the case and take critical steps towards establishing our demonstrator and its three integrated departments.

On 8 August 2022, we will formally take over the former “Ydra” facility at Avaldsnes, Norway. In 2022 and onwards, we will expand the existing facility and establish two demonstrator departments, including a biomass reception & ASM department, and a biorefinery with process lines for all portfolio ingredients.

At our other plot, located 700 metres away, we aim to start construction of an API department for manufacture of pharmaceutical-grade sodium alginates in accordance with cGMP.

In parallel, we have initiated the design process for our next generation harvesting vessel, Hypomar Ocean, which is intended to serve our raw material supply needs in the demonstration phase and onwards.

I believe it is important to note that we are trying to achieve something that has never been done before as we are taking on a holistic approach to the current industry and its many challenges. While we must expect challenges to lie ahead as we take on the critical task of up-scaling, I am confident that we have spent our time and resources well in preparing for our biggest challenge yet. Based on our history of endurance and how we have dealt with and overcome past challenges, I strongly believe we will come out on top and see the return of our hard work in the coming years.

While we must expect challenges to lie ahead as we take on the critical task of upscaling, I am confident that we have spent our time and resources well in preparing for our biggest challenge yet and that we will see the return of our hard work in the coming years.

SUCCESSION

On 17 December 2021, our general meeting unanimously supported the nomination committee's recommendation and elected Alginor founder Thorleif Thormodsen as the new chairman of the board. On the same day, I was appointed as Alginor's new CEO.

OUTLOOK

In Eastern Europe, war and tragic events are unfolding in Ukraine. The invasion continues to cause human suffering daily throughout the country and has led to a war refugee crisis involving millions of people. During these difficult times, I offer my sincerest support to the people of Ukraine as they continue to rightfully protect their beloved homeland through remarkable demonstration of sheer will, commitment, cleverness, and unparalleled resilience.

The war continues to cause disruptive effects on the global economy, and such effects may continue to negatively affect global supply lines and price of goods for the foreseeable future. We are likely to be challenged by such effects, particularly in terms of increased costs and delayed delivery times. At the time of writing this, steel prices are at an all-time high and steel supplies are scarce globally. Going forward, it is important that we monitor and diligently assess the impact of such effects closely when implementing our plans and investments.

In 2022, our main focus will be on investments throughout the value chain. On 8 August, we will move into our new facility on Avaldsnes and start working towards establishing our reception and biorefinery department, which will involve significant complexity and lots of moving parts. Simultaneously, we will finalise designs and place an order on our first larger-scale harvesting vessel, Hypomar Ocean. On top of that, we are preparing for the establishment of a dedicated API department for manufacture of pharmaceutical-grade sodium alginate through investments in fundamental infrastructure. During this time, I believe it is paramount that the organisation as a whole works diligently as one and take ownership and accountability in what we will accomplish as we take on our first steps into the demonstration phase. Although we will undoubtedly face obstacles and challenges ahead, I find confidence in our solid experience, strong preparation, and unique competence. This leads me to conclude that we are ready and capable for the major things that are to come.

Best regards,

Kjetil Rein,
CEO of Alginor ASA

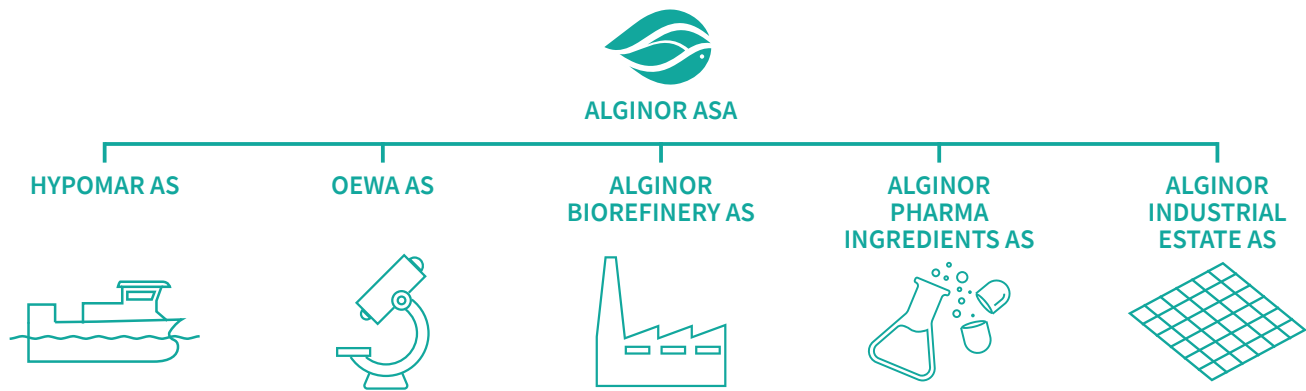
**THIS IS
ALGINOR**



THE ALGINOR GROUP AND VALUE CHAIN

The Alginor group consists of the holding company Alginor ASA and the five wholly owned subsidiaries Hypomar AS, Oewa AS, Alginor Biorefinery AS, Alginor Pharma Ingredients AS, and Alginor Industrial Estate AS, each company responsible for organising and implementing the different

complementary parts of the group’s current and future business. This facilitates for, among other things, dedicated operational focus and separate financing structures tailored to each part of the group’s business.



Alginor ASA is the group’s ultimate administrative body responsible for facilitating and overseeing activities carried out by the group’s subsidiaries.

Hypomar AS is responsible for organising and implementing upstream operations and processes.

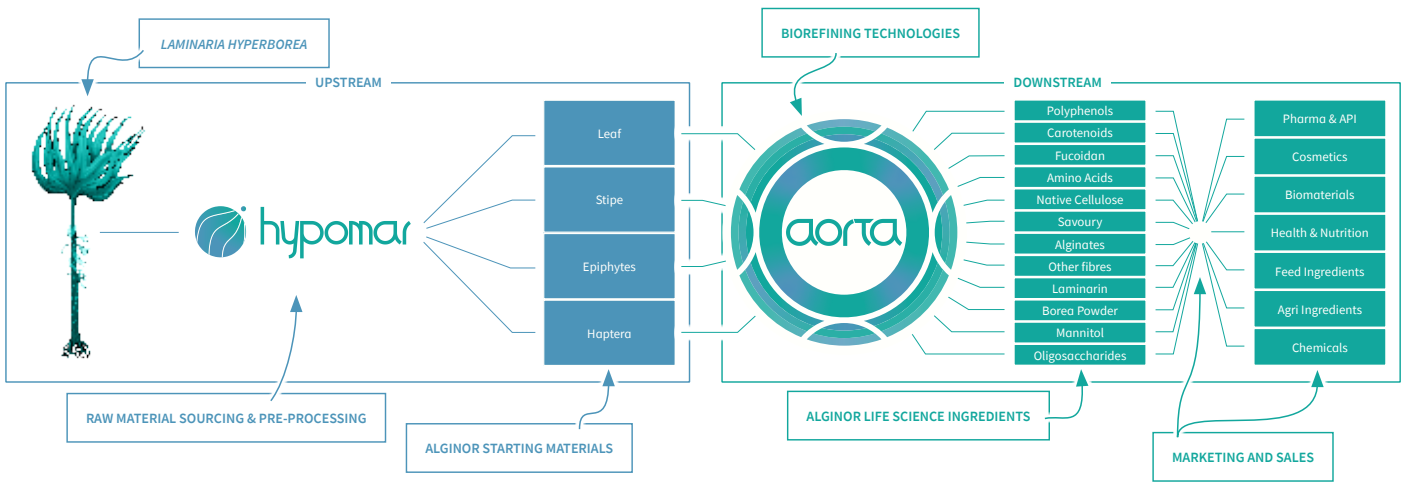
Oewa AS focuses on R&D, lab work, chemical analysis, and quality control. Read more about Oewa on page 41.

Alginor Biorefinery AS operates all downstream activities related to biorefining, including further development of all portfolio ingredients and the optimisation of all process lines.

Alginor Pharma Ingredients AS is a special purpose vehicle responsible for operating the API demonstrator and its processes for manufacture of sodium alginates pursuant to cGMP guidelines and customer specifications.

Alginor Industrial Estate AS oversees and controls the group’s assets related to real estate and fixed infrastructure.

Currently, Hypomar AS and Oewa AS are the group’s most active subsidiaries. Throughout the year, Hypomar AS regularly carried out upstream piloting activities, and supplied Oewa AS and external piloting facilities (e.g., Borregaard’s Biorefinery Demo) with ASM for further piloting and testing. Activities increased significantly in Oewa AS in 2021, especially during the year’s last quarter, following increased capacity and focus on the further development of select portfolio prototypes. In 2022, the overall activity in all subsidiaries will increase significantly with a particular focus on investments.



OUR RAW MATERIAL



We have dedicated ourselves to exclusively utilise *Laminaria hyperborea* as our raw material. This kelp, with its estimated 100 million tonnes of biomass, makes up one of our planet’s largest and least utilised self-replenishing resources. Found exclusively in the North Atlantic, it is characterised by its long, flexible stipe and wide leaf.

L. hyperborea thrives on rocky seabed where the sea currents are intense and shifting, at depths of 5 to 30 metres below the surface, where the root-like holdfast grips tightly on the substrate.

Surveys indicate that Norway contains the largest quantity of seaweeds and kelp in Europe. While *L. hyperborea*’s entire biomass is estimated at 100 million tonnes, more than half — 56 million tonnes — grows along the Norwegian coastline. Its vast kelp forests cover approximately 10,000 square kilometres, equalling Norway’s entire cultivated land area.

Commercial harvesting of *L. hyperborea* in Norway is strictly regulated to ensure sustainable regrowth conditions. First and foremost, any vessel engaged in commercial harvesting must be issued a permit by the Norwegian Directorate of Fisheries. Secondly, the coast between Flekkefjord and Brønnøysund is divided into approximately 450 parcels. At

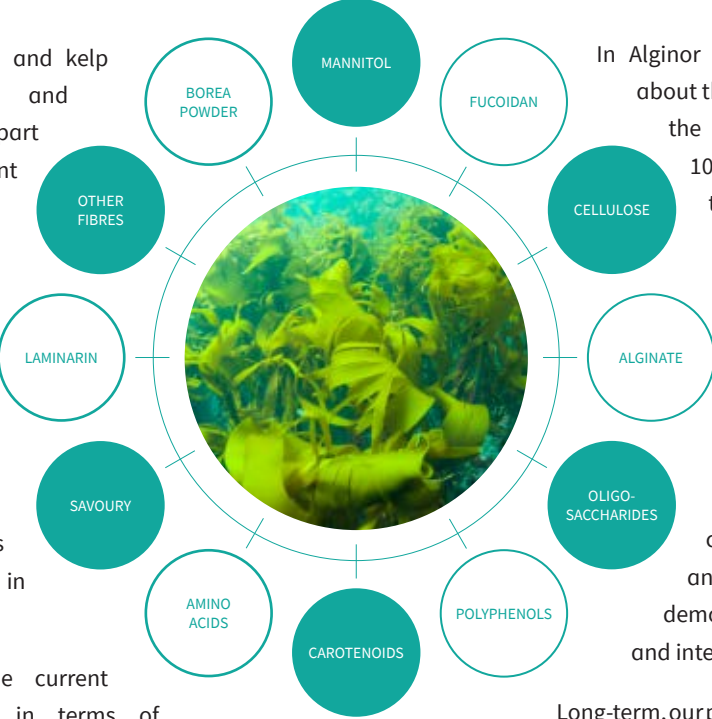
any time, harvesting may only be carried out on one fifth of the parcels, designated by the letters A through E. Each spring, a new set of parcels opens for harvesting. The cyclical system for kelp harvesting parcels ensures seedlings are left alone to grow for at least five years. Thirdly, each vessel must declare detailed voyage data and present harvesting reports to the directorate.

Sustainable regrowth conditions are also safeguarded through quantitative research and monitoring conducted by the Institute of Marine Research, which advise the Directorate of Fisheries. They carry out surveys on select parcels to analyse ecosystem health and restitution.

Until recently, kelp harvesting was viewed as the main culprit of declining fish stocks and an upsurge in urchin populations, which without natural enemies, graze on marine vegetation unchecked. This belief, however, has been disproved by extensive research by the Institute of Marine Research. Instead, overfishing is the most likely suspect. Without a healthy population of large, urchin-eating fish such as wolffish, cod, and haddock, the urchins can multiply and migrate without restraints. Thankfully, efforts are made to restore the fish stocks.

OUR INGREDIENTS

While other seaweeds and kelp species (both cultivated and wild-caught) for the most part and due to their different functional properties are used in low and medium quality applications, such as textile printing, the naturally occurring ingredients found in *Laminaria hyperborea* facilitate for extraction of unique, high-quality ingredients used in numerous high-value applications in different industries.



In Alginor we seek to do something about this: Our goal is to fully utilise the raw material as close to 100 % as possible and offer up to 12 ingredient groups (or “families”) from one single renewable raw material. While this is undoubtedly quite ambitious, we have good reason to believe that this is feasible in the long-term, which further strengthens our commitment, responsibility and focus towards demonstrating our innovations and intentions going forward.

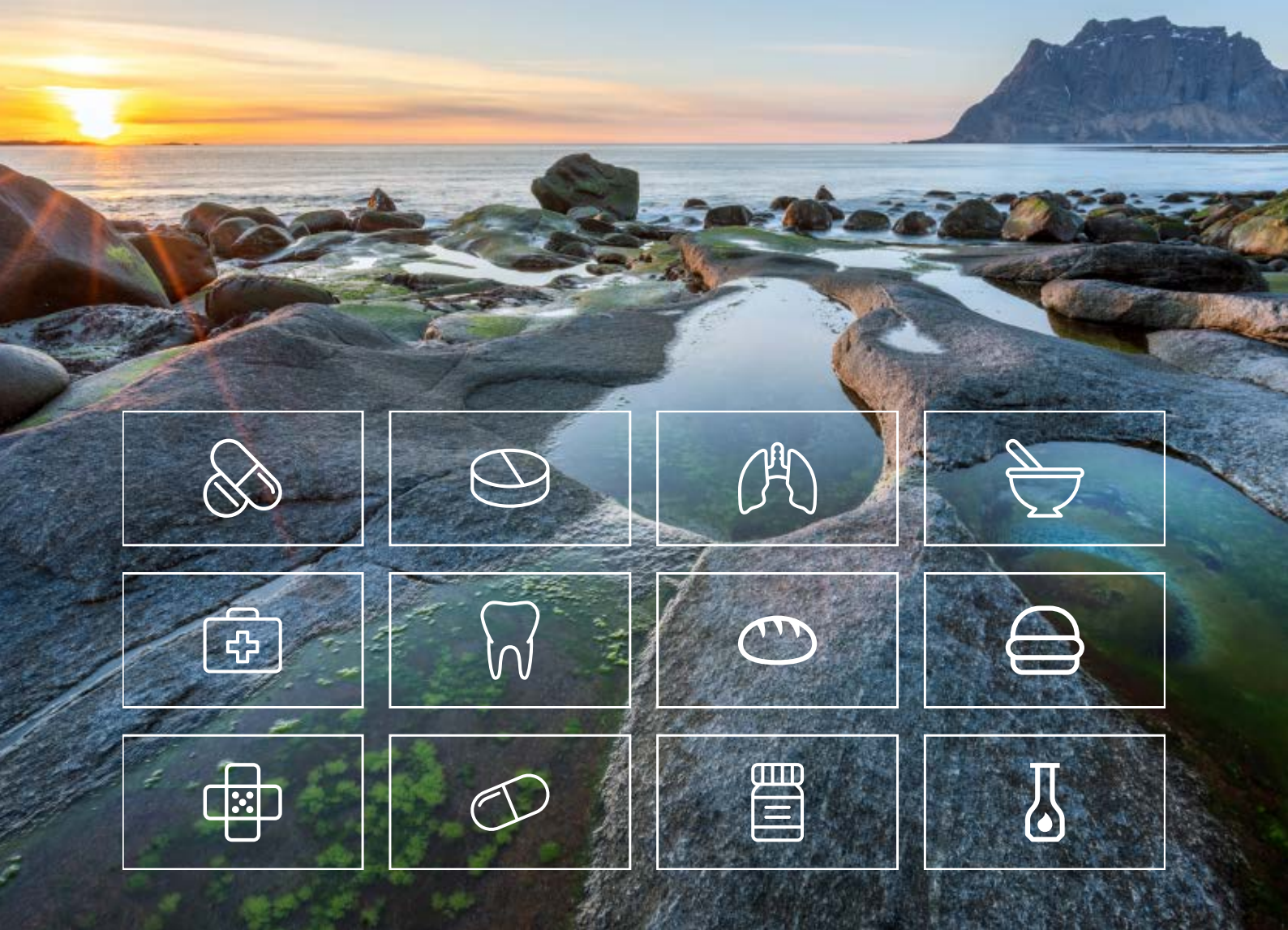
Alginates are by far the current industry’s primary focus in terms of extraction and commercial value. Alginates extracted from *L. hyperborea* are famous and sought after by global customers for their gel and raft forming abilities which make them reliable and efficient components for, among other things, applications and formulas for controlled drug release.

L. hyperborea’s true commercial value, however, remains largely unexplored territory. Several potentially high-value ingredients are found in *L. hyperborea*, including cellulose, fucoidan, polyphenols, mannitol, carotenoids and more.

Long-term, our primary aim is to market most of our ingredients towards high-value applications in premium market segments such as pharmaceuticals and cosmetics, requiring ISO (International Organization for Standardization) approvals and manufacturing systems approved in accordance with cGMP (current Good Manufacturing Practice), whereas ingredients more suited for food & nutraceutical applications will be marketed towards medium price segments where regulatory barriers to market entry are fewer and easier to overcome.



Marine life science ingredients made in Norway



PRODUCT APPLICATIONS

We intend to market our portfolio B2B and primarily sell our ingredients to companies within the pharma, cosmetic, and food industries. Our ingredients may be used on a single basis (“as is”) or mixed into formulations to achieve a specific function or desired effect, and thereby be integrated into the final formulation of finished consumer products.

Finished consumer products within these industries are aimed at solving or contribute to solving specific end user needs, such as acid reflux relief through oral administration of capsules or liquids. To achieve such functions, a product requires structural features that lead to desired end consumer effects. As a result, the industry needs formula-specific ingredients in order to maximise the control of desired effects.

Typical functions include:

- gel forming capacity,
- coating,
- moisture, and
- taste & flavour.

For our upcoming ingredients, the most relevant applications include:

- APIs for anti-reflux/antacid drugs (alginates)
- Excipients in drug formulations (alginates, celluloses)
- Anti-adhesive and water-binding functions in wound-devices (alginates, celluloses, fucoidans)
- Anti-viral functions in medical devices (fucoidans)
- Film and gel forming functions in cosmetic applications (alginates, celluloses, fucoidans)
- Anti-aging skin conditioning in cosmetic applications (fucoidans)
- Flavouring ingredient in food applications (borea powders)
- Biostimulant in agricultural applications (borea powders)

Alginor life science ingredients	(unique) selling point(s)	Global market segments	Applications
Alginates	High guluronic acid (g) content that gives strong gelling power. No formaldehyde.	APIs, pharmaceuticals, cosmetics, health & nutrition, chemicals/welding	Dental impression materials, tablets for controlled drug release, wound healing fibres, antacids, gel forming stabilisers in food, indus-trial paper coating, welding electrodes
Oligosaccharides	Composed almost exclusively of guluronic acid. Strong chelating ability at low viscosity. No formaldehyde	APIs, pharmaceuticals	Cystic fibrosis, COPD
Fucoidan	Highest molecular weight and sulphate content on the market, high bioactivity	APIs, pharmaceuticals, 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, non-synthetic	Pharmaceuticals, health & nutrition	Sweetener for diabetic food and kidney failure, regulate brain and eye pressure
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 soya bean protein, vegan protein source	Health & nutrition, feed	Proteins, fish feed, flavour enhancers (umami)
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)
Other fibres	Green, bio-degradable plastics	Cosmetics, health & nutrition	Coating, packaging, straws



ENVIRONMENTAL, SOCIAL & GOVERNANCE

ENVIRONMENTAL

We recognise the impact that manufacturing companies may have on the environment, both locally and globally. Alginor is committed to promoting a sustainable industry based on kelp — now and in the future. We seek to incorporate and implement relevant environmental factors in our day-to-day business and long-term strategies with a particular focus on critical areas where we believe we can achieve significant impact, including, among others, use of toxic chemicals, waste prevention, water pollution, energy efficiency, and carbon emissions.

TURNING «WASTE» INTO VALUE — INTRODUCING BOREA POWDER

Our fundamental ambition of achieving zero waste processes through total utilisation of the harvested biomass will remain a cornerstone in our business from day one as we upscale our facilities and processes. We acknowledge and take our corporate responsibility seriously with an emphasis on sustainability, which is why we have developed our technologies with a view to solves issues related to biomass waste and the use of detrimental process chemicals like formaldehyde.

We achieve total utilisation and ensure that no biomass is wasted through our residual ingredient, Borea powder, which is made up of any biomass we are unable characterise as separate ingredients during any time of our development. In short, this is made possible due to our green chemistry processes which include early pre-treatment and separation of the biomass, overall milder downstream processing conditions, and no formaldehyde during any stage of treatment.

Today, powder extracts from macroalgae are gaining increased attention globally among manufacturers and consumers due to market trends focused on sustainability, origin, and, e.g., vegan foods. Powder extracts and formulations based on macroalgae are quite versatile in terms of their applicational value and marketing benefits and may be integrated in, e.g., nutraceutical applications such as iodine supplement capsules which contribute to ensure proper thyroid function in the human body.

Our Borea powder is mainly comprised of the remaining *L. hyperborea* leaf biomass after extraction of fucoidan but may also include epiphytes and bark. Initially, we considered Borea powder to be the solution to avoiding biomass waste (which remains true), and a low value ingredient. Now, after further research, we see increased potential for Borea powder in more valuable ingredients. For example, we expect that the powder can be used as a health food for human consumption “as is”, or that it may be further refined into savoury ingredients with umami flavours. We also have good reason to believe that Borea powder can function as the starting material for further extraction of bioactive components used in nutraceuticals or be further enhanced with vitamins and specific components to act as a special feed ingredient in, e.g., the salmon industry. Further, we expect Borea powder to find applications in agricultural industries where it may be used as a soil nutrient, fertiliser, seed germinator, growth accelerator, and a nutrient to boost plant disease resistance.

Due to our scientific breakthroughs related to formaldehyde and our green processes, we are confident and aim to make large quantities of Borea powder going forward. Through Borea powder, we take on the challenge of transforming what others view as waste, and turn one of the ocean’s largest renewable biomasses into valuable and sought-after ingredients.

SOCIAL



We recognise the importance of creating a safe and inspirational work environment for all, and at Alginor we have committed to these core values. We hold ourselves to high ethical standards, and we expect the same from our suppliers and partners.

We lay emphasis on providing a stimulating and attractive workplace for our employees where they can further develop and expand their expertise in a challenging yet rewarding working environment. We are highly dependent on our employees and strive towards being perceived as a fair and non-discriminatory employer to retain and attract competent and motivated employees. Alginor prohibits any form of unlawful discrimination based on ethnic or national origin, age, gender identity or expression, sexual orientation, marital status or family structure, religion or disability. Any form of inappropriate workplace conduct, such as harassment, violence or discrimination, is not tolerated. Our policies regarding these matters are laid out in our ethics policy and code of conduct, which all employees are obligated to follow.

We rely on goodwill from our local, national and international business partners, customers, and other stakeholders, and

aim to conduct our business operations in a sustainable, responsible and ethical manner in accordance with prevailing standards for modern corporate responsibility. Through the years, we have invested significant amounts in innovation aimed at increasing the utilisation ratio of the biomass, preventing waste, and abolishing unwanted chemicals. Further, we have initiated concrete projects such as Algefilm to develop sustainable ingredients used in applications aimed at replacing fossil-based plastics in food packaging and more. Now, we are also looking into the possibility of implementing substantial and complementary battery systems in our first harvesting vessel, Hypomar Ocean, that will run on land-based electricity instead of fossil fuels and significantly reduce our future CO₂ footprint related to harvesting of raw materials.

CORPORATE GOVERNANCE



Our ambition is to abide by the highest prevailing standards of modern corporate governance principles with a view to create long-term maximum value for our shareholders within the scope of prudent and sustainable business practices.

We aim to incorporate prevailing principles of good corporate governance in our business strategies as a tool for increased long-term value creation for our stakeholders. We seek a transparent dialogue with our shareholders and strive to present relevant and accurate information about our company and our activities whenever possible. Our goal is to create maximum long-term value for our shareholders in alignment with sustainable and societal business practices, and to treat all employees, customers, business partners, and other stakeholders fairly with dignity and respect.

Equal treatment of all shareholders and equal shareholders rights are fundamental values in our governance practices. Alginor has one class of shares carrying one vote each,

and all shares are freely tradable without any restrictions. We encourage all shareholders to participate, voice their opinions, and cast their votes in general meetings, and we facilitate for virtual participation through Lumi to account for our large shareholder base. Aside from the general meeting, our board of directors is the company's highest governing executive body. Currently, Alginor's board has a majority of non-executive directors.

We have a strict zero-tolerance policy for all forms of corruption such as bribery, money laundering and fraud, and strive to act in compliance with the Norwegian anti-corruption legislation and other applicable international anti-corruption laws and regulations.

STRATEGY & DEVELOPMENTS

ALGINOR, HATTELAND, THE EIC FUND AND BORREGAARD



HATTELAND



On 23 July 2021, after several months of intense due diligence processes and negotiations, Alginor finalised an investment agreement with series tech-founder Hatteland, the EIC Fund and industry giant Borregaard, with a potential value of NOK 500 million, marking our company's greatest financial milestone yet.

The investment agreement is connected to the EIC Accelerator "Green Deal" initiative, under which our DACOTA proposal qualified for grant and equity funding in 2020.

Jakob Hatteland and family made their first investment in Alginor in 2017. Since, they have continued their ownership and support through participation in all share issues carried out by Alginor to date, making Hatteland one of the company's largest shareholders. Hatteland is known as a well-respected Norwegian businessman and highly successful founder and developer of several tech companies, including automated robot and warehouse systems provider, Autostore, which was valued at NOK 16 billion when it was sold to THL Partners in 2019, making Autostore Norway's first unicorn.

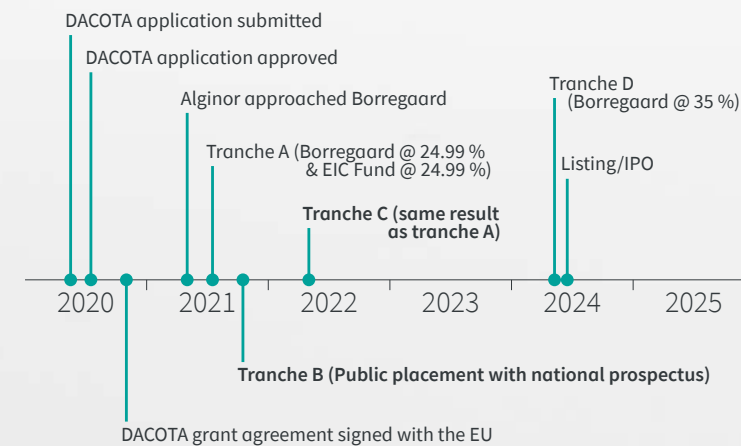
Alginor was introduced to the European Union and its innovation programmes in 2017 through Horizon 2020 and AORTA projects 1 and 2, and most recently through the EIC

Accelerator's "Green Deal" initiative. The support of the European Union has and continues to be of major importance to the development of Alginor, now marking a new era as the EIC Fund and the European Union become a major shareholder in Alginor.

Borregaard is known as a pioneer in the biorefining industry and a world leading supplier of premium biochemicals and ingredients derived from wood, including biopolymers, speciality cellulose, biovanillin, cellulose fibrils and bioethanol for a variety of applications across numerous sectors. Borregaard's history stretches back to the 1600s when the company established its first industrial plants. Today, Borregaard is listed on the main list of the Oslo Stock Exchange (Euronext) and operates one of the world's most advanced and sustainable biorefineries, utilising only natural and renewable raw materials.

We believe that Borregaard's expertise, focus and dedication towards biorefining and sustainable use of raw materials aligns perfectly with our values and the Alginor business case as a whole, making Borregaard an ideal match on our mission to establish the world's most advanced and sustainable biorefinery dedicated to responsible utilisation of the "trees" growing below water.

TRANSACTION OVERVIEW



TRANCHE B PUBLIC SHARE ISSUE AND TRANCHE C

On 16 September 2021, Alginor launched a three-week public share issue towards new and existing shareholders raising gross proceeds of NOK 70 million, thereby completing tranche B of the investment agreement, and further triggering tranche C for an additional NOK 70 million on equal terms allocated evenly to the EIC Fund and Borregaard in accordance with the resolution passed by the EGM on 6 August 2021.

The public share issue was organised and carried out under Alginor's own auspices without the assistance of external brokers and gauged significant interest among new and existing investors reaching 358 participants and applications totalling NOK 122.6 million.

This is an accomplishment we are quite proud of. At the same time, we believe it important to extend our sincerest gratitude to all our 540 shareholders for believing in us and contributing to the continued development and success of Alginor, seeing as this would not be possible without your support.



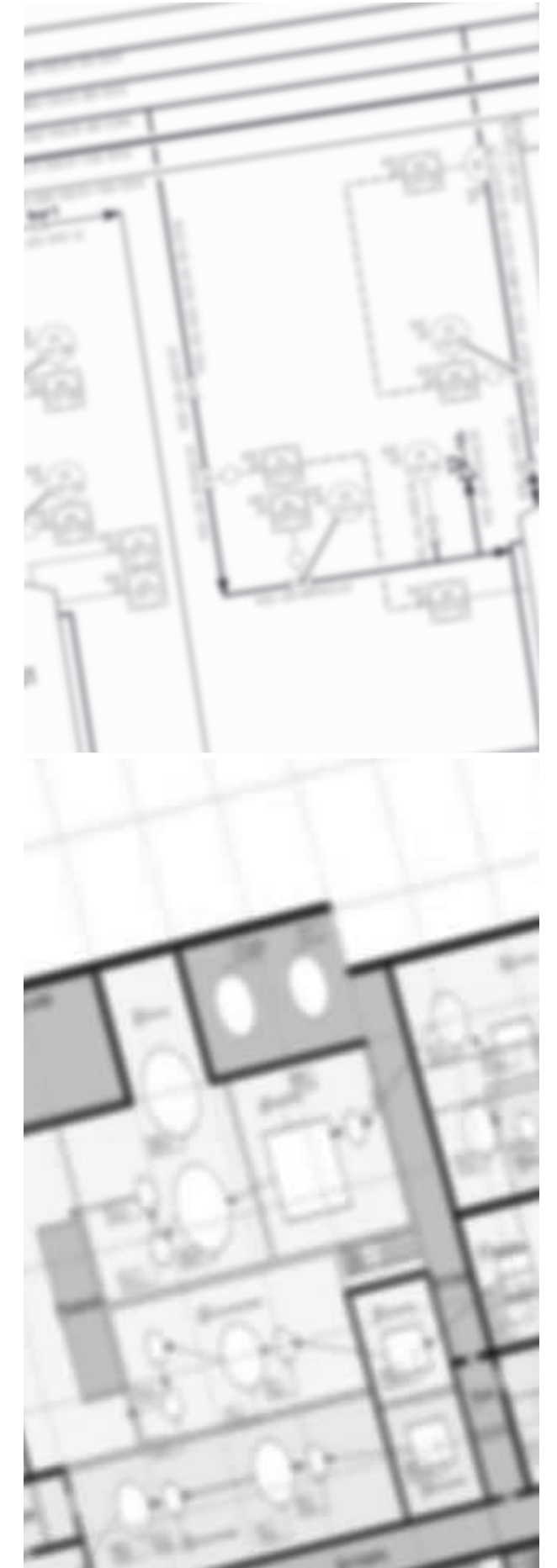
DACOTA — FLAGSHIP DEMONSTRATOR

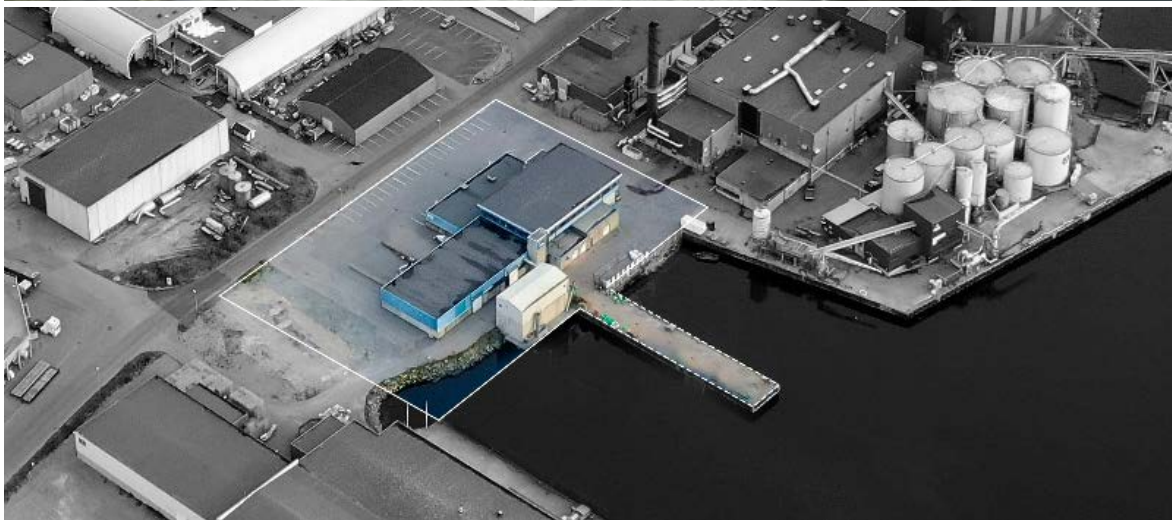
As our flagship project DACOTA comes to a close on 30 June 2022 — encompassing eight years of development since Alginor was first founded back in 2014 — we are only nearing the end of the beginning for our company.

DACOTA is a continuation of the AORTA 2 project, which concluded after two years on 31 December 2020 and received excellent overall remarks from the European Union and was deemed to have “delivered exceptional results with significant immediate or potential impact”.

While the scope of DACOTA is significant and covers several aspects of Alginor’s value chain, the core of the project is centred around establishing up-scaled facilities with a view to demonstrate our technologies in a relevant environment. We now have a firm belief that we have identified and tested all the major necessary components needed, including infrastructure and utilities, as we prepare to construct and commission our flagship demonstrator. The demonstrator will be divided into departments and include a kelp reception facility, a biorefinery for all 12 ingredients at a controlled scale, and a large-scale API (Active Pharmaceutical Ingredient) facility for manufacture of sodium alginate in accordance with cGMP.

To that end, we have continued our hard work and focus throughout 2021 and achieved several major milestones in our quest to finally acquire our very own facilities, including the NOK ~500 million investment agreement entered with Hatteland, the EIC Fund and Borregaard, and the purchase agreement entered with Karmsund Havn IKS for a 30,000 square metre plot at Avaldsnes, Norway.





AVALDSNES, NORWAY

On 16 December 2021, Alginor announced its entry into a purchase agreement with Karmsund Havn IKS for a group of plots totalling 30,000 square metres at the Husøy industrial area near Avaldsnes, for a total consideration of NOK 84 million, adding to our already acquired property and facility in the same area from Jakob Hatteland Bygg AS, where we are scheduled for a move-in on 8 August 2022.

Avaldsnes has a long and rich history with respect to industry and trade both locally and globally, dating all the way back to the Viking age. Today, the peninsula houses numerous companies across different industries and includes one of

Norway's largest and most advanced shipping ports, which is under ongoing development and expansion.

The plots in question are located on the area's Northern half at Stutøya, which lies in immediate proximity to critical infrastructure, facilities, utilities, and transportation. For many years, this has been our preferred location for establishing long-lasting industrial facilities seeing as it aligns ideally with our long-term strategy. Going forward, this plot forms the basis for the establishment of our API department during the demonstration phase, and further, our long-term ambition of establishing fully up-scaled facilities based on 100,000 tonnes of raw material.



OUR LIFE SCIENCE INGREDIENTS			
PHARMACEUTICAL INGREDIENTS		FOOD & NUTRACEUTICAL INGREDIENTS	
MANNITOL	FUCOIDAN	CAROTENOIDS	AMINO ACIDS
CELLULOSE	ALGINATE	SAVOURY	LAMINARIN
OLIGOSACCHARIDES	POLYPHENOLS	BOREA POWDER	OTHER FIBRES



The chart below provides an overview of our work in terms of ingredient development and which ingredients are considered closest in terms of commercialisation:



Our aim with the biorefinery is first and foremost to validate, optimise, demonstrate, and further develop the various production lines for each ingredient group, with a view to implementing our long-term strategy of establishing full-scale departments in a risk-prudent and timely manner.

THE MISSING LINK — ESTABLISHING A BIOREFINERY

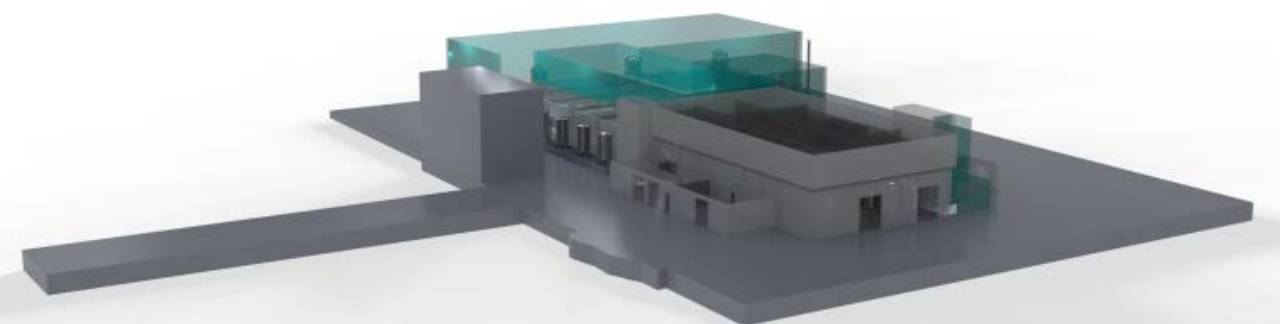
On 8 August 2022, we will formally take over the former “Ydra” facility. Here, we seek to establish Europe’s first biorefinery for total utilisation of kelp. The biorefinery department will be located at the former “Ydra” facility, which will also house the kelp reception department. In the biorefinery, we aim to demonstrate and further develop all portfolio ingredients pursuant to food grade regulations in a controlled, state-of-the-art environment, while achieving total utilisation of the harvested biomass.

We have started the process of ordering equipment and initiated plans towards upgrading and expanding the facility. Early-stage commissioning of select ingredient production lines is expected to commence by early 2023.

Rather than a rigid process plant with permanent fixtures which may hinder evolving processes, the biorefinery is designed to be flexible and to permit large-scale testing, piloting, and production conducted in parallel.

The biorefinery department will be regulated for food grade ingredient manufacturing, whereas API pharmaceutical grade production will happen in the separate API department.

The biorefinery department will be regulated for food grade ingredient manufacturing, whereas API pharmaceutical-grade production will happen in a separate department.



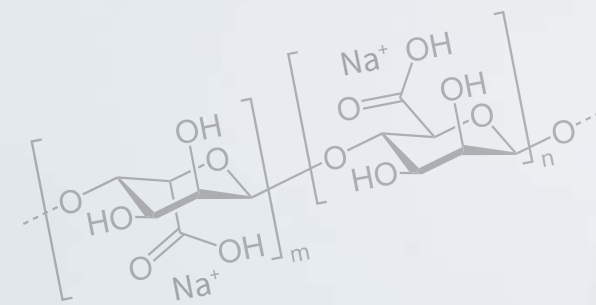
Artistic 3D render of the planned biorefinery.

ESTABLISHING AN API DEPARTMENT

We are establishing an API department dedicated to manufacturing pharmaceutical grade sodium alginates pursuant to cGMP regulations at the recently acquired plot at Avalsnes. The API department will be operated through the newly established Alginor Pharma Ingredients AS — a special purpose vehicle for our pharmaceutical ingredients.

The API department will exclusively utilise ASM Stipe as feed, facilitating for very clean, efficient, streamlined, and automated downstream processing. ASM Stipe will be supplied from a dedicated production line in the reception department. The API department's target output is pharmaceutical grade sodium alginate. Further, the production will yield crude cellulose as a by-product which may be further refined, blended into our residual Borea powder, or sold as is.

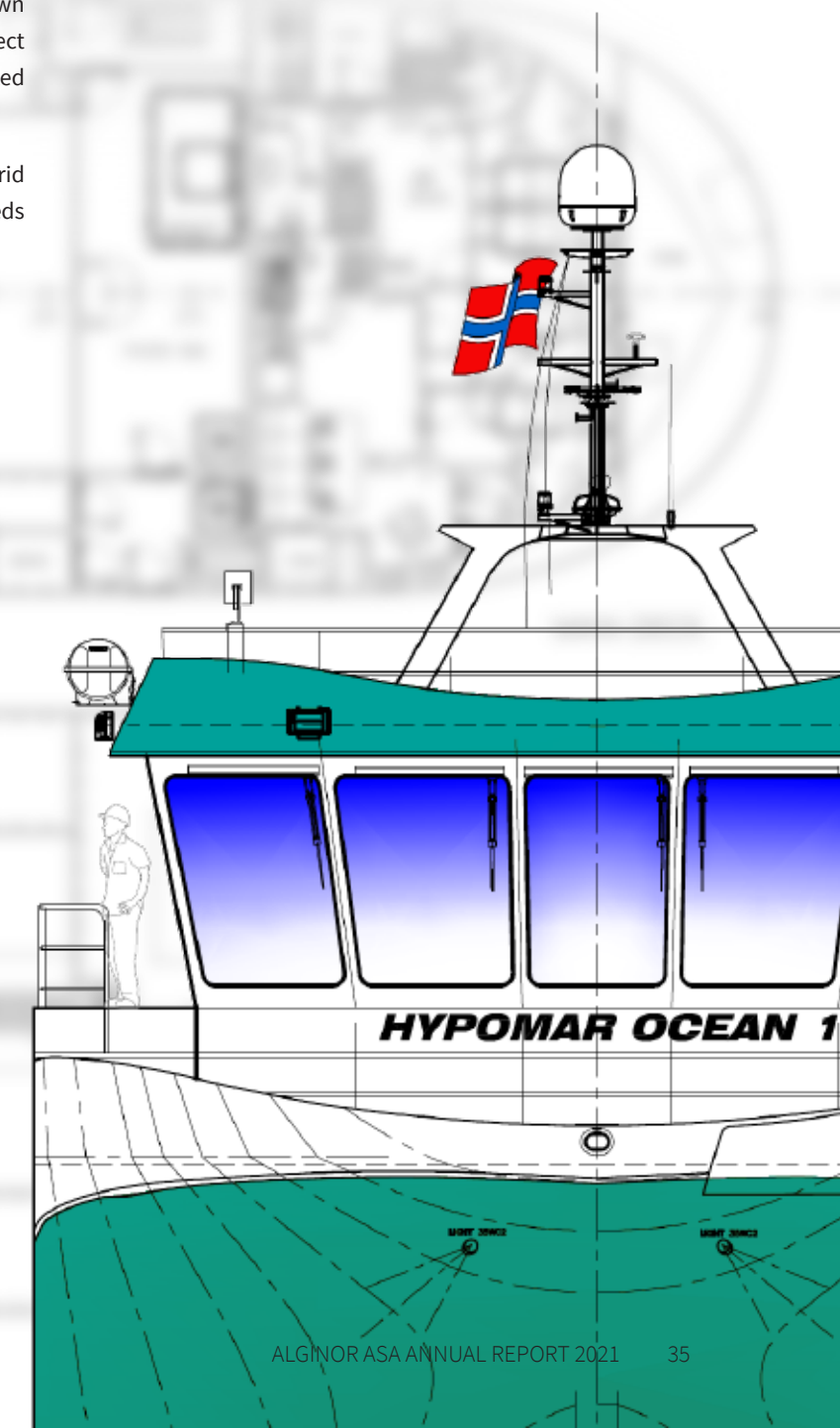
We focus on establishing and up-scaling alginate production first for numerous reasons. For one, we consider this to involve less financial, technical and market risk when compared current development of our other portfolio ingredients. Moreover, the markets for sodium alginates are well-established, and growing, particularly in the high-G pharmaceutical segment. Further, its applicational value and functionality is well-known among customers in the global ingredient markets and require little or no customer education. Lastly, alginates make up the largest substance found in *L. hyperborea*, and it is, for the time being, the most valuable ingredient in terms of availability and scale.



HYPOMAR OCEAN

We emphasise control of our raw material supply and seek complete integration throughout our value chain. To that end, we have initiated the process of designing a brand-new harvesting vessel for *Laminaria hyperborea* — our very own Hypomar Ocean. Based on recent developments, we expect to finalise the order by Q3 2022 or sooner with expected delivery in H2 2023.

Hypomar Ocean is being designed as a diesel/electric hybrid vessel with on-board processing systems, suited to our needs in the upcoming demonstration phase.



A close-up photograph of a person wearing a white lab coat and blue nitrile gloves. They are holding a small, dark glass vial with a blue cap. The background is a laboratory environment with various pieces of equipment, including a large white machine with a glass front on the left. The lighting is bright and clinical.

PILOTING, R&D AND PROJECTS



Our pilot in Skudeneshavn has seen significant upgrades throughout 2021 and is now being developed and operated daily by Hypomar employees. Our pilot harvesting vessel, Hypomar Inceptor, continuously supplied our pilot with raw material throughout the year, which was further used in the development of ASMs, sodium alginates, and external piloting runs.

In 2021, we had a particular focus on developing our processes for manufacture of sodium alginates based on our stipe starting material, ASM Stipe, in tight cooperation with our laboratory at Oewa. During the last quarter of 2021, the intensity of these operations increased significantly and led to very promising results in which our sodium alginate prototypes showed overall high-quality and yielded surprising and extraordinary results on certain important parameters such as guluronic acid content. While such results boost our confidence in what we are doing, it is important to underscore

that we need to carry out more trials before we can fully depend on these results. Furthermore, we are still operating at a limited scale and certain steps of the process, which will be automated in our up-scaled facilities, are currently being carried out manually. Going ahead, it is paramount that we keep our focus on optimising our processes and keep producing as many batches as possible.

In parallel, we carried out piloting runs at Borregaard's Biorefinery Demo facility in Sarpsborg focused on manufacturing sodium alginates based on ASM Stipe. These campaigns led to powerful insights on certain steps of our process, which will be further tested and optimised once our own biorefinery is up and running.

In 2022, we will take delivery of more high-quality equipment and continue to optimise our processes for manufacture of ASMs. Further, we will particularly focus on optimising our processes for manufacture of sodium alginates.



oewa

OEWA LABS

Since moving into our deep tech centre in 2020, the Oewa laboratories have been at the heart of Alginor's development, spanning crude raw material evaluation and advanced product characterisation. All but a few procedures and analyses are carried out in-house, owing to the extensive collection of state-of-the-art equipment.

Near the end of the year, delayed by travel restrictions, Bruker technicians installed the Raman spectroscope which is currently used extensively in fucoidan research. By exploiting the Raman effect of light scattering, it helps to elucidate highly complex molecules, functional groups, and chemical compositions. In-house spectra-libraries will be established to determine M/G ratios of alginate, and polyphenols as well as carotenoids will be analysed. Our Bruker FT-IR spectroscope functions complementary to the Raman system and specifically detects molecules that are invisible in the Raman and vice versa, providing a precise view into structural properties.

The HPLC and SEC-MALS combination is of high relevance to determine the molecular weight of biopolymers such

as alginate and fucoidan. It is in daily use and crucial to optimise processes and products and to guarantee target specifications in the most accurate manner.

A lab-scale Äkta Flux 6 ultrafiltration system has been added and is used for the purification of alginate, fucoidan and proteins. For mechanical analyses of product samples, the lab is equipped with multiple AMETEK Brookfield viscometers and texture analysers.

For lab-scale production trials, the labs include a freeze-dryer, an evaporator, a spray dryer, an encapsulator, and more.

The number of laboratory staff rises continually, elevating expertise with each new head. In 2021, six new chemists were brought into the fold.

Oewa will be present at every Alginor facility to conduct analyses, process development, and experiments. At the reception and biorefinery facility, more than 300 square metres are reserved for Oewa functions which will include analyses of heavy metals, proteins, biomolecules, sugar-composition, and elemental composition, by ICP-MS, CHNS and a preparative HPLC.



UNIVERSITY OF BERGEN



UiO : University of Oslo



TNO



Fucomed

The Fucomed project explores the marine polysaccharide fucoidan, including the development of new extraction and purification techniques, as well as the development of pharmacological and medical applications based on highly purified, structurally well-defined, highly bioactive fucoidan, not available on the market yet.

The project leader Georg Kopplin is a fucoidan pioneer and was the first to perform a full structural characterisation of fucoidan from *L. hyperborea*. His research continues looking into further biomedical applications*.

It has been shown that fucoidan exhibits a large array of bioactive properties and that the bioactivity correlates with the molecular weight and the degree of sulphation. Compared to fucoidan from other sources, the fucoidan from *L. hyperborea* has the highest degree of sulphation and molecular weight simultaneously available and constitutes the best source for a high quality, high value fucoidan production.

* Dörschmann, P., Kopplin, G., Røider, J., & Klettner, A. (2019). Effects of Sulfated Fucans from *Laminaria hyperborea* Regarding VEGF Secretion, Cell Viability, and Oxidative Stress and Correlation with Molecular Weight. *Marine drugs*, 17(10), 548.

Among the bioactive properties, anti-inflammation, anti-coagulation, and even antiviral effects have been demonstrated. Further shows promising effects on the treatment of cancer and medical conditions such as the eye disease age-related macular degeneration (AMD). However, the current development of biomedical applications is hindered by the scarcity of highly bioactive, highly purified, and well characterised fucoidan available on the market.

The project is funded by the Research Council of Norway (RCN) and is not only aiming at the development of new biomedical applications but also on the build-up of industrial scale production facilities which for the output of highly purified, highly bioactive and well-characterised fucoidan.

Alginor will reach this ambitious goal in collaboration with the KTH Royal Institute of Technology in Stockholm, the University of Bergen, The NOR OpenScreen Cancer research facilities at the University of Oslo, and technological partners such as the BioBase Europe Pilot Plant (BBEPP) and Netherlands Organisation for Applied Scientific Research (TNO), building up a world market leading production facility for highly purified, highly bioactive fucoidan.

The Fucomed project has a total budget of NOK 23.2 million and is funded by the Research Council of Norway with NOK 16.25 million, giving an aid intensity of 70 %.

CarboNor

Laminaria hyperborea is a unique marine plant that contains many interesting components, such as the biopolymers alginate and cellulose. These macromolecules serve as building blocks and keep the plant upright towards the sunlight, and the composition keeps them from snapping in half due to strong currents. The alginate structure in *L. hyperborea* has a higher proportion of guluronic acid compared to that of other species of kelp, giving it a pronounced three-dimensional aspect. The molecules forming this structural composition are potentially very beneficial within medicine. Specially formulated alginate, for instance, is being tested in the treatment of lung diseases.

The native cellulose from *L. hyperborea* is unique compared to other celluloses in nature and on the market. Cellulose is generally refined from trees, but this is a very energy-intensive and chemically harsh process. In kelp the cellulose exists in a “purer” form, allowing for gentler refinement and possibly a higher quality end-product. The mechanical strength values of kelp-derived cellulose have been shown to exceed those of wood-based cellulose. In fact, only bacteria are known to create cellulose of equal quality if these values are confirmed but industrialising bacterial cellulose production is extremely costly. In the CarboNor project, alginate and cellulose will

be extracted and refined using Alginor’s existing AORTA technology, and the main goal of the project is to further process these fractions into ingredients of unprecedented quality. The methods will be developed and optimised during the project, and the quality of the products will be verified.

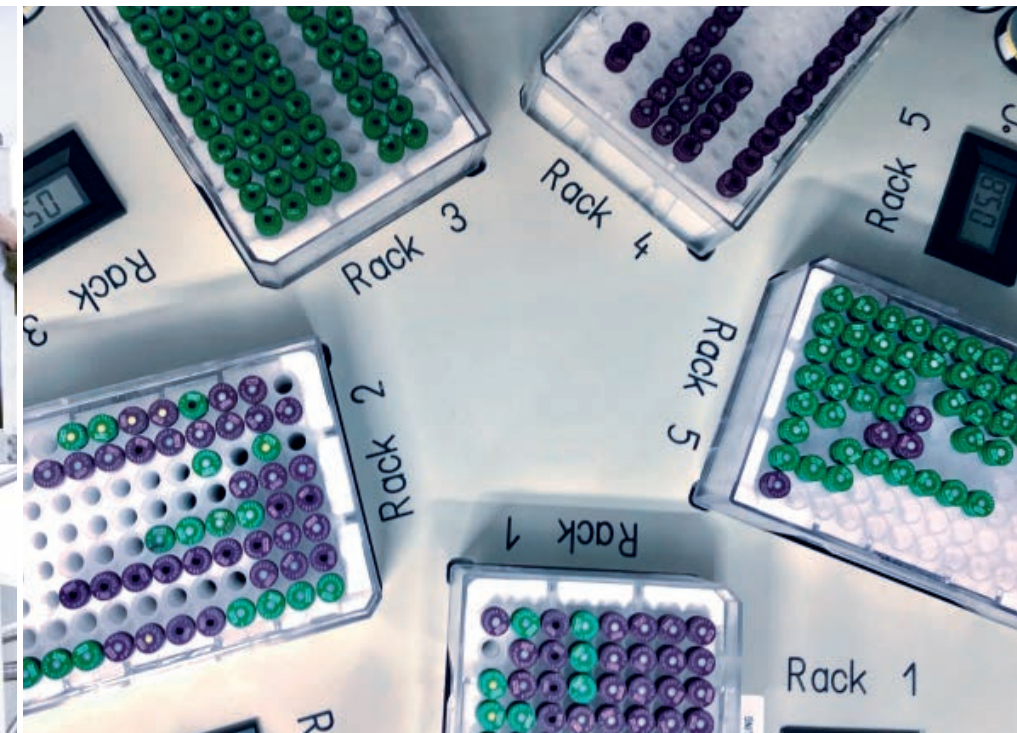
Enzymatic treatment is a potential mechanism for deriving guluronate oligomers from alginate polymers. Currently, enzymes made by two different bacterial strains are being considered for upscaling. Preliminary results show that one bacterial strain outperforms the other in terms of enzyme production.

To manufacture nanocelluloses, a number of crude cellulose samples have been subjected to mechanical treatments as well as TEMPO ((CH₂)₃(CMe₂)₂NO) oxidation. Both pathways yield varying grades of nanocellulose. Preliminary results indicate high crystallinity and water binding capacity, which are highly favourable characteristics in many application areas, e.g., cosmetics.

Eurostars is a European joint programme, co-funded by the EU through Horizon 2020, and by the EUREKA network through Research Council of Norway. The CarboNor project began on 1 September 2020 and is scheduled to end on 31 August 2022. The total budget is NOK 8.2 million and is aided at 50 % intensity.



UNIVERSITY OF BERGEN



Seeking to improve Europe's food security, ALEHOOP commenced on 1 June 2020 as a joint effort between Alginor and 15 other companies and institutions. Europe is heavily reliant on imported soya beans as a source of proteins, producing only 5 % of the total European soya bean consumption. This is an unsustainable practice both economically and environmentally, as well as detrimental to local, national, and European food security.

The goal of the ALEHOOP project is to demonstrate the feasibility of using other sources of protein in European production of food and animal feed. Pea pods make up a substantial source of European plant protein, but its amino

acid composition does not have full biological value, with limitations as a dietary source. By adding algal proteins, a healthier and more efficient amino acid composition can be achieved.

Residual biomass from the current alginate industry cannot be utilised due to the formaldehyde treatment of the raw material. Formaldehyde use makes a subsequent protein isolation impossible, which is why Alginor is the project's supplier of algal amino acids.

R&D Manager Georg Kopplin is leading Alginor's effort in the ALEHOOP project. It is funded by the Bio-Based Industries Joint Undertaking (BBI JU), which is a public-private partnership between the EU and the Bio-based Industries Consortium (BIC). ALEHOOP's budget totals NOK 74 million, of which Alginor's portion is NOK 7 million. The project's scheduled end date is 30 May 2024, giving a duration just shy of four years.

POLYPHENOLS

The Industrial PhD scheme is funded by the Research Council and is aimed at companies seeking to enhance their research expertise. Under the scheme, a company collaborates with a university on a activity-relevant doctoral project carried out by an employee of the company.

The project's aim is to obtain new information on an exact molecular level concerning polyphenols in *L. hyperborea*, by optimising extraction, isolation, identification, and quantification methods. The work is performed at the University of Bergen (UiB) by candidate Marie Emilie Wekre, and is supervised by R&D Manager Georg Kopplin of Alginor and associate professors Monica Jordheim and Jarl Underhaug of UiB.

Polyphenols are a large and heterogenous group of chemicals, spanning simple monomer units to complex polymerised structures. They are categorised as strong antioxidants and considered as bioactive compounds with commercial application value in pharmaceutical, nutraceutical, cosmetic, agricultural, and food and feed industries.

Research of polyphenolic compounds from marine sources suffers from several factors. One being the lack of exactness with respect to quantitative and qualitative information at a molecular level, as most analyses use a simple assay called "Total Phenolic Content" (TPC). This assay often gives inaccurate measurements and does not reflect the chemodiversity of the extracts and impairs the potential of finding novel compounds with novel properties.

Since the project began in 2019, Wekre and her collaborators have published an article* in the journal *Antioxidants*, in which they explored and compared NMR, HPLC-DAD and the Folin-Ciocalteu assay as methods of quantifying total phenolic content of *Ulva intestinalis*, a green macroalga known as *tarmgrønske* in Norwegian. In the lab, several optimisation experiments have been performed. Many purified fractions of polyphenols have been produced and are currently being analysed. At Haukeland University Hospital in Bergen, polyphenolic samples from *L. hyperborea* have been tested *in vitro* on different cell cultures. Further academic papers are underway.

* Wekre, M. E., Kåsin, K., Underhaug, J., Holmelid, B., & Jordheim, M. (2019). Quantification of Polyphenols in Seaweeds: A Case Study of *Ulva intestinalis*. *Antioxidants (Basel, Switzerland)*, 8(12), 612.



Algefilm

Marine plastic pollution is fast becoming one of the planet's greatest environmental threats. Each year, countless marine animals die after ingesting or becoming entangled by marine plastic debris. Annual marine pollution is in the range of tens of million tonnes, of which an estimated 80 % is plastic waste. Although some of it is buried in deep-sea sediments, vast quantities drift in the oceans until ultraviolet radiation causes the waste to disintegrate into microscopic particles which have been found in every marine biota, where they enter the food chain through unsuspecting organisms. It is estimated that every human ingests and inhales thousands of microplastic particles every year — the effect of which is still largely unknown.

In an effort to alleviate the problem, Alginor has formed a cooperation with pioneers in the realm of bioplastics — plastic alternatives which living things can digest rather than absorb and accumulate. Through the Algefilm project, we seek to develop kelp-based packaging materials for food to

replace petroleum-based plastics. As is common in Alginor endeavours, the starting point is *Laminaria hyperborea*, which is processed into a blend of alginate, cellulose, and other fibres which we call algefilm. We will explore and develop algefilm

- as a dipping solution for fresh produce, a non-inferior biodegradable alternative to plastic shrink wrap;
- to encapsulate liquids, dry goods, and fatty products;
- as thin membranes in cartons; and
- as a mouldable material for thermoforming packages and other products.

The Algefilm project is carried out under Arild Steinnes' supervision by Alginor's subsidiary Hypomar along with Oewa and DOGA prize winners DYPP as partners, and Nofima and RISE PFI as R&D suppliers. Notpla, Elopak and Borregaard serve as subcontractors in the project.

The project has a total budget of NOK 18 million and is funded by the Research Council of Norway with NOK 12.6 million, giving an aid intensity of 70 %. The remaining 30 % is funded by Alginor ASA. The project launched on 16 August 2021 and is expected to conclude on 15 August 2023.

Former Minister of Trade and Industry Iselin Nybø visited Alginor and Oewa after the Algefilm project was awarded funding.



THE BOARD OF DIRECTORS

OVERVIEW & REPORT

THE BOARD OF DIRECTORS OF ALGINOR ASA



**Thorleif
Thormodsen**
Chairman

Previously served as chairman in 2014–2017. Elected chairman on 17 December 2021.

Thorleif Thormodsen is the founder

of Alginor ASA, as well as Primex Ingredients ASA, Seagarden ASA and Navamedic ASA. He holds an MBA from the Norwegian School of Economics and is a Certified European Financial Analyst (CEFA).

Thorleif holds 1,004,800 shares in Alginor ASA through his wholly owned company Zirconia AS.



**Kari
Eikeskog**
Member

Member of the Board since 9 June 2021.

Kari Eikeskog holds a BBA and a Master's in Management from BI Norwegian Business

School, and has 25 years of experience in major project developments within oil & gas and renewables.

Kari holds no shares or warrants in Alginor ASA.



**Hans
Sandvold**
Member

Member of the Board since 9 June 2021.

Hans Sandvold is an experienced consultant and manager, having carried out major

piping design projects within aquaculture, construction and offshore industries. Hans holds a Master's in Business from BI Norwegian Business School, and serves on the boards of numerous companies.

Hans holds no shares or warrants in Alginor ASA.



**Gisle Løhre
Johansen**
Member

Member of the Board since 27 October 2021.

Gisle Løhre Johansen has been with Borregaard ASA since 1991 and serves as Executive Vice President

of the Specialty Cellulose and Fine Chemicals division. He holds a Master's degree in Organic Chemistry from NTNU.

Gisle represents major shareholder Borregaard AS which holds 4,114,290 shares in Alginor ASA.



**Åse Tveit
Samdal**
Member

Member of the Board since 29 June 2018 and reappointed on 6 March 2020.

Åse Tveit Samdal is the CEO of Validé

Haugesundregionen AS and was previously the bank manager of Sparebank 1 SR-Bank in Vindafjord. She holds two degrees in management from BI Norwegian Business School, and holds board seats in Salarsafe and Haugesund Sparebank (deputy). She has previously held numerous board seats.

Åse is the CEO of Karmøy Næringsfond AS which holds 55,000 shares in Alginor ASA, and is an executive of the Validé organisation which holds 448,500 shares in aggregate.



**Bjørn
Bugge**
Member

Member of the Board since 30 December 2018 and reappointed on 6 March 2020.

Bjørn Bugge serves on the boards of

a multitude of companies and institutions, and has extensive experience in public administration, finance and academia. He holds a Master's degree in Economics from the Norwegian School of Economics, completed the on-campus Advanced Management Course at the Wharton School of the University of Pennsylvania, and one-year law studies at the University of Bergen.

Bjørn holds 51,110 shares in Alginor ASA via his wholly owned company Aqua Metrica AS.



**Turid
Thormodsen**
Member

Member of the Board since 30 December 2015 and reappointed on 9 June 2021.

Turid Thormodsen is Leader Project

Management in Equinor ASA. She holds an M.Sc. in Chemical Engineering from NTNU and Business Candidate from BI Norwegian Business School.

Turid holds no shares in Alginor ASA, but she has the right to exercise 2,500 warrants. She is the sister of Thorleif Thormodsen and aunt of CEO Kjetil Rein.

REPORT OF THE BOARD OF DIRECTORS

1. OVERVIEW

Alginor is developing a fully integrated, transparent and traceable value chain for sustainable harvesting and biorefining of the North Atlantic macroalga *Laminaria hyperborea*, which grows in abundance along the Norwegian coast and constitutes one of Europe's largest and least utilised marine biomasses.

The Group's long-term goal is to become a leading B2B supplier of up to 12 naturally occurring pharmaceutical, cosmetic, and nutraceutical kelp-based ingredients including, among others, alginates, cellulose and fucoidans.

The Group is developing technologies facilitating for high value creation through total utilisation of the biomass downstream without using harmful chemical preservatives like liquid formaldehyde, with a view to increase ingredient yields, performance, and flexibility, and prevent any biomass waste by utilising every part of the raw material.

In the long-term, the Group seeks to develop and commercialise all ingredients naturally present in *L. hyperborea* and achieve high and long-lasting value creation.

The Group's headquarter and Deep Tech Centre is located in Haugesund, Norway. The Group's pilot production facility is located in Skudeneshavn, Norway. Investor relations, finance, and legal functions are carried out from Oslo, Norway.

2. HIGHLIGHTS 2021

In January, the technical and final report of the AORTA 2 project was officially approved by the EU with excellent remarks, stating that the project had delivered "[...] exceptional results with significant immediate or potential impact". The review specifically noted that the Group's project management had been effective in all project parts and areas, and further, that all ethical concerns were covered responsibly. The project's results were considered innovative and relevant, with potential for a great positive impact on the global seaweed industry. The official conclusion of AORTA 2 marked a milestone accomplishment for the Group. Thanks to the Group's highly competent and driven employees, the project and its results were a major success.

In 2021, the Group secured its largest capital raise to date through completion of tranches A to C of the investment agreement entered with Hatteland, the EIC Fund and

Borregaard, and a private placement carried out in February, for a total of NOK 388.5 million. Tranche B of the investment agreement was carried out under the Group's own auspices as a public share issue towards new and existing investors over a three-week period starting in late September. The share issue was substantially oversubscribed for a total of NOK 122.6 million spread on 358 participants. At year end 2021, Alginor had 540 shareholders.

The investment agreement concluded the equity part of the blended finance option under DACOTA after a comprehensive and extensive process that included due diligence carried out by the EIC Fund and technical due diligence carried out by Borregaard. The due diligence processes involved the entire organisation, covering all major aspects of the Group's business.

Despite having to allocate major resources to the due diligence processes, the Group managed to submit its project deliverables on time. Further, the Group upgraded and expanded its pilot in Skudeneshavn, and increased its piloting activities significantly. In particular, the Group allocated substantial resources on manufacturing high-quality sodium alginate prototypes based on raw material supplied by Hypomar. Moreover, the Group carried out large-scale piloting of sodium alginates at Borregaard's Biorefinery Demo in Sarpsborg.

The Group's laboratory saw significant upgrades in 2021 and took delivery of state-of-the-art analytical equipment such as Raman and HPLC. In 2021, a separate laboratory was set up in the UK. The UK lab has been instrumental in securing the Group's intellectual property rights through patenting and was key to the submission of a core patent application regarding manufacture of high molecular weight alginates with high gelling properties.

On 16 December, the Company announced its entry into a purchase agreement with Karmsund Havn IKS for a 3-hectare plot at the Husøy Industrial area near Avaldsnes, for a total consideration of NOK 84 million. The plot is intended to serve the Group's planned upscaling for the foreseeable future in line with the Group's long-term strategy based on 100,000 tonnes raw material.

Due to effects related to the Covid-19 pandemic, the Group has experienced some difficulties in terms of obtaining quotes and establishing precise cost estimates and delivery times for processing equipment and systems from its suppliers. Overall, however, the Covid-19 pandemic had limited effects on the Group and its employees in 2021.

3. FINANCIAL INFORMATION PROFIT/LOSS

The Group's total revenue and operating income for 2021 was NOK 165 thousand down from NOK 365 thousand in 2020. The revenues were derived from minor sales of ASM. Net loss for the Group in 2021 was NOK 16.06 million compared to a net loss of NOK 4.89 million in 2020. The increased loss is primarily derived from an increase in personnel expenses, other operating expenses, and depreciation, and should be viewed in conjunction with the Group's development and growth. Personnel expenses were predominantly related to the provision for exercise of employee warrants issued in 2021. The main cost drivers under other operating expenses were increased rent of office spaces, legal fees, and consultancy fees. Additionally, increased activities outside projects led to an increase in indirect costs not attributable to project accounts. Depreciation and amortisation for the Group totalled NOK 2.84 million compared to NOK 1.07 million in 2020 due to increased investments in pilot and lab equipment and machinery.

BALANCE SHEET

Total assets were NOK 419.85 million up from 79.35 million in 2020. The significant increase in assets is primarily attributed to cash derived from share capital expansions carried out in 2021, as well as activated development expenses attributed to intangible assets. Development expenses incurred through publicly funded projects are capitalised as net expenses after deduction of government grants. Total receivables at year end were NOK 9.03 million, down from 10.42 million in 2020. Receivables are comprised of government grants related to ongoing projects, e.g., the DACOTA project. Tangible assets increased due to acquisition of properties for increased office space, continued procurement of process related machinery and equipment, and laboratory equipment.

The Group equity was NOK 396.65 million (94.5 % equity ratio) as of 31 December 2021 compared to NOK 28.21 million (35.5 % equity ratio) in 2020. The Group share capital was NOK 16,500,685 (NOK 5,362,200) and the share premium was NOK 412,845,691 (NOK 39,427,683). The Group had no interest-bearing long-term debt due to repayment of all outstanding interest-bearing long-term loans in 2021. The Group considered it economically prudent and favourable to

redeem all of its outstanding long-term loans due to their high interest carriers, which was made possible due to the Group's solid financial condition in 2021. Total current liabilities amounted to NOK 19.6 million in 2021, up from NOK 17 million in 2020. Liabilities are predominantly comprised of prepaid government grants related to EU projects DACOTA and ALEHOOP. Accounts payable/trade creditors liabilities was NOK 2.92 million at year end, down from NOK 12.73 million in 2020.

CASH FLOW AND LIQUIDITY

The Group's cash flow statement shows a net change in cash and cash equivalents for 2021 of NOK 310,512,547 compared to NOK 668,505 in 2020. The cash and cash equivalents were NOK 316,393,371 at year end, up from NOK 5.88 million at year end in 2020. The total cash liquidity of the Group was NOK 316,393,371 at year end.

ALGINOR ASA

The parent company Alginor ASA is a holding company with administrative and financial functions. Alginor ASA houses the majority of the Group's employees and manages the majority of the Group's projects. The Company had a net loss of NOK 10.82 million in 2021, compared to NOK 2.76 million in 2020. The increase in net loss is primarily driven by increased expenses related to exercise of employee warrants, depreciation, office rent, legal fees, and consultancy fees. Total assets were NOK 424.7 million, up from NOK 70.3 million in 2020. The significant increase is primarily a result of cash derived from capital placements carried out in 2021. Financial fixed assets amounted to NOK 241.4 million, up from NOK 8.94 million in 2020. In line with the Group's strategy, Alginor ASA facilitated for upcoming investments, e.g., Alginor Industrial Estate's purchase of the lot at Avaldsnes, and further development of the Group's subsidiaries, through significant capital placements. Cash and cash equivalents were NOK 108 million, up from NOK 3.99 million in 2020. Following the investment agreement entered over the summer, total equity increased to NOK 404.3 million, up from NOK 30.6 million in 2020. Non-current liabilities were NOK 2.37 million, down from NOK 24.5 million in 2020 due to redemption of most outstanding loans.

The board of directors has proposed that the net loss is allocated to uncovered loss.

4. GOING CONCERN

Alginor is en route to complete its flagship project, DACOTA, on 30 June 2022. The project is fully funded for the project period. DACOTA is a precursor for demonstration and validation of the Group's value chain and core technologies in a relevant environment. The project compiles all relevant findings

and data accessible to the Group with a view to establish “demonstrator” consisting of three distinct department facilities, including a kelp reception facility, a biorefinery and an API (Active Pharmaceutical Ingredient) facility for manufacture of pharmaceutical ingredients pursuant to cGMP (current Good Manufacturing Practice) guidelines. Due to the significant increase in equity resulting from the share capital expansions carried out in 2021, it is the Board’s assessment that the Group has secured the financing needed to execute the CAPEX elements related to the above, including a kelp harvesting vessel, on a stand-alone basis. Further, the Group has secured ownership of highly suitable real estate properties located in the port area of Avaldsnes, Norway, which are believed to sufficiently cover the Group’s planned upscaling and long-term expansion with a view to establish an operation based on 100,000 tonnes kelp. 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.

Pursuant to section 3-3a of the Norwegian Accounting Act (Nor.: Lov om årsregnskap m.v. av 17. juli 1998 nr. 56), 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 profit/loss and financial position.

5. ALLOCATION OF THE RESULT

The Board recommends allocating the Group’s net loss for the year of NOK 16,061,689 as uncovered loss.

6. PROJECTS

The Group implements research and/or development projects when there is a reasonable assurance that such projects may lead to results that are of commercial interest to the Group. A large portion of the Group’s activities relates to project development. When eligible, the Group seeks to obtain partial project financing through grants from both regional, national and international public funding bodies, e.g., the Research Council of Norway (Nor.: Norges Forskningsråd) and initiatives launched by the European Union, e.g., Horizon 2020 and the EIC Accelerator.

At present, the Group is conducting its flagship project, **DACOTA**, aimed at upscaling the Group’s core technologies and establishing facilities for value chain demonstration at a relevant scale, further development, and larger scale production of certain portfolio ingredients. DACOTA is scheduled to end on 30 June 2022, after which the Group’s focus will be shifted towards establishing facilities, ordering, and installing equipment, and assembling process lines across the different demonstrator departments. DACOTA’s

budget is NOK 35 million. NOK 25 million is funded by a grant from the EIC Accelerator. NOK 17.1 million has incurred as of 31 December 2021.

In the **Fucomed** project, the Group explores fucoidans’ 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 project’s main focus is on upscaling the extraction process for fucoidan with a view to industrialise fucoidan-based pharmaceutical ingredients for medical applications and devices. Fucomed’s budget is NOK 23.2 million. NOK 16.24 million is funded by a grant from the Research Council of Norway. NOK 7.3 million has incurred as of 31 December 2021. The project is on track, and it is scheduled to be completed during 2023.

The **CarboNor** project focuses on converting carbohydrate polymers into high-value biotech ingredients such as alginates, oligosaccharides, cellulose, and bioplastic, in collaboration with KTH Royal Institute of Technology in Stockholm. The project’s focus is on documenting and validating the combinability of each party’s technology and assessing the feasibility of their industrial scalability with a view to manufacture first and foremost alginates, oligosaccharides and cellulose as pharmaceutical ingredients for medical applications and devices. CarboNor’s total budget is €1.1 million. Alginor’s budget in the project is €800 thousand. €400 thousand is funded by a grant from the Research Council of Norway (formally awarded by Eurostars). NOK 4.8 million has incurred as of December 2021. The project is on track, and it is scheduled to be completed in 2022.

The **Algefilm** project was awarded in 2021 and focuses on developing tailored kelp-based biomaterials for nutraceutical packaging that can replace plastics. Project collaborators include Nofima, Rise PFI, and Dypp AS. The project’s total budget is NOK 18 million, whereof NOK 12.6 million is funded by a grant from the Research Council of Norway. NOK 1.5 million has incurred as of 31 December 2021.

7. SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainability is a core value and focus in Alginor’s business model. Sustainability factors related to, among other things, the environmental impact of harvesting on the *L. hyperborea* biomass and its surrounding environment, proper biomass utilisation, preventing biomass waste, and use of process chemicals are identified, discussed, and mapped on a continuous basis, and, to the extent applicable, contingency measures are being developed to mitigate potential issues.

To ensure a healthy and sustainable biomass, Norway has enacted strict laws and regulations for commercial harvesting of *L. hyperborea*. Moreover, the impact of harvesting on the biomass and its adjacent environment is being continuously monitored and evaluated by the Norwegian Institute of Marine Research (Nor.: Havforskningsinstituttet) acting as the scientific advisor to the Norwegian Directorate of Fisheries.

Norway’s stock of *L. hyperborea* is estimated at 56 million tonnes, corresponding to 56 % of the worldwide estimated biomass of 100 million tonnes. An estimated 35 million tonnes are found within the regulated harvesting area. The regulated harvesting area is organised in a rotating parcel system comprised of 490 parcels divided on five parcel groups, rotating from A through E in a five-year cycle, ensuring that each parcel has four years of natural regrowth and recovery between each harvest. In two recent studies from 2020 the Norwegian Institute of Marine Research has concluded that kelp trawling has limited effects on the harvested area and fish, based on harvesting of 6 % of the standing biomass over five years. Although trawling had a significant effect on the ecosystem, its total effect was considered low because the affected area was very limited relative to the kelp forest as a whole.

On average, each parcel group (98 parcels) contains an estimated 4 million tonnes open to harvesting in any given year. Current estimations show that on average only 150,000–180,000 tonnes (i.e., 0.27 %–0.32 %) of the 56 million tonnes available in Norway are harvested each year, whereas the biomass’ renewal rate is estimated at 7 million tonnes annually, corresponding to the volume which is believed lost due to harsh weather conditions and age. The Group’s harvesting target in the demonstration phase is 10,000 tonnes (0.018 % of the standing biomass), whereas the Group’s long-term target is 100,000 tonnes (0.18 % of the standing biomass). Based on the current information available to the Group, the Board holds it unlikely that the Group’s planned harvesting volumes will raise any sustainability issues related to the biomass for the foreseeable future.

The Group is committed to incorporating ESG principles in its strategy, business, and decision-making, with a view to provide long-term value creation for its shareholders and stakeholders.

ENVIRONMENT

The Group intends to exclusively utilise renewable raw materials such as *L. hyperborea* in its business. The Group’s value chain is being further developed in a long-lasting perspective through its ongoing development projects, such as DACOTA, Fucomed and Algefilm, with a consistent focus

on developing technologies that contribute to increased raw material utilisation, limited use of chemicals, no use of formaldehyde. Further, the Group is, among other things, developing ingredients aimed at replacing fossil-based products such as plastic packaging through projects such as Algefilm. The Group is committed to reducing CO₂ emissions from its future operations. For example, the Group is looking into the possibility of electrifying most of its energy usage related to harvesting through implementation of battery package systems running on land-based electricity. Moreover, the Group is in the early stages of carrying out a Life Cycle Analysis of its ingredients in preparation of the establishment of its upscaled operations. The Group relies on its employees and other stakeholders to conduct its business and recognises the importance of aligning its business in accordance with prevailing corporate ethics, practices, and standards.

SOCIAL

The Group strives to provide an attractive and safe workplace for its employees and depends on being perceived as a fair and non-discriminatory employer to attract and retain competent and motivated employees. The Group prohibits any form of unlawful discrimination based on ethnic or national origin, age, gender identity or expression, sexual orientation, marital status or family structure, religion or disability. Any form of inappropriate workplace conduct, such as harassment, violence or discrimination, is not tolerated. The Group’s policies regarding these matters are laid out in the Group’s ethics policy and code of conduct, whom all Group employees are obligated to follow.

GOVERNANCE

The Group is committed to incorporating prevailing principles of good corporate governance in its business strategies. The Group’s seeks a transparent dialogue with its shareholders and strives to present relevant and accurate information about the Group and its activities whenever possible. The Group aims to create maximum long-term value for its shareholders in alignment with sustainable and societal business practices, and to treat all stakeholders, employees, customers, business partners, and other associates fairly with dignity and respect. The Group has a zero-tolerance policy for all forms of corruption such as bribery, money laundering and fraud, and strives to act in compliance with the Norwegian anti-corruption law and other applicable international anti-corruption legislation. Equal treatment of shareholders and equal shareholders rights are core values in the Group’s governance practice. The Group has one class of shares carrying one vote each, and all shares are freely tradeable without any restrictions. The Group encourages all shareholders to participate and cast their votes in general

meetings and facilitates for virtual participation through Lumi to account for its large shareholder base. The Group's board has a majority of non-executive directors.

8. RISK FACTORS OVERVIEW

Alginor is still undergoing development and has yet to commercialise any of its ingredients. As such, the Group is exposed to several risk factors, some of which are out of the Group's control. Generally, financial and liquidity risk decreased significantly during 2021. In 2022, however, investment activities related to infrastructure, facilities, equipment, and upstream processes are expected to increase significantly, which will expose the Group to risk factors of an economical and/or technical nature, including increased costs, as well as risk of delay primarily related to equipment and construction.

PROJECT RISK

Generally, the Group's financial exposure related to ongoing development projects is limited. In particular, this relates to most of the Group's ongoing projects where 50 %–70 % of actual project costs are financed by government grants. As of 31 December 2021, all ongoing projects are fully funded for their respective project periods.

Implementation risk is still present. However, the Group's management and the organisation have extensive experience and a proven track record of executing similar projects. As such, it is the Board's opinion that the organisation has good prospects of implementing its development projects.

Certain of the Group's projects, many of which are related to specific portfolio ingredients, are novel and highly advanced. Due to circumstances beyond the Group's control, these projects may not yield their intended results, which in turn may have a material adverse effect on their applicational and/or commercial viability, value, and profitability, leading to market delays or no market entry at all.

KEY PERSONNEL

The Group depends on its key personnel and their general and specific industry expertise. Maintaining key personnel is heavily prioritised by the Group. As in previous years, key personnel have been awarded warrants on top of other social and economic benefits, as a means to incentivise their continued employment, and to further align their interests with those of the Group's shareholders. Warrants may only be exercised by beneficiaries who are employed in the Company. For more on warrants see the section about shareholder matters below.

Each warrant entitles its beneficiary to one share at a discounted price that increases by 5 % per year. Warrants can at the earliest be exercised two years after they were issued, and for no longer than five years, provided that the beneficiary is still employed in the Company.

As of 31 December 2021, outstanding warrants held by employees of the Company accounted for approximately 9.3 % of the Company's outstanding shares.

REGULATORY RISK

Access to *L. hyperborea* remains a critical risk factor outside the Group's control. Commercial harvesting of *L. hyperborea* has been ongoing in Norway since 1972. Insofar the Group is aware, no material changes have been made to the prevailing harvesting regulations. Changes issued by the Norwegian Directorate of Fisheries or any other regulatory body restricting the harvesting areas may reduce the Group's access to its raw material of choice, which may affect the Group's ability to compete in premium markets that require specific functionality and performance related to *L. hyperborea*. The Board and the Group's executive management continuously monitor and assess the Group's prospects of retaining access to raw materials.

The Group will be exposed to regulatory manufacturing risks. The Group's ability to compete and enter mid and high-end markets may be severely restricted if it fails to acquire the necessary authorisations for food production issued by the Norwegian Food Safety Authority and/or manufacture of active pharmaceutical ingredients pursuant to cGMP issued by the Norwegian Medicines Agency, and ASMF/CEP certifications, which may in turn have a material adverse effect on the Group's business, results of operations, financial condition and future prospects. Through the DACOTA project, the Group has diligently researched, prepared for and taken measures aimed at acquiring said certifications. The Group's personnel have experience and expertise related to all certifications, and the Group's executive management facilitates for continued access to expert consultants to minimise risk. The Group continues to be in continuous dialogue with the Norwegian Medicines Agency regarding the cGMP certification.

BIOLOGICAL AND ENVIRONMENTAL RISK

The Group is currently unaware of any specific information suggesting that *L. hyperborea*'s and its habitat are particularly exposed to effects of climate change. Whether effects of climate change will have a positive, negative or neutral effect on the kelp is difficult or impossible to reasonably foresee at this time, and their potential effects and consequences are at present unquantifiable.

Acidification of the oceans due to climate change may alter the biological material found in *L. hyperborea* and lead to unwanted permanent or temporary altercations of the chemical composition and structure of the naturally occurring ingredients present in the kelp, affecting the ingredients' appearance, functionality, stability, performance, odour and more, and lead to reduced applicational and commercial value. While these effects are highly speculative, deficient, and difficult to assess, they may, if they were to materialise, lead to reduced demand for the Group's ingredients, or no demand at all, which may have a material adverse effect on the Group's business, results of operations, financial condition, and future prospects.

The *L. hyperborea* biomass may, from time to time, experience naturally occurring invasion and exposure to e.g., sea urchins or bacteria, which may reduce or eliminate the biomass' prevalence in certain areas temporarily or long-term. 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 be present. If the presence of sea urchins or other organisms grazing on the biomass becomes significant in the regulated harvesting areas leading and lead to limitations on the availability of raw material, either directly or through restricting regulations, the Group may find it difficult to obtain sufficient raw material in the long-term. If the Group is unable to source sufficient raw material or obtain substitute raw material from alternative sources, the Group's business, financial condition, profitability and future prospects may suffer materially in the long-term. Whether effects of climate change will affect the presence of sea urchins or other organisms detrimental to *L. hyperborea* is difficult or impossible to reasonably assess at present. However, scientists have suggested that sea urchin species targeting the kelp is believed to thrive in cold rather than warmer waters. As such, it is possible that rising water temperatures may lead to a reduction of sea urchins posing a threat to the kelp biomass. The Group continuously seeks access to data and information when and to the extent it is made available to the Group with a view to monitor the situation and, if applicable, implement strategic measures to alleviate potential issues related to raw material access and raw material quality.

TECHNOLOGICAL RISK

The Group's flagship project, DACOTA, is set to conclude on 30 June 2022 after being granted a 2-month extension by the EU. The project has and will continue to require

the Group's executive management to make complex judgements related to, among other things, scale, equipment selection, and process line assembly. Introduction of novel production principles and upscaling, commissioning and assembly of new processes and equipment may entail significant risks related to, among other things, production delays, optimisation, manufacturing costs, product yields, quality, and production loss, as well as any other risk factors currently unknown to the Group. While the Group's executive management has industry experience from similar investment projects, it is important to note that biorefining of kelp with a view to achieve total biomass utilisation is a highly complex and novel venture that includes several risk factors throughout the value chain, some of which may reside outside the Group's control, including, inter alia, raw material risks, including sourcing, biology, preservation, chemicals, and performance, regulatory approval risks, including e.g., cGMP approved manufacturing, general equipment, and equipment & process line assembly, and that there can be no assurances that the Group may be successful in establishing its planned business operations if one or more risk factors were to materialise, which may lead to a materially adverse effect on the Group's business, results of operations, financial condition and future prospects.

MARKET RISK

The Group had no external sales of finished ingredients in 2021 and was therefore not exposed to any market risks. The Group does not intend to commercialise any of its ingredients and enter any markets in 2022. Subject to change, the market entry for alginates, and possibly fucoidans and cellulose, is expected to happen in late 2023 or early 2024. The future demand for the Group's ingredients will depend on the prevailing global ingredient markets and the Group's ability to meet the prevailing quality requirements set forth by national and/or international regulations and the Group's target B2B customers.

LIQUIDITY, INTEREST AND CREDIT RISK

The Group completed three capital placements in 2021 for a total capital raise of NOK 388.5 million. Further, as of 31 December 2021, the Group has redeemed all its outstanding long-term interest-bearing debt. Consequently, the Group's liquidity risk exposure is currently very low.

The Group's exposure to liquidity risk will increase gradually in 2022 following the implementation of the Group's investment programme. Further, the Group anticipates two major one-time payments in cash in consideration of the Group's acquired real estate properties at Avaldsnes, which will reduce its cash at hand by NOK 113.4 million. The

Board and the Company's executive management monitors liquidity closely and aim to facilitate for increased access to liquid reserves in 2022 through, among other things, bank loan financing.

The Group's is currently not exposed to credit risk.

CURRENCY RISK

The Group holds most of its assets in Norwegian kroner (NOK). Other than minimal exposure to currency fluctuations in euro (€) related to certain grant receivables, the Group's current exposure to currency risk is limited. Currently, no specific hedging measures have been implemented to manage exposure to currency fluctuations.

Many of the Group's identified equipment suppliers deal in euro. Consequently, the Group will experience increased exposure to currency fluctuations in Norwegian kroner and euro related to major parts of its capital expenditure. Further, the Group's future revenues are likely to be predominantly received in euro. The Group's exposure to currency fluctuations is being monitored by the Board and the executive management. As of now the Group has no immediate plans of implementing any hedging strategies, however, hedging measures will be implemented when and to the extent they are deemed relevant.

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 internationally renowned experts, continuously monitoring external parties' intellectual property rights with a view to assess their relevance to the Group's existing and planned ingredients and processes and its freedom to operate. The Group may, however, from time to time, receive allegations and claims of alleged infringement or misappropriation of external patents and other intellectual property rights. The Group is currently unaware of any such claims or allegations made against the Group. Should such claim or allegations be made in the future, the Group will evaluate their implications together with its trusted advisors and, to the extent applicable, seek resolution through appropriate remedies.

9. REMUNERATION OF THE GROUP'S EXECUTIVE MANAGEMENT

The Board seeks to provide competitive but not industry leading remuneration to its executive management.

The Board may award the Group's CEO and executive management bonuses of up to 1/3 of annual gross salary due to individual or Group performance.

No bonuses were awarded to the CEO or executive management in 2021.

The Group offers an ordinary defined-contribution pension scheme for all employees, executive management included. This amounts to 7 % of ordinary salary up to a limit of 12G, with an additional 18,1 % between 7.1 G and 12 G. In 2020, the Group offered 5 % of ordinary salary up to 12G, and 5 % between 7.1G and 12G. The Group decided to amend its pension scheme in 2021 to ensure its competitiveness in terms of retaining and recruiting new personnel within the specific industry in which the Group operates.

Executive management were issued 540,000 warrants in 2021, whereof 160,000 was issued to the Group's CEO. As of 31 December 2021, the Group's CEO held 185,000 warrants.

10. SHAREHOLDER MATTERS

All shares in Alginor ASA carry equal rights and are freely tradeable. At the ordinary general meeting held on 9 June 2021, the Group implemented a five-for-one share split. The total number of shares outstanding as of 31 December 2021 was 16,500,685, including 55,200 treasury shares held by the Company. The total number of shareholders was 540. The Alginor ASA share price, based on the issuance of new shares in 2021, was NOK 35 (NOK 175 pre-split), up from NOK 25 (NOK 125 pre-split) in 2020.

Warrants outstanding per 31 December 2021 was 1,532,500, corresponding to approximately 9.3 % of the Company's outstanding shares. Current and former board members held 37,500 warrants, two former employees held 25,000 warrants, whereas the rest was held by the Company's current employees. Each warrant entitles its beneficiary to acquire one share at a discounted price that increases by 5 % per year. Warrants can at the earliest be exercised two years* after they were issued, and for no longer than five years, provided that the beneficiary is still employed† in the Company.

As per 31 December 2021, shareholders Borregaard AS and the EIC Fund held approximately 25 % each of all outstanding Alginor ASA shares. Borregaard AS and the EIC Fund first became shareholders in 2021 through completion of tranches A and C of the investment agreement entered on 23 July 2021 pursuant to the resolution passed by the extraordinary general meeting on 6 August 2021. Between 30 June 2022 and 30 April 2024, and pursuant to tranche D of the investment agreement, the Company will carry out a share issue of an

* Other regulations may apply to certain beneficiaries if the Company were to list its shares on a regulated market or a multilateral trade facility.

† The employment requirement does not apply to board members and two former employees, cf. the resolution (section 11-7) passed by the Company's general meeting on 29 June 2018.

additional 3,420,000 new shares exclusively to Borregaard AS for a total of up to NOK 125,685,000 according to the terms described below. The share issue will, if fully subscribed, bring Borregaard AS' shareholding to 35 % on a fully diluted basis. The share price is fixed at NOK 35 if Borregaard AS subscribes to the share issue before or on 30 April 2023. The share price increases by 5 % to NOK 36.75 if the share issue is completed after 30 April 2023. If Borregaard does not fully subscribe to tranche D, the Company will be entitled to a break fee in an amount of five per cent of the amount contemplated to be subscribed for under tranche D as further set out in the investment agreement, limited upwards to NOK 5,985,000.

On 17 December 2021, founder and CEO, Thorleif Thormodsen, was elected Executive Chairman of the board at the Company's extraordinary general assembly in line with the nomination committee's‡ recommendation§. On the same day, the Board hired COO Kjetil Rein as the Company's new CEO.

11. ORGANISATION AND WORKING ENVIRONMENT

As of 31 December 2021, the Group had 33 employees (22), whereof 3 were hired parttime and 30 were fulltime employees (22).

The Group strives to provide an attractive workplace for current and future employees. The Group does not tolerate any form of discrimination or harassment. All employees and applicants are treated equally and given equal opportunities regardless of ethnicity, gender, age, lineage, nationality, sexual orientation, marital status, religion, functional health or minority background. The Group recruits and promotes its employees based on objective factors such as education, experience, performance, initiative, loyalty, cooperation, accessibility and growth potential. The Company seeks to maintain a gender balanced workforce. In 2021, the workforce consisted of 16 women and 17 men.

The Group has established reporting routines related to any of the above. Any reports are handled by the Group's HR department. There were no reports related to any of the above in 2021.

The sick leave rate for the Group in 2021 was 1.7 % (2 % in 2020).

It is the Board's opinion that the Group's working environment is good.

‡ The nomination committee is made up by representatives from the following shareholders: Zirconia AS, the Hatteland Group, the EIC Fund and Borregaard.

§ Zirconia AS and its representative, controlled by Thorleif Thormodsen, recused itself from participation due to a potential conflict of interest.

12. HEALTH, SAFETY AND ENVIRONMENT (HSE)

Activities in the Group's pilot production facility at Skudeneshavn increased significantly throughout 2021 compared to 2020. Raw material harvesting, ASM production and small-scale production of alginates occurred continuously through 2021, although still operated at a limited scale with minimal or insignificant environmental impact. Further, the Group conducted larger pilot runs of alginates at Borregaard's biodemo facility in Sarpsborg. The Group does not use liquid formaldehyde or any other dangerous chemicals that may expose personnel or property to harm during any stage of its operations or processes. The Group completed 2021 with two minor reported personnel incidents, and no reports of serious accidents to personnel, property, or the environment.

The Group aims to inflict minimum environmental impact once it reaches industrial maturity, and, among other things, prevent any biomass waste, ocean dumping, or any other disposal of biomass from downstream processes that may be detrimental to the environment. The Group will report further information on these matters when they become increasingly relevant as the Group develops and matures industrially.

The Group's operational activities are expected to increase significantly in 2022 following the takeover of the Ydra facility on 8 August 2022. The Group intends to immediately expand and upgrade the facility, which may include energy saving measures and/or provide improvements of the facility's current performance in this regard. The Group anticipates no ocean release of biomass or toxic and/or hazardous chemicals requiring special permits, e.g., biomass contaminated with liquid formaldehyde. While overall emissions must be expected to increase following the escalation of the Group's operations and the upscaling of its production facilities, the Group has no information to suggest that its emissions will deviate from what is to be reasonably expected based on its planned activities, particularly when compared to the industry as a whole under which the Group's has reason to believe that its relative emissions will be significantly lower.

The Group has implemented systems for quality and risk management, including, inter alia, simplified processes, standardisation of tasks, deviation registry, and quick access safety data sheets related to chemical risk management. The Group practices safety first as a core focus in its development throughout the value chain.

13. OTHER MATTERS AND EVENTS
AFTER THE BALANCE SHEET DATE

Alginor ASA has purchased Directors and Officers Liability Insurance. The coverage applies to members of the board, the CEO and other employees with independent management responsibilities. The insurance also covers any subsidiary owned by more than 50 %. The insurance covers the insured's liability for property damage due to claims made against the insured during the insurance period resulting from an alleged liability related act or omission.

The DACOTA project has been extended by 2 months and is set to conclude on 30 June 2022 (previously 30 April 2022).

Payment and takeover of the Ydra facility is expected on 8 August 2022.

Payment and takeover of the industrial plots at Avaldsnes pursuant to the agreement entered on 16 December 2021, is expected to happen during Q2 2022.

The Group has entered an agreement with a reputable ship designer for the design of a new harvesting vessel. The Group is in the process of deciding on a shipyard. Subject to change, an investment decision regarding the harvesting vessel is expected in Q2 2022.

The Group has started the process of ordering critical processing equipment with long lead times in line with the plans laid out in the DACOTA project.

The war in Ukraine and its disruptive effects on the global economy is likely to impact the Group due to increased steel prices and increased delivery time for equipment and components. Such delays are not considered detrimental to the Group's near and long-term strategy but may delay the Group's transition into its targeted demonstration phase. The Board and the Group's management will continue to monitor the situation closely going forward and evaluate and implement measures aimed at mitigating such effects if it becomes necessary.

14. OUTLOOK

2021 has been a very promising year for the Group in terms of its overall development and maturity. The DACOTA project placed the Group in a favourable position in terms of its upcoming investment phase that will lead to the establishment of its demonstrator. The Group managed to complete the EIC equity process and its extensive due diligence processes in a timely manner, leading to major injections of new capital and a highly solidified financial condition, enabling the Group to

finance its investment activities related to the demonstrator. The Group has entered agreements securing ownership and full control of strategically located industrial plots that align ideally with the Group's planned business in the near and long-term.

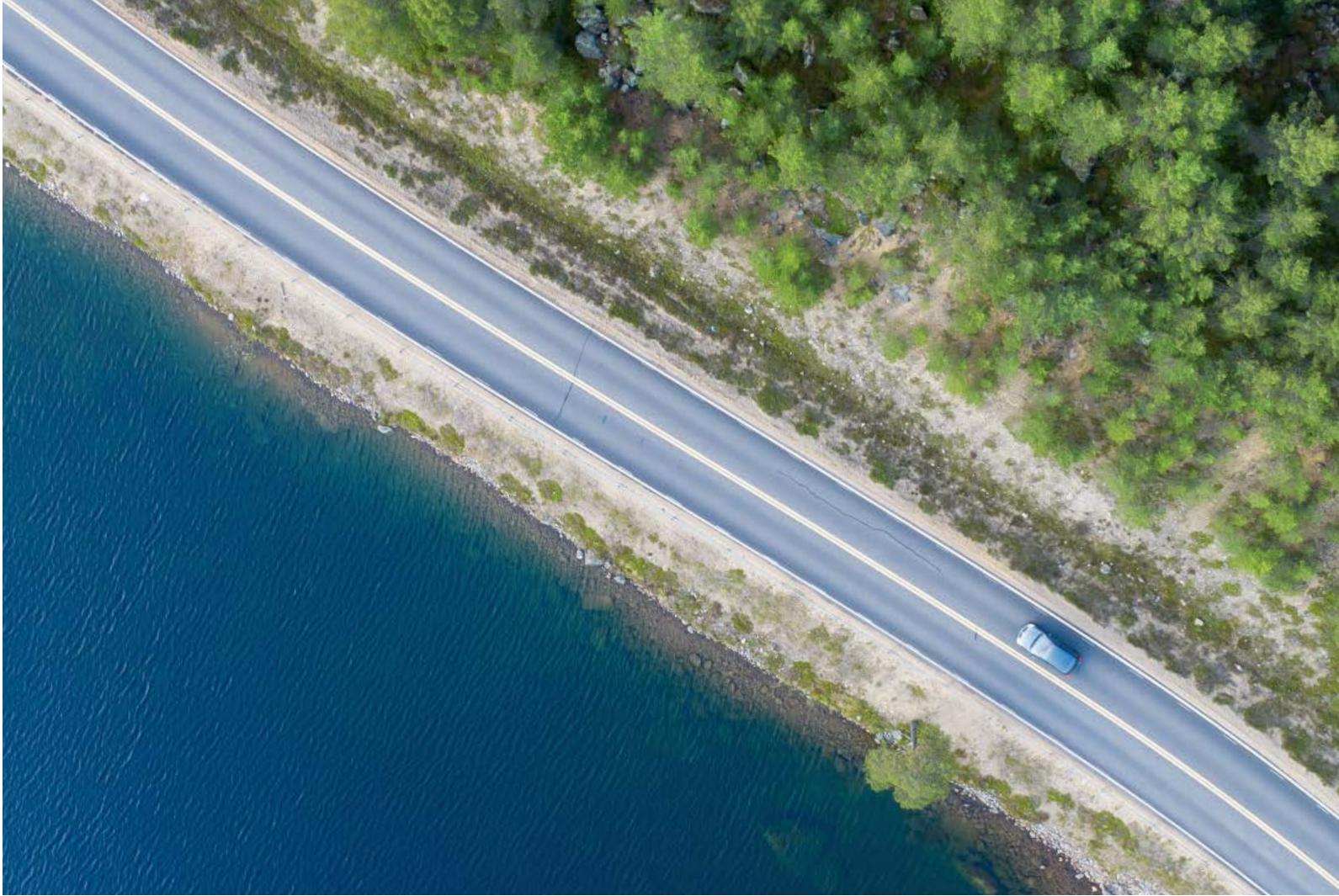
Developments in the Group's pilot at Skudeneshavn have yielded expected yet promising results all things taken into consideration, and in particular when taking into account circumstances related to financing which demanded significant resources throughout the year. The Group's pilot is now fully operated by Group personnel through the Company's subsidiary, Hypomar AS. The operation at Skudeneshavn is expected to continue at least until the takeover of the Ydra facility at Avaldsnes which will happen on 8 August 2022.

The Group's core focus going forward is twofold and includes (i) everything necessary to establish its defined departments related to the demonstrator, including the kelp reception facility, the biorefinery, the API department facility, and a harvesting vessel, with a dedicated focus towards timely facility construction, equipment orders, and process assembly; and (ii) establishing long-term loan facilities with a view to achieve a sound balance of equity and debt aligned to the Group's business and development.

Generally, the lead time for equipment ranges from 6 to 12 months, whereas certain equipment has lead times reaching up to 18 months. Construction of the API department is expected to take 12 to 18 months, depending on numerous factors. Expanding and upgrading the Ydra facility is expected to take up to 12 months before it is fully completed. Assembly and testing of certain process lines may commence prior to this, provided that equipment and components are ordered and delivered in a timely manner.

While the Covid-19 pandemic 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 board and the Group's management will continue to monitor the situation.

As a result of agreements made pursuant to the EIC process, the Group has decided to postpone seeking admission to listing and trading of the Alginor ASA share on Euronext (the Oslo Stock Exchange) until 2024.



Haugesund, 25 April 2022

The Board of Directors of Alginor ASA

Signed		
Thorleif Thormodsen Chair		
Signed		
Signed		
Signed		
Signed	Signed	Signed
Åse Tveit Samdal	Bjørn Bugge	Kari Eikeskog
Signed		
Signed		
Gisle Løhre Johansen	Hans Sandvold	Turid Thormodsen
Signed		
Signed		
Kjetil Rein CEO		

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in NOK	Note	2021	2020
<i>Operating income and operating expenses</i>			
Revenue		164,821	172,733
Other operating income		-	191,851
REVENUE AND OPERATING INCOME		164,821	364,584
Personnel expenses	3, 10	4,479,393	1,535,048
Depreciation and amortisation	6, 7	2,841,102	1,072,547
Other operating expenses	4	8,308,368	2,496,905
OPERATING EXPENSES		15,628,863	5,104,500
OPERATING PROFIT (LOSS)		-15,464,042	-4,739,916
<i>Financial income and expenses</i>			
Financial income		223,931	104,684
Other interest expenses		1,013,400	464,517
Foreign exchange gain (loss), net		191,822	254,829
Financial expenses		-	50,000
NET FINANCIAL INCOME AND EXPENSES		-597,647	-155,004
RESULT BEFORE INCOME TAXES		-16,061,689	-4,894,920
Income taxes	2, 5	-	-
PROFIT (LOSS) FOR THE PERIOD		-16,061,689	-4,894,920
<i>Profit (loss) is attributable to</i>			
Owners of Alginor ASA		-16,061,689	-4,894,920
Non-controlling interest		-	-
TOTAL		-16,061,689	-4,894,920
<i>Consolidated statement of Comprehensive Income</i>			
PROFIT (LOSS) FOR THE PERIOD		-16,061,689	-4,894,920
Other comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-16,061,689	-4,894,920
<i>Total comprehensive income is attributable to</i>			
Owners of Alginor ASA		-16,061,689	-4,894,920
Non-controlling interest		-	-
TOTAL		-16,061,689	-4,894,920

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK	Note	31.12.2021	31.12.2020
<i>Intangible assets</i>			
Intangible assets under development	7	41,542,168	28,841,605
Patents	7	2,094,702	1,444,818
TOTAL INTANGIBLE ASSETS	2, 7	43,636,870	30,286,423
<i>Property, plant and equipment</i>			
Land, buildings and other real estate	6	26,884,954	18,189,106
Machinery and equipment	6	22,651,445	13,603,143
TOTAL PROPERTY, PLANT AND EQUIPMENT	6	49,536,399	31,792,249
<i>Financial non-current assets</i>			
Investments in shares		300,000	-
Other receivables	8	960,944	967,250
TOTAL FINANCIAL NON-CURRENT ASSETS		1,260,944	967,250
TOTAL NON-CURRENT ASSETS		94,434,213	63,045,922
Accounts receivable	8	206,025	-
Other receivables	8	8,819,914	10,420,649
TOTAL RECEIVABLES		9,025,939	10,420,649
Cash and cash equivalents	9	316,393,371	5,880,823
TOTAL CURRENT ASSETS		325,419,310	16,301,472
TOTAL ASSETS		419,853,523	79,347,394

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONT.

Amounts in NOK	Note	31.12.2021	31.12.2020
<i>Equity</i>			
Share capital	11	16,500,685	5,362,200
TOTAL RESTRICTED EQUITY		16,500,685	5,362,200
Treasury shares		-55,200	-
Other paid-in equity		412,845,691	39,427,683
TOTAL PAID-IN EQUITY		429,291,176	44,789,883
Uncovered loss		-32,646,016	-16,584,327
TOTAL EQUITY		396,645,160	28,205,555
<i>Liabilities</i>			
Non-current interest-bearing debt	8	-	16,656,130
Non-current lease liabilities	13	1,276,054	1,104,680
Other non-current liabilities	12	2,377,211	16,368,424
TOTAL NON-CURRENT LIABILITIES	8, 12	3,653,265	34,129,234
Current lease liabilities	13	1,150,604	736,454
Current interest-bearing debt	8	-	1,031,148
Trade creditors	14	2,997,655	12,728,074
Tax payable		-	-
Public dues payable	5	2,193,958	1,287,081
EU DACOTA liabilities	12	11,085,399	-
Other current liabilities		2,037,320	1,229,848
TOTAL CURRENT LIABILITIES		19,555,098	17,012,605
TOTAL LIABILITIES		23,208,363	51,141,839
TOTAL EQUITY AND LIABILITIES		419,853,523	79,347,394

Haugesund, 25 April 2022

The Board of Directors of Alginor ASA

<i>Signed</i>		
Thorleif Thormodsen		
Chair		
<i>Signed</i>		
Åse Tveit Samdal	Bjørn Bugge	Kari Eikeskog
<i>Signed</i>		
Gisle Løhre Johansen	Hans Sandvold	Turid Thormodsen
<i>Signed</i>		
	Kjetil Rein	
	CEO	

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in NOK	Note	2021	2020
<i>Cash flows from operating activities</i>			
RESULT BEFORE INCOME TAXES		-16,061,689	-4,894,920
Income taxes paid		-	-
Depreciation and amortisation		2,841,102	1,683,990
Change in deferred revenue, net		-	-
Change in accounts receivable		-206,025	93,188
Change in accounts payable		-	-
Change in other working capital items, including unrealised foreign exchange		-177,675	-4,291,388
NET CASH FLOWS FROM OPERATING ACTIVITIES		-13,604,287	-7,409,130
<i>Cash flows used in investing activities</i>			
Investment in other shares		-300,000	-
Investment in non-current assets		-31,149,399	-26,255,956
Capitalised development projects		-35,086,225	-30,203,481
Payments of government grants		21,279,771	12,723,881
NET CASH FLOWS USED IN INVESTING ACTIVITIES		-45,255,853	-43,735,556
<i>Cash flows from financing activities</i>			
Long-term loan obtained	8	-	18,041,086
Repayment of long-term loan		-15,334,153	-
Pre-financing government grants	12	-	16,368,424
Repayment of leasing liability	8	-736,454	-691,952
Repayment of other debt	8	-	-320,722
Received payments of equity, net of transaction costs		385,443,294	18,416,355
NET CASH FLOWS FROM FINANCING ACTIVITIES		369,372,688	51,813,191
NET CASH FLOWS FOR THE PERIOD		310,512,547	668,505
Cash and cash equivalents at the beginning of the period		5,880,823	5,212,317
Cash and cash equivalents at the end of the period		316,393,371	5,880,823
<i>Cash and cash equivalents are comprised of:</i>			
Bank deposits		316,393,371	5,880,823

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK	Share capital	Treasury shares	Other paid-in equity	Uncovered loss	Total equity
BALANCE AT 31 DECEMBER 2019	4,436,115	-	21,937,413	-11,689,409	14,684,120
Loss 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
Loss for the period	-	-	-	-16,061,689	-16,061,689
Treasury shares	-	-55,200	-1,316,119	-	-1,371,319
Equity effect warrants	-	-	3,733,255	-	3,733,255
Capital increase expenses booked to equity	-	-	-6,316,436	-	-6,316,436
Issues of new shares	11,138,485	-	377,317,309	-	388,455,794
TOTAL TRANSACTIONS WITH OWNERS	11,138,485	-55,200	373,418,009	-	384,501,294
BALANCE AT 31 DECEMBER 2021	16,500,685	-55,200	412,845,692	-32,646,018	396,645,160

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NOTE 1 CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Alginor ASA (“the Company”) is a public limited company and the 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*.

Through 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. 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 2021 are to be approved by the Board of Directors on 27 April 2022 and the General meeting on 27 May 2022.

Alginor has a roadmap for admission to listing of the Company’s shares, planned to be within the second half of 2024.

BASIS OF PREPERATION

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 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 2021 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:

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies 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 on 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 financial income and expenses.

NOTE 1 CONT.

GOVERNMENT GRANTS

The Group recognises government grants when there is reasonable assurance that the entity will comply with the conditions attached 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 government grants that the Group receives is such that there normally is reasonable assurance that the entity will comply with the conditions when the project is granted, and the entity will receive grants on the project costs incurred in the period.

The Group is therefore maintaining periodic project accounting which keeps track of the project costs that have been incurred in the period. The part of the government grants that relates to incurred project costs is recognised in the financial statements when the cost is incurred.

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 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 at the end of the account period, the difference will be recognised as a liability or a receivable.

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 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

NOTE 1 CONT.

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 Note 13 Leases as lessee on page 87 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 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 cost, less allowance for impairment.

NOTE 2 SIGNIFICANT JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the Group's consolidated financial statements requires the 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 relate primarily to:

IMPAIRMENT OF NON-FINANCIAL ASSETS

Periodically, the Group reviews 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

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 are 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.

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 specify the investments main drivers such as future cash flows, 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 .

TAXES

Deferred tax assets are continuously assessed and are only recognised to the extent that it is probable that future taxable

NOTE 1 CONT.

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 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 2021.

NOTE 3 PERSONNEL EXPENSES AND REMUNERATION**EMPLOYEE BENEFIT EXPENSE DURING THE YEAR**

Amounts in NOK	2021	2020
Wages and salaries	18,419,830	9,996,212
Social security costs	2,983,505	1,566,826
Pension cost	786,428	416,559
Other personnel cost	4,028,632	413,706
Capitalised to projects*	-22,129,002	-10,898,255
Board fee	390,000	40,000
TOTAL	4,479,393	1,535,048
Number of employees	32	15

* Reference made to Intangible Assets on page 71 in Note 1 Corporate information and significant accounting policies.

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

Employees part of the Norwegian Companies' pension scheme: 23. The remaining employees are included in 2022, with effect from the start up date for the employment

REMUNERATION FOR THE BOARD OF DIRECTORS

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 2021.

Board fees paid in 2021 and outstanding numbers of shares as of 31 December 2021 are shown in the table below:

Amounts in NOK	Board fee	Number of shares*	Warrants
<i>Current board members</i>			
Chairman Thorleif Thormodsen (as of 22.12)	-	1,004,800	-
Turid Thormodsen	30,000	-	12,500
Hans Sandvold (as of 10.06)	-	-	-
Åse Tveit Samdal	30,000	-	-
Kari Synnøve Eikeskog (as of 10.06)	-	-	-
Gisle Løhre Johansen (as of 10.08)	-	-	-
Bjørn Bugge	30,000	51,100	-
<i>Previous board members</i>			
Chairman Øyvind Gjerde (until 22.12)	100,000	-	25,000
Kjetil Thormodsen Rein (until 08.10)	30,000	-	185,000
Nina Widvey (until 10.06)	30,000	61,675	-

* Shares held by the board members either directly or indirectly.

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 remuneration and shareholding as of 31 December 2021 and 31 December 2020 are shown in the tables below:

Amounts in NOK	Person	Position		Fixed compensation	Variable compensation	Pension contribution	Benefits in kind	Total
2021	Kjetil Rein	CEO (as of 22.12)		1,283,256	130,350	80,028	3,660	1,497,294
	Haakon Farstadvoll	CFO (as of 01.02)		1,050,572	-	80,028	5,642	1,136,242
	Thorleif Thormodsen*	Executive Chairman (as of 22.12)		468,438	1,983,995	80,028	2,196	2,534,657
2020	Thorleif Thormodsen†	CEO		1,200,000	300,000	15,000	-	1,515,000
	Helge Tordahl‡	CFO		1,913,796	-	-	-	1,913,796
	Kjetil Rein	CTO/COO		780,000	520,000	26,000	-	1,326,000

* Chairman of the Board from 22.12.2021. Entered into a full-time consultancy agreement as Executive Chairman for the Company. Previously held the position as CEO until 22.12.2021.

† Employment began on 1 October 2020. Mr Thormodsen was hired as CEO through a consultancy agreement with Zirconia AS in the preceding period.

‡ Employment began on 1 February 2021. Mr Tordahl was hired through a consultancy agreement with Heltor AS in the preceding period.

NOTE 3 CONT.

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 1 January each year, based on 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 1/3 of gross annual salary, incentivised by specific goals.

Bonuses are determined by the Board.

FRINGE BENEFITS

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

ISSUED AND OUTSTANDING WARRANTS AS OF 31 DECEMBER 2021:

Year issued	Number of warrants issued	Exercised/ forfeited warrants	Number of outstanding warrants	Average estimated fair value at grant date	Strike price	Expiry date
2018	400,000	137,500	262,500	137,600	6.25 +5 % p.a.	29.06.2023
2019	100,000	-	100,000	804,200	6.25 +5 % p.a.	29.06.2024
2021*	225,000	-	225,000	3,877,200	17.5 + 5 % p.a.	01.07.2025
2021†	945,000	-	945,000	15,567,930	17.5 + 5 % p.a.	09.06.2025
TOTAL	1,670,000	137,500	1,532,500	20,386,930		

* Issued on Ordinary General Meeting 10.06.2021.
† Issued on Extraordinary General Meeting 10.08.2021.

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

No dividends are expected in the periods. Expected lifetime is based on the last exercise date for each warrant. Market value

PENSION SCHEMES

The company offers ordinary defined-contribution pension scheme for all employees, management included. This amounts to 7 % of ordinary salary up to a limit of 12G, with an additional 18.1 % between 7.1G and 12G.

SEVERANCE SCHEMES

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

WARRANTS

Key personnel have been granted warrants to incentivise continued employment and engagement in the Company. Warrants gives the holder the right to purchase one share per warrant at a pre-determined price within the defined exercise period. Employment with the Company at the time of exercise is regarded as an implicit service period requirement, and vesting period is estimated to be until the last exercise date.

The company has per 31 December 2021 outstanding a total of 1,532,500 warrants.

The following warrants were outstanding at 31 December 2021 (adjusted for five-for-one split at the ordinary general meeting 10.06.2021):

of shares at grant date has been estimated, with reference to transactions in the shares for relevant periods.

The personnel expense related to issuance and exercise of warrants recognised in 2021 was NOK 3,733,255 and NOK 238,348 in 2020.

NOTE 3 CONT.

WARRANTS AND SHARES HELD BY LEADING EMPLOYEES AND BOARD MEMBERS AS OF 31 DECEMBER 2021:

Entity	Position		Issued 2018	Issued 2019	Issued 2021	Issued 2021	Shares
<i>Leading employees</i>							
Kjetil Rein	CEO	(from 22.12)	12,500*	25,000	62,500	97,500	6,000
Haakon Farstadvoll	CFO	(from 01.02)	-	-	62,500	97,500	13,750
Thorleif Thormodsen	Executive Chairman of the Board†		-	-	-	-	1,004,800
<i>Current board members</i>							
Turid Thormodsen	Member		12,500	-	-	-	-
Hans Sandvold	Member	(as of 10.06)	-	-	-	-	-
Åse Tveit Samdal	Member		-	-	-	-	-
Kari Synnøve Eikeskog	Member	(as of 10.06)	-	-	-	-	-
Gisle Løhre Johansen	Member	(as of 10.08)	-	-	-	-	-
Bjørn Bugge	Member		-	-	-	-	51,100
Diana Rucinski	Observer	(as of 10.08)	-	-	-	-	-
<i>Previous board members</i>							
Øyvind Gjerde	Chairman	(until 22.12)	25,000	-	-	-	-

* Received as board member in 2018.
† Chairman of the Board from 22.12.2021. Entered into a full-time consultancy agreement as Executive Chairman for the Company. Previously held the position as CEO until 22.12.2021.

All shares held by the board members either directly or indirectly is included in the overview.

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 hour and the appointment can last for years,

with 1–3 months periods of notice. The costs to consultants are 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 employment.

NOTE 4 OTHER OPERATING EXPENSES

OPERATING EXPENSES

Amounts in NOK	2021	2020
Office expenses	1,424,238	1,132,313
Travel expenses	422,609	313,733
Consultant fees*	4,213,334	2,494,864
Capitalised project expenses†	-	-2,867,072
Other operating expenses	2,248,187	1,423,067
TOTAL	8,308,368	2,496,905

* Fees to the elected auditor is included in consultant fees, reference is made to the table to the right.
† Reference made to Intangible Assets in Note 1 Corporate information and significant accounting policies on pages 73–78.

EXPENSED AUDIT FEES

Amounts in NOK ex. VAT	2021	2020
Statutory audit	589,550	147,500
Tax services	35,600	48,450
Other services	233,100	255,580
TOTAL	858,250	451,530

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.

NOTE 5 INCOME TAX

CURRENT TAXES PAYABLE

Amounts in NOK	2021	2020
ACCOUNTING PROFIT/LOSS BEFORE TAX	-16,061,689	-4,894,920
At Norway's statutory income tax rate of 22 %	-3,533,572	-1,076,882
Adjustments in respect to current income tax of previous years	-	-
Utilisation of previously unrecognised tax losses	-	-
Other non-deductible expenses	-19,312	-7,214
Effect of change in tax rate in Norway	-	-
Not recognised deferred tax assets	-3,445,719	-1,199,956
Other differences*	-68,541	130,288
CALCULATED INCOME TAXES RECOGNISED IN PROFIT AND LOSS	-	-
INCOME TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME	-	-
TOTAL INCOME TAX RECOGNISED IN TOTAL COMPREHENSIVE INCOME	-	-

* Internal profits and effects of tax refunds are included.

DEFERRED TAX

Amounts in NOK	2021	2020
<i>Deferred tax relates to the following:</i>		
Fixed assets & intangibles	-873,475	-4,861,176
Profit and Loss account	510,425	638,032
Unamortised debt fee	-	-
Derivatives	-	-
Group contribution	-	-
Other differences	-	-
TOTAL TEMPORARY DIFFERENCES	-363,050	-4,223,144
Losses available for offsetting against future taxable income	-38,576,730	-19,054,277
Not included in the basis for deferred tax	38,939,780	23,277,422
BASIS FOR DEFERRED TAXES*	-	-

* Tax rate for deferred tax assets/liabilities: 22 %. Deferred tax assets are not recognised in the balance sheet. Deferred tax assets will be recognised when the Company reports taxable profits.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK	Vessel	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
<i>Year end 31 December 2021:</i>				
ACQUISITION COST AS OF 1 JANUARY 2021	614,837	19,009,940	14,627,046	34,251,823
Additions	-	8,570,458	12,227,738	20,798,196
Recognised right-of-use assets	-	-	1,710,494	1,710,494
Disposal at cost	-	-	-	-
ACQUISITION COST AS OF 31 DECEMBER 2021	614,837	27,580,398	28,565,278	56,760,513
ACCUMULATED DEPRECIATION AS OF 1 JANUARY 2021	75,000	280,997	2,103,578	2,459,575
Fx adjustment	-	-	-	-
Depreciation	300,000	414,447	2,905,008	3,619,455
Depreciation of right-of-use assets	-	-	1,145,085	1,145,085
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2021	375,000	695,444	6,153,671	7,224,115
CARRYING AMOUNT AS OF 1 JANUARY 2021	539,837	18,728,943	12,523,468	31,792,248
CARRYING AMOUNT AS OF 31 JANUARY 2021	239,837	26,884,954	22,411,608	49,536,399
Depreciation method		Straight line	Straight line	
Percentage		2 %	20 %	

NOTE 6 CONT.

Amounts in NOK	Vessel	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
<i>Year end 31 December 2021:</i>				
ACQUISITION COST AS OF 1 JANUARY 2021	-	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 2021	614,837	18,395,103	15,241,883	34,251,823
ACCUMULATED DEPRECIATION AS OF 1 JANUARY 2021	-	22,611	24,935	47,546
Fx adjustment	-	-	-	-
Depreciation	75,000	183,186	1,425,604	1,683,790
Depreciation of right-of-use assets	-	-	728,039	728,039
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2021	75,000	205,797	2,178,578	2,459,375
CARRYING AMOUNT AS OF 1 JANUARY 2021	-	1,522,278	3,836,755	5,359,033
CARRYING AMOUNT AS OF 31 JANUARY 2021	539,837	18,189,306	13,063,305	31,792,448
Depreciation method		Straight line	Straight line	
Percentage		2 %	20 %	

Amounts in NOK	2021	2020
Depreciation of assets used in Development projects booked against the project cost	1,923,438	1,339,481

NOTE 7 INTANGIBLE ASSETS

Amounts in NOK	Intangible assets under development	Patents	Total
<i>Year end 31 December 2021:</i>			
OPENING NET BOOK AMOUNT	28,841,605	1,444,818	30,286,423
Additions	35,766,906	649,884	36,416,790
Grants recognised as a reduction to the assets	23,066,343	-	23,066,343
Amortisation charge	-	-	-
CLOSING NET BOOK AMOUNT	41,542,168	2,094,702	43,636,870
<i>At 31 December 2021:</i>			
Accumulated costs	112,423,851	2,094,702	114,518,553
Accumulated grants	70,881,683	-	70,881,683
Accumulated amortisation	-	-	-
NET BOOK AMOUNT	41,542,168	2,094,702	43,636,870

<i>Year end 31 December 2020:</i>			
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
<i>At 31 December 2020:</i>			
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

NOTE 7 CONT.

Intangible assets and patents are under development and are not ready for its intended 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 net budget of NOK 63.4 million for the period 2015–2024. The business model for commercialisation is made in-house in a long-term business model for commercialisation. Business is conducted from Haraldsgata 162 in Haugesund. The Company seeks to produce a unique product portfolio of products derived from macroalgae, based on the idea of total utilisation (i.e., 100 % utilisation 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 43,636,870 as of 31 December 2021, based on assessments made in accordance with IAS 38 criteria. Using a nominal discount rate of 8 % 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 cost of disposal (FVLOD).

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 being 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. 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 and private placements 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	31.12.2021	31.12.2020
Accounts receivables	206,025	-
Other receivables	9,780,858	11,387,899
TOTAL FINANCIAL ASSETS AT AMORTISED COST	9,986,883	11,387,899
Total current	9,025,939	10,420,649
Total non-current	960,944	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), The Regional Research Fund (RRF), The European Innovation Council (EIC),

Eurostars (adminstrated from RCN). The grants from the Norwegian authorities are guaranteed and financed from the Norwegian government. The EU grants are financed and guaranteed by the EU.

NOTE 8 CONT.**8.2 INTEREST-BEARING LOANS AND BORROWINGS**

Amounts in NOK	Drawdown	Currency	Final maturity	Interest rate	Balance	
					31.12.2021	31.12.2020
Innovation Norway*	25.04.2017	NOK	10.06.2021	4.70 %	-	1,500,000
Haugesund Sparebank	01.12.2019	NOK	01.12.2039	3.90 %	-	957,521
DNB	05.11.2020	NOK	05.11.2031	3.69 %	-	4,000,000
Haugesund Sparebank	28.09.2020	NOK	28.09.2040	3.75 %	-	2,803,992
Haugesund Sparebank	09.11.2020	NOK	01.12.2040	3.75 %	-	2,880,000
DNB	27.03.2020	NOK	27.03.2036	5.25 %	-	4,745,765
DNB	26.10.2020	NOK	26.10.2036	4.00 %	-	800,000
INTEREST-BEARING LOANS AND BORROWINGS, EX. LEASING LIABILITY					-	17,687,278
Leasing liabilities					2,426,658	1,841,134
Other non-current liabilities — EU pre-financing payments — DACOTA and ALEHOOP					-	16,368,424
Restricted funds for deductions					-	-
AMORTISED DEBT EXPENSES					-	-
CARRYING VALUE					2,426,658	35,896,836

* 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.

Amounts in NOK	31.12.2021	31.12.2020
<i>Current interest-bearing loans and borrowings</i>		
First year payments leasing	1,150,604	736,454
First year installment of secured loan	-	1,031,148
TOTAL CURRENT INTEREST-BEARING LOANS AND BORROWINGS	1,150,604	1,767,602
<i>Non-current interest bearing loans and borrowings</i>		
Leasing liability	1,276,054	1,104,680
Secured loan*	-	16,656,130
TOTAL NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS	1,276,054	17,760,810
TOTAL INTEREST-BEARING LOANS AND BORROWINGS	2,426,658	19,528,412

* Included loan from Innovation Norway of NOK 1.5 million.

MOVEMENT IN INTEREST-BEARING LOANS

Amounts in NOK	2021	2020
OPENING BALANCE	19,528,412	2,500,000
Repayment	-16,017,517	-320,722
New loans obtained	-	18,041,086
Leasing repayment	-1,084,237	-691,952
Translation difference effects recognised through OCI	-	-
CLOSING BALANCE	2,426,658	19,528,412

NOTE 8 CONT.**COVENANTS**

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

The Company had no covenants on external debt in 2021 or 2020.

Amounts in NOK	Pledges
<i>31 December 2021</i>	
The Company had no pledges on external debt in 2021 or 2020.	
<i>31 December 2020</i>	
Loans for office buildings:	First priority mortgage in buildings and properties obtained Floating charge in movable property in Oewa AS Guarantee from Alginor ASA
Growth loan:	Floating charge in movable property in Hypomar AS Guarantee from Alginor ASA 75 % of principal guaranteed by Innovation Norway
Bank overdraft:	Surety from CEO Thorleif Thormodsen (Executive Chairman from 22.12.2022) and Zirconia AS (owned 99 % and controlled by CEO (now Executive Chairman of the Board)).

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

All long-term loans were repayed in 2021 and the bank overdraft facility discontinued. All charges on assets in the Company and its subsidiaries were deleted in 2021.

8.3 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables, together with the pre-paid grants from EU projects. 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, mainly related to receivable grants from development projects, and cash and short-term deposits.

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 that 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

The long-term loans and overdraft were 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

of Alginor's products fails 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 as of 31 December 2021.

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.

NOTE 8 CONT.**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	523,374	960,944
Accounts receivables	206,025	-	-	-	206,025
Other current receivables	8,819,914	-	-	-	8,819,914
TOTAL 2021	9,025,939	75,660	361,910	523,374	9,986,883
TOTAL 2020	10,420,649	75,660	361,910	529,680	11,387,899

Agreed rest maturity — liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total value in NOK
Borrowings	-	-	-	-	-
Calculated interest on borrowings	-	-	-	-	-
Trade payables	2,997,655	-	-	-	2,997,655
Leasing	1,150,604	1,199,898	76,156	-	2,426,658
Other liabilities*	15,406,839	-	-	-	15,406,839
TOTAL 2021	19,555,098	1,199,898	76,156	-	20,831,152
TOTAL 2020	7,579,466	1,473,079	1,232,259	1,992,934	12,277,738

* Other liabilities are comprised mainly of prepaid grants in 2021 in which underlying performance is due within 2022.

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. For non-current debt the fair value of the debt is equal to the booked value.

NOTE 9 CASH AND CASH EQUIVALENTS

Amounts in NOK	31.12.2021	31.12.2020
Cash at bank and in hand	316,393,371	5,880,823
Restricted cash*	846,823	508,021

* Restricted cash is related to tax withholding account

NOTE 10 TRANSACTIONS WITH RELATED PARTIES

Amounts in NOK ex. VAT	Services	2021	2020	Debt to related party as 31 December 2021
Zirconia AS (Controlled by COB Thorleif Thormodsen)	Office rent/management services	2,148,995	2,174,000	-
Innovatch AS (Controlled by CEO Kjetil Thormodsen Rein)	Project engineer	130,350	659,415	-

NOTE 11 SHARE CAPITAL

The share capital is NOK 16,500,685 consisting of 16,500,685 shares, each with par value of NOK 1. On June 9, 2021, the

Company effected a five-for-one stock split of its common stock.

Shareholder	No. of shares	Ownership %	Voting right %
BNP Paribas Securities Services*	4,114,290	24.93	24.93
Borregaard AS	4,114,290	24.93	24.93
Jahatt AS	1,240,000	7.51	7.51
Zirconia AS	1,004,800	6.09	6.09
Jakob Hatteland Holding AS	914,290	5.54	5.54
Kverva Industrier AS	700,000	4.24	4.24
Amar Group AS	244,357	1.48	1.48
Helgøy Property Holding AS	240,215	1.46	1.46
Validé AS	230,500	1.40	1.40
Øyhatt AS	210,000	1.27	1.27
SUM TEN LARGEST	13,012,742	78.86	78.86
Other (530) shareholders	3,487,943	21.14	21.14
TOTAL ADOPTED SHARES AS OF 31.12.2021	16,500,685	100.00	100.00

* Shares are held in nominee account on behalf of the European Innovation Council Fund.

EQUITY ISSUANCES

Amounts in NOK	Date	No. of shares *	Share price	Total equity
Share issue	11.02.2021	33,337	175.00	5,833,975
Share issue	12.02.2021	29,460	175.00	5,155,500
Share issue	15.02.2021	33,746	175.00	5,905,550
Share issue	17.02.2021	2,500	35.00	87,500
Share issue	06.08.2021	6,605,770	35.00	231,201,950
Share issue	22.10.2021	2,000,000	35.00	70,000,000
Share issue	22.11.2021	2,000,000	35.00	70,000,000
Share issue	15.12.2021	37,500	7.24	271,319

* All shares are adjusted as per the five-for-one split effected at the ordinary general meeting 10.06.2021.

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 2021 the Group has recognised grants of NOK 22,168,690 related to these projects compared to NOK 14,354,156 the previous year.

RECOGNISED GRANTS

Amounts in NOK	2021	2020
Tax Refund (SkatteFUNN)	1,295,348	1,534,220
The Research Council of Norway (RCN)	10,141,105	3,022,328
EU Horizon 2020/Europe	10,675,680	14,807,719
Innovation Norway (IN)	954,481	2,804,424
TOTAL	23,066,613	22,168,690

NOTE 12 CONT.

RECOGNISED PROJECT COSTS AND GRANTS IN 2021

Amounts in NOK	Programme*	Sponsor	Gross project costs [†]	Grant	Net project costs
AORTA—R&D	Marinforsk	RCN‡	-128,388	-	-128,388
Hypomar Skude Pilot—ASM		Innovation Norway	1,331,675	-	1,331,675
Fucomed—Biomedical fucoidan		RCN	7,003,407	5,856,281	1,147,126
CarboNor—Algal biopolymers	Eurostars	RCN	4,781,320	3,222,827	1,558,493
AORTA—Tax refunds 2017–2020	SkatteFUNN	RCN	-96,301	-	-96,301
DACOTA—Commercialisation	EIC "Green Deal"	EU Horizon	16,923,525	10,675,680	6,247,845
Algefilm—Biomaterials packaging		RCN	100,000	-	100,000
Bio4Fuels—Biobased fuels		RCN	293,723	-	293,723
CATION—Biorefinery Design		RCN	2,165,700	-	1,267,579
ALEHOOP—Algal proteins	BBI JU	EU Horizon	1	898,121	1
AORTA—Pre-project		RRF§	-	-	-
AORTA—R&D	Bionær	RRF	73,500	-	73,500
AORTA-2	SME Instrument-II	EU Horizon	-	-	-
RFF—Fucomed (project no. 2)		RRF	1,303,491	-	1,303,491
Hypomar Havpilot—Harvesting		Innovation Norway	1,676,503	954,481	722,022
Polyphenols—Extraction and identification		RCN	1,452,510	1,459,224	-6,714
TOTAL			36,880,666	23,066,614	13,814,052

* If applicable.

† 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.

‡ The Research Council of Norway.

§ The Regional Research Fund Vestlandet.

RECOGNISED PROJECT COSTS AND GRANTS IN 2020

Amounts in NOK	Programme	Sponsor	Gross project costs	Grant	Net project costs
AORTA—R&D	Marinforsk	RCN	-	-	-
Hypomar Skude Pilot—ASM		Innovation Norway	2,501,877	1,260,000	1,241,877
Fucomed—Biomedical fucoidan		RCN	2,150,489	1,742,492	407,997
CarboNor—Algal biopolymers	Eurostars	RCN	729,258	649,347	79,911
AORTA—Tax refunds 2017–2020	SkatteFUNN	RCN	2,656,896	1,534,220	1,122,676
DACOTA—Commercialisation	EIC "Green Deal"	EU Horizon	651,343	465,704	185,639
Algefilm—Biomaterials packaging		RCN	-	-	-
Bio4Fuels—Biobased fuels		RCN	200,000	-	200,000
CATION—Biorefinery Design		RCN	-	-	-
ALEHOOP—Algal proteins	BBI JU	EU Horizon	413,946	260,474	153,472
AORTA—Pre-project		RRF	-	-	-
AORTA—R&D	Bionær	RRF	-	-	-
AORTA-2	SME Instrument-II	EU Horizon	23,370,909	14,081,541	9,289,368
RFF—Fucomed (project no. 2)		RRF	-	-	-
Hypomar Havpilot—Harvesting		Innovation Norway	3,481,599	1,544,424	1,937,175
Polyphenols—Extraction and identification		RCN	1,542,427	630,489	911,938
TOTAL			37,698,744	22,168,691	15,530,053

NOTE 12 CONT.

GROSS BUDGET FOR THE TOTAL PROJECT COSTS AS OF 31 DECEMBER 2021

Amounts in NOK	Rest	Gross budget project costs	Accumulated costs	Remaining budget
AORTA—R&D	0.0 %	9,134,435	9,134,435	-
Hypomar Skude Pilot—ASM	0.0 %	-	-	-
Fucomed—Biomedical fucoidan	66.6 %	23,200,000	7,746,876	15,453,124
CarboNor—Algal biopolymers	41.2 %	8,211,000	4,826,621	3,384,379
AORTA—Tax refunds 2017–2020	0.0 %	12,816,663	12,816,663	-
DACOTA—Commercialisation	57.6 %	35,714,286	15,137,565	20,576,721
Bio4Fuels—Biobased fuels	-50.0 %	200,000	300,000	-100,000
CATION—Biorefinery Design	0.0 %	2,788,560	2,788,560	-
ALEHOOP—Algal proteins	66.2 %	5,000,000	1,691,000	3,309,000
AORTA—Pre-project	0.0 %	1,102,286	1,102,286	-
AORTA—R&D	0.0 %	6,228,053	6,228,053	-
AORTA-2	0.0 %	32,277,280	32,277,280	-
RFF—Fucomed (project no. 2)	0.0 %	732,443	732,443	-
Hypomar Havpilot—Harvesting	0.0 %	11,161,456	11,161,456	-
Polyphenols—Extraction and identification	50.8 %	8,400,000	4,137,000	4,263,000
Algefilm—Biomaterials packaging	91.5 %	18,000,000	1,527,719	16,472,281
TOTAL	36.2 %	174,966,462	111,607,957	63,358,505
<i>Shares of total gross project costs</i>		174,966,462	63.8 %	36.2 %

GROSS BUDGET FOR THE TOTAL PROJECT COSTS AS OF 31 DECEMBER 2020

Amounts in NOK	Rest	Gross budget project costs	Accumulated costs	Remaining budget
AORTA—R&D	0.0 %	9,134,435	9,134,435	-
Hypomar Skude Pilot—ASM	0.0 %	-	-	-
Fucomed—Biomedical fucoidan	90.9 %	23,200,000	2,119,063	21,080,937
CarboNor—Algal biopolymers	88.3 %	8,211,000	958,453	7,252,547
AORTA—Tax refunds 2017–2020	0.0 %	4,095,544	4,095,544	-
DACOTA—Commercialisation	98.2 %	36,500,000	651,343	35,848,657
Algefilm—Biomaterials packaging	0.0 %	-	-	-
Bio4Fuels—Biobased fuels	0.0 %	200,000	200,000	-
CATION—Biorefinery Design	0.0 %	2,788,560	2,788,560	-
ALEHOOP—Algal proteins	90.7 %	5,000,000	463,760	4,536,240
AORTA—Pre-project	0.0 %	1,102,286	1,102,286	-
AORTA—R&D	0.0 %	6,228,053	6,228,053	-
AORTA-2	0.0 %	32,277,280	32,277,280	-
RFF—Fucomed (project no. 2)	0.0 %	732,443	732,443	-
Hypomar Havpilot—Harvesting	0.0 %	11,161,456	11,161,456	-
Polyphenols—Extraction and identification	71.8 %	8,400,000	2,370,780	6,029,220
TOTAL	50.2 %	149,031,057	74,283,456	74,747,601
<i>Shares of total gross project costs</i>		149,031,057	49.8 %	50.2 %

NOTE 12 CONT.

ACCUMULATED GRANTS RECEIVED AS OF 31 DECEMBER 2021

Project	Rest	Total approved grants ex ante	Accounted grants	Remaining grants
AORTA—R&D	0.0 %	4,610,370	4,610,370	-
Hypomar Skude Pilot—ASM	0.0 %	-	-	-
Fucomed—Biomedical fucoidan	53.2 %	16,250,000	7,598,773	8,651,228
CarboNor—Algal biopolymers	0.1 %	4,105,000	4,101,369	3,631
AORTA—Tax refunds 2017–2020	17.0 %	12,000,000	9,963,833	2,036,167
DACOTA—Commercialisation	55.4 %	25,000,000	11,141,384	13,858,616
Bio4Fuels—Biobased fuels	0.0 %	-	-	-
CATION—Biorefinery Design	0.0 %	-	-	-
ALEHOOP—Algal proteins	71.5 %	4,060,000	1,158,595	2,901,405
AORTA—Pre-project	0.0 %	500,000	500,000	-
AORTA—R&D	0.0 %	2,475,161	2,475,161	-
AORTA-2	0.0 %	19,645,220	19,645,220	-
RFF—Fucomed (project no. 2)	0.0 %	673,128	673,128	-
Hypomar Havpilot—Harvesting	0.0 %	4,500,000	4,500,000	-
Polyphenols—Extraction and identification	51.3 %	4,200,000	2,045,942	2,154,058
Various minor grants	0.0 %	192,790	192,790	-
Algefilm—Biomaterials packaging	88.4 %	12,600,000	1,459,224	11,140,776
TOTAL	36.8 %	110,811,669	70,065,789	40,745,881
<i>Shares of total approved grants</i>		110,811,669	63.2 %	36.8 %

ACCUMULATED GRANTS RECEIVED AS OF 31 DECEMBER 2020

Project	Rest	Total approved grants ex ante	Accounted grants	Remaining grants
AORTA—R&D	0.0 %	4,610,370	4,610,370	-
Fucomed—Biomedical fucoidan	89.3 %	16,250,000	1,742,492	14,507,508
CarboNor—Algal biopolymers	78.6 %	4,105,000	878,542	3,226,458
AORTA—Tax refunds 2017–2020	21.2 %	11,000,000	8,668,485	2,331,515
DACOTA—Commercialisation	98.2 %	26,000,000	465,704	25,534,296
CATION—Biorefinery Design	0.0 %	1,044,303	1,044,303	-
ALEHOOP—Algal proteins	93.6 %	4,060,000	260,474	3,799,526
AORTA—Pre-project	0.0 %	500	500	-
AORTA—R&D	0.0 %	2,475,161	2,475,161	-
AORTA-2	0.0 %	19,645,220	19,645,220	-
RFF—Fucomed (project no. 2)	0.0 %	673,128	673,128	-
Hypomar Havpilot—Harvesting	0.0 %	4,500,000	4,500,000	-
Polyphenols—Extraction and identification	74.0 %	4,200,000	1,091,461	3,108,539
TOTAL	53.0 %	98,563,682	46,055,840	52,507,842
<i>Shares of total approved grants</i>		98,563,682	47.0 %	53.0 %

GOVERNMENT GRANTS — STATE AID RULES

Under the state aid rules, it is as a general regulation prohibiting the government to provide state funding to support companies. However, support awarded in compliance with the EU state aid regulations 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, and which costs relating to these activities that may be recovered partly or in full, and the maximum aid intensity that may be granted for the various activities, see e.g., 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.

NOTE 12 CONT.**OUTLOOK AND EVENTS RELATED TO GOVERNMENT GRANTS**

The majority of the Group's development efforts are financed through public grants. In 2021 the gross capitalised project costs amounts to NOK 35 million, whereof NOK 20.9 million was financed through grants.

The Company's **AORTA 2** project concluded on 31 December 2020. In April 2021 the Company received the final report with excellent remarks, approving the completion of the project. 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 downstream technologies, Hypomar and AORTA.

The Company's **DACOTA** project launched 2 November 2020 and is projected to conclude on 30 June 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 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.

The Company's **CarboNor** project, launched 1 September 2020, is expected to be completed 31 August 2022. The CarboNor project focuses on converting carbohydrate polymers into high-value biotech products such as alginates, oligosaccharides, cellulose and bioplastic, in collaboration with the 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.

RECONCILIATION OF LIABILITIES AND ASSETS

Amounts in NOK	2021	2020
Receivables on Project DACOTA and ALEHOOP	12,299,979	726,180
Liabilities on Project DACOTA and ALEHOOP	24,603,994	16,368,424
NET LIABILITIES	12,304,015	15,642,244

The Company's **Fucomed** project launched 1 April 2020, and is expected to be completed 31 December 2022. The main goal for the project is to transfer the extraction process for fucoidan from laboratory scale to industrial scale, while maintaining all important product properties. The University of Oslo, University of Bergen and the Royal Institute of Technology in Stockholm contribute R&D into the project.

The Company is a participating partner in the bioenergy project **Bio4Fuels**. The project is a larger collaboration between several participants, governed by NMBU in Ås and financed by the Research Council of Norway. The Company's contribution relates to a work package focusing on biproducts with higher market prices than bioenergy and their market applications. The project is expected to be concluded in 2022.

The **ALEHOOP** project started 1 June 2020, and is scheduled to conclude 31 May 2025. Alginor is one of 16 project partners that will work together to demonstrate pilot scale recovery of low-cost dietary proteins from algae-based and plant residual biomass, to be extracted in sustainable macroalgae and legume-based biorefineries.

GOVERNMENT GRANTS LIABILITIES

Alginor has received pre-financing of approximately NOK 7.7 million from the European Union's EIC accelerator programme in 2021, adding to a total of NOK 22.2 million outstanding per 31 December 2021. Pre-financing of grants remains the property of the EU until completion of the project.

If the amounts of earlier payments are 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.

NOTE 13 LEASES AS LESSEE

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

- 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 lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

RIGHT-OF-USE ASSETS

Amounts in NOK	2021	2020
Right-of-use assets as of 1 January	1,861,249	-
Additions of right-of-use assets	-	2,589,288
Depreciation of the year	1,145,085	728,039
Revaluation	1,710,494	-
Fx effects	-	-
RIGHT-OF-USE ASSETS AS OF 31 DECEMBER	2,426,658	1,861,249
Remaining lease-term	2–6 years	2–6 years
Depreciation method	Linear	Linear

RENTAL AGREEMENTS

Amounts in NOK	Lessor	Expiry date	Rent per month
Machine	Brage Finans AS	2026	2,299
Machine	Brage Finans AS	2026	1,190
Machine	Brage Finans AS	2026	1,887
Van	Møller Bilfinans AS	2023	5,270
Office premises	Thon Eiendom AS	2023*	26,100
Forklift	DnB	2025	6,598
Production facility	Steiningsholmen Eiendom AS	2023	58,333
Lab	Seneca Property 101A Ltd	2023	3,060
Lab	Marineholmen Datablokken 13 - 15 AS	2023	2,333

* 3 months notice period.

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

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.

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 31 December 2021 is 5.5 %.

DISCOUNTED LEASE LIABILITIES AND MATURITY OF CASH OUTFLOW

Amounts in NOK	2021	2020
< 1 year	1,150,604	736,454
1–2 years	795,268	552,340
2–3 years	404,629	368,227
3–4 years	76,156	138,085
4–5 years	-	46,028
> 5 years	-	-
TOTAL DISCOUNTED LEASE LIABILITIES AS OF 31 DECEMBER	2,426,658	1,841,134
Interest expense on lease liabilities	152,063	79,123

NOTE 14 ACCOUNTS PAYABLE

Amounts in NOK	2021	2020
Accounts payable	2,997,655	12,728,074

All material accounts payable are related to developement projects.

NOTE 15 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 financed for the project period, and CAPEX for the harvesting unit and biorefinery demonstrator is likely to be financed by a combination of equity raised in 2021 and debt capital to be obtained in 2022. 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 16 LEGAL MATTERS/DISPUTES

The group has not been involved in or been aware of any legal matters in 2021. 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 17 SUBSEQUENT EVENTS**COVID-19**

Alginor is, and has been, 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.

While the COVID-19 pandemic has limited direct effects on the Group as of today, indirect consequences may occur if equipment suppliers, subcontractors, business partners and infrastructure are affected. For one, the Group is observing and anticipating increased delivery times for equipment and components from its suppliers due to a global shortage of, among other things, microchips, which can be expected to remain throughout the first half of 2022. Such delays are not considered dire to the Group's near and long-term strategy, but may consequentially delay the Group's transition into its targeted demonstration phase. The Group will continue to monitor the situation closely throughout 2022.

However, 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 most of the year 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 Company staff was laid off due to the pandemic.

WAR IN UKRAINE

Due to the ongoing war in Ukraine, the Company is observing significant price increases on certain planned investment items, particularly in relation to processing equipment and the planned harvesting vessel affected by the steep increases in steel prices. This may adversely affect the Company's ability to obtain such required investments at favourable prices.

DACOTA PROJECT

The EU-sponsored DACOTA project has been extended by 2 months (64 person-months) and is set to conclude on 30 June 2022 (previously 30 April 2022). The project is a precursor for all major investment decisions that will take the company into the demonstration phase. As such, the extension is considered highly beneficial as it provides an additional layer of quality assurance throughout the project prior to submission of the final report and the execution of the company's investment programme.

The project is a precursor for demonstration and validation of the Group's value chain and core technologies in a relevant environment. The project compiles all relevant findings and data accessible to the Group with a view to establish "demonstrator" consisting of three distinct department facilities, including a kelp reception facility, a biorefinery and an API (Active Pharmaceutical Ingredient) facility for manufacture of pharmaceutical ingredients pursuant to cGMP (current Good Manufacturing Practice) guidelines.

PURCHASE OF INDUSTRIAL FACILITY AT HUSØY, AVALDSNES

The Group has in 2021 entered into an agreement with Jakob Hatteland Bygg AS for the purchase of the industrial facility at Husøyvegen 281, located at Husøy, Avaldsnes.

The agreed upon price for the facility is NOK 30 million. Transfer of the title and payment will occur simultaneously with the Group's takeover of the facility, which is expected to happen in August 2022.

The 2,300 square metre facility includes many useful amenities for Alginor. It will house the Group's reception facility for production of starting materials, and with an additional increase of the building it will be the centre for the biorefinery unit.

INDUSTRIAL PLOTS AT HUSØY, AVALDSNES

The Group entered into an agreement 16 December 2021 with Karmsund Havn Eiendom AS for purchasing of 30,000 square metre plots, for total consideration of NOK 84 million. The plots are considered as highly suitable real estate properties located in the port area of Avaldsnes, Norway, which are believed to sufficiently cover the Group's planned upscaling and long-term expansion with a view to establish an operation based on 100,000 tonnes kelp.

In addition, the Group has secured an option to purchase an additional 9,600 square meters, within 31 December 2024.

HYPOMAR OCEAN I

The Group has entered into a design agreement with Solstrand Trading AS for the design of a harvesting vessel.

The Group will within Q2 2022 select and engage a shipyard and start the process of building the Group's first larger harvesting vessel.

INVESTMENTS IN PROCESSING EQUIPMENT

The Group has started the process of ordering critical processing equipment, in particular certain equipment with longer lead-times, in accordance with plans laid out during the process of completing the DACOTA project.

FINANCIAL STATEMENTS OF ALGINOR ASA

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STATEMENT OF PROFIT OR LOSS

Amounts in NOK	Note	2021	2020
<i>Operating income and operating expenses</i>			
Revenue		689,406	187,921
Other operating income		-	1,025,579
OPERATING INCOME		689,406	1,213,500
Cost of materials		123,700	-
Personnel expenses	2	4,056,485	1,499,781
Depreciation	5, 6	287,907	65,503
Other operating expenses	3	7,180,572	2,593,603
OPERATING EXPENSES		11,648,664	4,158,887
OPERATING PROFIT		-10,959,258	-2,945,387
<i>Financial income and expenses</i>			
Other interest income		223,906	17,076
Financial income		205,132	353,705
Increase in market value of financial current assets		-	-
Other interest expenses		290,074	143,775
Financial expenses		-	40,000
NET FINANCIAL INCOME AND EXPENSES		138,964	187,006
RESULT BEFORE INCOME TAXES		-10,820,294	-2,758,381
Income taxes	4	-	-
PROFIT (LOSS) FOR THE PERIOD		-10,820,294	-2,758,381
<i>Transfers and allocations</i>			
Transferred from share premium reserve		-10,820,294	-2,758,381
PROFIT (LOSS) FOR THE PERIOD		-10,820,294	-2,758,381

STATEMENT OF FINANCIAL POSITION

Amounts in NOK	Note	31.12.2021	31.12.2020
<i>Intangible assets</i>			
Industrial development projects	6	40,435,394	27,728,116
Concessions, patents, licences, trademarks	6	2,094,702	1,444,818
TOTAL INTANGIBLE ASSETS		42,530,096	29,172,934
<i>Property, plant and equipment</i>			
Land, buildings and other real estate	5	17,932,459	9,881,380
Machinery and equipment	5	7,883,257	5,281,288
TOTAL PROPERTY, PLANT AND EQUIPMENT		25,815,715	15,162,668
<i>Financial non-current assets</i>			
Investments in subsidiaries	9	240,150,000	7,975,000
Investments in shares		300,000	-
Other long-term receivables		960,944	967,250
TOTAL FINANCIAL NON-CURRENT ASSETS		241,410,944	8,942,250
TOTAL NON-CURRENT ASSETS		309,756,756	53,277,852
<i>Current assets</i>			
Accounts receivable	7	206,025	-
Receivables from group companies		-	3,875,786
Other receivables	7	6,773,521	9,196,667
TOTAL RECEIVABLES		6,979,546	13,072,453
Cash and cash equivalents	8	107,953,211	3,988,065
TOTAL CURRENT ASSETS		114,932,757	17,060,518
TOTAL ASSETS		424,689,513	70,338,370

STATEMENT OF FINANCIAL POSITION CONT.

Amounts in NOK	Note	31.12.2021	31.12.2020
<i>Equity</i>			
Share capital	10	16,500,685	5,362,200
TOTAL RESTRICTED EQUITY		16,500,685	5,362,200
Treasury shares		-55,200	-
Share capital not registered		-	-
Share premium (reserve)		383,714,419	24,849,959
Other paid-in equity		4,151,847	418,592
TOTAL PAID-IN EQUITY		404,311,751	30,630,751
Uncovered loss		-	-
TOTAL EQUITY	10	404,311,751	30,630,751
<i>Liabilities</i>			
Debt to financial institutions		-	6,641,513
Other non-current liabilities		2,377,211	17,868,424
TOTAL OF OTHER NON-CURRENT LIABILITIES	12	2,377,211	24,509,937
Trade creditors		2,917,093	12,705,293
Public dues payable		1,960,738	1,237,505
Liabilities to group companies		-	54,000
EU DACOTA liabilities	11	11,085,399	-
Other current liabilities		2,037,320	1,200,882
TOTAL CURRENT LIABILITIES		18,000,550	15,197,680
TOTAL LIABILITIES		20,377,761	39,707,617
TOTAL EQUITY AND LIABILITIES		424,689,513	70,338,370

Haugesund, 25 April 2022

The Board of Directors of Alginor ASA

<i>Signed</i>		
Thorleif Thormodsen		
Chair		
<i>Signed</i>		
Åse Tveit Samdal	Bjørn Bugge	Kari Eikeskog
<i>Signed</i>		
Gisle Løhre Johansen	Hans Sandvold	Turid Thormodsen
<i>Signed</i>		
	Kjetil Rein	
	CEO	

STATEMENT OF CASH FLOW

Amounts in NOK	2021	2020
<i>Cash flows from operating activities</i>		
RESULT BEFORE INCOME TAXES	-10,820,294	-2,520,033
Income taxes paid	-	-
Depreciation and amortisation	287,907	65,503
Change in accounts receivable	-206,025	-
Change in accounts payable	-9,788,200	8,368,401
Change in other working capital items, including unrealised foreign exchange	-416,693	-10,648,819
NET CASH FLOWS FROM OPERATING ACTIVITIES	-20,943,305	-4,734,948
<i>Cash flows used in investing activities</i>		
Investment in other shares	-300,000	-
Investment in fixed assets	-10,640,954	-16,840,428
Capitalised development projects	-34,964,552	-15,312,484
Payments of government grants	21,607,390	-
Sale of fixed assets	-	6,971,291
Investment in subsidiary, net of cash aquired	-232,475,000	-7,160,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-256,773,116	-32,341,621
<i>Cash flows from financing activities</i>		
Long-term loan obtained	-6,641,513	22,009,937
Payments group companies	3,821,786	-3,438,899
Equity issue	384,501,294	18,139,007
NET CASH FLOWS FROM FINANCING ACTIVITIES	381,681,567	36,710,045
NET CASH FLOWS FOR THE PERIOD	103,965,146	-366,524
Cash and cash equivalents at the beginning of the period	3,988,065	4,354,589
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	107,953,211	3,988,065

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK	Share capital	Treasury shares	Share capital not registered	Share premium (reserved)	Other paid-in equity	Uncovered loss	Total equity
AS OF 31 DECEMBER 2019	4,436,115	-	150,000	21,621,309	180,244	-11,375,891	15,011,777
Reclassification of uncovered loss	-	-	-	-14,134,272	-	14,134,272	-
Loss for the period	-	-	-	-	-	-2,758,381	-2,758,381
Capital increase expenses booked to equity	-	-	-	-3,845,618	-	-	-3,845,618
Equity effect warrants	-	-	-	-	238,348	-	238,348
Share issue	926,085	-	-150,000	21,208,540	-	-	21,984,625
AS OF 31 DECEMBER 2020	5,362,200	-	-	24,849,959	418,592	-	30,630,751
Capital increase	11,138,485	-	-	377,317,309	-	-	388,455,794
Capital increase expenses booked to equity	-	-	-	-6,316,436	-	-	-6,316,436
Treasury shares	-	-55,200	-	-1,316,119	-	-	-1,371,319
Equity effect warrants	-	-	-	-	3,733,255	-	3,733,255
Share issue	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-10,820,294	-10,820,294
Reclassification of uncovered loss	-	-	-	-10,820,294	-	10,820,294	-
AS OF 31 DECEMBER 2021	16,500,685	-55,200	-	383,714,419	4,151,847	-	404,311,751

NOTES TO THE FINANCIAL STATEMENTS OF ALGINOR ASA

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NOTE 1 SIGNIFICANT JUDGEMENTS AND 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 Standards).

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 fair value. Short-term liabilities are recognised 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 are depreciated over the economic life time.

Long-term liabilities are recognised at the 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

Development costs are capitalised to the extent that a future financial advantage can be identified associated with the development of an identifiable intangible asset. Capitalised 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.

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 in development projects are mainly capitalised.

TAXES

The tax expense in the financial statements includes both the period's payable taxes and change in deferred taxes. Deferred taxes are calculated using a rate of 22 % based on the temporary differences that exist 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.

Deferred tax assets 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 PERSONNEL EXPENSES AND REMUNERATION

EMPLOYEE BENEFIT EXPENSES DURING THE YEAR

Amounts in NOK	2021	2020
Wages and salaries	17,588,622	9,725,865
Social security costs	2,864,458	1,527,509
Pension costs	782,844	416,559
Other personnel costs	4,028,632	411,595
Capitalised project expenses	-21,598,071	-10,621,746
Board fee	390,000	40,000
TOTAL	4,056,485	1,499,781
Number of employees	30	15

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

Please see further information in Note 3 Personnel expenses and remuneration on page 73.

NOTE 3 OTHER OPERATING EXPENSES

OPERATING EXPENSES

Amounts in NOK	2021	2020
Office expenses	1,228,919	1,057,278
IT equipment and licenses	422,609	412,308
Consultant fees*	3,498,165	2,172,934
Expenses EU — SME FLOAT II	–	-2,867,072
Other operating expenses	2,030,878	1,818,155
TOTAL OTHER OPERATING EXPENSES	7,180,571	2,593,603

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

EXPENSED AUDIT FEES

Amounts in NOK ex. VAT	2021	2020
Statutory audit	525,000	344,900
Other services	112,100	15,200
TOTAL	637,100	360,100

NOTE 4 INCOME TAX

THIS YEAR'S TAX EXPENSE

Amounts in NOK	2021	2020
<i>Taxable income</i>		
Ordinary result before tax	-10,820,294	-2,758,381
Permanent differences	23,300	-1,501,427
Changes in temporary differences	-2,234,910	-193,131
TAXABLE INCOME	-13,031,904	-4,452,939

DEFERRED TAX

Amounts in NOK	31.12.2021	31.12.2020
<i>Deferred tax relates to the following:</i>		
Fixed assets & intangibles	-4,142,529	-6,505,047
Gain and loss account	510,425	638,032
TOTAL TEMPORARY DIFFERENCES	-3,632,105	-5,867,015
Losses available for offsetting against future taxable income	-28,973,252	-15,941,347
Not included in the basis for deferred tax	32,605,357	21,808,362
BASIS FOR DEFERRED TAXES	–	–

Deferred tax assets are not recognised in the balance sheet.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK	Land, buildings and other real estate	Machinery and equipment	Total
AT 1 JANUARY 2021	9,881,380	5,281,288	15,162,668
Depreciation	240,968	46,939	287,907
Net additions	8,292,047	2,648,908	10,940,955
AT 31 DECEMBER 2021	17,932,459	7,883,257	25,815,716
Depreciation method	Straight line	Straight line	
Percentage	2 %	20 %	
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2020	88,114	24,935	113,049
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2021	329,082	71,874	400,956

NOTE 6 INTANGIBLE ASSETS

Amounts in NOK	Development projects	Patents	Total
OPENING NET BOOK AMOUNT 1 JANUARY 2021	27,728,116	1,444,818	29,172,934
Additions	12,707,278	649,884	13,357,162
Amortisation charge	-	-	-
YEAR END 31 DECEMBER 2021	40,435,394	2,094,702	42,530,096

NOTE 7 ACCOUNTS RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Amounts in NOK	31.12.2021	31.12.2020
Accounts receivables	206,025	-
Other short-term receivables	6,773,521	9,196,687
Receivables from group companies	-	3,875,786

NOTE 8 CASH AND CASH EQUIVALENTS

Amounts in NOK	31.12.2021	31.12.2020
Cash at bank and in hand	107,953,211	3,988,065
Restricted cash	768,530	598,894

NOTE 9 FINANCIAL ASSETS**SHARES IN SUBSIDIARIES**

Company name	Registered office	Ownership/voting rights	Booked equity	Net result 2021	Book value
Alginor Biorefinery AS	Haugesund	100 %	74,525,312	-277,272	75,050,000
Alginor Industrial Estate AS	Haugesund	100 %	124,896,629	-43,771	125,040,000
Alginor Pharma Ingredients AS	Haugesund	100 %	100,000	-	100,000
Hypomar AS	Haugesund	100 %	21,339,554	-3,261,434	24,940,000
Oewa AS	Haugesund	100 %	12,875,465	-1,347,368	15,020,000
TOTAL			233,736,960	-4,929,845	240,150,000

NOTE 10 SHARE CAPITAL

The share capital is NOK 16,500,685, consisting of 16,500,685 shares, each with par value of NOK 1. For further information, please see Note 11 Share capital on page 82.

NOTE 11 EU DACOTA FLOAT

For the outstanding receivables and liabilities related to the DACOTA project, please see Note 12 Government Grants on page 82.

NOTE 12 OTHER NON-CURRENT LIABLITITES

Amounts in NOK	2021	2020
Debt to financial institutions	-	6,641,513
Other non-current liabilities*	2,377,211	17,868,424
TOTAL NON-CURRENT LIABILITIES	2,377,211	24,510,037

* Pre-payment of grants in relation to EU projects.

NOTE 13 SUBSEQUENT EVENTS

For information, please see Note 17 Subsequent Events on page 88.



THE BOARD’S RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

The consolidated financial statements for 2021 have been prepared in accordance with IAS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2021 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company’s and the Group’s assets, liabilities, financial position and results for the period viewed in their entirety, and that the Board of Directors’ report gives a true and fair view of the development, performance and financial position of the Company and the Group, and includes a description of the material risks that the Board of Directors, at the time of this report, deem might have a significant impact on the financial performance of the Group.

Haugesund, 25 April 2022

The Board of Directors of Alginor ASA

	<div>Signed</div> <div>Thorleif Thormodsen</div> <div>Chair</div>	
<div>Signed</div> <div>Åse Tveit Samdal</div>	<div>Signed</div> <div>Bjørn Bugge</div>	<div>Signed</div> <div>Kari Eikeskog</div>
<div>Signed</div> <div>Gisle Løhre Johansen</div>	<div>Signed</div> <div>Hans Sandvold</div>	<div>Signed</div> <div>Turid Thormodsen</div>
	<div>Signed</div> <div>Kjetil Rein</div> <div>CEO</div>	

INDEPENDENT AUDITOR'S REPORT





KPMG AS
Karmsundgata 72
5529 Haugesund

Telephone +47 45 40 40 63
Fax +47 52 70 37 70
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Alginor ASA

Independent Auditor's Report

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 2021, 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 2021, 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

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

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

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

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Independent Auditor's Report - Alginor ASA

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for 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 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 a true and fair view.

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Independent Auditor’s Report - Alginor ASA

- 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.

Haugesund, 25 April 2022
KPMG AS

Willy Hauge
State Authorised Public Accountant

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Willy Hauge

Statsautorisert revisor

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TERMS & ABBREVIATIONS

AI	Artificial Intelligence	HSE	Health, Safety, Environment
AMD	Age-related Macular Degeneration	HSEQ	Health, Safety, Environment, Quality
AORTA	Alginor’s Ocean Refining Total- utilisation Application	IAS	International Accounting Standards
API	Active Pharmaceutical Ingredient	IASB	International Accounting Standards Board
AS	Aksjeselskap (private limited company)	ICP-MS	Inductively Coupled Plasma Mass Spectrometry
ASA	Allmennaksjeselskap (public limited company)	IFRIC	International Financial Reporting Interpretations Committee
ASB	Accounting Standards Board	IFRS	International Financial Reporting Standards
ASM	Alginor Starting Material	IN	Innovation Norway
B2B	Business-To-Business	IPR	Intellectual Property Rights
BBEPP	Bio Base Europe Pilot Plant	NGAAP	Norwegian Generally Accepted Accounting Principles
BBI JU	Bio-Based Industries Joint Undertaking	NMR	Nuclear Magnetic Resonance
BIC	Bio-based Industries Consortium	NOK	Norwegian Kroner
CAPEX	Capital Expenditure	NPV	Net Present Value
CEFA	Certified European Financial Analyst	NRS	Norsk Regnskapsstandard (Norwegian Accounting Standard)
CEO	Chief Executive Officer	OPEX	Operational Expenditures
CF	Cash Flow	QA	Quality Assurance
CFO	Chief Financial Officer	R&D	Research and Development
cGMP	current Good Manufacturing Practice	RCN	the Research Council of Norway
CGU	Cash-Generating Unit	RRF	Regional Research Funds
CHNS	Carbon, Hydrogen, Nitrogen, Sulphur	SDG	Sustainable Development Goals
CTO	Chief Technology Officer	SEC-MALS	Size Exclusion Chromatography Multi-Angle Light Scattering
DACOTA	Demonstration And Commercialisation Of The AORTA innovation	SME	Small and Medium-sized Enterprise
DAD	Diode-Array Detector	TNO	Nederlandse Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek (Netherlands Organisation for Applied Scientific Research)
DCF	Discounted Cash Flow	TPC	Total Phenolic Content
EIC	European Innovation Council	TRL	Technology Readiness Level
EPC	Engineering, Procurement, and Commissioning	TV	Terminal Value
ESG	Environment, Social responsibility, corporate Governance	VAT	Value Added Tax
EU	European Union	VIU	Value In Use
FT-IR	Fourier-Transform InfraRed spectroscopy	VP	Vice President
FVLCD	Fair Value Less Costs of Disposal		
HPLC	High Performance Liquid Chromatography		

GROUP DIRECTORY

ALGINOR HEAD OFFICE

Haraldsgata 162
NO-5525 Haugesund

P.O.box 194
NO-5501 Haugesund

OEWA & HYPOMAR

Kirkegata 169
NO-5525 Haugesund

OSLO IR OFFICE

C. J. Hambros plass 5
NO-0164 Oslo

WEBSITE

<http://www.alginor.no>

INVESTOR CONTACT

investor@alginor.no
(+47) 412 71 987

GENERAL CONTACT

contact@alginor.no
(+47) 52 70 73 10

