ANNUAL REPORT 2022
ALGINOR ASA

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Hypomar AS's Board of Directors observe the progression of Hypomar Ocean 1*. Grete Rydningen Møgster, Bjørn Bugge, CEO Harald Fiskaaen, Haakon Farstadvoll, Gabriele Kasparaviciute, and Chairman Kjetil Rein.*

CHIEF EXECUTIVE LETTER

Dear fellow shareholders,

Over the last years, the DACOTA project has been a prime focus in Alginor, integrating all core activities and involving all employees through various tasks of high complexity. With the completion of DACOTA in 2022, we have now started to see the fruits of our labour as we gradually realise and implement the project's results. Most importantly in 2022, we identified an opportunity to raise dimensions from 10,000 to 33,500 tonnes in our industrialisation—and took it—which led us to invest in the industry's most modern harvesting vessel, the *Hypomar Ocean 1*. With this principal decision, my belief is that we will be better equipped to capture the potential that lies in biorefining of *Laminaria hyperborea*, through added robustness and scale in our upcoming operations at Avaldsnes.

THE EVOLUTION OF DACOTA AND ITS RIPPLE EFFECTS

With the conclusion of the DACOTA project on 30 June 2022, we completed our largest and most complex project to date after 20 months of dedicated efforts from our employees. As they have in the past, Alginor staff continues to deliver exceptional results when and where it matters, even when presented with highly challenging and complex tasks. It has been—and continues to be—my privilege to work alongside you and see your relentless effort leading to actionable results with high value potential for our company and our shareholders.

Originally, DACOTA was written as a project leading to investments focused on demonstrating the company's core technologies at a scale of 10,000 tonnes. Along the way, however, we explored alternate routes and found that raising the bar past 30,000 tonnes was possible. Most importantly, we found that this revision was the more rational option based on promising developments and results from our piloting activities.

Further, I find it equally important to highlight that the work done on alginates specifically is transferable to the planned pharmaceutical-grade facility (F4). In essence, our design philosophy—during DACOTA as well as going forward—is such that the manufacturing line in F4 will be made according to F3's blueprints, at a significantly larger scale and according to pharmaceutical ingredient production standards, of which there are many. Thus, we are well prepared for the engineering of our end-game facility at Avaldsnes, which will be dedicated to the production of high G-content pharmaceutical-grade alginates.

HYPOMAR OCEAN 1—BREAKING THE MOULD OF KELP HARVESTERS

Our business and value chain are inseparably based on access to high-quality raw materials and tailored treatment from harvest to finished ingredient. As such, I find it important to state that we are deeply invested in the well-being of Norway's kelp stocks and the future of the Norwegian harvesting industry, and that we are committed to acting bona fide with all stakeholders and being at the forefront of an industry where safety and sustainability come first. With *Hypomar Ocean 1*—the first of its kind—I believe we are off to a promising start.

The design of *Hypomar Ocean 1* is a result of our holistic approach to our business and the industry, having an adamant emphasis on eliminating the use of damaging chemicals, increasing utilisation, and reducing emissions, all while increasing crew comfort and safety.

We have spent years developing technologies to eliminate the use of toxic preservatives during harvesting and processing. Now, we are implementing these methods in our first major harvesting vessel through on-board processing systems designed to contain and prepare the whole kelp for our onshore facilities, in an effort to prevent raw material pollution and waste. We will treat the ocean's gift with respect and utilise our harvested raw material to the fullest, extracting as much value as possible, wasting nothing.

Adding to the benefits of no harmful chemicals and waste, we are fitting the vessel with a 1,000-kWh battery package and installing charging facilities on shore. The battery package will enable the vessel to operate completely emission-free for significant periods as well as powering the on-board processing equipment.

Further, we believe that not only crew safety but also crew comfort should be key considerations in vessel design. Therefore, we have increased the vessel's size and crew amenities significantly compared to other kelp harvesters. The larger size also contributes to stability and greater operational safety.

Throughout the design and engineering, we have worked closely with the Norwegian Maritime Authority to ensure the that the vessel and its intended use conform to prevailing laws and regulations. This work will naturally continue throughout the building process and beyond.

THE BIOREFINERY AT HUSØYVEGEN 281 AT AVALDSNES

In August of 2022, we were finally given the keys to our new building in Husøyvegen 281 at Avaldsnes, after a six-month delay. This is where we will establish our first industrial-scale facility for raw material reception and the manufacture of food-grade ingredients. Through 2022, we have worked intensely on optimising the expansion for extra floor space and ceiling height. Significant foundation works on the plot have already been completed.

After quickly renovating an existing portion of the building, we moved in with our piloting unit, which continues to deliver samples and key findings almost every day.

We are also planning to reinforce and expand the adjacent quay to take full advantage of the unique property.

WE ARE GROWING FAST AND EMPLOYING THE RIGHT PEOPLE

Since 2020, we have more than doubled in size from 22 to 45 employees, many of which come with extensive industry-specific experience, ranging from harvesting via maintenance and process control to commissioning. It is clear to me that our new colleagues are eager to improve the industry and unlock its true potential. Access to emerging and seasoned talent who believe in our core values and what we are working to achieve, has been essential to our development and achievements so far, and will remain key in our future. In regard to recruiting, I believe we are doing remarkably well, and that our ability to find the right people is a strong testament to the fact that our work is challenging, important, meaningful, and fulfilling.

OUTLOOK

In summary, Alginor has made important strides in 2022 and we are ready for what lies ahead. We are confident in our work thus far, pleased with our developments and looking ambitiously at the years to come.

We have established a firm base of operations at Avaldsnes, and we are well-positioned to expand our business through our two main projects, F3 and F4. Equally important, we have heightened our intent as a credible, long-term player within the Norwegian harvesting through the investment decision of *Hypomar Ocean 1* and shown that we are committed to brining our vision to fruition.

Going forward, I am assured that our resilient organisation and problem-solving mindset will prevail and overcome challenges and obstacles that lie ahead, as we seek to create a solid, long-lasting and valuable business to the benefit of all stakeholders.

Best regards,

Kjetil Rein

IMPORTANT EVENTS IN 2022

In 2022, Alginor initiated and completed important steps towards upscaling of its operational activities.

INVESTMENTS

Order placed for diesel-electric hybrid harvesting vessel *Hypomar Ocean 1* with Fitjar Mekaniske Verksted AS.

- In May, Alginor placed an order for the harvesting vessel *Hypomar Ocean 1* with Fitjar Mekaniske Verksted AS, based on a jointly created design by Solstrand Trading AS and the company.
- When delivered early in 2024, *Hypomar Ocean 1* will be the company's first large-scale harvesting vessel with an estimated capacity of 33,500 tonnes per annum.
- With a length of 26.78 metres, it will carry on-board processing equipment and increased harvesting yields on every voyage. Thanks in part to ENOVA, the propulsion and equipment can run for hours on a 1,000 kWh battery before switching to diesel-electric.

OPERATIONS

Moved into new facilities at Avaldsnes.

- In August 2022, Alginor assumed title and ownership of the property formerly housing Ydra AS at Husøyvegen 281 at Avaldsnes. The facility is approved for food grade manufacturing and has immediate access to a quay for reception of raw materials.

Upgraded the facility at Avaldsnes and transferred the pilot from Skudeneshavn.

- First stage of renovations were completed to facilitate the pilot transfer from Skudeneshavn. The pilot was transferred and upgraded with new equipment late in 2022.

Optimised processes for piloting of low-viscous, high-G sodium alginate.

- During 2022, the company regularly ran campaigns on manufacture of sodium alginate at its pilot in Skudeneshavn. Samples of 1 kg were supplied to key customers for testing, confirming that samples conformed with or exceeded all key parameters and specifications.

TECHNOLOGY & PROJECTS

Acquired patent and patent application on fibrillation of algal cellulose.

- In 2022, Alginor acquired a patent and a patent application from LTU Licens AB, acting on behalf of inventors Linn Berglund and Kristiina Oksman.

**Cellunor—development of kelp nano and microcrystalline celluloses—
awarded by NFR with a NOK 32 million budget over 3 years.**

- In June, Alginor's Cellunor project was awarded funding under the Research Council of Norway's call "Innovation Project for the Industrial Sector 2022". Read more on Cellunor on page 30.

**CIRCALGAE—utilising industrial algae waste streams—awarded under EU's Horizon
Europe framework with a budget exceeding €10 million over 4 years.**

- In this consortium project, Alginor will seek to increase utilisation of waste streams from algae manufacturing processes based on various types of wild and cultivated seaweeds for high-value products, which in extreme cases involves up to 95 % of the intitial biomass. More on page 31.

ENGINEERING & CONSTRUCTION

Alginor's flagship project DACOTA was completed on 30 June 2022.

- Alginor was awarded the project in 2020 under the EIC Accelerator's «Green Deal» call, under the Horizon framework.
- During the project, the company developed the basis for an investment programme aimed at demonstrating the company's value chain at a scale of 10,000 tonnes, which during the project was increased to 33,500 tonnes. Among other things, the project has led to the company investing in *Hypomar Ocean 1*.
- Going forward, the project findings are being implemented in investment projects on Avaldsnes first for a 33,500 tonnes food grade facility, and secondly a 70,000 tonnes pharmaceutical facility.

Establishing a 33,500 tonnes food grade facility at Avaldsnes in 2024.

- During and after DACOTA, the company worked towards establishing a 33,500 tonnes food grade facility requiring a significant expansion of the exisiting facility at Avaldsnes.
- The facility is being designed as a multipurpose unit tailored to the company's technologies, and comprises a reception department for handling of leaf and stipe fractions and a biorefinery, including manufacturing lines for alginates, other extracts and borea.
- In 2022, Alginor duly notified neighbours and authorities about the project, and initiated ground foundation throughout the property in preparation of construction. Construction is planned to begin in May of 2023 and take 9 months until completion. Further, the company placed orders for major equipment with long lead times.

Establishing a 70,000 tonnes greenfield facility for manufacture of pharmaceutical grade sodium alginate in accordance with cGMP at Avaldsnes in 2025.

- Alginor is well underway in designing a greenfield facility dedicated to manufacture of pharmaceutical grade alginates based on the stipe fraction at its industrial plot at Avaldsnes, located 700 metres from the food grade facility. Construction is planned to begin during the second half of 2024 and take 9–12 months until completion.
- In 2022, the company completed process designs and equipment specifications, and continued its development of quality systems related to manufacturing of pharmaceutical ingredients in accordance with cGMP.

EXHIBITIONS

In November, Alginor attended the Greener Manufacturing Show in Cologne, Germany, exhibiting food packaging solutions being developed in the Algefilm project for potential clients.

- A group of Alginor employees represented the company on the annual Greener Manufacturing Show in Cologne, Europe's leading event for showcasing environmental and sustainable manufacturing solutions.
- The company experienced great interest from potential clients interested in several of the company's planned product offerings, which has led ongoing dialogues with customers sharing the same values as Alginor.

Alginor's delegation to the Greener Manufacturing Show. Ilka Czech, Georg Kopplin, Vegard Tvedt, and Arild Steinnes.

THE BUSINESS OF ALGINOR

ABOUT ALGINOR ASA

Alginor is a fully integrated B2B biomarine ingredients company developing sustainable, high-value ingredients from brown macroalgae to industries within pharmaceuticals, food, feed and agriculture.

VALUE CHAIN OWNERSHIP: VERTICAL INTEGRATION OF CORE BUSINESS ACTIVITIES

UPSTREAM

Harvesting of *Laminaria hyperborea*

- Harvesting of fresh *Laminaria hyperborea* along the Norwegian coastline
- On-board raw material separation and pre-processing, resolving the need for toxic conservatives during harvesting
- Supplies intermediate feedstock to downstream facilities
- Vessel ownership and harvesting operations organised under wholly owned subsidiary Hypomar AS

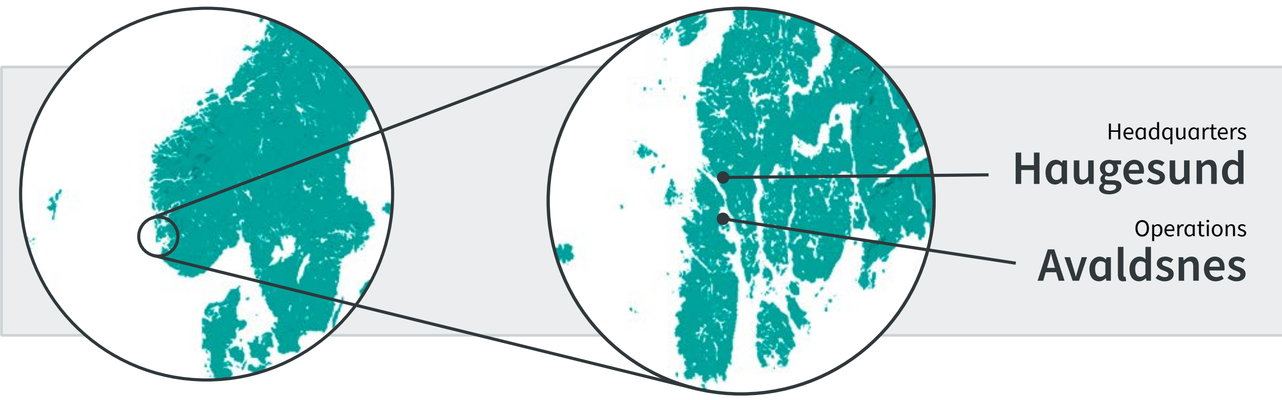
DOWNSTREAM

Valorisation of ingredients

- Valorisation of naturally occurring ingredients found in *Laminaria hyperborea* through biorefining with no toxic chemicals
- B2B markets including pharmaceuticals, food, cosmetics, feed and agriculture
- Priority on food and pharmaceutical grade alginates, and development, demonstration and upscaling of other portfolio ingredients
- Facility ownership and downstream operations organised under wholly owned subsidiaries Alginor Biorefinery AS and Alginor Pharma Ingredients AS

ALGINOR ASA

HYPOMAR AS	OEWA AS	ALGINOR BIOREFINERY AS	ALGINOR PHARMA INGREDIENTS AS	ALGINOR INDUSTRIAL ESTATE AS
Harvesting and pre-processing	R&D and testing laboratories	Biorefining, piloting and engineering	Pharma-grade production	Plots, buildings and infrastructure



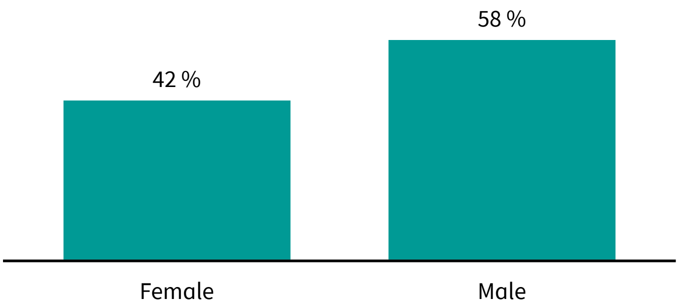
PEOPLE

Group headcount
45

New employees
12

Nationalities
7

Consultants
7



FINANCIAL INFORMATION

Total assets
MNOK 397

Cash and cash equivalents
MNOK 86.6

Net loss for the year
MNOK 17.4

Market capitalisation
MNOK 580

SHAREHOLDER INFORMATION

shares outstanding
16,575,685

shares held by employees & board members
1,242,635

individual shareholders
541

Shareholder	No. of shares	Ownership %
BNP Paribas	4,114,290	24.82
Borregaard AS	4,114,290	24.82
Jahatt AS	1,240,000	7.48
Zirconia AS	1,004,800	6.06
Jakob Hatteland Holding AS	914,290	5.52
Kverva Industrier AS	700,000	4.22
Amar Group AS	244,357	1.47
Helgøy Property Holding AS	240,215	1.45
Validé AS	230,500	1.39
Øyhatt AS	210,000	1.27
SUM TEN LARGEST	13,012,742	78.51

PREMIUM RAW MATERIALS

Norway is uniquely positioned for growth within markets requiring high-G alginate derived from wild-living kelp.

KELP DISTRIBUTION IN NORWAY

Laminaria hyperborea is one of many types of macroalgae found along the coast of Norway. *Laminaria digitata* ("oarweed"), *Saccharina latissima* ("sugar kelp") and *Saccorhiza polyschides* ("furbellow") are other common species, but they are dwarfed in abundance by *L. hyperborea*.

Kelp forests form an almost continuous band of biomass, spanning from the southern border with Sweden to the northern border with Russia. *L. hyperborea* can grow all the way from the tidal zone to depths of 30 metres if the light conditions are conducive for photosynthesis. Often, the different species of macroalgae form distinct belts along the coastline, where *L. hyperborea* typically prefers the lower depths.

All told, estimates put the total biomass of *L. hyperborea* at 100 million tonnes, whereof 60 million tonnes are located in Norway. Approximately 35 million fall within the regulated parcels (shown below in light green).

REGULATION IN NORWAY

In Norway, kelp harvesting is regulated by the Directorate of Fisheries and the counties Rogaland, Vestland, Møre og Romsdal, and Trøndelag, based on research conducted by the Institute of Marine Research.

The coastline in the above-mentioned counties is divided into approximately 450 parcels one nautical mile high. The parcels are numbered and have a suffix of A–E, with the intent that parcels with identical suffixes are open for harvest simultaneously for one year. With five different suffixes, this means each parcel is given an ample recovery period of four years.

The Institute of Marine Research inspects the health of the parcels and delivers its recommendations to the county councils which update legislation every five years.

STRATEGY & DEVELOPMENTS

A SOLID CORE BUSINESS WITH HIGH UPSIDE POTENTIAL

Implemented over three defined phases

A FULLY INTEGRATED VALUE CHAIN BASED ON A SUSTAINABLE CORE BUSINESS WITH HIGH UPSIDE POTENTIAL

Access to unique raw material	**56 million tonnes** Norway's biomass constitutes the largest occurrence of *Laminaria hyperborea* in the world	**5 million tonnes** Estimation of raw material available for harvesting in Norway each year
Harvesting of *Laminaria hyperborea*	**33,500 tonnes** Delivery of 33,500 tonnes harvesting vessel *Hypomar Ocean 1* is planned for Q1 2024	**100,000 tonnes** Planned long-term harvesting capacity based on three harvesting vessels
Clean biorefining with zero toxic chemicals	**Food & cGMP** Phase 2: Food grade manufacture of sodium alginate and industrial development of select portfolio ingredients Phase 3: Manufacture of pharmaceutical grade sodium alginate in accordance with cGMP	**12 ingredients** High upside potential based on valorisation of more ingredients made possible by Alginor's formaldehyde-free processes
Global B2B markets	**Key ingredients** Ingredients from *L. hyperborea* can play a key role in numerous industrial applications	**7 market segments** Ranging from pharma via cosmetics and nutraceuticals to feed and agri.

PHASE 1—COMPLETED

PILOTING—F1

Starting with the AORTA 2 project in 2020 and ending with the DACOTA project in 2022, Alginor has completed its piloting phase on harvesting and manufacture of high G sodium alginate.

- During the period, Alginor has carried out numerous integrated pilot campaigns aimed at developing a process for manufacture of low-viscous, high G sodium alginate, using material supplied by Hypomar Inceptor.
- The company has developed and demonstrated (through verification by customer) alginate prototypes conforming with all key criteria for, among other things, anti reflux applications.
- Certain prototypes have shown a gel strength superseding anything available on the market.

PHASE 1 CONCLUSIONS

With Hypomar Ocean and the biorefinery at Avaldsnes, Alginor is set to establish a profitable core business and a platform for further upscaling and development.

Alginor continues to follow the plan developed through the DACOTA project which was completed on 30 June 2022. During the project, however, it became clear to the company that there was an opportunity to scale dimensions significantly to 33,500 tonnes (previous target: 10,000 tonnes), facilitating an accelerated commercial pathway for food grade alginates.

Based on this, Alginor initiated four key adjustments:

1. Harvesting dimension raised from 10,000 to 33,500 tonnes, leading to the investment decision on *Hypomar Ocean 1*.

2. Downstream dimension raised from 10,000 to 33,500 tonnes, leading to the F3 project.

3. The F3 project: expansion of the existing facility at Husøyvegen 281 to accommodate increased dimensions on raw material reception, manufacture of food grade alginates and development of other ingredients.

4. The F4 project: In parallel, Alginor redefined and continued working on the F4 project related to manufacture of pharmaceutical grade sodium alginate in accordance with cGMP based on a dimension commensurate to 100,000 tonnes.

In lieu of a principal focus on demonstration, Alginor's goal with phase 2 is to establish a sustainable stand-alone business based principally based on food grade alginates and a platform for development of other portfolio ingredients. Phase 3, having a principal focus on large volumes of pharmaceutical grade sodium alginate, is being planned simultaneously through the F4 project and will be initiated shortly thereafter.

PHASE 1
COMPLETED

PHASE 2
ONGOING

PHASE 3
ONGOING

PHASE 2—ONGOING

Establishing a core business and a platform for further development

OVERVIEW OF MAIN ACTIVITIES IN PHASE 2

1. **Harvesting**: Establish and optimise harvestions operations and gradually scale up to 33,500 tonnes.
2. **Commercialisation**: Focus on penetrating the food market for high-G sodium alginate.
3. **Development**: Focus on development, demonstration and upscaling of other portfolio ingredients.

INTRODUCING HYPOMAR OCEAN, A MODERN GIANT IN THE NORWEGIAN SEAWEED HARVESTING INDUSTRY

Hypomar Ocean is the largest harvesting vessel to date in the Norwegian industry, and the first vessel with diesel/electric propulsion and on-board processing systems

Since 2019, harvesting of raw materials used in piloting activities has been carried out by Hypomar Inceptor, Alginor's first harvesting vessel, originally used as a support vessel in seismic surveying. While useful in piloting activities, Hypomar Inceptor lacks the capacity and functionality to meet Alginor's raw material needs when initiating phase 2.

In June 2022, Alginor placed an order for its first major harvesting vessel, Hypomar Ocean, with Fitjar Mekaniske Verksted AS based on design by Solstrand Trading and Alginor, with delivery planned for Q1 2024. Hypomar Ocean will, with its 33,500 tonnes technical capacity, fulfil the company's raw material needs in phase 2.

In parallel, Alginor is working on the design of Hypomar Ocean 2 in planning for phase 3, which will require two additional vessels.

At the steel-cutting ceremony held at Fitjar Mekaniske Verksted on 1 February 2023. FMV staff in visibility jackets: Project Manager Kjetil Nesbø, Alginor Chairman Thorleif Thormodsen, Production Manager Rune Rimmereid, Hypomar CEO Harald Fiskaaen, Alginor CEO Kjetil Rein, and Shipyard Manager Hugo Strand.

hypomar

LENGTH OVER ALL	BREADTH	ANNUAL CAPACITY	BATTERY CAPACITY
26.78 M	**10.40 M**	**33,500 T**	**1,000 KWH**

THE F3 PROJECT

In the F3 project, Alginor is designing a facility at Husøyvegen 281 for manufacture of alginates and other portfolio ingredients, such as fucoidans, cellulose, seaweed extracts, and borea leaf, including derivates thereof. Capacity is dimensioned in line with the harvesting capacity of 33,500 tonnes raw material. Market launch will be priority-based, with a predominant focus on food grade sodium alginate in the beginning.

Status

- Alginor has been working with the building's original engineer, Petter J. Rasmussen AS since 2020
- Existing facility has been renovated and the company's pilot has been transferred and installed
- Design of the new building is near completion
- Groundworks on the property have been completed
- Local authorities have approved the construction project and neighbours have been duly notified
- Alginor is working with Fernløf AS related to process design
- Process design has been completed. Process layout is near completion.
- Construction project at Husøyvegen 281
- Immediate quay/pier access

Data

- Three departments: reception, biorefining platform, and alginate line
- Reception capacity: 33,500 tonnes raw material
- Biorefining platform: development, demonstration, and upscaling of other portfolio ingredients
- Technical alginate output: 600 tonnes (food-grade)
- Infrastructure elements: actions aimed at minimising emissions
- BREEAM target: Excellent

Production Manager Silje Kristine Johannessen and CEO Kjetil Rein cutting the ribbon in the newly renovated pilot facility on 6 January 2023.

PHASE 3—ONGOING

THE F4 PROJECT

Through the F4 project, Alginor is working on establishing an industrial large-scale facility for manufacture of pharmaceutical grade high-G sodium alginate in accordance with cGMP (current Good Manufacturing Practice) based on *Laminaria hyperborea*.

Status

- Alginor secured the plot in a transaction with Karmsund Havn IKS in 2021
- Groundworks on the plot has been completed
- Alginor has a project group dedicated to working on the F4 project, incl. external consultants
- Process design has been completed
- Process layout is being designed
- Preliminary building design has been completed

Data

- Construction project at Stutøy, Avaldsnes
- Feedstock supplied by F3
- cGMP: Dedicated manufacture of pharmaceutical grade sodium alginate
- Two processing lines
- Technical output capacity: 2,400 tonnes
- BREEAM target: Excellent
- Infrastructure elements

ESG

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.

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.

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 anticorruption legislation and other applicable international anti-corruption laws and regulations.

R&D PROJECTS

Cellunor

Cellunor: Expanded knowledge on specialty cellulose.

Budget	Aid intensity	Duration	Funding ID
MNOK 32	50 %	2020–2022	337411

The Cellunor project focuses on development and optimisation of processes for extraction of kelp-based cellulose ingredients and derivates, including, e.g., nanocellulose, based on *L. hyperborea*, for various applications within pharmaceuticals, cosmetics, and nutraceuticals, e.g., dermal lotions and creams. Today, the kelp industry is characterised by alginate production and significant side streams that are often treated as waste. Alginor's business model is based on utilising all the ingredients in kelp. Crude kelp cellulose is a necessary by-product of the company's planned alginate production.

The project is closely linked to the company's core technologies of optimal raw material utilisation and increased value creation potential. The core idea of the project is to develop an environmentally friendly and cost-effective refining process for the kelp cellulose production, targeting global high-value niches in the pharmaceutical and cosmetic product markets. The project aims to develop a refining process with significant production advantages that require less energy and result in much lower emissions compared to existing cellulose production. Currently, the main source of cellulose is wood and other lignocellulosic biomasses. Extensive chemical treatment in multiple stages is necessary to refine the cellulose from these sources. Cellulose from kelp does not contain lignin, and similar treatment is not required. The refining process is expected to employ different and new production techniques. While cellulose from lignocellulosic biomass has been well-characterised through years of research and development, the properties of kelp cellulose are only described to a limited extent. Currently, there are no large-scale suppliers of cellulose based on kelp. Further research and development are therefore crucial for successfully utilisation of kelp cellulose in commercial products in the long term.

The development of kelp-based cellulose is an important step towards unlocking the value-creation potential of kelp biomass through the proper utilisation of the entire kelp. Dr. rer. nat. Ilka Czech in Alginor ASA is assigned as project manager. Project partners include Oewa AS, Alginor Biorefinery AS, and RISE PFI, a Norwegian research institute dedicated to biorefinery and cellulose-related research for close to 100 years. The project period is from 1 September 2022 until 31 August 2025. The project has a total budget of NOK 32 million and is funded at 50 % aid intensity by the Research Council of Norway.

CIRCALGAE

CIRCALGAE: CIRCular valorisation of industrial ALGAE waste streams into high-value products .

Budget	Alginor's share of budget	Duration	Funding ID
MEUR 10.3	**MEUR 0.75**	**2022–2026**	**101060607**

CIRCALGAE is a European Innovative Action project aiming to boost the blue bioeconomy by valorising currently underexploited side-streams in the micro and macroalgae industry.

21 European partners participate in this project. Beside Alginor, Ceamsa, Hispanagar, Nordic Seafarms are among the suppliers of macroalgae and biorefinery side-streams. The Spanish research institute IATA-CSIC and KTH Royal Institute of Technology will contribute with an in-depth characterisation of the side streams and identify underexploited high-value compounds with potential use food, feed, and cosmetic applications.

To obtain high-value phycocolloids, only green and water-based technologies will be used to transform side streams into value-added ingredients, to be used in specific texturised vegan foods, health-promoting food ingredients, protein-rich feed, and cosmetic formulations incorporating texturizing or highly bioactive ingredients for topical use. Among the potential end-users is RNB, Spanish manufacturer of skincare products and more than 60 new products launched every year. Further potential products are soaps, shampoos, and toothpaste developed by SAPONIA (Croatia) and Zeto (Iceland) and many more.

In addition to analysing and providing side streams from Alginor's own biorefinery, Alginor will investigate seasonal and regional variations in the raw material together with CSIC. Furthermore, a comprehensive report about the raw material supply (both microalgae and macroalgae) within Europe and along the European coastline will be compiled.

CIRCALGAE will connect all algae cross-sectional actors, including industrial end-user partners, RTOs, technological and consultancy SMEs, for the validation of all health-promoting effects and claims, regulatory aspects, and environmental, economic and social impacts, engaging all relevant stakeholders in the primary sector to re-shape the current industrial network for a future thriving blue bioeconomy.

The total budget for the project is €10.3 million, of which €0.75 million is allocated to Alginor. Aid intensity is 70 %.

Further information and regular updates can be found on the CIRCALGAE homepage: www.circalgae.eu

Fucomed

Fucomed: Fucoidan for biomedical applications.

Budget	Aid intensity	Duration	Funding ID
MNOK 23.2	70 %	2020–2024	310167

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.

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.

Alginor has developed a process ensuring high purity fucoidan while maintaining the molecular weight and high degree of sulfation. Since the beginning of the project, four scientific articles have been published, characterising the chemical structure of Alginor's fucoidan and evaluating different bioactive properties. Recently, the Kiel University together with Alginor and the Technical University of Denmark published a new research article about fucoidan and its use for treatment and prevention of the common eye disease AMD*. Age-related macular degeneration is the leading cause of severe vision loss in industrialised nations. Important factors for the development of AMD are inflammation, oxidative stress, and angiogenesis which can potentially be mitigated or prevented by using fucoidan.

In 2022 samples for analysis and application development have been send to all project partners.

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 %.

* Dörschmann, P., Akkurt, H., Kopplin, G., Mikkelsen, M. D., Meyer, A. S., Roider, J., & Klettner, A. (2023). Establishment of specific age-related macular degeneration relevant gene expression panels using porcine retinal pigment epithelium for assessing fucoidan bioactivity. *Experimental Eye Research, 231*.


After freeze drying 14,6 g
Identifier
OEWA-00930 R
Location
C4
cewa

Algefilm

Algefilm: Algae films replacing plastics in food packaging and disposable items

Budget	Aid intensity	Duration	Funding ID
MNOK 18	**70 %**	**2021–2024**	**327929**

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 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, during 2022 changing external factors made that Alginor, in close collaboration with the Norwegian Research Council, decided to prolong the project period until 15 August 2024. The total budget and funding remain the same.

CarboNor

CarboNor: Specialty celluloses from a marine resource.

Budget	Aid intensity	Duration	Funding ID
MNOK 8.2	**50 %**	**2020–2022**	**E!114505**

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 prohibitively expensive.

In the CarboNor project, alginate and cellulose was extracted and refined using Alginor's existing AORTA technology, and the main goal of the project was to further process these fractions into ingredients of unprecedented quality.

Enzymatic treatment is a potential mechanism for deriving guluronate oligomers from alginate polymers. In the project, enzymes made by two different bacterial strains were considered for upscaling, where one of the strains produced better yield than the other, which resulted in further development of this strain. Cultures were fermented in several pilot-scale cycles ranging from 1 to 150 litres. Further, the enzyme was extracted and purified, and the produced alginate was subjected to enzymatic treatment. This resulted in one fraction containing ultra-high purity oligomers of guluronic acids and one fraction degraded mannuronic acid as a precursor for bioplastics. Protocols have been developed and parameters dialled in for up-scaled production.

To manufacture nanocelluloses, a number of crude cellulose samples have been subjected to varying degree of refinement to optimise purity of native cellulose. Analyses of these show high degrees of purity and low hemicellulose and lignin content, with a low energy consumption, especially during the fibrillation process. Mechanical treatment as well as varying degree of TEMPO* oxidation were further used as pre-treatment methods before fibrillation into nanocellulose. Both pathways yield varying grades of nanocellulose, which indicates that the nanocellulose can be tailored into numerous characteristics and properties. Project outcome gave pure, viscous nanocelluloses with 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 concluded on 31 August 2022. The total budget was NOK 8.2 million and the project received 50 % aid intensity.

* $(CH_2)_3(CMe_2)_2NO$

ALEHOOP

ALEHOOP: Contributing to a reduction of the EU's dependency on imported proteins and the increase of raw material security.

Budget	Alginor's share of budget	Duration	Funding ID
MNOK 74	**MNOK 7**	**2020–2024**	**887259**

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.

Alginor has developed a process to produce protein enriched material from seaweed by-products and in 2022 delivered samples to all project partners for in-depth characterisation and assessment as a potential food or feed ingredient with high protein content.

News about the project are regularly posted on www.alehoop.eu.

POLYPHENOLS

Polyphenols: Analysis and bioprospecting of polyphenols from *Laminaria hyperborea* for applications as Life Science Ingredients.

Budget	Aid intensity	Duration	Funding ID
MNOK 2.3	**44.3 %**	**2019–2023**	**297507**

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 three articles in the different scientific journals, comparing different methods for polyphenol quantification like NMR, HPLC-DAD and the Folin-Ciocalteu assay to achieve high accuracy in their measurements. Polyphenols and carotenoids from *L. hyperborea* have been extracted and separated into multiple fractions. The purified fractions have been analysed using mass spectrometry (MS), NMR, Raman and IR spectroscopy. Several species of phenolic compounds have been identified in *L. hyperborea* for the first time. Sulfated phenolic acids and phlorotannins, which do not occur in terrestrial plants, have been found. The research culminated in a highly relevant scientific publication in the journal Algal Research*.

Several purified fractions of polyphenols were analysed at Haukeland University Hospital in Bergen and at the University of Tromsø to assess their bioactive properties. Further academic papers are underway.

* Wekre, M. E., Holmelid, B., Underhaug, J., Pedersen, B., Kopplin, G., & Jordheim, M. (2023). Characterization of high value products in the side-stream of *Laminaria hyperborea* alginate production - Targeting the phenolic content. *Algal Research, 72.*

THE BOARD OF DIRECTORS

OVERVIEW & REPORT

THE BOARD OF DIRECTORS OF ALGINOR ASA

Thorleif Thormodsen
Chairman

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.

Siv Gausdal Eriksen
Member

Member of the board since 17 June 2022.

Siv Gausdal Eriksen is a Director of Operations in Apotek 1 Gruppen. She has previously worked as a pharmacist and 10 years as Regional Manager. She established and ran two independent pharmacies and had a key role in establishing the Apotek 1 pharmacy chain. Siv holds a cand.pharm. degree from the Universty of Oslo and has served as a board member in Apotek 1 Gruppen and Seagarden ASA.

Siv holds no shares or warrants 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 Business Developer in 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 works with 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.

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 6 August 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.

Kristine Klaveness
Member

Member of the board since 17 June 2022.

Kristine Klaveness is Chairperson of Klaveness Marine and serves on the board of a number of other companies, organisations and foundations. She has previously worked in shipping, finance and consulting. She obtained a BA (Hons) in Economics from Princeton University and an MBA from IMD in Lausanne, Switzerland.

Kristine holds 4,650 shares in Alginor ASA via her wholly owned company Kkn Equity AS.

REPORT OF THE BOARD OF DIRECTORS

1. OVERVIEW

Alginor (the "Company", and together with its consolidated subsidiaries, the "Group") is developing a fully integrated value chain based on sustainable harvesting and biorefining of the brown macroalgae *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 natural ingredients including alginates, cellulose and fucoidans, to numerous industries, including pharmaceuticals, personal care, food, feed and agriculture.

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

The Group's current focus is on establishing integrated operations based on 33,500 tonnes *L. hyperborea* (raised from 10,000 tonnes). After completion of these investment projects, the Group will employ a priority-based market introduction for its planned ingredients, having a predominant focus on alginates in the beginning. In the long-term, the Group seeks to valorise and commercialise all ingredients derived from the raw material.

The Group's headquarter and main laboratory are located in Haugesund, Norway. The Group's pilot facility is located at Avaldsnes, Norway (previously in Skudeneshavn). Investor relations, finance, and legal functions are carried out from Oslo, Norway.

2. HIGHLIGHTS 2022

DACOTA was completed on 30 June

On 30 June 2022 and after 20 months, the Group completed the DACOTA project—the Group's largest project to date. The Group was awarded the project in 2020 through the EIC Accelerator's "Green Deal" call. Initially, the aim of the project was to develop a demonstration facility for the Group's value chain dimensioned for 10,000 tonnes. During the project, target dimensions were changed to 33,500 tonnes based on, among other things, changes in regulations affecting the size of the Group's planned harvesting vessel, and a better understanding of the possibilities on the property at Husøyvegen 281 at Avaldsnes.

Hypomar Ocean

Throughout the year, the Group's focus has been on implementation and further development of project results. Most notably, the DACOTA led to the Group placing an order for its first commercial harvesting vessel, *Hypomar Ocean 1*. The vessel is under construction in Norway by Fitjar Mekaniske Verksted AS based on design by Solstrand Trading AS and Alginor and has expected delivery in Q1 2024. When completed, *Hypomar Ocean 1* will be the industry's largest and most sophisticated vessel to date, spanning 26.78 metres overall and being equipped with electrically driven on-board production systems designed to separate and pre-treat the kelp. The vessel's propulsion and on-board processing systems will be fuelled by a diesel/electric battery hybrid, whereof the installed battery power on-board will be 1,000 kWh. The electrification of the vessel is supported by a NOK 14.5 million grant from ENOVA.

Sodium alginate prototypes

In 2022, the Group continued the work from 2021 and regularly carried out manufacturing campaigns on high-gelling sodium alginate at its pilot in Skudeneshavn. Prototypes were sent to select customers for testing of key parameters and specifications. Customer feedback was positive, indicating that the Group's technology and manufacturing process are able to achieve the target quality specifications on alginates. On certain key parameters, the Group's prototypes surpassed customer expectations.

Husøyvegen 281 at Avaldsnes

In August and after a 6-month delay, the Group was formally assigned title and ownership to the facility and plot at Husøyvegen 281 at Avaldsnes from Jakob Hatteland Bygg AS for a consideration of NOK 29.2 million. The plot has a footprint of 6,700 m^2 and a 2,400 m^2 building area. In 2022, the Group completed ground works throughout the plot to facilitate for its planned building expansion for a total investment of NOK 5.7 million. The existing facility has immediate access to a quay and pier, which is particularly advantageous for off-loading raw materials, as well as other relevant infrastructure, e.g., the international cargo terminal at Husøy.

The Company's pilot (F1) has been moved from Skudeneshavn to Avaldsnes

Throughout the year, the Group moved relevant personnel to the facility at Husøyvegen 281 and completed partial renovations of the existing facility to facilitate the transfer of

F1 from Skudeneshavn to Avaldsnes, which was completed late in 2022.

Installed and upgraded pilot (F2) at Avaldsnes

F2 has been installed in the renovated area of the existing facility at Avaldsnes. The production area has a footprint of 700 m^2. Additional space and delivery of new equipment have led to a significant scale increase compared to F1 and enabled the Group to consistently carry out more comprehensive and continuous manufacturing of samples.

Phase 2—the biorefinery (F3) at Avaldsnes

Based on the DACOTA project, the Group has been developing a construction project related to Husøyvegen 281, which, among other things, will expand the building area significantly. Here and going into phase 2, the Group intends to establish the F3 facility, which will include the following main activities:

- raw material handling and manufacture of food grade sodium alginate; and
- technology demonstration and further development of other target ingredients and side streams.

The facility will be dimensioned on par with *Hypomar Ocean 1*'s harvesting capacity of 33,500 tonnes.

Phase 3—the greenfield project for an API facility (F4) at Avaldsnes is underway

In parallel with phase 2, the Group has continued developing phase 3 of its industrial plan at Avaldsnes related to F4. In 2021, the Group acquired plots totalling 31,454 m^2 from Karmsund Havn IKS located 700 metres from Husøyvegen 281 for a total consideration of NOK 84 million, which was completed early in 2022.

Here, the Group intends to construct a 70,000 tonnes greenfield facility dedicated to manufacture of pharmaceutical grade high-gelling sodium alginate in accordance with current Good Manufacturing Practice (cGMP). The process will be based on the same technology being incorporated during stage 2 (F3), with the key differences being scale and regulatory regimen.

Technology & projects

Development budget overview

The Group's development budget has been and is principally related to interlinked projects generally focused on achieving total utilisation through valorisation of ingredients and side streams, and specifically on target ingredients for early commercialisation, including alginates, celluloses and fucoidans.

Amounts in NOK million	
Total budget	214.2
Accumulated cost	146.6
Grants	134.6
Activated in the balance sheet	55.0

The cellulose fraction

In 2022, the Group acquired a patent and a patent application on fibrillation of algae cellulose from LTU Licens AB, aligning with the Cellunor project awarded through the Norwegian Research Council's call "Innovation Project for the Industrial Sector 2022". The goal of the Cellunor project is to further the development of speciality celluloses from *L. hyperborea*, including nanocelluloses (CNF/CNC), microcrystalline celluloses (MCC) and powdered cellulose, to industries within wound healing and skin care, among others. The project has been approved for a gross budget of NOK 32 million for the period 2022–2025 with NOK 16 million in grant funding. Project participants include Group subsidiaries Hypomar AS and Oewa AS, and RISE PFI AS.

CIRCALGAE—utilisation of side streams

The Group is participating in the CIRCALGAE project, which was awarded through Horizon Europe with a budget exceeding €10 million over 4 years. The project is coordinated by KTH Royal institute of Technology in Stockholm and includes 21 participants from 11 countries. The project focuses on utilising waste streams from algae manufacturing processes based on various types of wild and cultivated seaweeds for high-value products, which in extreme cases involves up to 95 % of the initial biomass. Alginor's budget in the project is €750 thousand, which includes a €525 thousand grant from the European Commission.

3. FINANCIAL INFORMATION

Profit/loss

The Group's had no revenue or operating income in 2022, down from NOK 165 thousand in 2021. Net loss for the Group in 2022 was NOK 17.43 million compared to a net loss of NOK 16.06 million in 2021. The main factor contributing to the increased loss was a significant increase in personnel expenses due to new hires, whereas a reduction in other operating expenses contributed positively to the Group's net loss for the period. The personnel expense related to warrants was NOK 4.87 million in 2022, up from NOK 3.73 million in 2021. Depreciation and amortisation for the Group totalled NOK 3.09 million compared to NOK 2.84 million in 2021.

Balance Sheet

Total assets were NOK 397.42 million, down from NOK 419.85 million in 2021. The decrease in assets stems from loss for the period, depreciation and reduced cash holdings. Intangible assets were NOK 63.05 million, up from NOK 43.64 million in 2021, stemming from development expenses incurred through publicly funded projects being capitalised as net expenses after deduction of government grants, together with capitalisation of IPR-related activities, including patents. Total current receivables at year end were NOK 9.63 million, up from NOK 9.03 million in 2021. Receivables are comprised of government grants related to ongoing publicly funded projects. Tangible assets increased to NOK 237 million, up from NOK 49.5 million in 2021, mainly due to the acquisition of the industrial plots at Avaldsnes, prepayments on the construction of the harvesting vessel and new machinery and equipment related to the pilot and the planned facility at Husøyvegen 281. Group equity was NOK 384.44 million (96.7 % equity ratio) as of 31 December 2022 compared to NOK 396.65 million (94.5 % equity ratio) in 2021. The Group share capital was NOK 16,575,685 (NOK 16,500,685) and the share premium was NOK 417,994,878 (NOK 412,845,691). The Group had no interest-bearing long-term debt due to repayment of all outstanding interest-bearing long-term loans in 2021. Total current liabilities amounted to NOK 8.3 million in 2021, down from NOK 19.6 million in 2021. Accounts payable/trade creditors liabilities was NOK 1.4 million at year end, down from NOK 3 million in 2021.

Cash Flow and Liquidity

The Group's cash flow statement shows a net change in cash and cash equivalents for 2022 of negative NOK 229,752,838 compared to NOK 310,512,547 in 2021. The cash and cash equivalents were NOK 86,640,532 at year end, down from NOK 316,393,371 at year end in 2021. The total cash liquidity of the Group was NOK 86,640,532 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 12.75 million in 2022, compared to NOK 10.82 million in 2021. The increase in net loss is primarily attributed to an increase in personnel expenses due to new hires, whereas a reduction in other operating expenses had a positive effect on the Company's net loss. Total assets were NOK 411.4 million, down from NOK 424.7 million in 2021. The significant increase is primarily a result of cash derived from capital placements carried out in 2021. Financial fixed assets amounted to NOK 271.2 million, up from NOK 241.4 million in 2020. Cash and cash equivalents were NOK 16.8 million, down from NOK 108 million in 2021, resulting from the internal transfer of funds within the Group. Total equity was NOK 396.8 million, down from NOK 404.3 million in 2021. Non-current liabilities were NOK 4.23 million, up from NOK 2.37 million in 2021. The board of directors has proposed that the net loss is allocated to uncovered loss.

4. GOING CONCERN

The Group completed the DACOTA project on 30 June 2022 and is en route to further develop and implement the project results. The Group intends to and has the means to establish and complete stage 2 of its industrial plan at Avaldsnes. The Group has already ordered its first commercial harvesting vessel, and acquired plots and buildings needed to scale the Company's operations first to 33,500 tonnes, and then to 100,000 tonnes. The Group has solid funding stemming from the share placements carried out in 2021 and is in a good position to seek necessary debt financing. It is the board's opinion that Alginor has good prospects, growth potential and the opportunity to create a profitable business going forward through exclusive use of its innovative processes covering its integrated value chain. 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 17,427,995 to the Group's retained earnings .

6. PROJECTS

Per 31 December 2022, the Group's total gross project budget for the period 2014–2026 is NOK 214 million.

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 Europe and the EIC Accelerator.

The Group's strategy is to apply for funding through such programmes whenever the Group has identified a project with potential significant impact on Group's ongoing or future commercial activities. As such, the Group intends to launch further initiatives in 2023 and onward.

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 15.9 million has incurred as of 31 December 2022. The project is on track, and it is scheduled to be completed during 2023.

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 5.6 million has incurred as of 31 December 2022.

The **Cellunor** project started in 2022 and is scheduled to conclude in 2025. The project has a total budget of NOK 32 million, of which the Research Council of Norway is expected to fund NOK 16 million. The project explores cellulose extracted from *L. hyperborea*. The overarching goal is to develop optimised and cost-effective extraction methods of kelp-based cellulose ingredients, e.g., microcrystalline cellulose (MCC), nanocelluloses (NCC) and cellulose powders, for use in pharmaceutical and cosmetic products, e.g., for wound-healing and skin care. NOK 1.8 million has incurred as of 31 December 2022.

ALEHOOP is a joint undertaking between 17 partners funded by the EUs Horizon 2020 framework programme. The project was awarded in June 2020 and aims to develop and validate new bio-based specialty ingredients (proteins and amino-acids) for high-end markets from by-products from algae and legumes. NOK 5.5 million has incurred as of 31 December 2022.

CIRCALGAE is a collaborative project between 21 partners, funded by the EUs Horizon Europe framework programme. The objective of the project is to turn waste streams from micro and macro algae into ingredients for food, feed and cosmetics. NOK 200 thousand has incurred as of 31 December 2022.

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 stage 2 is 33,500 tonnes (0.054 % 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 to shareholders without compromising stakeholders' interests.

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 Fucomed, Cellunor and Algefilm, with a consistent focus on developing technologies that contribute to increased raw material utilisation and limited use of chemicals. 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 CO_2e emissions from its future operations. For example, the Group's first harvesting vessel is being equipped with a 1,000-kWh battery package running on land-based electricity, which will power the on-board processing facility and reduce propulsion diesel usage. Further, the Group is aiming for BREEAM certification of its planned facilities F3 and F4. Moreover, the Group is in the process of carrying out a Life Cycle Analyses 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.

The Group will only establish relationships with credible suppliers and business partners that share the Group's values, ethics and business guidelines. The Group's suppliers and business partners shall act in compliance with applicable laws, acknowledge and support human rights, and adhere to ethical standards compatible with those of the Group. Suppliers and business partners are required to complete the Group's due diligence procedures and meet the Group's requirements before any business relationship can be established and reaffirm such compliance at least once every two years.

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.

The Group has purchased and maintain 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 policy is issued by a reputable, specialised insurer with appropriate rating.

The Transparency Act

The Group has prepared a report pursuant to the Norwegian Transparency Act available on www.alginor.no.

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.

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 2022, 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 2022, outstanding warrants held by employees of the Company were 1,457,500, corresponding to approximately 8.8 % of the Company's outstanding shares.

The Group seeks to offer competitive but not leading wages to its employees. Further, the Group aims to facilitate professional and personal development and growth through offering relevant courses, seminars, studies, etc. to its employees.

Regulatory risk

Harvesting

Regulated 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.

Currently, no license is required to harvest *L. hyperborea* in Norway. In the future, however, Norwegian authorities could decide to pass regulations requiring such license. If, and when, such regulations come into effect, the Group's business will be highly dependent on acquiring such licenses in order to continue its harvesting operations and ensuring sufficient supplies of raw materials. While the Group is confident that it would be prioritised in such an event, there can ultimately be no assurances that the Group will be issued such licenses. In such an event, and provided that the Group is unsuccessful in acquiring necessary licenses and unable to establish other sources of required raw materials, the passing of such regulations will likely have a material adverse effect on the Group's business, results of operations, financial conditions, and future prospects.

Prevailing regulations related to harvesting and vessel ownership may be amended in the future. Pursuant to the Norwegian Participation Act (Nor.: *Deltakerloven*), vessels participating in harvesting of, among other things, *L. hyperborea*, must have at least 50 % Norwegian ownership, limiting participation from foreign owned vessels. The Ministry of Trade, Industry and Fisheries has since 2016 been in the process of evaluating an exception related to the harvest of *L. hyperborea*, and is currently not enforcing the regulation towards foreign participants. Changes to such regulations facilitating foreign participation in the harvest could lead to increased competition from foreign players seeking to gain a presence within the Norwegian harvesting industry. The board and the Group's executive management will continue to monitor any changes to such regulations.

Ingredients

Several of the Group's ingredients will require regulatory authorisation to be used in customers' end products within, inter alia, pharmaceutical, food, feed and agricultural markets. Certain of the Group's planned ingredients already hold such regulatory authorisation, e.g., alginates used in food and feed additives, representing marginal regulatory risk on an ingredient level. Developing other and new ingredients will require regulatory authorisation before prospect customers can legally use these ingredients in their end products, e.g., CEP (Certificate of Suitability) certification for use as active pharmaceutical ingredient (API) and/or novel food or food additive authorisations for food use. Generally, processes associated with achieving such regulatory approvals are intensive on resources, time, and costs. The Group's has experienced personnel dedicated to regulatory compliance and authorisation procedures for commercialisation of the Group's planned product portfolio. Moreover, the Group is working closely with professional regulatory service providers on each market segment with a view to mitigate and minimise any regulatory risks on the ingredient level.

Manufacturing

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 (as a prerequisite for

CEP certification), which may in turn have a material adverse effect on the Group's business, results of operations, financial condition, speed to market, breach of customer contracts/ agreements, reputation and future prospects. An unsuccessful authorisation at the manufacturing level may occur due to; wrong process equipment (requiring new equipment with potential long lead time), building layout (requiring extensive rebuilding where lack of space may be an issue), insufficient documentation and traceability, etc.

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* 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.

Ocean acidification

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.

Invasive and competing species

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 Central and Northern Norway (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.

The Group is aware of issues pertaining to inadequate treatment of agricultural runoff and invasive species introduced via, e.g., ballast water. In particular, a collection of macroalgae known as *lurv* has established itself in the Oslofjord in recent years and in some areas displaced endemic species of macroalgae. *Lurv* thrives particularly well in eutrophicated waters, often caused by excessive and incomplete treatment of agricultural runoff. At current, however, there are no indications that *lurv* has had a negative impact on the population of *L. hyperborea*. Further, *lurv* favours sheltered conditions and is therefore unlikely to establish a presence in marine areas exposed to strong currents and harsh weather conditions. Therefore, based on the information currently available to the Group, it is considered unlikely that *lurv* will pose a significant threat to *L. hyperborea* and its habitat in the immediate future.

Issues related to climate effects

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, concluded on 30 June 2022. Further development and implementation of the project findings will continue to require that the Group's executive management 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.

Infrastructure risk at Husøy, Avaldsnes

The Group's base of operations is located at the industrial area of Husøy at Avaldsnes, which could expose the Group to the risk factors listed below:

Potable water

In general, the municipality of Karmøy has an obligation to provide drinking-quality water to each industrial plot at Avaldsnes at a minimum of 10 litres per second (86 m^3 per day). This may not be sufficient to support the Group's planned activities at Avaldsnes. To mitigate potential issues related to water supplies, the Group is considering producing its own freshwater through, e.g., reverse osmosis and/or evaporation based on nearby salt water. Among other things, this will require building a tunnel to the bottom of Karmsundet, reaching an area where the water quality is acceptable. Building such a tunnel will require approval from the County Governor (Nor.: *Statsforvalteren*). If the current water supply to the Avaldsnes plots proves insufficient, and if the Group is not able to procure enough water for its planned activities through its own production, e.g., because the Country Governor denies the application related to the tunnel or because the salt water quality is insufficient to support the Group's activities, and the Group is unable to secure sufficient supply through any other means, the Group's may be forced to initiate measures including, but not limited to, the downscaling of its planned activities or moving its operations to an area with sufficient access to water, which could materially affect the Group's production, profitability, and future prospects, and lead to significant delays and/or economic loss.

Electricity & natural gas

Haugaland Kraft AS and its subsidiary transmission system operator Fagne AS, are jointly responsible for supplying and transmitting electricity to the industrial area at Avaldsnes. Recent reports have stated that there are challenges related to both supply and transmission of electrical power. The supply and transmission to Husøyvegen 281 (F3) are considered sufficient and currently unaffected by these challenges. On the F4 plots, the Group has been prefigured 1 megawatt per plot. The Group, however, will apply for 3 MW for each plot to be fully saturated. While there are ongoing projects related to these issues, e.g., the Blåfalli–Gismarvik powerline, it may take years (2027–2028 or later) before such initiatives are up and running. In the interim, it may be necessary for the Group to utilise natural gas in lieu of electrical power; natural gas is supplied in abundance to Avaldsnes. During the transition period, and provided that the Group must rely on natural gas or other power sources to satisfy its energy requirements, it is expected to have a negative impact on the Group's overall CO_2e emissions throughout the period, which may, among other things, damage the Group's reputation and/or ratings related to sustainability. If the Group is unable to secure sufficient to energy to the F4 plots, the Group may ultimately have to find substitute plots for its planned activities. In such an event and among other things, the Group's planned activities may, in part or in whole, be significantly postponed or abandoned, which could have a material adverse effect on the Group's business, operations, profitability and future prospects.

Wastewater

The Group's plots at Avaldsnes will be connected to the municipality of Karmøy's wastewater systems. Prior to entering these drainage systems, any water used in industrial processes must be cleansed and neutralised in accordance with prevailing regulations. Existing manufacturers at Avaldsnes use joint pipelines for these purposes. At current, it is not clear to the Group if existing pipelines can support additional connections. The Group may therefore be unable to utilise existing pipelines. In such an event, the Group would consider installing its own pipeline, which would require approval from the municipality of Karmøy and the County Governor. Under these circumstances, the Group holds it likely that such approvals would be granted. If such approvals are not issued in a timely manner, however, or at all, the Group may be prohibited from operating its facilities according to planned schedules, if at all, which could have a material and adverse effect on the Group's business, operations, profitability and future prospects.

Market risk

The Group had no external sales of finished ingredients in 2022 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 2023. In 2021, the Group anticipated a possible market entry for alginates, and possibly fucoidans and cellulose in late 2023 or early 2024. However, due to a six month delayed takeover of Ydra, and most importantly the adjusted dimensioning and subsequent redesign of downstream facilities related to phase 2, this is less likely. The Group's current prognosis, subject to change, is a possible market entry within 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's exposure to liquidity risk has increased gradually in 2022 following the implementation of the Group's investment programme and two major one-time payments in cash in consideration of the Group's acquired real estate properties at Avaldsnes, the latter of which reduced 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 2023 through, among other things, bank loan financing. The Group is currently not exposed to credit risk.

Currency Risk

The Group holds most of its assets in Norwegian kroner (NOK). The Group has limited exposure to currency fluctuations in euro (€) related to certain grant receivables. Conversely, most of the Group's capital expenditure related to parts and equipment is in euro and carries more significant exposure to currency fluctuations. Currently, no specific hedging measures have been implemented to manage exposure to currency fluctuations.

Up to 90 % of the Group's future revenues are expected 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. Such hedging measures may, however, be implemented when and to the extent they are deemed relevant by the board.

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.

Intellectual property rights

The Group depends on its intellectual property rights and will rigorously defend and take appropriate action, including legal action, against any infringement, misappropriation or any other violation of such rights made by third parties. Patenting is the Group's preferred protection method of its intellectual property rights, and the Group will apply for patents whenever there is reasonable assurance that the underlying innovation could be of significant commercial value to the Group. The Group relies on internationally renowned, external experts when assessing patenting and protection of intellectual property rights in general.

The Group is involved in numerous projects which could lead to results, patentable or otherwise, that may be of significant commercial interest to the Group. The Group's general guideline related to such projects is to ensure that the Group's commercial interests are well-protected, both generally and within the project. In general, the Group insists on strict and predictable regulations pertaining to intellectual property rights amongst project participants. As a general rule, the Group will at a minimum ensure that it retains ownership to any such rights brought into a project, and ownership to any results produced solely by the Group within such projects.

Further, the Group will at a minimum insist on confidentiality agreements preventing project partners and related third parties from disclosing proprietary information, and strict regulation on dissemination related to project results that could be patentable.

Infringement, misappropriation or any other violation of the Group's intellectual property rights made by third parties could have a material adverse impact on the Group's profitability and its future prospects, and may entail significant legal fees depending on the scope of the legal action and the nature of the violation, with no guarantee of the Group being granted an award adequate to its economic loss, if at all.

9. REMUNERATION OF THE GROUP'S EXECUTIVE MANAGEMENT

The board seeks to provide competitive yet 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 2022. 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. No warrants were issued to executive management or the CEO in 2022. As of 31 December 2022, the Group's CEO held 185,000 warrants.

10. SHAREHOLDER MATTERS

All shares in Alginor ASA carry equal rights and are freely tradeable. The total number of shares outstanding as of 31 December 2022 was 16,575,685, including 55,200 treasury shares held by the Company. The total number of shareholders was 541. No new shares were issued in 2022 other than through exercise of warrants. The latest available share price, based on the issuance of new shares in 2021, was NOK 35 (NOK 175 pre-split).

Warrants outstanding per 31 December 2022 was 1,457,500, corresponding to approximately 8.8 % of the Company's outstanding shares. Two 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 2022, 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 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.

As of 13 April 2023, the tranche D placement has been executed by Borregaard AS. See section 13 for more information.

11. ORGANISATION AND WORKING ENVIRONMENT

As of 31 December 2022, the Group had 45 employees (33), whereof 3 where hired part-time and 42 were full-time employees (30).

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 2022, the workforce consisted of 19 women and 26 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 2022. The sick leave rate for the Group in 2022 was 1.8 % (1.7 % in 2021). It is the board's opinion that the Group's working environment is good.

12. HEALTH, SAFETY AND ENVIRONMENT (HSE)

Activities in the Group's pilot production facility at Skudeneshavn increased significantly throughout 2022, before being transferred to Avaldsnes late in 2022. Raw material harvesting, ASM production and small-scale production of alginates occurred continuously through 2022, although still operated at a limited scale with minimal or insignificant environmental impact. The Group does not use

* 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.

liquid formaldehyde and has put in place strict procedures for any handling of standard process chemicals that may expose personnel or property to harm during any stage of its operations or processes. The Group completed 2022 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 anticipates no direct ocean release of biomass or toxic and/or hazardous chemicals requiring special permits from its facilities, 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

Borregaard has executed tranche D one year prior to expiry

On 13 April 2023, Borregaard announced its decision to execute tranche D of the investment agreement for a total of 3,420,000 new shares in Alginor ASA at the predetermined price of NOK 35.00 per share, increasing Borregaard's ownership in Alginor ASA to 35 % on a fully diluted basis. Equity proceeds from the transaction was approximately NOK 120 million. After the transaction and per 30 April the Group's liquidity reserve was NOK 192.5 million.

Hypomar AS has secured complete financing of Hypomar Ocean 1

The Group's subsidiary, Hypomar AS, has entered into an agreement with DNB ASA and Export Finance Norway (Eksfin) on debt financing of *Hypomar Ocean 1* for an amount of NOK 52.5 million. *Hypomar Ocean 1* is now fully financed.

Board resolution on the F3 project at Husøyvegen 281

The board of directors has formally decided to go forward with the investments needed to transition into stage 2 of the Group's industrial plan. This includes raising dimensions from 10,000 to 33,500 tonnes with all its implications on infrastructure, building and equipment. The stage 2 facility at Husøyvegen 281 is being designed for manufacture of alginates and other portfolio ingredients, such as fucoidans, cellulose, seaweed extracts, and borea leaf, including derivates thereof. Capacity is dimensioned in line with the harvesting capacity of 33,500 tonnes raw material. It is important to note, however, that the market launch will be priority-based, with a predominant focus on sodium alginate in the beginning.

When completed, the facility will house the following departments:

- Demonstration area (F2)
- Raw material reception
- Extracts
- Recovery unit for ingredients and side streams
- Manufacturing line for food grade sodium alginate
- Integrated utility unit

The project will be realised in the Group's wholly owned subsidiary, Alginor Biorefinery AS.

Board resolution to expand the quay at Husøyvegen 281

The board of directors has approved expansion of the quay at Husøyvegen 281 for a total investment of NOK 7 million. The expansion is necessary for expanding the storage for raw materials awaiting transport to the processing area.

Board resolution to expand the pier at Husøyvegen 281

The board has approved an engineering project for a 500 m^2 expansion of the pier at Husøyvegen 281 with a budget of NOK 25 million. The expansion is related to streamlining the off-loading of raw materials supplied by *Hypomar Ocean 1*. An investment decision is expected in August 2023.

Transaction with Pelagia AS expanding the footprint of Husøyvegen 281

The Group has approved a NOK 5.5 million transaction with Pelagia AS related to a 1,500 m^2 plot adjacent to the facility at Husøyvegen 281 AS.

Board resolution on the F4 project at Avaldsnes

The Group has formally approved an engineering project related to F4/phase 3 on the development of a facility for manufacture of pharmaceutical grade sodium alginate in accordance with cGMP. The project will be managed and coordinated by three external consultants from Afry AS, working in conjunction with a steering committee appointed by the Group.

The project will be realised in the Group's wholly owned subsidiary, Alginor Pharma Ingredients AS.

Strengthened competence in the Group's subsidiaries

Borregaard employees Martin Lersch (CTO Business Development) and Paul Romberg (Director Acquisitions and New investments) have been appointed as board members in Alginor Biorefinery AS. Further, Borregaard employee Viggo Waagen (Chief Risk Officer) and outgoing board member of Alginor ASA, Siv Gausdal Eriksen, have been appointed to the board in Alginor Pharmaceutical Ingredients AS. Lastly, outgoing board member of Alginor ASA, Bjørn Bugge, has been appointed to the board in Hypomar AS and Alginor Industrial Estate AS.

It is the board's opinion that all prospects are highly qualified for the upcoming activities within the subsidiaries in question.

Established Oewa UK Limited

The Group has established a subsidiary, Oewa UK Limited, in the United Kingdom.

14. OUTLOOK

Based on the DACOTA project, which was concluded midyear in 2022, the Group has refined and initiated two industrial core projects, F3 and F4, which will be the Group's principal focus going forward. Overall, the Group's progress on these projects have been good in 2022, creating a strong basis for further development and final execution. The Group is considered well-positioned and capable to carry out both projects, and the Group has immediate and continuous access to relevant external expertise whenever needed.

The Group has further amplified its knowledge and expertise through its piloting efforts, as well as through new hires with significant industry experience across different core aspects of the business. As such, the Group is considered well-positioned to understand and solve the broader challenges that may arise in connection with the Group's core projects.

The Group has prepared well for the undertaking of its planned harvesting operations, which is expected to launch gradually in 2024 following the delivery of *Hypomar Ocean 1*. The Group has continuously conducted small-scale harvesting of *L. hyperborea* since acquiring Hypomar Inceptor in 2019 and the Group's personnel has gained relevant experience throughout this period. The Group plans to employ key personnel on harvesting activities through its wholly owned subsidiary Hypomar AS, some of which have already been hired, complementing and strengthening the Group's competence on harvesting. Further, the Group has developed a sophisticated model for day-to-day scheduling of its harvesting activities going several years in advance, facilitating an efficient harvesting operation.

In 2022, the combination of increased prices on commodities, most notably steel, and the weakening of the Norwegian krone (NOK) to euro (€), had a noticeable impact on the Group's capital expenditure related to *Hypomar Ocean 1* and equipment. While the price of steel is seemingly making a return to normal historic levels, the Norwegian krone to euro continues to be particularly weak. If this trend continues through 2023 and 2024, the Group will undoubtedly face greater expenditure related to procurement of equipment seeing as much of its suppliers require payment in euros. Further, steel is a core ingredient in the Group's construction projects, and a spike in the steel price could significantly increase the Group's expenditure related to these projects. The board and the Group's executive management are monitoring these trends in view of the Group's liquidity on a continuous basis, and will, if necessary, ultimately postpone certain investments until adequate financing has been secured. At current, however, these factors are not expected to have an immediate impact on the Group's planned investments.

The Group plans to seek admission to listing and trading of the Alginor ASA share on the Euronext stock exchange in Oslo, Norway, in 2024, if deemed appropriate based on prevailing market conditions are favourable and the Group's development. Preparations related to the listing process are expected to commence early in 2024.

Haugesund, 22 June 2023

The Board of Directors of Alginor ASA

Signed

Thorleif Thormodsen
Chair

Signed

Åse Tveit Samdal

Signed

Bjørn Bugge

Signed

Kristine Klaveness

Signed

Gisle Løhre Johansen

Signed

Hans Sandvold

Signed

Siv Gausdal Eriksen

Signed

Kjetil Rein
CEO

REMEMBERING

ARILD STEINNES

On 10 February 2023, our dear friend and colleague Arild Steinnes passed away. Arild dedicated his professional life to alginate and came out of retirement to assist and guide Alginor. He garnered our utmost respect and was recognised in the industry as an expert figure and a pioneer. Over the years and until his last day, Arild made crucial contributions which in many ways shaped Alginor's progression, and he leaves behind him a legacy as an innovator and a mentor. This ever-youthful presence and persona, endless knowledge and invaluable expertise, will be dearly missed by us all.

We honour and cherish Arild's memory.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in NOK	Note	2022	2021
Operating income and operating expenses			
Revenue		-	164,821
Other operating income		-	-
REVENUE AND OPERATING INCOME		-	164,821
Personnel expenses	3, 10	8,830,768	4,479,393
Depreciation and amortisation	6, 7	3,095,981	2,841,102
Other operating expenses	4	6,776,188	8,308,368
OPERATING EXPENSES		18,702,937	15,628,863
OPERATING PROFIT (LOSS)		-18,702,937	-15,464,042
Financial income and expenses			
Financial income		1,613,096	223,931
Other interest expenses		67,877	1,013,400
Foreign exchange gain (loss), net		-56,462	191,822
Financial expenses		1,488,757	-597,647
NET FINANCIAL INCOME AND EXPENSES		-17,214,180	-16,061,689
RESULT BEFORE INCOME TAXES		213,815	-
Income taxes	2, 5	-17,427,995	-16,061,689
PROFIT (LOSS) FOR THE PERIOD		-17,427,995	-16,061,689
Profit (loss) is attributable to			
Owners of Alginor ASA		-17,427,995	-16,061,689
Non-controlling interest		-	-
TOTAL		-17,427,995	-16,061,689
Consolidated statement of Comprehensive Income			
PROFIT (LOSS) FOR THE PERIOD		-17,427,995	-16,061,689
Other comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-17,427,995	-16,061,689
Total comprehensive income is attributable to			
Owners of Alginor ASA		-17,427,995	-16,061,689
Non-controlling interest		-	-
TOTAL		-17,427,995	-16,061,689

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK	Note	2022	2021
Intangible assets			
Intangible assets under development	7	57,179,055	41,542,168
Intellectual property rights	7	5,874,645	2,094,702
TOTAL INTANGIBLE ASSETS	2, 7	63,053,699	43,636,870
Property, plant and equipment			
Land, buildings and other real estate		162,868,386	26,884,954
Machinery and equipment		74,030,527	22,651,445
TOTAL PROPERTY, PLANT AND EQUIPMENT	6	236,898,913	49,536,399
Financial non-current assets			
Investments in shares		300,000	300,000
Other receivables	8	895,278	960,944
TOTAL FINANCIAL NON-CURRENT ASSETS		1,195,278	1,260,944
TOTAL NON-CURRENT ASSETS		301,147,890	94,434,213
Current assets			
Accounts receivable	8	98,291	206,025
Other receivables	8	9,532,840	8,819,914
TOTAL RECEIVABLES		9,631,131	9,025,939
Cash and cash equivalents	9	86,640,532	316,393,371
TOTAL CURRENT ASSETS		96,271,663	325,419,310
TOTAL ASSETS		397,419,553	419,853,523

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONT.

Amounts in NOK	Note	2022	2021
Equity			
Share capital	11	16,575,685	16,500,685
Treasury shares		-55,200	-55,200
Other paid-in equity		417,994,878	412,845,691
TOTAL PAID-IN EQUITY		434,515,363	429,291,176
Uncovered loss		-50,074,011	-32,646,016
TOTAL EQUITY		384,441,352	396,645,160
Liabilities			
Deferred tax liability	5	199,949	-
Interest-bearing debt	8, 12	-	-
Other non-current debt	12	4,230,156	2,377,211
Non-current lease liability	14	234,534	1,276,054
TOTAL NON-CURRENT LIABILITIES	8, 12	4,664,639	3,653,265
Current lease liability	14	269,263	1,150,604
Accounts payable	15	1,364,228	2,997,655
Public dues payable		2,807,325	2,193,958
EU Dacota project liabilites	12	-	11,085,399
Other current liabilities	16	3,872,746	2,127,482
TOTAL CURRENT LIABILITIES		8,313,562	19,555,098
TOTAL LIABILITIES		12,978,201	23,208,363
TOTAL EQUITY AND LIABLITIES		397,419,553	419,853,523

Haugesund, 22 June 2023

The Board of Directors of Alginor ASA

Signed

Thorleif Thormodsen
Chair

Signed

Åse Tveit Samdal

Signed

Bjørn Bugge

Signed

Kristine Klaveness

Signed

Gisle Løhre Johansen

Signed

Hans Sandvold

Signed

Siv Gausdal Eriksen

Signed

Kjetil Rein
CEO

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in NOK	Note	2022	2021
Cash flows from operating activities			
RESULT BEFORE INCOME TAXES		-17,214,180	-16,061,689
Depreciation and amortisation		3,095,981	2,841,102
Gain on disposal of fixed assets		-120,667	-
Share warrant expense		4,686,985	3,733,255
Change in accounts receivable		107,734	-206,025
Interest income	1	1,609,555	223,906
Financial expense	1	-67,877	-1,013,400
Adjustment for financial items	1	-1,541,678	789,494
Change in other working capital items, including unrealised foreign exchange		3,069,154	764,325
NET CASH FLOW FROM OPERATING ACTIVITIES		-6,374,993	-8,929,032
Cash flows used in investing activities			
Sales of fixed assets	6	905,000	-
Investment in other shares		-	-300,000
Investment in non-current assets	6	-206,989,216	-21,361,199
Capitalised development projects	7	-37,193,534	-35,086,225
Change in accounts payable	1	-1,633,427	-9,788,200
Payments of received government grants	7, 12	21,556,647	21,279,771
NET CASH FLOWS USED IN INVESTING ACTIVITIES		-223,354,530	-45,255,853
Cash flows from financing activities			
Repayment of long-term loan		-	-15,334,153
Repayment of leasing liability	8	-560,518	-736,454
Purchase of treasury shares		-	-1,371,319
Received payments of equity, net of transaction costs		537,202	382,139,358
NET CASH FLOW FROM FINANCING ACTIVITIES		-23,316	364,697,433
NET CASH FLOW FOR THE PERIOD		-229,752,838	310,512,547
Cash and cash equivalents at the beginning of the period		316,393,371	5,880,823
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		86,640,532	316,393,371
Cash and cash equivalents are comprised of:			
Bank deposits		86,640,532	316,393,371

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 2020	5,362,200	-	39,427,683	-16,584,329	28,205,555
Loss for the period	-	-	-	-16,061,689	-16,061,689
Other comprehensive income for the period	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-	-	-16,061,689	-4,894,920
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	396,645,159
Loss for the period	-	-		-17,427,995	-17,427,995
Other comprehensive income for the period	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-17,427,995	-17,427,995
Equity effect warrants	-	-	4,686,985	-	4,686,985
Capital increase expenses booked to equity	-	-	-5,798	-	-5,798
Issues of new shares	75,000	-	468,000	-	543,000
TOTAL TRANSACTIONS WITH OWNERS	75,000	-	5,149,187	-	5,224,187
BALANCE AT 31 DECEMBER 2022	16,575,685	-55,200	417,994,879	-50,074,013	384,441,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 for the year ended 31 December 2022 are to be authorised for issue by the Board of Directors on 22 June 2023 and approved by the General meeting on 30 June 2023.

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

The financial statements for 2022 have been prepared and presented in full compliance with the International Financial Reporting Standards (IFRS), as approved by the EU, with additional disclosures as required by the Norwegian Accounting Act.

OVERVIEW OF GROUP RELATIONS:

Company	Established	Registered office	Ownership
Oewa AS	2015	Haugesund	100 %
Hypomar AS	2015	Haugesund	100 %
Alginor Biorefinery AS	2017	Haugesund	100 %
Alginor Pharma Ingredients AS	2021	Haugesund	100 %
Alginor Industrial Estate AS	2017	Haugesund	100 %
Husøyvegen 281 AS*	2021	Haugesund	100 %
Stutøy 1 AS*	2021	Haugesund	100 %
Stutøy 2 AS*	2021	Haugesund	100 %
Stutøy 3 AS*	2021	Haugesund	100 %

* In 2022, the Company acquired all the shares of these companies in order to obtain ownership of their assets. Further details regarding the acquisition of assets resulting from these acquisitions can be found in Note 6 Property, plant and equipment on page 72.

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 flnancial statements.

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 currencey differences are generally recognised in profit and loss within financial income and expenses.

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.

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

NOTE 1 **CONT.**

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 development costs recognised as intangible assets are evaluated and tested for impairment on an annual basis, see Note 7 Intangible assets on page 74.

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 off-set as far as this is possible under taxation legislation and regulations.

PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

DEPRECIATION

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

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

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

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

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

- Right-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 activitites are recognised in profit or loss as incurred.

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

Subsequent to initial recognition, development expenditures are cost less accumulated amortisation and accumulated impairment losses. For more, see Note 14 Accounts payable on page 84.

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.

CLASSIFICATION OF ASSETS AND LIABILITIES

Assets for long-term ownership or use are classified as non-current assets. Other assets are classified as current

NOTE 1 CONT.

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 activites, 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. Received grants related to capitalised development costs or other capitalised costs are part of investing activities. Other received grants are part of operating activities.

Interest income and expenses are classified as operating activities in the statement of cash flows, as they reflect cash flows directly related to the entity's day-to-day operations.

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 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 7 Intangible assets.

TAXES

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

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and 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 2022.

NOTE 3 PERSONNEL EXPENSES AND REMUNERATION

EMPLOYEE BENEFIT EXPENSE DURING THE YEAR

Amounts in NOK	2022	2021
Wages and salaries	29,920,804	18,419,830
Social security costs	4,920,645	2,983,505
Pension costs	3,576,047	786,428
Share-based payment*	4,686,985	3,733,255
Other personnel costs	310,740	295,377
Capitalised to project†	-35,259,453	-22,129,002
Board fee	675,000	390,000
TOTAL	8,830,768	4,479,393
Number of employees	42	32

* The personnel expense related to warrants recognised over the vesting period.
† Reference made to Intangible assets in Note 1 Corporate information and significant accounting policies on page 67.

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

Employees part of the Norwegian Companies’ pension scheme: 36.

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 2022.

Board fees paid in 2022 and outstanding numbers of shares as of 31 December 2022 are shown in the table below:

BOARD FEES AND HELD SHARES:

Amounts in NOK		Board fee	Number of shares*	Warrants	Related company
Current board members					
Thorleif Thormodsen		150,000	1,004,800	-	Zirconia AS
Hans Sandvold		100,000	-	-	
Gisle Løhre Johansen		100,000	-	-	
Åse Tveit Samdal		100,000	-	-	
Bjørn Bugge		100,000	31,500	-	AquaMetrica AS
Siv Gausdal Eriksen	(from 08.08.2022)	-	-	-	
Kristine Klaveness	(from 08.08.2022)	-	4,650	-	KKN Equity AS
Previous board members					
Kari Eikeskog	(until 08.08.2022)	50,000	-	-	-
Turid Thormodsen	(until 08.08.2022)	75,000	-	12,500	-

* Shares and warrants held or controlled 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 2022 and 31 December 2021 is shown in the table below:

Amounts in NOK	Person	Position	Fixed compensation	Variable compensation	Pension contribution	Benefits in kind	Total
2022	Kjetil Rein	CEO	1,641,611	-	240,599	4,392	1,886,602
2022	Haakon Farstadvoll	CFO	1,074,107	-	188,243	7,392	1,269,742
2022	Thorleif Thormodsen	Executive Chairman	160,615	2,002,500	48,184	-	2,211,299
2021	Kjetil Rein	CEO	1,283,256	520,000	36,936	3,660	1,843,852
2021	Haakon Farstadvoll	CFO	1,050,572	-	80,028	5,642	1,136,242
2021	Thorleif Thormodsen*	Executive Chairman	468,438	1,983,995	80,028	2,196	2,534,657

* 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.

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.

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 2022 outstanding a total of 1,457,500 warrants.

The following warrants were outstanding at 31 December 2022:

ISSUED AND OUTSTANDING WARRANTS AS OF 31 DECEMBER 2022

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	212,500	187,500	38,700	6.25 + 5 % p.a.	29.06.2023
2019	100,000	-	100,000	482,520	6.25 + 5 % p.a.	29.06.2024
2021*	225,000	-	225,000	2,326,320	17.50 + 5 % p.a.	01.07.2025
2021†	945,000	-	945,000	9,340,758	17.50 + 5 % p.a.	09.06.2025
TOTAL	1,670,000	212,500	1,457,500	12,188,298		

* 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 of shares at grant date has been estimated, with reference to transactions in the shares for relevant periods and a fair-value illiquidity adjustment until public listing of shares, estimated at 40 %.

The personnel expense related to warrants is recognized over the vesting period. The total expense in 2022 was NOK 4,686,985 and 2021 was NOK 3,733,255.

MOVEMENTS IN WARRANTS THROUGH THE YEAR

Amounts in NOK	2022	2021
Outstanding at the beginning of the year	1,532,500	475,000
Exercised during the year	75,000	37,500
Granted during the year	-	1,170,000
Forfeited during the year	-	75,000
OUTSTANDING AT YEAR-END	1,457,500	1,532,500
EXERCISABLE AT THE YEAR-END	287,500	112,500

NOTE 3 CONT.

WARRANTS AND SHARES HELD BY LEADING EMPLOYEES AND BOARD MEMBERS AS OF 31 DECEMBER 2022:

Entity*	Position		Issued 2018	Issued 2019	Issued 2021	Issued 2021	Shares
Leading employees							
Kjetil Rein	CEO		12,500	25,000	62,500	97,500	6,000
Haakon Farstadvoll	CFO		-	-	62,500	97,500	13,750
Current board members							
Thorleif Thormodsen	Chairman	(as of 22.12.2021)	-	-	-	-	1,004,800
Hans Sandvold	Member		-	-	-	-	-
Gisle Løhre Johansen	Member		-	-	-	-	-
Åse Tveit Samdal	Member		-	-	-	-	-
Bjørn Bugge			-	-	-	-	51,100
Siv Gausdal Eriksen	Member	(as of 08.08.2022)	-	-	-	-	-
Kristine Klaveness	Member	(as of 08.08.2022)	-	-	-	-	4,650
Diana Rucinschi	Member	(as of 10.08.2021)	-	-	-	-	-
Previous board members							
Kari Eikeskog	Member	(until 08.08.2022)	-	-	-	-	-
Turid Thormodsen	Member	(until 08.08.2022)	12,500 †	-	-	-	-

* All shares held by the board members either directly or indirectly is included in the overview.
† Received as board member in 2018.

EXTERNAL CONSULTANTS— COMPLETION OF EXPERTISE

The Company has ongoing appointments with 7 consultants covering special subjects within regulatory/QA, AI, IPR, technology, engineering, sales/marketing and economic monitoring. The expenses vary between NOK 1,000 and NOK 1,500 per hour and the appointment can last for years, with 1–3 months period 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	2022	2021
Office expenses	2,262,695	1,424,238
Travel expenses	722,568	422,609
Consultant fees*	2,204,410	4,213,334
Capitalised project expenses†	-3,808,133	-
Other operating expenses‡	5,515,314	2,248,187
TOTAL	6,896,854	8,308,368

* 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.
‡ Other operating expenses are mainly related to supplies to development projects, licensing fees, travel and meeting expenses, etc.

EXPENSED AUDIT FEES

Amounts in NOK ex. VAT	2022	2021
Statutory audit	418,250	589,550
Tax services	40,500	35,600
Other services	484,370	233,100
TOTAL	943,120	858,250

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	2022	2021
ACCOUNTING PROFIT/LOSS BEFORE TAX	-17,214,180	-16,061,689
At Norway's statutory income tax rate of 22 %	-3,787,120	-3,533,572
Other non-deductible expenses	1,853,421	19,312
Recognised deferred tax	-199,949	-
Not recognised deferred tax assets	2,108,292	3,445,719
Other differences	-188,460	68,541
CALCULATED INCOME TAXES RECOGNISED IN PROFIT AND LOSS	-213,816	-
INCOME TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME	-	-
TOTAL INCOME TAX RECOGNISED IN TOTAL COMPREHENSIVE INCOME	-213,816	-

DEFERRED TAX

Amounts in NOK	2022	2021
Deferred tax relates to the following:		
Fixed assets & intangibles	4,968,338	-873,475
Profit and Loss account	654,897	510,425
TOTAL TEMPORARY DIFFERENCES	5,623,235	-363,050
Losses available for offsetting against future taxable income	-53,237,308	-38,576,730
Not included in the basis for deferred tax	48,522,932	-38,576,730
BASIS FOR DEFERRED TAXES	908,859	-
Tax rate for deferred tax assets/liabilities: 22 %	199,949	-
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

YEAR END 31 DECEMBER 2022

Amounts in NOK	Vessel under construction	Vessel	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
Acquisition costs					
ACQUISITION COST AS OF 1 JANUARY 2022	-	614,837	27,580,398	28,565,278	56,760,513
Additions	29,251,051	29,251,051	136,760,233	28,619,223	194,630,507
Recognised right-of-use assets	-	-	-	-	-
Disposal at cost	-	-	-	-905,000	-905,000
ACQUISITION COST AS OF 31 DECEMBER 2022	29,251,051	29,865,888	164,340,631	56,279,501	250,486,020
Depreciations					
ACCUMULATED DEPRECIATION AS OF 1 JANUARY 2022	-	375,000	695,444	6,153,671	7,224,115
FX adjustment	-	-	-	-	-
Depreciation	-	308,893	776,801	4,846,289	5,931,983
Depreciation of right-of-use assets	-	-	-	551,676	551,676
Depreciation on disposals	-	-	-	-120,667	-
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2022	-	683,893	1,472,245	11,430,969	13,707,774
CARRYING AMOUNT AS OF 1 JANUARY 2022	-	239,837	26,884,954	22,411,607	49,536,398
CARRYING AMOUNT AS OF 31 JANUARY 2022	-	29,181,995	162,868,386	44,848,533	236,778,246
Depreciation method			Straight line	Straight line	
Percentage			2 %	20 %	

NOTE 6 CONT.

YEAR END 31 DECEMBER 2021

Amounts in NOK	Vessel under construction	Vessel	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
Acquisition costs					
ACQUISITION COST AS OF 1 JANUARY 2022	-	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 2022	-	614,837	27,580,398	28,565,278	56,760,513
Depreciations					
ACCUMULATED DEPRECIATION AS OF 1 JANUARY 2022	-	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
Depreciation on disposals	-	375,000	695,444	6,153,671	7,224,115
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2022	-	683,893	1,472,245	11,430,969	13,707,774
CARRYING AMOUNT AS OF 1 JANUARY 2022	-	539,837	18,728,943	12,523,468	31,792,248
CARRYING AMOUNT AS OF 31 JANUARY 2022	-	239,837	26,884,954	22,411,607	49,536,399
Depreciation method			Straight line	Straight line	
Percentage			2 %	20 %	

Amounts in NOK	2022	2021
Depreciation of assets used in Development projects booked against the project cost	3,267,011	1,923,438

During the course of 2022 the Group pre-payments of NOK 28.8 million related to the construction of a new harvesting vessel. The vessel is under construction, with a total remaining commitments of NOK 71.2 million.

The Group acquired plots and buildings at Husøyvegen 281 for NOK 29.2 million, and a total of NOK 11.5 million investments were made related to pilings, foundational works and the ongoing engineering of the planned building expansion at Husøyvegen 281.

The Company secured industrial plots at Stutøy for a total consideration of NOK 84 million. The Group paid NOK 1 million in option premium to Karmsund Havn IKS related to the option to purchase the remaining 9,500 m² industrial plot at Stutøy, adjacent to the acquired 31,454 m² area.

A total of NOK 5.1 million was invested in lab facilities in Kirkegata 169 and Unit 16 in UK. A total of NOK 11.6 million was invested in plots, buildings and infrastructure related to office/administrative facilities in Haugesund.

The Group has outstanding commitments related to investments in fixed assets of NOK 51.2 million related to the new harvesting vessel per 31.12.2022.

Alginor is planning major investment decisions during 2023, of which NOK 60 million is already committed per 15 June 2023. Said investments are principally linked to the factory build-up at Husøyvegen 281.

NOTE 7 INTANGIBLE ASSETS

Amounts in NOK	Intangible assets under development	Patents	Total
Year end 31 December 2022:			
OPENING NET BOOK AMOUNT	41,542,168	2,094,702	43,636,870
Additions	35,095,785	3,779,943	38,875,727
Grants recognised as a reduction to the assets	19,458,898	-	19,458,898
Amortisation charge	-	-	-
CLOSING NET BOOK AMOUNT	57,179,055	5,874,645	63,053,699
At 31 December 2022:			
Accumulated costs	147,519,636	5,874,645	153,394,280
Accumulated grants	90,340,581	-	90,340,581
Accumulated amortisation	-	-	-
NET BOOK AMOUNT	57,179,055	5,874,645	63,053,699
Year end 31 December 2021:			
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
At 31 December 2021:			
Accumulated costs	112,423,851	2,094,702	114,518,553
Accumulated grants recognised as a reduction to the assets	70,881,683	-	70,881,683
Accumulated amortisation and impairment	-	-	-
NET BOOK AMOUNT	41,542,168	2,094,702	43,636,870

Intangible assets consists of research and development projects and patent/patent applications that are under development and not ready for intended use.

The completed and ongoing projects are interlinked sub-projects that forms basis for ongoing development activities within the Group.

THE AORTA TECHNOLOGY

Alginor ASA is currently conducting several development projects that form the basis for the AORTA technology platform, for the biorefining of macroalgae. The project has a total net budget of NOK 78.5 million for the period 2015–2025. The business model for commercialisation is made in-house in a long-term business model for commercialisation. Business is conducted from Haraldsgaten 162 in Haugesund. The Company seeks to produce a unique product portfolio of products derived from macroalgae, based on the idea of total utilisation of the dry biomass, while keeping net water, air and ocean emissions at zero.

IMPAIRMENT TEST OF INTELLECTUAL PROPERTIES

Capitalised value of net development costs in the Group are NOK 57.2 million as of 31 December 2022, based on assessments made in accordance with IAS 38 criteria. Using a nominal discount rate of 10 % 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; 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

NOTE 7 CONT.

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 and 2022 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	2022	2021
Accounts receivables	98,291	206,025
Other receivables	10,428,118	9,780,858
TOTAL FINANCIAL ASSETS AT AMORTISED COST	10,526,409	11,387,899
Total current	9,631,131	9,025,939
Total non-current	895,278	960,944

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.

8.2 INTEREST-BEARING LOANS AND BORROWINGS

Amounts in NOK	2022 Total	2022 of which current	2021 Total	2021 of which current
Lease liabilities*	503,797	269,263	2,426,658	1,150,604
TOTAL	503,797	269,263	2,426,658	1,150,604

* Other than lease liabilities, all outstanding interest-bearing loans and borrowings were fully repaid in 2021. No interest-bearing loans were raised in 2022.

GUARANTEES

Year end 31 December 2022

Alginor ASA has provided a parent company guarantee related to any outstanding amount to be paid by the wholly owned company Hypomar AS under the agreement with Fitjar Mekaniske Verksted AS for the construction of a harvesting vessel.

Year end 31 December 2021

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.

The Company had no pledges or guarantees outstanding 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 projsects, 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,

NOTE 8 CONT.

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 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 2022.

Liquidity risk

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

Amounts included earned interest

Agreed rest maturity—assets	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total value in NOK
Long-term receivables	-	75,660	75,660	743,958	895,278
Accounts receivables	98,291	-	-	-	98,291
Other current receivables	9,532,840	-	-	-	9,532,840
TOTAL 2022	9,631,131	75,660	75,660	743,958	10,526,409
TOTAL 2021	9,025,939	75,660	361,910	523,374	11,387,899

Amounts included earned interest cont.

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
Trade payables	1,364,228	-	-	-	1,364,228
Leasing	269,263	73,168	76,156	85,211	503,797
Other liabilities*	6,680,071		-		6,680,071
TOTAL 2022	8,313,562	73,168	76,156	85,211	8,548,096
TOTAL 2021	8,469,699	1,199,898	76,156	-	12,277,738

* Other non-currnet liabilities is comprised mainly of prepaid grants in which underlying performance is due after 2023.

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	2022	2021
Cash at bank and in hand	86,640,532	316,393,371
Restricted cash*	1,227,524	846,823

* Restricted cash is related to tax withholding account

NOTE 10 **TRANSACTIONS WITH RELATED PARTIES**

Related parties as defined in IAS 24 are those legal entities, natural persons and close members of their family that are able to exert influence on Alginor ASA or its subsiduaries.

Related parties also include corporate officers of Alginor ASA whose compensation is reported in Note 3 Personnel expenses and remuneration.

	Sale of goods and services		Purchase of goods and services	
Amounts in NOK ex. VAT	2022	2021	2022	2021
Zirconia AS (Controlled by COB Thorleif Thormodsen)	905,000*	-	2,274,500	2,148,995
Innovatch AS (Controlled by CEO Kjetil Thormodsen Rein)	-	-	-	130,350
Borregaard ASA	-	164,820	1,764,978	1,044,220

* Car held by Alginor ASA was sold to Thorleif Thormodsen at purchase cost.

	Receivables		Liabilities	
Amounts in NOK ex. VAT	2022	2021	2022	2021
Zirconia AS (Controlled by COB Thorleif Thormodsen)	88	-	-	-
Borregaard ASA	-	206,025	-	-

NOTE 11 **SHARE CAPITAL**

The individual equity components and the changes therein during 2021 and 2022 are shown in the Consolidated Statement of Changes in Equity.

The share capital is NOK 16,575,685 (2021: NOK 16,500,685) consisting of 16,575,685 shares (2021: 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.

SHAREHOLDERS AS OF 31 DECEMBER 2022

Shareholder	No. of shares	Ownership %	Voting right %
BNP PARIBAS*	4,114,290	24.82	24.82
BORREGAARD AS	4,114,290	24.82	24.82
JAHATT AS	1,240,000	7.48	7.48
ZIRCONIA AS	1,004,800	6.06	6.06
JAKOB HATTELAND HOLDING AS	914,290	5.52	5.52
KVERVA INDUSTRIER AS	700,000	4.22	4.22
AMAR GROUP AS	244,357	1.47	1.47
HELGØY PROPERTY HOLDING AS	240,215	1.45	1.45
VALIDÉ AS	230,500	1.39	1.39
ØYHATT AS	210,000	1.27	1.27
VALIDÉ INVEST I AS	180,000	1.09	1.09
PROFOND AS	164,732	0.99	0.99
STAVANGER KOMMUNE	132,500	0.80	0.80
CLEARSTREAM BANKING S.A.	128,360	0.77	0.77
NORDVEGEN INVEST AS	124,000	0.75	0.75
SUM 15 LARGEST	13,742,334	82.90	82.90
Other (526) shareholders	2,833,351	17.10	17.10
TOTAL ADOPTED SHARES AS OF 31.12.2022	16,575,685	100.00	100.00

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

NOTE 11 CONT.

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
Share issue†	18.01.2022	75,000	7.24	543,000

* All shares are adjusted as per the five-for-one split effected at the ordinary general meeting 10.06.2022.
† Related to exercise of warrants.

In July 2021 the Company entered an Investment Agreement with Zirconia AS, Hatteland, EIC Fund and Borregaard AS. The agreement consist of four tranches, A to D, of which A to C is completed per 31.12.2022.

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 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.

In april 2023, Tranche D was completed. See further information in Note 18 Subsequent Events on page 85.

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 2022 the Group has recognised grants of NOK 23,066,614 related to these projects compared to NOK 22,168,690 the previous year.

RECOGNISED GRANTS

Amounts in NOK	2022	2021
R&D tax incentive scheme (SkatteFUNN)	1,123,135	1,295,348
The Research Council of Norway (RCN)	5,718,446	10,141,105
EU Horizon 2021/Europe (EU)	12,617,317	10,675,680
Innovation Norway (IN)	-	954,481
TOTAL	19,458,898	23,066,614

NOTE 12 CONT.

RECOGNISED PROJECT COSTS AND GRANTS IN 2022

Amounts in NOK	Programme*	Sponsor*	Gross project costs†	Grant	Net project costs
Sustainable Strategy	-	-	1,066,027	-	1,066,027
AORTA (269255)	Marinforsk	RCN	-	-	-
Fucomed	BIA	RCN	3,132,505	2,788,626	343,879
CarboNor	Eurostars	RCN	1,270,208	747,918	522,290
AORTA	SkatteFUNN	SkatteFUNN	22,157	-	22,157
DACOTA	EIC Accelerator (Green Deal)	EU	17,482,433	10,795,341	6,687,092
Development Biopolymers	-	-	654,908	-	654,908
CIRCALGAE	Horizon Europe	EU	134,178	93,761	40,417
Bio4Fuels	FMETEKN-FME	RCN	440,251	-	440,251
CATION	-	RCN	-	-	-
ALEHOOP	BBI JU	EU	2,719,216	1,728,215	991,001
AORTA (271901)	Blå mat	RRF‡	-	-	-
AORTA (263370)	Blå mat	RRF	-	-	-
AORTA 2	SME Instrument	RCN	142,390	-	142,390
Cellunor	NANO2021	RCN	1,292,848	800,971	491,877
Fucomed	Pre-project	RRF	-	-	-
Hypomar Havpilot	Innvation Grant	IN	-	-	-
Polyphenols	Industrial PhD	RCN	1,228,947	500,520	728,427
Skudepilot	-	IN	-	-	-
Algefilm	BIA	RCN	2,962,828	2,003,546	959,282
Hypomar Ocean 1 Hybrid	ENOVA	ENOVA	20,854	-	20,854
KelpIntel	-	-	92,000	-	92,000
Development API line	-	-	2,434,034	-	2,434,034
TOTAL			35,095,785	19,458,898	15,636,887

* 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.
‡ Regional Research Fund (*Regionale Forskningsfond*)

RECOGNISED PROJECT COSTS AND GRANTS IN 2021

Amounts in NOK	Programme*	Sponsor*	Gross project costs†	Grant	Net project costs
AORTA (269255)	Marinforsk	RCN	(128,388)	-	(128,388)
Skudepilot	-	IN	-	-	-
Fucomed	BIA	RCN	7,003,407	5,856,281	1,147,126
CarboNor	Eurostars	RCN	4,781,320	3,222,827	1,558,493
AORTA	SkatteFUNN	SkatteFUNN	(96,301)	-	(96,301)
DACOTA	EIC Accelerator (Green Deal)	EU	16,923,525	10,675,680	6,247,845
Algefilm	BIA	RCN	100,000	-	100,000
Bio4Fuels	FMETEKN-FME	RCN	293,723	-	293,723
CATION	-	RCN	2,165,700	-	2,165,700
ALEHOOP	BBI JU	EU	1	898,121	(898,120)
AORTA (271901)	Blå mat	RRF	-	-	-
AORTA (263370)	Blå mat	RRF	73,500	-	73,500
AORTA 2	SME Instrument	EU	-	-	-
Fucomed	Pre-project	RRF	1,303,491	-	1,303,491
Hypomar Havpilot	Innvation Grant	IN	1,676,503	954,481	722,022
Polyphenols	Industrial PhD	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.

NOTE 12 CONT.

GROSS BUDGET FOR THE TOTAL PROJECT COSTS AS OF 31 DECEMBER 2022

Amounts in NOK	Rest	Gross project costs	Accumulated costs	Remaining budget
Sustainable Strategy	-	1,066,027	1,066,027	-
AORTA (269255)	-	9,134,435	9,134,435	-
Fucomed	47.1 %	23,200,000	12,281,027	10,918,973
CarboNor	-	8,211,000	8,211,000	-
AORTA	-	5,833,219	5,833,219	-
DACOTA	-	34,215,430	34,215,430	-
Development Biopolymers	-	654,908	654,908	-
CIRCALGAE	98.2 %	7,500,000	134,178	7,365,822
Bio4Fuels	-	740,251	740,251	-
CATION	-	2,788,560	2,788,560	-
ALEHOOP	11.8 %	5,000,000	4,410,216	589,784
AORTA (271901)	-	1,102,286	1,102,286	-
AORTA (263370)	-	6,228,053	6,228,053	-
AORTA 2	-	32,419,670	32,419,670	-
Cellunor	96.0 %	32,000,000	1,292,848	30,707,152
Fucomed	-	732,443	732,443	-
Hypomar Havpilot	-	11,161,456	11,161,456	-
Polyphenols	36.1 %	8,400,000	5,365,947	3,034,053
Skudepilot	-	3,141,877	3,141,877	-
Algefilm	82.3 %	18,000,000	3,191,128	14,808,872
Hypomar Ocean 1 Hybrid	69.3 %	300,000	92,000	208,000
KelpIntel	-	-	-	-
Development API line	-	2,434,034	2,434,034	-
TOTAL	31.6 %	214,263,649	146,630,993	67,632,656
Share of total gross project costs		214,263,649	68.4 %	31.6 %

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

Amounts in NOK	Rest	Gross project costs	Accumulated costs	Remaining budget
AORTA (269255)	-	9,134,435	9,134,435	-
Skudepilot	-	-	-	-
Fucomed	66.6 %	23,200,000	7,746,876	15,453,124
CarboNor	41.2 %	8,211,000	4,826,621	3,384,379
AORTA	-	12,816,663	12,816,663	-
DACOTA	57.6 %	35,714,286	15,137,565	20,576,721
Bio4Fuels	-	200,000	300,000	-100,000
CATION	-	2,788,560	2,788,560	-
ALEHOOP	66.2 %	5,000,000	1,691,000	3,309,000
AORTA (271901)	-	1,102,286	1,102,286	-
AORTA (263370)	-	6,228,053	6,228,053	-
AORTA 2	-	32,277,280	32,277,280	-
Fucomed	-	732,443	732,443	-
Hypomar Havpilot	-	11,161,456	11,161,456	-
Polyphenols	50.8 %	8,400,000	4,137,000	4,263,000
Algefilm	91.5 %	18,000,000	1,527,719	16,472,281
TOTAL	36.2 %	174,966,462	111,607,957	63,358,505
Share of total gross project costs		174,966,462	63.8 %	36.2 %

NOTE 12 **CONT.**

ACCUMULATED GRANTS RECEIVED AS OF 31 DECEMBER 2022

Amounts in NOK	Rest	Total approved grants ex ante	Accounted grants	Remaining grants
Sustainable Strategy	-	-	-	-
AORTA (269255)	-	4,610,370	4,610,370	-
Fucomed	36.08 %	16,250,000	10,387,399	5,862,601
CarboNor	-	4,849,287	4,849,287	-
AORTA	16.97 %	12,000,000	9,963,833	2,036,167
DACOTA	14.73 %	25,000,000	21,317,271	3,682,729
Development Biopolymers		-	-	-
CIRCALGAE	98.23 %	5,297,661	93,761	5,203,900
Bio4Fuels		-	-	-
CATION		-	-	-
ALEHOOP	28.90 %	4,060,000	2,886,810	1,173,190
AORTA (271901)	-	500,000	500,000	-
AORTA (263370)	-	2,475,161	2,475,161	-
AORTA 2	-	19,645,220	19,645,220	-
Cellunor	94.99 %	16,000,000	800,971	15,199,029
Fucomed	-	673,128	673,128	-
Hypomar Havpilot	-	4,500,000	4,500,000	-
Polyphenols	39.37 %	4,200,000	2,546,462	1,653,538
Skudepilot	-	1,900,000	1,900,000	-
Algefilm	81.73 %	12,600,000	2,302,266	10,297,734
Hypomar Ocean 1 Hybrid	-	-	-	-
KelpIntel	-	-	-	-
Development API line	-	-	-	-
TOTAL	33.5 %	134,560,827	89,451,939	45,108,888
Share of total approved grants		134,560,827	66.5 %	33.5 %

ACCUMULATED GRANTS RECEIVED AS OF 31 DECEMBER 2021

Amounts in NOK	Rest	Total approved grants ex ante	Accounted grants	Remaining grants
AORTA (269255)	-	4,610,370	4,610,370	-
Skudepilot	-	-	-	-
Fucomed	53.24 %	16,250,000	7,598,773	8,651,227
CarboNor	0.09 %	4,105,000	4,101,369	3,631
AORTA	16.97 %	12,000,000	9,963,833	2,036,167
DACOTA	55.43 %	25,000,000	11,141,384	13,858,616
Bio4Fuels	-	-	-	-
CATION	-	-	-	-
ALEHOOP	71.46 %	4,060,000	1,158,595	2,901,405
AORTA (271901)	-	500,000	500,000	-
AORTA (263370)	-	2,475,161	2,475,161	-
AORTA 2	-	19,645,220	19,645,220	-
Fucomed	-	673,128	673,128	-
Hypomar Havpilot	-	4,500,000	4,500,000	-
Polyphenols	51.29 %	4,200,000	2,045,942	2,154,058
Various minor grants	-	192,790	192,790	-
Algefilm	88.42 %	12,600,000	1,459,224	11,140,776
TOTAL	36.8 %	110,811,669	70,065,789	40,745,880
Share of total approved grants		110,811,669	63.2 %	36.8 %

NOTE 12 **CONT.**

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.

OUTLOOK AND EVENTS RELATED TO GOVERNMENT GRANTS

The majority of the Group's development efforts are financed through public grants. In 2022 the gross capitalised project costs amounts to NOK 35.1 million, whereof NOK 19.5 million was financed through grants.

The Company's DACOTA project launched 2 November 2020 and was concluded on 30 June 2022. The objective of the demonstration phase was to validate the Company's technologies and the production of the Company's main offerings on a large scale, through a vertically integrated operation. Initially, the aim of the project was to develop a demonstration facility for the Group's value chain dimensioned for 10,000 tonnes. During the project, target dimensions were changed to 33,500 tonnes based on, among other things, changes in regulations affecting the size of the Group's planned harvesting vessel, and a better understanding of the possibilities on the property at Husøyvegen 281 at Avaldsnes. The project findings form the basis for investment decisions regarding the harvesting vessel and kelp reception facility, a pilot biorefinery, and an industrial scale food grade alginate production line. In additon, the Group is planning for the set-up of a cGMP alginate line in the later stage when targeting 100,000 tonnes raw material handling capacity.

The Company's CarboNor project launched 1 September 2020, and was completed 31 August 2022. The aim was to convert 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 was 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.

The Company was a participating partner in the bioenergy project Bio4Fuels, which was concluded in 2022. The project was a larger collaboration between several participants, governed by NMBU in Ås and financed by RCN. The Company's contribution relates to a work package focusing on biproducts with higher market prices than bioenergy and their market applications.

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 15.9 million has incurred as of 31 December 2022. The project has been extended by six months due to the establishment of in-house production facilities, and the project will be completed in December 2023.

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.

The Cellunor project started in 2022 and is scheduled to conclude in 2025. The project has a total budget of NOK 32 million, of which the Research Council of Norway is expected to fund NOK 16 million. The project explores cellulose extracted from *L. hyperborea*. The overarching goal is to develop optimised and cost-effective extraction methods of kelp-based cellulose ingredients, e.g., microcrystalline cellulose (MCC), nanocelluloses (NCC) and cellulose powders, for use in pharmaceutical and cosmetic products, e.g., for wound-healing and skin care.

The Algefilm project started in August 2021, and will continue until August 2024. The project aims to develop and evaluate the properties of specific *L. hyperborea* ingredients and compare with similar (plastic) products on the market to measure the structural and functional properties of algae film applications. The *L. hyperborea*-based algae film will be

NOTE 12 CONT.

tested in the production facilities of selected R&D partners and key customers for qualification and feedback.

The CIRCALGAE project started 1 October 2022, and is scheduled to conclude 30 September 2026. Alginor is one of 21 project partners that will work together to valorise industrial algae waste streams into high-value products. Alginor will lead work package 1 and provide assessments of phycocolloid-rich macroalgae harvesting and cultivation parameters and optimisation within biorefefining. The extracted and purified fucoidan in the project will be fully analysed and characterised in the laboratories of Alginor's subsidiary, Oewa.

GOVERNMENT GRANTS LIABILITIES

Alginor has received pre-financing of approximately NOK 7.7 million from the European Union's EIC accelerator programme in 2022, adding to a total of NOK 22.2 million outstanding per 31 December 2022. 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.

RECONCILIATION OF LIABILITES AND ASSETS

Amounts in NOK	2022	2021
Receivables on EU projects	2,457,184	12,299,979
Liabilities on EU projects	4,230,156	24,603,994
NET LIABILITIES	1,772,972	12,304,015

CHANGE OF SME STATUS IN APRIL 2023

In April 2023 Borregaard AS increased their ownership to 35 % on a fully diluted basis. With this transaction, Alginor's SME status changed to a "Large Company". This is likely to reduce the final aid intensity related to projects with the Research Council of Norway—in particular Cellunor and Algefilm—where the maximum aid intensity could be lowered to 50 %.

NOTE 13 LEASES AS LESSEE

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

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

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 2022 is 5.5 %.

RIGHT-OF-USE ASSETS

Amounts in NOK	2022	2021
Right-of-use assets as of 1 January	2,426,658	1,861,249
Additions right-of-use assets 2022	85,454	1,710,494
Depreciation of the year	551,676	1,145,085
Revaluation	-1,485,712	-
FX effects	-	-
RIGHT-OF-USE ASSETS AS OF 31 DECEMBER	474,724	2,426,658
Remaining lease-term	2–6 years	2–6 years
Depreciation method	Linear	Linear

DISCOUNTED LEASE LIABILITIES AND MATURITY OF CASH OUTFLOW

Amounts in NOK	2022	2021
< 1 year	269,263	1,150,604
1–2 years	73,168	795,268
2–3 years	77,295	404,630
3–4 years	63,848	76,156
4–5 years	20,223	-
> 5 years	-	-
TOTAL DISCOUNTED LEASE LIABILITIES AS OF 31 DECEMBER	503,797	2,426,658
Interest expense on lease liabilities	-	152,063

NOTE 13 CONT.

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	1,627
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	3,060

* 3 months notice period.

NOTE 14 ACCOUNTS PAYABLE

Amounts in NOK	2022	2021
Accounts payable	1,364,228	2,997,655

All material accounts payable are related to developement projects.

NOTE 15 OTHER CURRENT LIABILITIES

Amounts in NOK	2022	2021
Accrued payroll expenses*	3,135,049	2,047,462
Other liabilities	737,713	80,020
TOTAL OTHER CURRENT LIABILITIES AS OF 31 DECEMBER	3,872,762	2,127,482

* Accrued payroll expenses are mainly related to accrued vacation pay.

NOTE 16 GOING CONCERN

The Group completed the DACOTA project on 30 June 2022 and is en route to further develop and implement the project results. The Group intends to and has the means to establish and complete stage 2 of its industrial plan at Avaldsnes. The Group has already ordered its first commercial harvesting vessel, and acquired plots and buildings needed to scale the Company's operations first to 33,500 tonnes, and then to 100,000 tonnes. The Group has solid funding stemming from the share placements carried out in 2021 and is in a good position to seek necessary debt financing. It is the Board's opinion that Alginor has good prospects, growth potential and the opportunity to create a profitable business going forward through exclusive use of its innovative processes covering its integrated value chain. 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.

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

NOTE 17 LEGAL MATTERS/DISPUTES

The group has not been involved in or been aware of any legal matters in 2022.

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

NOTE 18 SUBSEQUENT EVENTS

BORREGAARD AS USES RIGHT TO INCREASE SHAREHOLDING TO 35 % FULLY DILUTED

On 13 April 2023, Borregaard announced its decision to execute tranche D of the investment agreement for a total of 3,420,000 new shares in Alginor ASA at the predetermined price of NOK 35.00 per share, increasing Borregaard's ownership in Alginor ASA to 35 % on a fully diluted basis. Equity proceeds from the transaction was approximately NOK 120 million.

PURCHASE OF INDUSTRIAL PLOT AT HUSØY, AVALDSNES, ADJACENT TO THE FACILITY AT HUSØYVEGEN 281.

The Company has purchased a 1,501 m^2 industrial plot at Avaldsnes from Pelagia AS. The purchase price is NOK 5.5 million. The plot complements the expansion at Husøyvegen 281, by e.g., provide space for required parking spaces, storage building and/or administrative facilities.

MORTGAGE OF 25 NOK MILLION OBTAINED FROM HAUGESUND SPAREBANK

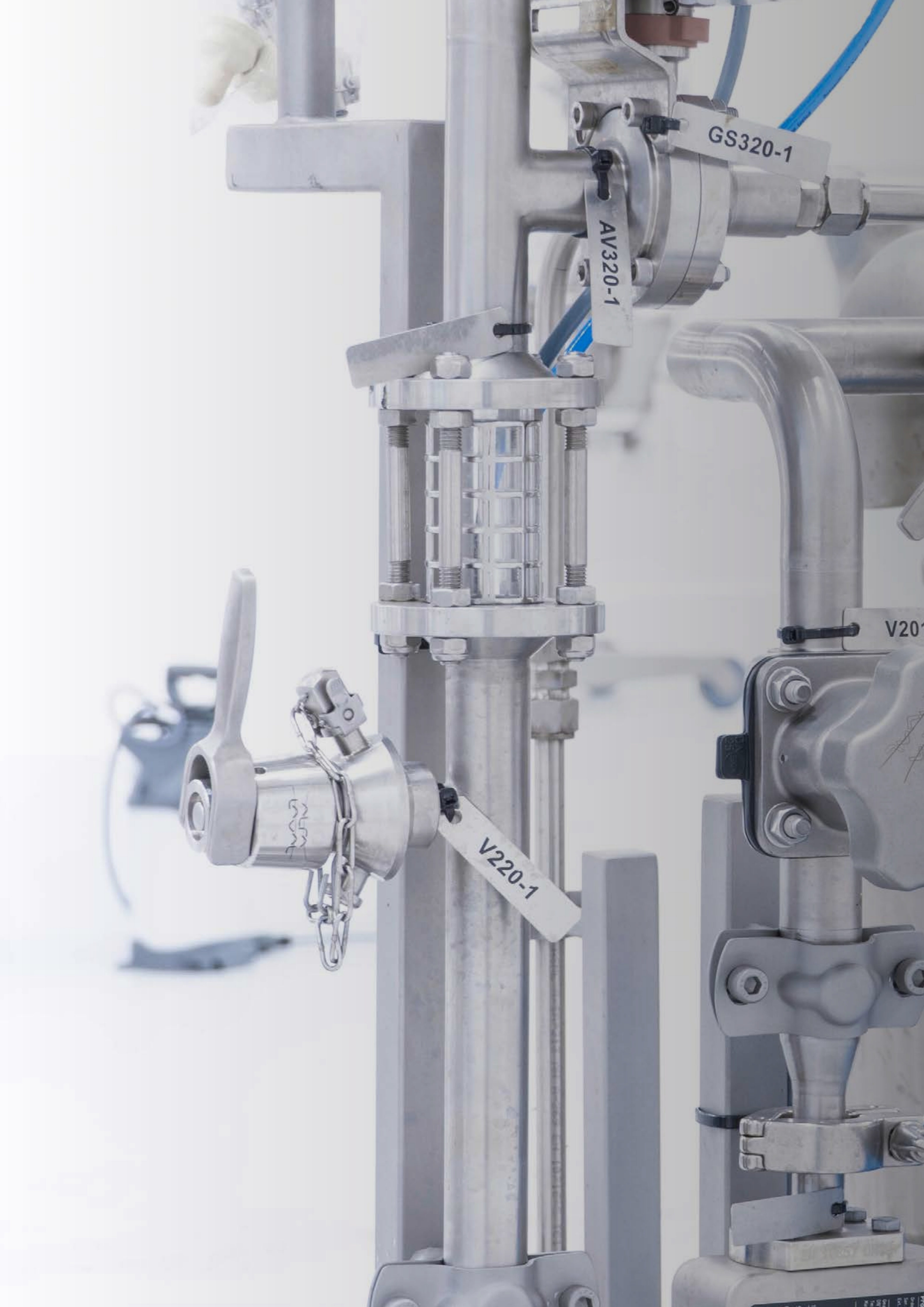
The Company has decided to refinance administrative and lab facilities in Haugesund central area owned by the Group. The mortgage is obtained by providing these facilities as first priority mortgage towards the bank.

INDUSTRIAL PILOT ESTABLISHED AT HUSØYVEGEN 281

The Group has moved and pilot facility based in Skudeneshavn to Husøyvegen 281 at Avaldnes and expanded its capabilities with improvement in infrastructure and process equipment.

INVESTMENTS IN EXPANSION OF HUSØYVEGEN 281 FACILITY AND PROCESS EQUIPMENT

The board of directors has formally decided to complete the investments needed to transition into stage 2 of the Group's industrial plan.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FINANCIAL STATEMENTS OF ALGINOR ASA

STATEMENT OF PROFIT OR LOSS

Amounts in NOK	Note	2022	2021
Operating income and operating expenses			
Revenue		-	689,406
Other operating income		-	-
OPERATING INCOME		9,379,281	689,406
Cost of materials		-	123,700
Personnel expenses	2	8,630,202	4,056,485
Depreciation	5, 6	941,002	287,907
Other operating expenses	3	4,083,419	7,180,572
OPERATING EXPENSES		22,913,237	11,648,664
OPERATING PROFIT		-13,533,956	-10,959,258
Financial income and expenses			
Other interest income		530,181	223,906
Financial income		261,856	205,132
Increase in market value of financial current assets		-	-
Other interest expenses		11,859	290,074
Financial expenses		-	-
NET FINANCIAL INCOME AND EXPENSES		582,043	138,964
RESULT BEFORE INCOME TAXES		-12,951,913	-10,820,294
Income taxes	4	-	-
PROFIT (LOSS) FOR THE PERIOD		-12,951,913	-10,820,294
Transfers and allocations			
Transfered from share premium reserve		-12,951,913	-10,820,294
PROFIT (LOSS) FOR THE PERIOD		-12,951,913	-10,820,294

STATEMENT OF FINANCIAL POSITION

Amounts in NOK	Note	2022	2021
Intangible assets			
Industrial development projects	6	52,362,512	40,435,394
Concessions, patents, licences, trademarks	6	5,874,645	2,094,702
TOTAL INTANGIBLE ASSETS		58,237,157	42,530,096
Property, plant and equipment			
Land, buildings and other real estate	5	27,983,542	17,932,459
Machinery and equipment	5	9,294,501	7,883,257
TOTAL PROPERTY, PLANT AND EQUIPMENT		37,278,043	25,815,715
Financial non-current assets			
Investments in subsidiaries	9	270,050,000	240,150,000
Investments in shares		300,000	300,000
Other long-term receivables		885,278	960,944
TOTAL FINANCIAL NON-CURRENT ASSETS		271,235,278	241,410,944
TOTAL NON-CURRENT ASSETS		366,750,478	309,756,756
Current assets			
Accounts receivable	7	-	206,025
Receivables from group companies		20,510,873	-
Other receivables	7	7,400,393	6,773,521
TOTAL RECEIVABLES		27,713,132	6,979,546
Cash and cash equivalents	8	16,777,851	107,953,211
TOTAL CURRENT ASSETS		44,490,983	114,932,757
TOTAL ASSETS		411,241,461	424,689,513

STATEMENT OF FINANCIAL POSITION CONT.

Amounts in NOK	Note	2022	2021
Equity			
Share capital	10	16,575,685	16,500,685
TOTAL RESTRICTED EQUITY		16,575,685	16,500,685
Treasury shares		-55,200	-55,200
Share capital not registered		-	-
Share premium (reserve)		371,422,843	383,714,419
Other paid-in equity		8,838,832	4,151,847
TOTAL PAID-IN EQUITY		396,782,160	404,311,751
Uncovered loss		-	-
TOTAL EQUITY	11	396,782,160	404,311,751
Liabilities			
Debt to financial institutions		-	-
Other non-current liabilities		4,230,156	2,377,211
TOTAL OF OTHER NON-CURRENT LIABILITIES	12	4,230,156	2,377,211
Trade creditors		145,462	2,917,093
Public dues payable		2,127,210	1,960,738
Liabilities to group companies		5,375,986	-
Other current liabilities		2,778,621	13,122,719
TOTAL CURRENT LIABILITIES		10,427,279	18,000,550
TOTAL LIABILITIES		14,657,435	20,377,761
TOTAL EQUITY AND LIABLITIES		411,439,595	424,689,513

Haugesund, 22 June 2023

The Board of Directors of Alginor ASA

Signed

Thorleif Thormodsen
Chair

Signed

Åse Tveit Samdal

Signed

Bjørn Bugge

Signed

Kristine Klaveness

Signed

Gisle Løhre Johansen

Signed

Hans Sandvold

Signed

Siv Gausdal Eriksen

Signed

Kjetil Rein
CEO

STATEMENT OF CASH FLOW

Amounts in NOK	2022	2021
Cash flows from operating activities		
RESULT BEFORE INCOME TAXES	-12,753,778	-10,820,294
Income taxes paid		-
Depreciation and amortisation	941,002	287,907
Change in accounts receivable	206,025	-206,025
Change in accounts payable	-2,771,631	-9,788,200
Change in other working capital items, including unrealised foreign exchange	2,878,558	-416,693
NET CASH FLOWS FROM OPERATING ACTIVITIES	-11,499,824	-20,943,305
Cash flows used in investing activities		
Investment in other shares		-300,000
Investment in fixed assets and intangible assets	-51,764,753	-45,605,506
Payments of government grants	11,701,782	21,607,390
Investment in subsidiary, net of cash acquired	-29,900,000	-232,475,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-69,962,971	-256,773,116
Cash flows from financing activities		
Long-term loan obtained	-	-6,641,513
Repayment of long term loan	-	-
Repayment of short term credit facility	-	-
Payments group companies	-14,936,753	3,821,786
Fees in relation to new loan	-	-
Payment and refunds of equity	-	-
Equity issue	5,224,188	384,501,294
NET CASH FLOWS FROM FINANCING ACTIVITIES	-9,712,565	381,681,567
NET CASH FLOWS FOR THE PERIOD	-91,175,360	103,965,146
Cash and cash equivalents at the beginning of the period	107,953,211	3,988,065
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,777,851	107,953,211

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK	Share capital	Treasury shares	Share premium (reserve)	Share capital not registered	Other paid-in equity	Uncovered loss	Total equity
AS OF 31 DECEMBER 2020	5,362,200	-	24,849,959	-	418,592	-	30,630,751
Reclassification of uncovered loss	-	-	-10,820,294	-	-	10,820,294	-
Loss for the period	-	-	-	-	-	-10,820,294	-10,820,294
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 effects warrants	-	-	-	-	3,733,255	-	3,733,255
Share issue	-	-	-	-	-	-	-
AS OF 31 DECEMBER 2021	16,500,685	-55,200	383,714,419	-	4,151,847		404,311,751
Reclassification of uncovered loss	-	-	-12,753,778	-	-	12,753,778	-
Loss for the period	-	-	-	-	-	-12,753,778	-12,753,778
Capital increase	75,000	-	468,000	-	-	-	543,000
Capital increase expenses booked to equity	-	-	-5,799	-	-	-	-5,799
Treasury stock	-	-	-	-	-	-	-
Equity effect warrants	-	-	-	-	4,686,985	-	4,686,985
Share issue	-	-	-	-	-	-	-
AS OF 31 DECEMBER 2022	16,575,685	-55,200	371,422,843	-	8,838,832	-	396,782,160

NOTES TO THE FINANCIAL STATEMENTS OF ALGINOR ASA

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	2022	2021
Wages and salaries	26,438,485	17,588,622
Social security costs	4,258,242	2,864,458
Pension costs	2,831,705	782,844
Other personnel costs	4,309,357	4,028,632
Capitalised project expenses	-29,882,587	-21,598,071
Board fee	675,000	390,000
TOTAL	8,630,202	4,056,485
Number of employees	32	30

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 69.

NOTE 3 OTHER OPERATING EXPENSES

OPERATING EXPENSES

Amounts in NOK	2022	2021
Office expenses	1,392,443	1,228,919
IT equipment and licenses	722,568	422,609
Consultant fees*	1,908,010	3,498,165
Expenses EU—SME FLOAT II	3,808,133	-
Other operating expenses	3,747,864	2,030,878
TOTAL OTHER OPERATING EXPENSES	3,962,752	7,180,571

* 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	2022	2021
Statutory audit	781,075	525,000
Other services	213,385	112,100
TOTAL	994,460	637,100

NOTE 4 INCOME TAX

THIS YEAR’S TAX EXPENSE

Amounts in NOK	2022	2021
Taxable income		
Ordinary result before tax	-12,753,778	-10,820,294
Permanent differences	8,420,840	23,300
Changes in temporary differences	104,355	-2,234,910
Allocation of loss to be brought forward	-	-
TAXABLE INCOME	-4,228,584	-13,031,904

NOTE 4 CONT.

DEFERRED TAX

Amounts in NOK	2022	2021
Deferred tax relates to the following:		
Fixed assets & intangibles	-4,542,578	-4,142,529
Accounts receivable	-	-
Gain and loss account	408,340	510,425
TOTAL TEMPORARY DIFFERENCES	-4,134,238	-3,632,104
Losses available for offsetting against future taxable income	-32,804,057	-28,973,252
Not included in the basis for deferred tax	36,938,295	32,605,357
BASIS FOR DEFERRED TAX	-	-

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 2022	17,932,459	7,883,256	25,815,715
Depreciation*	467,009	2,512,679	2,979,688
Net additions	10,518,092	3,923,924	14,442,016
AT 31 DECEMBER 2022	27,983,542	9,294,501	37,278,043
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2021	320,665	2,991,833	3,312,498
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER 2022	787,674	5,504,512	6,292,186
Depreciation method	Straight line	Straight line	
Percentage	2 %	20 %	

* Depreciation of NOK 2,038,686 is capitalised as development projects.

NOTE 6 INTANGIBLE ASSETS

Amounts in NOK	Development projects	Patents	Total
OPENING NET BOOK AMOUNT 1 JANUARY 2022	40,435,394	2,094,702	42,530,096
Additions	11,927,118	3,779,943	15,707,061
Amortisation charge	-	-	-
YEAR END 31 DECEMBER 2022	52,362,512	5,874,645	58,237,157

NOTE 7 ACCOUNTS RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Amounts in NOK	2022	2021
Accounts receivables	-	206,025
Other short-term receivables	714,148	6,773,521
Receivables from group companies	20,510,873	-

NOTE 8 CASH AND CASH EQUIVALENTS

Amounts in NOK	2022	2021
Cash at bank and in hand	16,777,851	107,953,211
Restricted cash	982,490	768,530

NOTE 9 FINANCIAL ASSETS

SHARES IN SUBSIDIARIES

Company name	Registered office	Ownership/voting rights	Booked equity	Net result 2022	Book value
Alginor Biorefinery AS	Haugesund	100 %	74,955,050	429,738	75,050,000
Alginor Industrial Estate AS	Haugesund	100 %	125,029,629	287,546	125,040,000
Alginor Pharma Ingredients AS	Haugesund	100 %	9,910,508	-89,492	10,000,000
Hypomar AS	Haugesund	100 %	37,392,878	-3,946,677	44,940,000
Oewa AS	Haugesund	100 %	11,328,415	-1,547,050	15,020,000
TOTAL			258,616,480	-4,865,935	270,050,000

NOTE 10 SHARE CAPITAL

The share capital is NOK 16,575,685, consisting of 16,575,685 shares, each with par value of NOK 1. For further information, please see Note 11 Share capital on page 77.

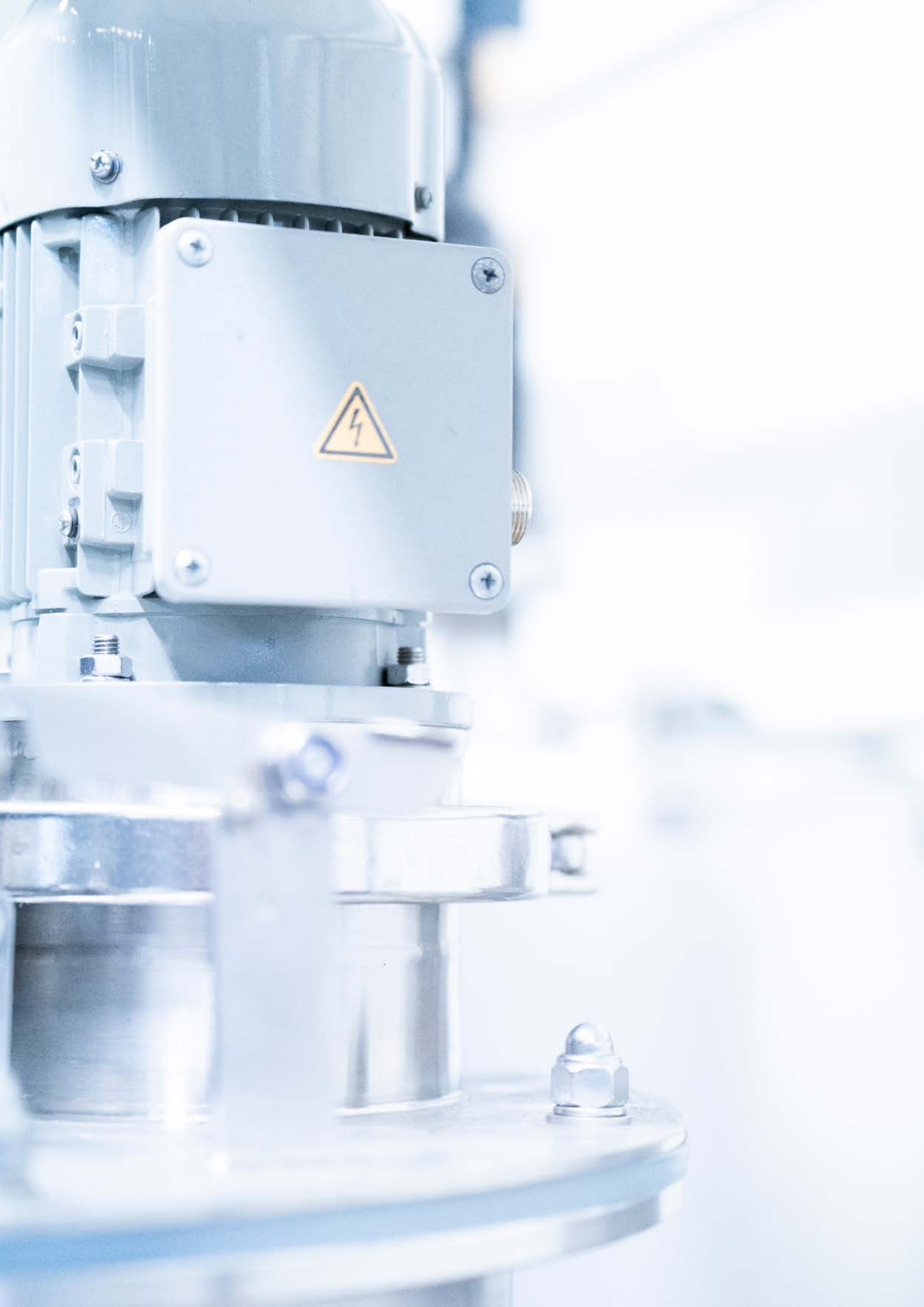
NOTE 11 OTHER NON-CURRENT LIABLITITES

Amounts in NOK	2022	2021
Debt to financial institutions	-	-
Other non-current liabilities*	4,230,156	2,377,211
TOTAL NON-CURRENT LIABILITIES	4,230,156	2,377,211

* Advance payments from the EU.

NOTE 12 SUBSEQUENT EVENTS

For information, please see Note 18 Subsequent Events on page 85.



THE BOARD'S RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

The consolidated financial statements for 2022 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 2022 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, 22 June 2023

The Board of Directors of Alginor ASA

Signed

Thorleif Thormodsen
Chair

Signed

Åse Tveit Samdal

Signed

Bjørn Bugge

Signed

Kristine Klaveness

Signed

Gisle Løhre Johansen

Signed

Hans Sandvold

Signed

Siv Gausdal Eriksen

Signed

Kjetil Rein
CEO

INDEPENDENT AUDITOR'S REPORT

KPMG AS
Karmsundgata 72
N-5529 Haugesund

Telephone +47 45 40 40 63
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 2022, the income statement, statement of changes in equity 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 2022, the income statement, statement of comprehensive income, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

Our opinion on the Board of Director's report applies correspondingly to the statement on Corporate Social Responsibility.

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

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

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

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

Haugesund, 22 June 2023
KPMG AS

Willy Hauge
State Authorised Public Accountant

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ABBREVIATIONS

AI .... Artificial Intelligence
AMD .... Age-related Macular Degeneration
AORTA .... Alginor's Ocean Refining Total-utilisation Application
API .... Active Pharmaceutical Ingredient
AS .... Aksjeselskap (private limited company)
ASA .... Allmennaksjeselskap (public limited company)
ASM .... Alginor Starting Material
B2B .... Business-To-Business
BBEPP .... Bio Base Europe Pilot Plant
BBI JU .... Bio-Based Industries Joint Undertaking
BIC .... Bio-based Industries Consortium
CAPEX .... Capital Expenditure
CEFA .... Certified European Financial Analyst
CEO .... Chief Executive Officer
CEP .... Certificate of Sustainability
CF .... Cash Flow
CFO .... Chief Financial Officer
cGMP .... current Good Manufacturing Practice
CGU .... Cash-Generating Unit
CNC .... Cellulose Nanocrystals
CNF .... Cellulose Nanofiber
CTO .... Chief Technology Officer
DACOTA .... Demonstration And Commercialisation Of The AORTA innovation
DAD .... Diode-Array Detector
DCF .... Discounted Cash Flow
EIC .... European Innovation Council
EPC .... Engineering, Procurement, and Commissioning
ESG .... Environment, Social responsibility, corporate Governance
EU .... European Union
F1 .... Facility 1 (first pilot, continues as F2)
F2 .... Facility 2 (extended pilot adjacent to F3)
F3 .... Facility 3 (biorefinery facility)
F4 .... Facility 4 (API facility)
FT-IR .... Fourier-Transform InfraRed spectroscopy
FVLOD .... Fair Value Less cost Of Disposal
HPLC .... High Performance Liquid Chromatography
HSE .... Health, Safety, Environment
HSEQ .... Health, Safety, Environment, Quality
IAS .... International Accounting Standards
ICP-MS .... Inductively Coupled Plasma Mass Spectrometry
IFRS .... International Financial Reporting Standards
IKS .... Interkommunalt Selskap (intermunicipal company)
IN .... Innovation Norway
IPR .... Intellectual Property Rights
LTU .... Luleå University of Technology
MCC .... Microcrystalline Cellulose
MS .... Mass Spectroscopy
NGAAP .... Norwegian Generally Accepted Accounting Principles
NMR .... Nuclear Magnetic Resonance
NOK .... Norwegian Kroner
NRS .... Norsk Regnskapsstandard (Norwegian Accounting Standard)
OPEX .... Operational Expenditure
QA .... Quality Assurance
R&D .... Research and Development
RCN .... the Research Council of Norway
RRF .... Regional Research Funds
SME .... Small and Medium-sized Enterprise
TNO .... Nederlandse Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek (Netherlands Organisation for Applied Scientific Research)
TPC .... Total Phenolic Content
TV .... Terminal Value
VAT .... Value Added Tax
VIU .... Value In Use

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ANNUAL REPORT 2022
ALGINOR ASA