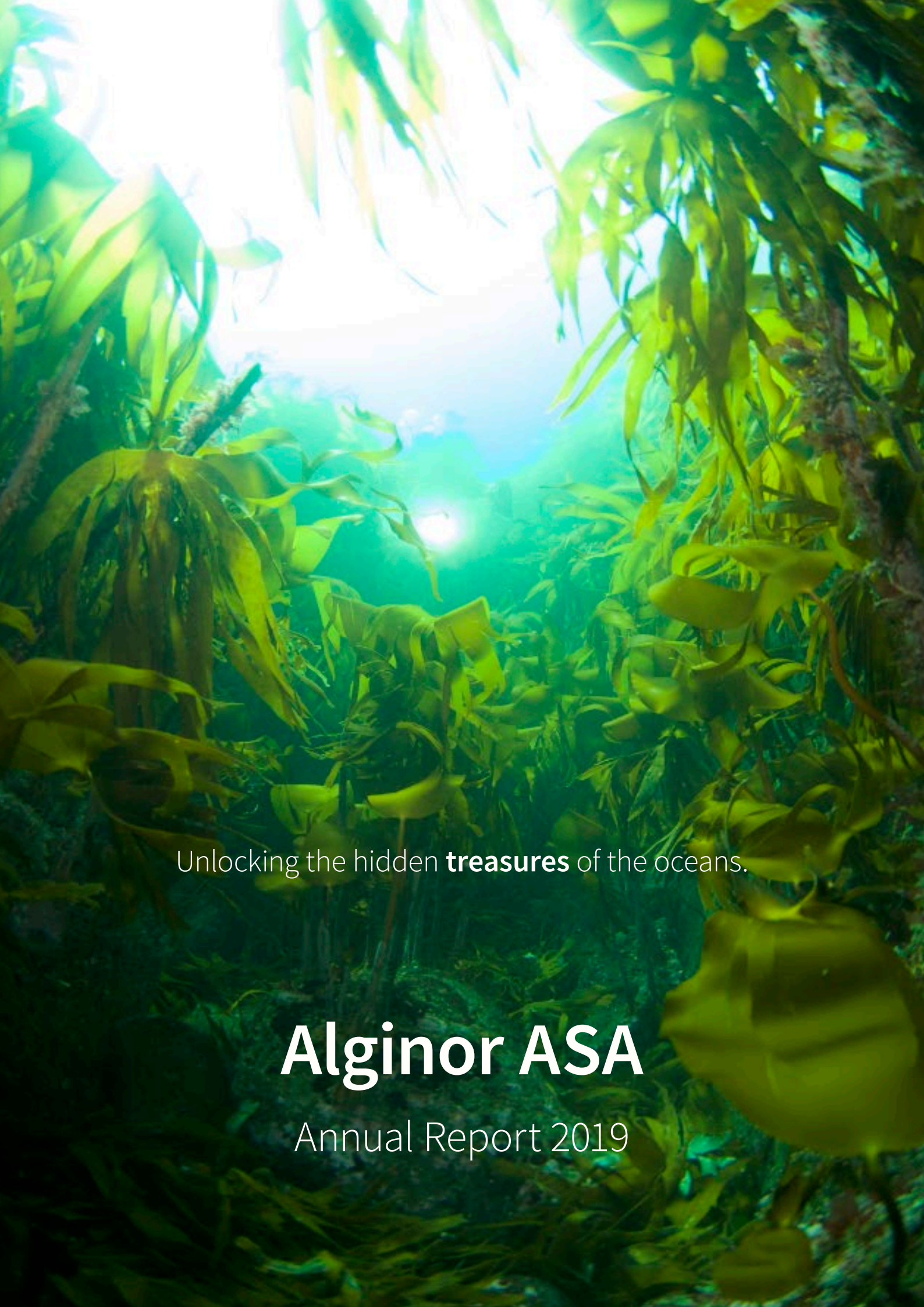

Unlocking the hidden **treasures** of the oceans.

Alginor ASA

Annual Report 2019


Photo by Thomas Bergh

Alginor in a **nutshell**

- **Total utilisation of biomass through industrial biorefining technology**
- **Formalin-free and environmentally friendly operations**
- **Strong project implementation record and competence in obtaining public and private funding**
- **Seven global market segments within life-science**

Total utilisation through industrial biorefining

Alginor's overall business strategy is to create a profitable value chain based on total, industrial utilisation of the macroalga *Laminaria hyperborea* through biorefining, without large emissions and resource loss. Alginor's core operation is the processing technology AORTA. AORTA, combined with the Hypomar harvesting technology, enables Alginor to utilise every valuable property in the raw material and create a diversified portfolio of 12 bio-based ingredients. Alginor's operation increases the utilisation ratio from 15 to 100 % with increased profitability, and requires less use of energy, water and chemicals than current industry operations.

Formalin-free, environmentally friendly operations

Any of Alginor's harvesting and processing operations are completely free of formalin and other toxic chemicals. Alginor's Hypomar harvesting technology does not use a trawl and has zero to minimal impact on the seabed and surrounding life. The Bellona Foundation is an active partner in the Hypomar project and provides Alginor with advice on environmental aspects. Environmental considerations have always been and continues to be a crucial part of Alginor's investment decisions.

Strong project implementation capacity and competence in obtaining public funding

11 current and granted projects, including SME II with EU Horizon 2020, have a total budget of NOK 98.2 million, whereof budgeted public grants make up NOK 55.7 million, amounting to 56.7 % of the total R&D budget.

Alginor ASA's AORTA 2 project was scored as a "High-quality project proposal in a highly competetive evaluation process" in EU Horizon 2020, and passed all thresholds for the 3 award criteria excellence, impact, and quality and efficiency of implementation. Only 4 % of the applicants to EU Horizon 2020 were awarded funding.

Seven global market segments

Alginor will target the following seven global market segments for the sale of our bio-based products: pharma & API, health & nutrition, biomaterials, food ingredients, feed ingredients, ingredients for agriculture, and chemicals.

The 12-product portfolio combined with the seven different market segments is a key concept in minimising risk.

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Photo by Thomas Bergh

Sustainable **Green Finance**

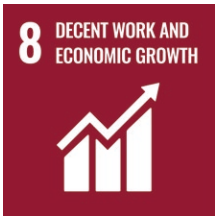
The global community has become increasingly aware of the challenges of climate change and the necessity for climate responsibility. Sustainable and environmentally friendly resource management are key steps to our planet's survival.

Marine biomasses are among the world's largest untapped resources. The macroalga *Laminaria hyperborea* has a standing biomass of 100 million tonnes globally, of which an estimated 60 million tonnes grow along the Norwegian coastline, making it the largest biomass of long-stem kelp in the world. In other words; this type of kelp is extremely sustainable for harvesting in large amounts.

Alginor has since its inception in 2014 worked purposefully to establish a green company with a clear ESG stock profile. After years of research, we are convinced that it is entirely possible, and that we possess the necessary technology to create great, sustainable wealth without compromising the environment.

Our patented technology removes the bottleneck that exists in today's industry and lays the foundation for a highly profitable, green, biorefining industry of the long-stem kelp *L. hyperborea*, that dramatically exceeds current expectations and requirements for sound resource management and exploitation of natural, renewable raw material, including maximising resource efficiency from 15 to 100 %, reducing use of water, energy and chemicals with pollutive qualities, e.g. formalin.

Sustainable Development Goals



Scalable operations with high value-creation potential.

Profitability ensures continuous R&D and further investments.

Alginor's future demonstrator, biorefinery and harvesting vessels will create jobs.

Health hazards associated with formalin during harvesting, storing and processing, are eliminated.

Alginor will offer brand new products and product categories to global markets.

Disruptive technology creates a new, green value chain.

Close ties to marine R&D institutions in Norway and Europe.

Total utilisation and zero raw material waste are among Alginor's core values; the company believes natural resources should be utilised fully when exploited, instead of being partially exploited or squandered.

Fully traceable ingredient production.

The raw material is renewable and abundant.

Alginor's harvesting operations require fewer vessels and exceeds the harvest capacity of current industry standards.

Any Alginor operation is completely free of formalin and other toxic chemicals.

Alginor harvests kelp without unnecessarily distrupting or brutalising the seabed and the ecosystems it houses.

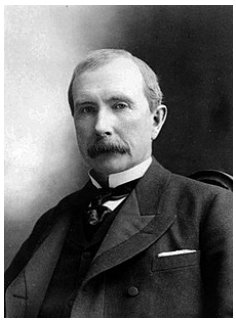
Novel harvesting methods allow fish to continue breeding and maintain the biodiversity.

Any raw material detached from the seabed is extracted from the sea.

Alginor has worked and continues to work hand in hand with a multitude of persons, universities, institutions and companies to further our understanding of the ocean and the kelp forests outside our shores.

A New **Paradigm**

Wealth-creation through a unique 12 product portfolio by way of total utilisation, zero emissions and improved conditions for sea life with the AORTA and Hypomar technologies.



John D. Rockefeller (1839 – 1937) played a key role in the development of the modern petroleum industry. In 1870, whale oil had become too expensive and Rockefeller established Standard Oil Ltd. for the commercialisation of petroleum as a cheaper energy source. Only the paraffin (kerosene) was extracted from the oil and the rest was considered waste. It was only later, in the late 1800s, that Rockefeller increased the application for oil through biorefining technology.

We believe today's alginate industry is in a similar position to that of the beginning of the petroleum industry, where only the paraffin was utilised. Today's alginate industry only extracts a small fraction of the raw material (about 15 %), first and foremost alginates, while the remaining majority of the raw material is pumped back into the sea.

In line with Rockefeller's spirit, Alginor will use biorefining of the raw material as a starting point for wealth creation and revolutionise how we use marine plants.

Our Hypomar harvesting technology does not use a trawl and is equipped with total visual control of the seabed, which enables us to nullify any destructive impact on the seabed and surrounding life, leaving the kelp sprouts intact, allowing for a quick recovery. The current industry standard of using a trawl damages the seabed and leaves a wasteland that provides difficult conditions for the recovery of the kelp stock (up to seven years).

BELLONA

The Bellona Foundation is an active partner in the Hypomar-project and advices on environmental aspects. Harvesting vessels equipped with the Hypomar technology will harvest and pre-treat the kelp, and deliver four defined Alginor Starting Materials (ASM) ready for biorefining processing.

Our AORTA biorefining technology enables us to utilise 100 % of the raw material, and the biorefining of our ASM's requires less water, energy and process chemicals than what today's industry needs to utilise 15 %. We have figured out how to entirely omit any chemicals with pollutive qualities, e.g. formalin, which is the go-to chemical in today's practice.

Combined, the Hypomar and AORTA technologies achieve cost-effective total utilisation of the raw material with close to zero emissions to the environment, with low impact on surrounding life and no permanent damage to the seabed, resulting in a 12-product portfolio of highly sought-after medical and food ingredients.

The Origin of Oil

Did you know that much of the petroleum we use today used to be algae such as kelp.

Printed advertisements in Norwegian newspapers.

A Forest of Gold in the **Norwegian Sea**

Every year, 26 million tonnes of macroalgae (seaweed and kelp) are used globally; 25 million tonnes are grown, while only 1 million tonnes are wild-caught kelp. The bulk of the grown raw material is consumed in Asia, while the wild-caught portion is most attractive for industrial applications.

About 480 different types of macroalgae have been identified in Norway. These are divided into three groups: green, red, and brown algae. Alginor focuses on one type of macroalga in the latter group, specifically the large brown kelp ***Laminaria hyperborea***. With a standing biomass of about **100 million tonnes** in total, of which about 60 million tonnes are in Norwegian waters, *L. hyperborea* is among the world's largest untapped resources.

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

The kelp compensates for the cold water with a distinct bark structure, which combined with stronger starch components, gives a longer stalk than comparable kelp in Asia, such as its relative *Laminaria japonica*. Kelp types in warmer waters usually have much larger leaves relative to the stalk, which affects the quality of the raw material. Therefore, *L. hyperborea* has a unique biochemical composition with high concentrations of the most attractive properties, and will, if utilised properly, provide great value. For example, fucoidan extracted from *L. hyperborea* has the highest known molecular weight and degree of sulfation. Moreover, alginate from *L. hyperborea* is also of unique quality; the kelp is exposed to harsh weather conditions and strong ocean currents, which results in a particularly long stalk. Due to the structure of the long stem, a high content of guluronic acid occurs, which results in high gelling ability of its alginate.

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

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

This is **Alginor**

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

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

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

Alginor is still a commercial "*start-up company*" and has currently 15 regular employees and 5 consultants, all of whom have become shareholders through acquisitions of shares by participation in public placements. The employees have also received stock-based incentives through a warrants scheme.

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

Thorleif Thormodsen
CEO
Financial Analyst, CEFA
tt@alginor.no

Nina Widvey
Vice President
B.Sc. Mechanical Engineer
nw@alginor.no
Experience from corporate development and larger projects within refining of marine raw materials. Hypomar Project Manager.

Kjetil Øie Kristiansen
COO
M.Sc. Offshore Technology
kk@alginor.no
Experience from several projects related to offshore operations, as well as certification, design and construction of feed barges. AORTA project leader.

Annette Petersen-Øverleir
Controller
Master of Economic Analysis
apo@alginor.no
Experience within investor relations and good knowledge in international economics and capital markets, resource management and energy markets.
On maternity leave 06.19—07.20.

Sandra Støle
Accounting & Project Secretary
ss@alginor.no
Experience within customer relations and keeping company books. Monitoring project progress and project financials.

Christina Steiness
Office Administration Apprentice
christina.steiness@alginor.no
Performs administrative work, including case processing and daily operations.

Georg Kopplin
R&D Manager
Ph.D. (cand.) Biotechnology
gk@alginor.no
Experience with biopolymers at Nobipol. Has played a major role in characterisation of alginate and especially fucoidan. World leader in fucoidan. AORTA project leader.

Astrid Bruvik Øvregård
Project Coordinator
B.A. Molecular Biology
abo@alginor.no
In-depth experience in development of project applications. Responsible for several national/ international breakthroughs. Good knowledge and experience in molecular biology.

Linn Margrethe Bringedal
Process Engineer & QA
B.Sc. Chemistry and Biotechnology
linn@alginor.no
Ten years of experience from the alginate and bio-tech industry with focus on manufacturing, development of process design, equipment evaluation, process control and quality control (GMP, ISO). M.Sc. Chemical Process Technology in 2020.

Henriette Wangen
Business Development Bioactives
M.Sc. Molecular Biology
hw@alginor.no
Experience in sales, marketing and management. Thorough laboratory experience. Good knowledge in design of legal documents. AORTA project leader.
On maternity leave 01.20—02.21.

Marie Emilie Wekre
Ph.D. cand., Industrial Ph.D. scheme
M.Sc. Chemistry
marie.wekre@alginor.no
Professional and practical experience in natural chemistry, chemical analyses, analysis of polyphenols groups and pigments from marine algae.

Arild Steinnes
Business Manager Alginates & Director of Regulatory Affairs
Long experience in development and global sales of biopolymers. Expertise on the market side and how to get products to market quickly. Large customer network.

Kjetil Rein, CTO
M.Sc. Mechanical Engineering
Long experience in engineering and development of components and system within automotive, space, offshore and fish farming industry. Also has experience in designing a full scale processing plant, including process equipment and procedures.

Loyd Arve Nornes
Developer
Experience from technology development. Expert problem-solver who thinks outside the box.

Helge Tordahl, CFO
Business economist, IT/telecom engineer
IT and economic expert. Long experience from business development, sales and management, in addition to revision, corporate development and board leadership.

Our **Area of Business**

Alginor's mission is biorefining and total utilisation of all inherent components in the Norwegian kelp *Laminaria hyperborea*, which has a standing biomass of 60 million tonnes along the Norwegian coastline. We will ensure delivery of products of the highest quality by maintaining full control of access to raw material, traceability and quality assurance through our own production.

Even though the go-to products of today's industry like alginate and fucoidan are in high demand globally and are very profitable to the industry, only a small fraction is harvested in Norwegian waters each year. Our understanding is that this is neither due to harvest, production capacity, sustainability issues or government regulations, but because today's industry requires extensive use of toxic chemicals (e.g. formalin) to recover their products, and that these chemicals result in toxic emissions to the environment. The use and release of formaldehyde (the active component of formalin) is subject to strict national regulations which includes an annual limit on formaldehyde release, effectively limiting and capping the production of today's alginate industry.

Alginor has figured out how to bypass this problem entirely—our operations both during harvesting and processing are completely formalin-free.

The company has developed and continues to enhance its harvesting and processing methods which abolish the use of formalin and avoid toxic emissions to the sea, air and other surroundings, with increased efficiency and profitability.

In December 2019 the Directorate of Fisheries granted Alginor's first harvesting vessel Hypomar Inceptor an unlimited harvesting license. Hypomar Inceptor began harvesting in December 2019 and provides our pilot plant at Skudeneshavn (Skude Pilot) with raw materials.

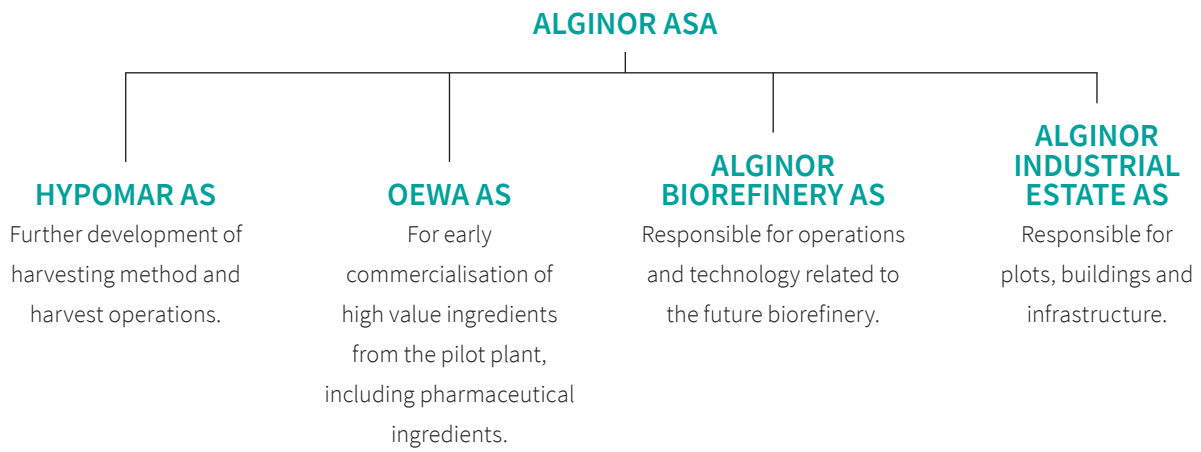
Our technology enables a scalable process and the company has defined various steps in relation to inbound raw material volumes per year. We are planning to launch the first biorefinery in Norway that can achieve total utilisation and resource efficient treatment of macroalgae for the extraction of pure and formula-specific products applicable in food, feed, pharmaceuticals, agriculture, chemicals and materials.

Controllable scaling is a key concept in Alginor's risk management. The company has worked to find sustainable production levels on small and large scales while meeting the regulatory requirements set forth by the **Norwegian Food Safety Agency**, **The Norwegian Medicines Agency**, ISO and customer requirements.

Alginor has partially completed the first step in attaining production capacity: building a pilot plant in Skudeneshavn—the **Skude Pilot**. The establishment of the Skude Pilot began in December 2019 and is well underway. The pilot's first sizeable quantity of raw material was sent to Belgium for industrial piloting in January 2020.

Skude Pilot will be followed by a **demonstrator** ("Flagship Demonstration Plant" in line with EU terminology). Later, the demonstrator will be complemented by a full-scale industrial **biorefinery**.

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



Technology—**AORTA** & **Hypomar**

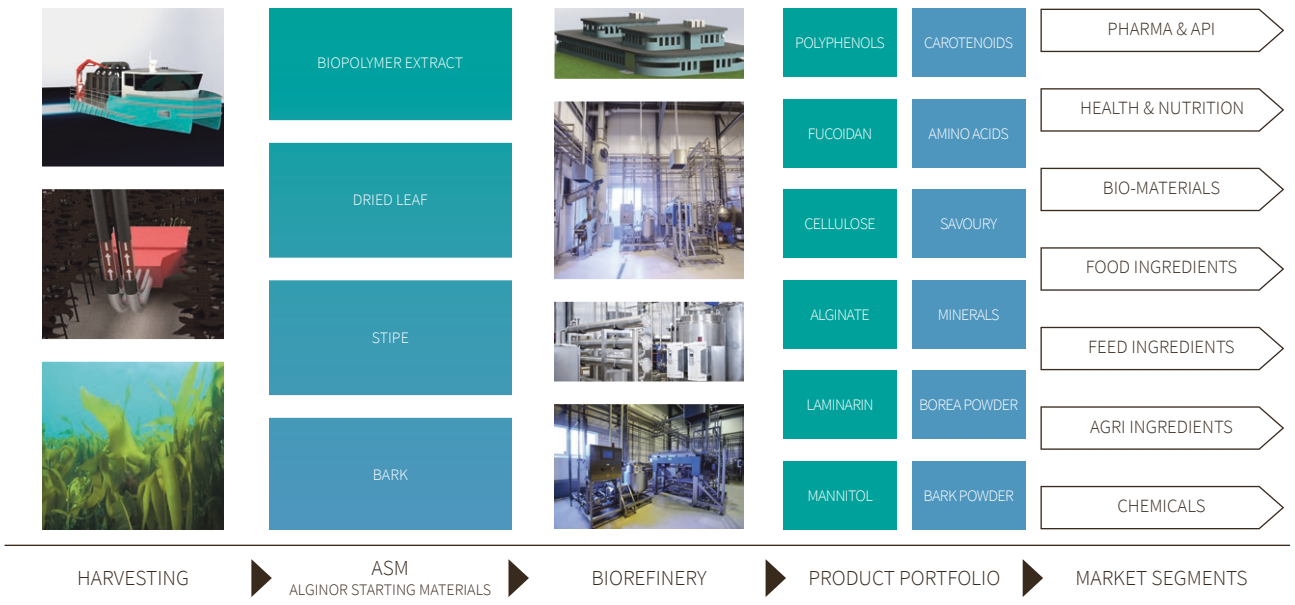
Alginor's two major technologies—AORTA (processing) and Hypomar (harvesting)—will be integrated in the operations of our future "Flagship Demonstrator Biorefinery" and industrial biorefinery and are key to open up a green value chain with increased profitability. These technologies consist of unique technical solutions for sourcing, harvesting, green processing and total utilisation of the raw material, and facilitate a novel value chain with 12 life science ingredients at the highest regulatory level, for sale to seven global market segments.

Alginor's disruptive technology removes the bottleneck that exists in today's industry, abolishes any use of formalin, can produce larger volumes of new and more profitable products at a lower cost, and drastically reduces the ecological footprint of the alginate industry related to CO_2, energy, water.

The formalin issue, which is closely connected to negative browning effects in the end products due to polyphenols and other bioactive compounds in the raw material, as well as foreign substances introduced by epiphytes growing on the macroalgae, is completely bypassed by Alginor's technology. Consequently, aside from the positive environmental effects, Alginor's operations are not limited by the regulatory limit on annual formaldehyde release, and operations are therefore only limited by actual production capacity.

The company's pilot factory (Skude Pilot) started operations in Q1 2020 and sent out its first shipment of ASM (Alginor Starting Materials) in the same quarter. Skude Pilot has a limited dimension at a controlled risk level and includes a pico-line (miniature biorefinery).The pilot will validate Alginor's AORTA and Hypomar technologies prior to the establishment of the demonstrator, tentatively in 2021-2022.

Vertical integration through the value chain



Highlights of 2019

Operations

First harvesting vessel acquired

In August, Alginor acquired a workboat for harvesting trials and prototyping, which was christened Hypomar Inceptor. The vessel is registered with the Norwegian Ordinary Ship Registry (NOR) and allowed us to obtain a harvesting permit by the Directory of Fisheries in December.

The workboat is made by Westplast in Leinøy and has previously been used in the rough North Sea assisting seismic surveyors. Having a sturdy and steady workboat with a large deck ensures a safe working environment for everyone involved.

The Skude Pilot

For in-house piloting, development and small-scale production, Alginor has entered an agreement to rent a production hall at Steiningsholmen in Skudeneshavn, an hour's drive from the offices in Haugesund.

The facility is equipped with high-capacity electrical systems for powering industrial machinery, a gantry crane, as well as ventilation. The first equipment scheduled for installation, is a German-made fluid bed dryer which arrived in February.

Projects

RRF Main project finalised

Laminaria hyperborea contains large quantities of polyphenols. Today's industry uses formalin to prevent the polyphenols from cross-binding to other compounds post-harvest, because the polyphenols discolour the alginate products. The use of formalin inhibits extraction of the compounds remaining in the kelp. Large emissions and low utilisation combine to form the greatest problem of today's industry, where only 15 % of the raw material is exploited.

The main topic of this project was to find a way of utilising the entire biomass of the raw material without the use of formalin, creating an industry guided by the ideals of

- sustainable and total utilisation,
- zero chemical emissions, and
- increased wealth creation.

Results showed how polyphenols adversely affect the raw material. Using special techniques in the process, the polyphenol problems are solved without the use of formalin while creating a stable starting material. In addition, results showed that polyphenols can be extracted as a product in its own right, with a high market value.

The project had a cost of NOK 6.2 million and followed the preliminary project which was also funded by the Western Regional Research Fund by NOK 3 million.

NFR Marinforsk finalised

The NFR Marinforsk project was completed in June 2019 and had a cost of NOK 9.1 million, whereof NOK 4.5 million was funded by the Research Council of Norway.

Kapilar AS, Innovatech AS, Sci Green Innovations Ltd., The Danish Institute of Technology and SINTEF Materials & Chemistry were important collaborative partners in executing the underlying R&D tasks of the project.

The main goal of the project was to develop the Hypomar harvesting technology. Other goals included management of seaweed components without loss of raw material, achieving total utilisation.

RFF Fucomed pre-project finalised

The Fucomed pre-project was concluded in March 2019 and had a cost of NOK 1.1 million, of which NOK 0.5 million was funded by the Western Regional Research Fund.

The main goal of the pre-project was to investigate the bioactivity of fucoidan and research the suitability of fucoidan for medical units and applications.

Fucomed—Fucoidan for biomedical applications

The preliminary project formed the basis for the Fucomed main project application to the Research Council of Norway, which was approved in December 2019 for a total budget of NOK 23.2 million and a NOK 11.6 million funding from the Research Council of Norway. The main project will focus on commercialisation of fucoidan for medical units and

applications.

The Fucomed project, led by Alginor, involves extraction, purification and characterisation of fucoidan from *L. hyperborea* in collaboration with the University of Bergen, the University of Oslo and the Royal Technical Institute of Sweden. Possible applications studied and tested in this project include fucoidan as cancer treatment, cell growth medium and for cosmetical applications.

EU SME-II progression

Alginor was awarded a project in the SME instrument through the European Commission's Horizon 2020 Framework Programme in July 2018, and in September the same year the project started. The total budget for the project is € 2.77 million, of which 70 % is a grant from the EU. The aim of the project is to validate Alginor's AORTA technology through successful production runs in external piloting facilities, which will result in products suitable for many market segments.

Alginor closed the first reporting period in August 2019, and the following technical and financial report received great marks and was approved by the European Commission. Subsequently, Alginor received a payment of NOK 4.3 million that covered the expenses in reporting period one. The company is well underway with reporting period two, which will end in February 2020, with a periodic report to be completed in March 2020. The final project report will be delivered after project end in August 2020.

Since project start, process designs for all products have been completed with complementary commercialisation and financial plans, harvesting equipment has been constructed and tested, seaweed has been harvested and external piloting on a larger scale began in February 2020. Customer contact for several of the products is ongoing, and project implementation is in line with the project plan.

ALEHOP—Protein extraction

The ALEHOP project centres around the extraction of proteins from seaweed, to be used as plant-based protein alternatives and as addition to bean proteins in food supplements and for animal feed. The project involves 10 food producers and 3 universities in Europe, has a total budget of ca. € 5 million whereof Alginor's budget is € 0.59 million, and was approved by the EU in December 2019.

Alginor in the journals

Georg Kopplin submitted his research on the effect of fucoidan from *L. hyperborea* (extracted and purified by Alginor) on macular degeneration, an eye disease with millions of patients worldwide. The work was published in the journal Marine Drugs.

Also published in the journal, was Marie Emilie Wekre's research paper on the extraction and characterisation on polyphenols from seaweed. Marie's work was conducted at the University of Bergen.

Public placements

In **April** 2019 Alginor launched a public placement of 40,000 shares at NOK 75 per share, for a total cash provenue of NOK 3 million. Use of funds: expansion of the piloting phase, pre-commercialisation aspects, strengthen capital and liquidity ratios, and ongoing expansion of the Victoria Laboratory and OEWA AS. The placement was fully subscribed. In **August** 2019 Alginor launched a public placement of 60,000 shares at NOK 5 per share, for a total cash provenue of NOK 4.5 million. Use of funds: The Hypomar and Victoria projects. The placement was oversubscribed and resulted in a cash prevenue of NOK 4.9 million and was executed in two tranches.

In **December** 2019 Alginor launched a public placement of 20,000 shares at NOK 100 per share, for a total cash provenue of NOK 2 million. The main purpose of the placement was to increase the number of shareholders to 100 or more, in preparation for a future stock listing. The placement was oversubscribed and resulted in a cash provenue of **NOK 6,513,600** and issuance of a total of 65,140 shares. Post placement Alginor had 144 shareholders up from 82. Use of funds: Add to capital base and general liquidity.

Pre money capitalisation and outstanding shares as of 01.01.19 was Mcap NOK 59.12 million and 748,320 shares. Post money capitalisation and outstanding shares as of 31.12.19 was Mcap NOK 88.89 million and 887,223 shares.

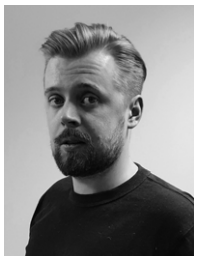
All public and private placements were launched and executed by Alginor, without assistance of any brokers.

New hires

To reach the company's goals, including further expansion, commercialisation and listing of the company's shares on the stock exchange, it is the company's assessment that, taking into consideration ongoing upscaling activities and that two of the company's employees are on maternity leave, it is critical and necessary to strengthen the company with competent personnel to ensure that the company's plans are implemented according to schedule.

Egil A. Storesund Hanssen was hired as a product developer in August. He obtained a B.Sc. in Industrial Design Engineering from Østfold University College—with an emphasis on CAD and interaction design—after attending Cybernetics and Robotics at NTNU for a year. He works on the design and engineering of harvesting vessels and equipment, produces advertisements while creating a coherent visual profile for the company, and will assist the newly formed marketing team.

eah@alginor.no



Benjamin Thormodsen was hired as in-house legal counsel in September 2019. He holds a Master of Law from the University of Bergen and an LL.M. degree from University of California Hastings College of the Law with a specialisation in International Business and Trade. Benjamin works with company legal matters, policies and private and public placements, and will assists Alginor towards a future listing of the company's shares, including the preparation of a national and EEA prospectus. Additionally, Benjamin will be involved with Alginor's marketing team and advise on legal matters as of 2020.

bt@alginor.no

Vegard Tvedt was hired as a lab technician in November 2019. He is on the final stage of obtaining a B.Sc in Chemistry from the University of Bergen, where he also gained experience at working in the laboratory. Vegard does lab work, including macroalgae protein extraction and chemical analysis, and works with production at the Skude Pilot. He lived most of his life in Spain and moved to Norway after finishing high school.

vt@alginor.no

Ricky Lee Green was hired as Chief Chemist in February 2020. He graduated from Leeds Metropolitan University (UK) in 1989 (HNC in Applied Chemistry) and has over 30 years of experience in the chemicals industry in both analytical and process technology development. Formally with SCI Green Innovations, he is responsible for the creation of the current processes in use at Alginor and the family of patents associated with them. Based mainly in the UK he will work closely with the teams in the Alginor laboratory and Skude Pilot, bringing the processes and products into reality.

ricky.green@alginor.no

Gabriele Kasparaviciute was hired as an AI manager in early 2020. She has two bachelor's degrees in Economics and Software Engineering & Management and has recently graduated from her master's degree in Applied Data Science in Sweden. Gabriele wrote her master's thesis in DeepOcean, Norway, where she developed a new algorithm for image classification. Gabriele is responsible for automation processes in investor identification, product portfolio analysis, and advancing artificial intelligence for underwater robots.

gabriele@alginor.no

Photo by Thomas Bergh

Photo by Thomas Bergh

The **Board's Annual Report** of 2019

Haugesund, 28 February 2020

The **Board's Annual Report**

1. INTRODUCTION

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

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

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

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

2. NATURE OF THE BUSINESS AND WHERE IT IS OPERATED

Alginor ASA is implementing a 7-year development project called AORTA for biorefining of macroalgae and a harvesting method for macroalgae called Hypomar. Our business model is based on in-house commercialisation with vertical control in the value chain from raw material to product – in a long-term perspective. The business is currently operated from Kirkegaten 169 (OEWA AS), Haraldsgata 162 (Alginor ASA) and 170 (Alginor Biorefinery AS) in Haugesund, and Søragadå 73C (Hypomar AS).

Conversion to a Public Limited Company

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

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

The Board and corporate management

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

- Øyvind Gjerde, Chairman of the Board
- Åse Tveit Samdal, Member
- Bjørn Bugge, Member
- Turid Thormodsen, Member
- Kjetil Rein, Member
- Annette Petersen-Øverleir, Member
- Nina Widvey, Deputy

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

Accounting and financial management

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

Results

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

Balance

Assets

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

Non-current assets

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

Intangible assets

The Group and Alginor ASA's intangible assets, including patents, consist of identified sub-projects related to the Group and Alginor ASA's development project AORTA and amounts to NOK 13,860,450 in 2019 (NOK 8,041,824 in 2018). Intangible assets will be used by the company in-house for preparation of Alginor ASA's product portfolio. It is possible to sell the assets (i.e. the technology) to other players, but this is not in line with the Group's strategy. The intangible assets also have alternative uses other than the company's main purpose (total utilisation of macroalgae).

Deferred tax advantages/assets

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

Current assets

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

Equity and liabilities

Equity

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

Liabilities

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

Financial ratios

Interest coverage ratio

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

The Group and Alginor ASA's liquidity status

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

Cash flow

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

Innovation and development—balancing

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

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

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

Through the Marine Research Program (Marinforsk), the Research Council of Norway (Norges forskningsråd) co-financed a project under AORTA with a gross budget of NOK 10 million ended in June 2019. The project manager was Henriette Wangen.

The Western Regional Research Fund has co-financed/partially funded an AORTA project with a gross budget of NOK 6 million, ending in Q1 2019. The project manager is Henriette Wangen. The Western Regional Research Fund also co-finances an AORTA pre-project over 6 months with a gross budget of NOK 1 million. The project manager is Georg Kopplin.

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

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

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

a) The technical prerequisites for completing AORTA with aim that the technology will be available for internal use is met.
b) The company intends to complete AORTA and use the technology in the company's business.
c) The company has the ability to use AORTA for internal use.
d) It is likely that the AORTA project will provide revenue to the company in the future.
e) The company possesses the organisational, technical and financial resources combined with financial strategy required to complete the development and use the intangible asset.
f) By implementation of project accounting in a separate accounting system (Tripletex) and department, that collaborates with an external accountant, the company always has the ability to reliably measure project expenses attributable to the intangible asset while its being developed.

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

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

AORTA has a total budget of around NOK 98.2 million for 2015 to 2021, of which NOK 40.9 million is already completed. The budget in 2020 is NOK 20 million which provides a project achievement of approximately 62 % of the total plan. By a combined financial strategy, the AORTA projects are now financed until 2021 through capital increases and up to 70 % public project financing. The company expects that the total balance sheet of the development project will accumulate to the order of NOK 20 million in the year 2021 after deduction of grants.

The company has prepared a detailed report regarding the balance sheet of AORTA in accordance with IAS 38.57 which contains confidential information. The company assesses the overall likelihood of technological and commercial success to exceed 50 %. The Board and management have decided to complete the project within the period 2019-2021. Against this background, the Group and Alginor ASA have capitalised development expenses to AORTA, including patents, with NOK 13,860,450.

Business model and commercialisation

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

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

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

An alternative to the chosen business model would be to sell whole or parts of the technology to other players or to apply the technology to other types of bio marine raw materials. The Group and Alginor ASA consider the sales value to be higher than capitalised intangible assets, but this is not a current issue.

4. OTHER STATEMENTS IN ACCORDANCE WITH THE NORWEGIAN ACCOUNTING ACT

Statements regarding continued operations and the consolidated financial statements and the Alginor ASA financial statements of 2019

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

Statements regarding corporate governance

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

5. RISK FACTORS

During developmental stages, Alginor ASA and its subsidiaries will be exposed to several risk aspects, some of which are out of the Group's control. These risks can be grouped into the following categories: business risks, technological and project risks, regulatory risks, market risks, and financial risk factors.

Overarching risk factors

Business risks

Alginor conducts an ambitious and onerous strategy with associated capital needs. Simultaneously, constructing control systems and a value chain are resource taxing. Many measures are scheduled to be taken while the company maintains strategic control and operational business focus. These risks imply that explicit financial prognoses for periods can be characterised by relatively high uncertainty and volatility for the short-term interval. Causes may include the risk of postponements in project progress, e.g. due to delay financing, technical and regulatory challenges, or underestimation of resource-use in relation to the nature and extent of the task.

Technological and project-related risks

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

Market risks and competition

Pricing, production and market size

Alginor ASA has obtained international market reports for all the important products in the portfolio, and has made an overview of prices, volumes, production and market size for the Group's product portfolio. The Board expects stable growth in prices, increased prices for wild-caught raw material, and decreased prices for cultivated raw material.

Competition

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

Regulatory risks

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

Operational risk factors

Volatility in operational results

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

Key personnel

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

Unidentified risks

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

Patents

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

Access to raw material

Access to and quality of raw material is a critical risk factor relating to volumes. Access is affected by regulatory affairs. As of 2019, the Group has secured access to raw material by obtaining an unlimited Freedom to Access permit issued by the Directorate of Fisheries.

Commercialisation

Alginor ASA and its subsidiaries are carefully planning the upcoming commercialisation of the business, technology and product portfolio. Marketing and introduction of products will happen gradually, beginning with a narrow range of customers, followed by a wider range and broader product portfolio introduced in phases.

Dependence on strategic partnerships

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

Managing growth

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

Financial risk factors

Financial risk

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

Interest risk

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

Currency risk

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

Credit risk

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

Liquidity risk

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

Financing

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

6. WORKING ENVIRONMENT AND EXTERNAL ENVIRONMENT

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

The company has a good working environment. It has been registered sick leave in 2019 for a total of 67 days. Alginor is approved as an IA company and the company works closely with NAV Haugesund. The company has recently been approved as a public apprentice company and is aiming for admission of 1-2 apprentices in office and IT.

Equality and discrimination

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

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

Environmental reporting

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

Corporate social responsibility and external environment

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

Advisory Board – Advisory Committee & Consultants

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

7. EVENTS AFTER THE END OF THE YEAR

Acquiring laboratory by OEWA AS

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

Implementation of share issues in 2020

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

Outlining a National Prospectus for public placements of shares

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

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

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

8. OUTLOOK FOR 2020

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

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

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

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

Completion of the SME project 31 August 2020

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

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

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

Steiningsholmen, Skudeneshavn

The Board of Directors of Alginor ASA

Haugesund, 28 February 2020

Turid Thormodsen
Member

Øyvind Gjerde
Chairman

Åse Tveit Samdal
Member

Kjetil Rein
Member

Annette Petersen-Øverleir
Member

Bjørn Bugge
Member

Thorleif Thormodsen
CEO

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

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

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

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

For questions regarding investing in Alginor ASA, visit

www.alginor.no/investors/

Consolidated **Financial Statements** 2019

Haugesund, 28 February 2020

Consolidated Financial Statements

Consolidated statement of profit or loss

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

Consolidated Financial Statements

Consolidated balance sheet

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

Consolidated balance sheet

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

Haugesund, 28 February 2020

Turid Thormodsen
Member

Øyvind Gjerde
Chairman

Åse Tveit Samdal
Member

Kjetil Rein
Member

Annette Petersen-Øverleir
Member

Bjørn Bugge
Member

Thorleif Thormodsen
CEO

Consolidated statement of cash flows

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

Consolidated statement of changes in equity

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

Notes to the Consolidated Financial Statements

Note 1 Corporate information

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

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

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

Basis of preparation

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

Changes in accounting policies

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

Basis for consolidation

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

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

Foreign currency transactions

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

Government grants

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

Income tax

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

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

Property plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Depreciation

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

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

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

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

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

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

Intangible assets

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

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

Subsequent to initial recognition, development expenditures is cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

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

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, FVOCI and amortised cost. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVTPL and other financial liabilities at amortised cost.

Impairment

Non-derivative financial assets

Financial assets not classified as at FVTPL are assessed at each reporting date to determine whether there is objective evidence of impairment. The loss allowance is measured at an amount equal to lifetime expected credit losses.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy; or
- adverse changes in the payment status of borrowers or issuers.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment.

Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

The process of write-offs is enforced when the debt is more than 90 days past due and at least 3 reminders are issued in addition to the debtor being considered insolvent by the debt collector.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

R&D receivables

The outstanding grants are recognised as very solvent due to state-sponsored payments.

Financial rental agreements/leases

The Group uses exceptions in IFRS 16 for short-term leases and low value items.

Company offices and rental agreements

In 2018 Alginor acquired office spaces in Haraldsgata 162 with a

separate entrance. The office houses two workstations, archives and restrooms. The section is included as a 25/655-party in Sameiet Gullhuset (a co-ownership) in Haugesund and is currently 100 % financed with equity. The Company rents offices from Zirconia AS adjusted to NOK 15,000 as of 1 July 2019. The rental agreement for Gullhuset has a six-month termination clause for both tenant and lessee.

As of February 2020, the Company rents additional office spaces in Haraldsgata 170 to make room for its 2020 team, totalling 20 persons. The rental price is NOK 15,585 per month. The agreement will terminate without notice as of 1 February 2022, unless the Company exercises its right to continuation for one or two more years.

In addition, the Company rents the Victoria facility from Hagland Eiendom at NOK 10,800 per month. The rental agreement has a 4-month mutual termination clause, and the Company recently sent a notice of termination to Hagland Eiendom. Following the termination of this rental agreement, the Company will move its personnel and operations from the Victoria facility to its newly acquired offices at Kirkegaten 169 in Haugesund.

Yearly rental costs for 2020, including rent during the 4-month termination period at the Victoria facility, are assumed to total NOK 410,220.

Note 2 Significant estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget and prognoses for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The losses recognised relates to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The operating losses suffered in prior years is, related start-up costs and research and development costs. Group management expect to utilise the tax loss carried forward in the coming years, consequently the utilisation is dependent on future profits.

The tax loss carried forward is not recognised in the financial statements for due to no operating income yet.

Note 3 Personnel expenses

Employee benefit expenses during the year:

Amounts in NOK	2019	2018
Wages and salaries	5,748,629	3,456,272
Social security costs	912,905	513,086
Pension cost	269,578	158,280
Other personell cost	429,163	127,857
Activated to project	-5,996,268	-3,498,944
Board fee	90,000	-
Total	**1,454,007**	**756,551**

Number of employees: pt. 15

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

Employees part of the Norwegian Companies' pension scheme: 15

Remunerations to CEO

Amounts in NOK	2019	2018
Wages and salaries	-	-
Consultant fee	2,411,000	2,350,627
Other benefits	-	-
Total	**2,411,000**	**2,350,627**

No loans or securities have been granted to the Chairman of the Board, CEO or other related parties.

Principles guiding executive compensation

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

Salaries

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

Bonus schemes

Leading employees are eligible to receive benefits in addition to their base salary in the form of bonuses. A bonus is awarded in relation to base salary, nominally at maxiumum 1/3 of gross annual salary, incentivised by specific goals. The bonus should remain within the total remuneration average. Bonuses are determined by the Board.

There are no bonus schemes in place as of December 2019.

Fringe benefits

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

Pension schemes

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

Severance schemes

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

Warrants/option scheme

There are no option schemes in Alginor ASA, but a comparable warrants programme has been issued. The right to purchase shares at NOK 31.25 per share (price increases by 5 % per year) ends on 30 June 2023. To realise warrants, the holder must be employed on 30 June 2020. The CEO has no warrants, options or bonuses.

Remuneration for the Board

No Board fees have been expensed for 2019.

Distribution of CEO hours

	2019	2018
Administration, mentoring	505	635
EU project	493	600
Corporate finance—capital expansion	549	250
Project management and reporting	684	650
Development of Integra model	0	200
Financial analysis and projections	180	0

External consultants – completion of expertise

The Company has ongoing appointments with 5 consultants covering special subjects within regulatory/QA, technology, engineering, sales/marketing and economic monitoring. The expenses vary between NOK 825 and NOK 1,000 per hour and the appointment can last for years, with 1-3 months period of notice.

Internalising personnel resources and expertise

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

Note 4 Other operating expenses

Operating expenses

Amounts in NOK	2019	2018
Office expenses	720,326	428,871
Travel expenses	9,289	313,420
Consultant fees*	1,444,723	1,160,323
Other operating expenses	195,764	1,032,222
Total operating expenses	**2,370,102**	**2,934,836**

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

Expensed audit fees, excluding VAT

Amounts in NOK	2019	2018
Statutory audit	83,230	122,469
Tax services	-	-
Other services	55,040	36,375
Total	**138,270**	**158,844**

Note 5 Income tax

Consolidated statement of profit or loss

Amounts in NOK	2019	2018
Current income tax		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous year	-	-
Tax effect from Group Contribution	-	-
Deferred tax	-	-
Relating to origination and reversal of temporary differences	-	-
Adjustment in previous years	-	-
Income tax expense reported in the statement of profit or loss	**-**	**-**

Consolidated statement of other comprehensive income

Amounts in NOK	2019	2018
Deferred tax related to items recognised in other comprehensive income during the year		
Cash flow hedges	-	-
Currency translation difference	-	-
Income tax recognised in other comprehensive income	**-**	**-**

A reconciliation between tax expense and the product of accounting profit multiplied by Norway's domestic tax rate for the years ended 31 December 2018 and 2017 is as follows:

Amounts in NOK	2019	2018
Accounting profit before tax	-3,977,374	-3,777,039
At Norway's statutory income tax rate of 23 % (2018) and 22 % (2019)	-875,022	-868,719
Adjustments in respect to current income tax of previous years	-	-
Utilisation of previously unrecognised tax losses	-	-
Other non-deductible expenses	249,566	773
Effect of change in tax rate in Norway	-	-
Not recognised deferred tax assets	-1,634,361	-869,492
Other differences	509,773	-
Calculated income taxes recognised in profit and loss	-	-
Income taxes recognised in other comprehensive income	-	-
Total income tax recognised in profit and loss and other comprehensive income	**-**	**-**

Deferred tax

Amounts in NOK	31.12.2019	31.12.2018
Deferred tax relates to the following		
Fixed assets & intangibles	-6,066,750	-4,617,780
Total temporary differences	**-6,066,750**	**-4,617,780**
Losses available for offsetting against future taxable income	-11,756,326	-5,776,384
Not included in the basis for deferred tax	17,823,076	10,394,164
Basis for deferred taxes	-	-
Deferred tax assets/liabilities 22 %	-	-
Deferred tax assets/liability recognised in the balance sheet	**-**	**-**

Note 6 Property, plant and equipment

Amounts in NOK	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
At 1 January 2019	**406,420**	**488,706**	**895,126**
Accumulated depreciation 01.01	-20,736	-24,935	-45,671
Depreciation	-1,875	-	-1,875
Net increase	1,138,469	3,372,985	4,511,454
At 31 December 2019	**1,522,278**	**3,836,756**	**5,359,034**
Accumulated depreciation as of December 31 2019	-22,611	-24,935	-47,546
Depreciation method	Straight line	Straight line	
Precentage	2 %	20 %	

Depreciation of assets used in R&D projects booked against the project cost	**2019**	**2018**
	778,428	-

Note 7 Intangible assets

Amounts in NOK	R&D	Patents	Total
Year end 31 December 2018			
Opening net book amount	5,100,808	203,135	5,303,943
Additions	2,649,163	88,718	2,737,881
Closing net book amount	**7,749,971**	**291,853**	**8,041,824**
At 31 December 2018			
Cost	7,749,971	291,853	8,041,824
Accumulated amortisation	-	-	-
Net book amount	**7,749,971**	**291,853**	**8,041,824**
Year end 31 December 2019			
Opening net book amount	7,749,971	291,853	8,041,824
Additions	5,689,968	128,658	5,818,626
Amortisation charge	-	-	-
Closing net book amount	**13,439,939**	**420,511**	**13,860,450**
At 31 December 2019			
Cost	13,439,939	420,511	13,860,450
Accumulated amortisation and impairment	-	-	-
Net book amount	**13,439,939**	**420,511**	**13,860,450**

Intangible assets are under development and are not depreciated because the assets are subject to impairment testing. Development expenses are netted in 2019, after grants totalling NOK 14,354,156 after capitalisation of development expenses of NOK 13,860,450.

The AORTA Project

Alginor ASA is currently conducting a perennial development project named AORTA, for the biorefining of macroalgae. The project has a total budget of NOK 98.2 million for the period 2015-2021. The business model for commercialisation is made in-house in a long-term perspective. Business is conducted from Haraldsgata 162 and Haraldsgata 139 (Victoriahjørnet) in Haugesund. The Company wishes to produce a unique product portfolio of products derived from macroalgae, based on the idea of total utilisation (i.e. 100 % exploitation of the dry biomass), while keeping water, air and ocean emissions at zero.

Value test of intellectual properties

Capitalised value of intellectual properties and patents are NOK 13,860,450 as of 31 December 2019, based on assessments made in accordance with IAS 38 criteria. Using a discount rate of 15 %, there is no indication that write-downs are needed. By overall assessment of immaterial properties at year-end, there is no indication that write-downs are needed.

Patents

Activated patents of NOK 420,511 account for expenditures related to patent applications NO 20171834 and NO 20181459. The Group tests whether intangible assets with definite life has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the Board for the following year, and prognosis approved by management for the subsequent four years.

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

Basis for the calculation is the Company's Base Case Scenario, prepared in a comprehensive Excel model through the project's duration, named Integra. Project Manager of Integra is Helge Tordahl. The estimation period used for the calculating the IP value is 5 years, adding a terminal value at fifth year. Terminal value (TV) is estimated using Gordon's Growth Method formula such that last year's cash flow (CF) divides into required rates of return (a) minus growth factor for future cash flows (g): CF / (a – g).

Sensitivity to changes in assumptions

Amounts in NOK	Norway
EBITDA-margin	
A 10 % decrease in the EBITDA-margin would require an impairment of	-
If applying the EBITDA-margin achieved in 2019 to the forecast-period, it would require an impairment of	-
Discount rates	
A 10 % increase in the discount rate would require an impairment of	-
A 15 % discount rate would require an impairment of	-
Sales volume	
A 10 % decrease in the annual growth rate would require an impairment of	-
If applying the sales volume achieved in 2019 to the forecast period, it would require an impairment of	-
Long-term growth rate	
If the long-term growth rate is set to 0 %, it would require an impairment of	-

Note 8 Financial assets and financial liabilities

8.1 Financial assets

Financial assets at amortised cost

Amounts in NOK	31.12.2019	31.12.2018
Accounts and other receivables	6,703,935	7,273,880
Unbilled revenue	-	-
Total financial assets at amortised cost	6,703,935	7,273,880
Total current	6,703,935	7,273,880
Total non-current	-	-

8.2.Interest-bearing loans and borrowings

31.12.2019

	Drawdown	Currency		Balance in NOK	Final maturity	Interest rate
	25.04.2017	NOK	*1)	1,500,000	10.06.2021	4.70%
	01.12.2019	NOK		1,000,000	01.12.2039	4.90%
				2,500,000		
Restricted funds for deductions				-		
Amortised debt expenses						
Carrying value				**2,500,000**		

31.12.2018

	Drawdown	Currency	Balance in currency	Balance in NOK	Final maturity	Interest rate
	25.04.2017	NOK		1,500,000	10.06.2021	4.70%
				1,500,000		
Amortised debt expenses				-		
Carrying value				**1,500,000**		

*1) *The start-up loan given by Innovation Norway is interest-free for two years and instalments are waived until June 2021. Zirconia AS has set surety for the loan given by Innovation Norway and the overdraft of NOK 2 million offered by Haugesund Sparebank.*

Movement in interest-bearing loans

Amounts in NOK	2019	2018
Opening balance	-	-
Repayment	-	-
New loans obtained	1,000,000	-
Currency effect recognised in profit and loss	-	-
Net investment hedge recognised through OCI	-	-
Translation difference effects recognised through OCI	-	-
Closing balance	1,000,000	-
Total cash outflow for finance leases	-	-

Covenants

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

The relevant covenants are:

No covenants on external debt in 2019	
Wages and salaries	
No covenants on external debt in 2019	
Pledge asset for loan office building	First priority
	Second priority—debitors
Unsecured loan Innovation Norway	Personal guarantee from CEO
Bank overdraft*	Collateral security from CEO Thorleif Thormodsen and Zirconia AS (owned by CEO)

The long-term loan is secured by pledges:

Amounts in NOK	Carrying value 31.12.2019	Carrying value 31.12.2019
External debt—office building	1,000,000	-
Bank overdraft*	2,000,000	-

** As of Q1 2020 the Group has renegotiated the loan terms, and the collateral security has expired. Interest rate in 2019: 5.25 %*

8.3 Financial instrument risk management objectives and policies

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

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by the Group's senior management, and it is considered they have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors review and agree to policies for managing each of these risks, which are summarised below.

Market risk

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

Financial risk

Financial risks comprise interest risk, currency risk, credit risk and liquidity risk. Alginor constantly seeks to monitor these risk factors and actively manage risk through commercial operation and financial agreements. Loans have floating interest, exposing the Company to a general interest risk. Pertaining to future operations, the Company has not implemented specific hedging strategies and the Company has not secured any future transactions per 31 December 2019.

Liquidity risk

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

8.3 Cont.

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group's policy and approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the reputation of Alginor ASA, constantly monitor the liquidity of all companies within the Group. As of 31 December 2019 the Group has unrestricted cash of NOK 5.2 million. In addition, revolving credit facilities amount to NOK 2 million of which NOK 0 has been drawn, making the total liquidity reserves NOK 7.2 million.

8.4 Fair values

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

Primary financial instruments held or issued to finance the Group's operations:

Amounts in NOK	31.12.2019	31.12.2019	31.12.2018	31.12.2018
	Book value	Fair value	Book value	Fair value
Accounts receivable	93,188	93,188	-	-
Other receivables and unbilled revenue	5,891,903	5,891,903	7,273,880	7,273,880
Cash and cash equivalents	5,212,318	5,212,318	5,812,954	5,812,954
VAT	718,845	718,845	-381,692	-381,692
Liabilities to financial institutions	-2,500,000	-2,500,000	-1,500,000	-1,500,000
EU SME II Float	8,512,004	8,512,004	8,512,004	8,512,004
Other liabilities	-1,102,721	-1,102,721	-1,573,599	-1,573,599

Note 9 Cash and cash equivalents

Amounts in NOK	31.12.2018	31.12.2018
Cash at bank and in hand	5,212,318	5,812,954
Restricted cash	252,620	207,991

Note 10 Transactions with related parties

Amounts in NOK ex. VAT	Services	2019	2018
Zirconia AS (Controlled by CEO Thorleif Thormodsen)	Office rent/management services	2,411,000	2,650,627
Innovatech AS (Controlled by CTO Kjetil Thormodsen Rein)	Project engineer	1,601,805	785,600
Heltor AS (Controlled by CFO Helge Tordahl)	Management/finance	998,539	0

Note 11 Share capital

Share capital is NOK 22,841 million consisting of 887,223 shares, each with par value NOK 25.695.

The biggest shareholders 31.12.19 are as follows:

Shareholder	No. of shares	Ownership
Zirconia AS	271,780	30.6 %
Jahatt AS	214,000	24.1 %
Validé AS	46,100	5.2 %
Øyhatt AS	42,000	4.7 %
Validé Invest I AS	36,000	4.0 %
Jakob Hatteland Holding AS	30,000	3.4 %
Amar Group AS	20,300	2.3 %
Adora AS	20,000	2.2 %
Kjetil Thormodsen Rein	15,000	1.7 %
Strategic Garden AS	10,800	1.2 %
Risanger Holding AS	10,140	1.1 %
Other shareholders	171,103	19.4 %
Total adopted shares as of 31.12	**887,223**	**100** %

Note 12 Government grants

The Group receives public grants for work relating to R&D. Through 2019 the Group received grants of NOK 14,354,156 related to these projects.

Grant	Amounts in NOK
Tax Refund (SkatteFUNN)	2,090,386
The Research Council of Norway (NFR)	2,367,499
Western Regional Research Fund (RFF—Rogaland)	1,643,519
The Research Council of Norway (NFR)—Industrial Ph.D. scheme	210,355
European Union Commission - Horizon 2020	4,442,397
Innovation Norway	3,600,000

Note 12 cont.

Project name/acronym	Gross project cost in NOK	Sponsor and programme	Incurred project cost in NOK	In %
"AORTA"—the SME-II project	27,700,000	Horizon 2020 EU	9,230,000	33.32 %
"Fucomed"—biomedical applications	23,200,000	The Research Council of Norway	0	0.00 %
"Hypomar Pilot"	10,000,000	Innovation Norway	7,500,000	75.00 %
"Marinforsk"	9,103,000	The Research Council of Norway	9,103,000	100.00 %
"Polyphenols"	8,400,000	The Research Council of Norway	1,000,000	11.90 %
"Bionær"	6,228,054	Western Regional Research Fund	6,228,054	100.00 %
"Alehop"	5,800,000	Horizon 2020 EU	50,000	0.86 %
"Cation"—technology development	4,546,903	Tax refund (Skattefunn)	4,546,903	100.00 %
"Biorefinery"—process design	1,200,000	Innovation Norway	1,200,000	100.00 %
"AORTA"—the pre-study	1,000,000	Western Regional Research Fund	1,000,000	100.00 %
"Fucomed"—the pre-study	1,000,000	Western Regional Research Fund	1,000,000	100.00 %
Total gross projects	**98,177,957**		**40,857,957**	**42 %**

Project name/acronym	Grant	Grant in % of gross	Paid grant in NOK pr. 31.12.19
"AORTA"—the SME-II project	19,390,000	70.00 %	7,000,000
"Fucomed"—biomedical applications	11,600,000	50.00 %	0
"Hypomar Pilot"	4,500,000	45.00 %	3,600,000
"Marinforsk"	4,500,000	49.43 %	4,500,000
"Polyphenols"	2,500,000	29.76 %	350,000
"Bionær"	3,000,000	48.17 %	3,000,000
"Alehop"	4,060,000	70.00 %	0
"Cation"—technology development	4,546,903	100.00 %	4,546,903
"Biorefinery"—process design	600,000	50.00 %	600,000
"AORTA"—the pre-study	500,000	50.00 %	500,000
"Fucomed"—the pre-study	500,000	50.00 %	500,000
Total gross projects	**55,696,903**	**57 %**	**24,596,903**

Note 13 Contingent liabilities

Alginor has received pre-financing of approximately NOK 8.5 million from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No. 830698. This float remains the property of the EU until completion of the project when a payment of the balance will be performed. If the amount of earlier payments is greater than the final grant amount, the payment of the balance takes the form of a recovery. If the total amount of earlier payments is lower than the final grant amount, the remaining balance will be paid by the Agency within 90 days of receiving the final report. The calculation of the final grant amount is contingent on approved costs from three interim project reports. Periodic report 1 has been submitted and approved without any review comments. Periodic report 2 will be submitted by the end of March 2020, and the final project report will be submitted by the end of October, 60 days after project completion on 31 August 2020.

Note 14 Technology readiness levels

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

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

- TRL 1—basic principles observed
- TRL 2—technology concept formulated
- TRL 3—experimental proof of concept
- TRL 4—technology validated in lab
- TRL 5—technology validated in relevant environment (industrially relevant environment in the case of key enabling technologies)
- TRL 6—technology demonstrated in relevant environment (industrially relevant environment in the case of key enabling technologies)
- TRL 7 – system prototype demonstration in operational environment
- TRL 8 – system complete and qualified
- TRL 9 – actual system proven in operational environment (competitive manufacturing in the case of key enabling technologies; or in space)

Alginor's AORTA 2 project is receiving funding through the SME Instrument Phase 2 and had to have reached TRL 6 at project start to be eligible. Alginor passed this eligibility test for the AORTA technology platform. The goal is for all products in the project to be at level 7 or 8 at project end. Alginor recently submitted a proposal to the Eurostars programme, where TRL is typically between 4-6.

Alginor has 11 portfolio projects as described in our project overview. At least once every year, in the future prior to every accounting period, the Company is assessing the development and status of TRL for each project in the portfolio.

As Alginor is currently piloting several products in the "Skude Pilot", and planning for physical investments in a scaled-up pilot plant for ASM (Alginor Starting Material)—this plant will reach TRL 9.

Note 15 Government grants

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

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

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

Note 16 Subsequent events

On 20 February 2020, OEWA AS, a fully owned subsidiary of Alginor ASA, acquired an office and production property in Kirkegaten 169 in Haugesund, for a total amount of NOK 6 million. The property will be used as an office, laboratory and production facility for the Group as of 1 April 2020. The property comes with 13 fully owned parking spaces and is financed by a long-term loan from Den Norske Bank over 20 years.

Hypomar AS, a fully owned subsidiary of Alginor ASA, has started production of ASM (Alginor Starting Materials) at the Company's pilot plant, Skude Pilot, in Skudeneshavn.

The Group plans in Q1 2020 to transfer immaterial assets from Alginor ASA to the different subsidiaries in order to optimise the different workflows during 2020.

The equity issue in December 2019 was formally completed 18 February 2020. The Company has issued 65 000 new shares to a price of NOK 100 per share for a total of NOK 6.5 million. As of 28 February 2020, Alginor has 144 individual shareholders.

Alginor ASA **Financial Statements** 2019

Haugesund, 28 February 2020

Alginor ASA Financial Statements

Income Statements

Amounts in NOK	Note	2019	2018
Operating income			
Revenue		112,050	-
Other Operating Income		-	-
Operating Income		**112,050**	**-**
Operating expenses			
Personnel expenses	2	1,454,007	756,551
Depreciation	5, 6	1,875	45,671
Other operating expenses	3	2,223,432	2,858,592
Operating expenses		**3,679,314**	**3,660,814**
Operating profit		**-3,567,264**	**-3,660,814**
Financial income and financial expenses			
Financial income		44,929	18,967
Financial expense		-359,821	-58,834
Net financial income and expenses		-314,892	-39,867
Result before income taxes		**-3,882,156**	**-3,700,681**
Income taxes	4	-	-
Profit (loss) for the period		**-3,882,156**	**-3,700,681**
Transfers and allocations			
Uncovered losses		-3,882,156	-3,700,681
Sum allocated		**-3,882,156**	**-3,700,681**

Balance sheets as of 31 December 2019

Amounts in NOK	Note	2019	2018
Intangible assets			
R&D	6	13,439,939	7,749,971
Concessions, patents, licences, trademarks	6	420,511	291,853
Total intangible assets		**13,860,450**	**8,041,824**
Tangible assets			
Land buildings and other real estate	7	1,522,278	406,420
Operating moveable property, furniture, tools, other	7	3,836,756	488,706
Total tangible assets		**5,359,034**	**895,126**
Financial fixed assets			
Equities and investments	9	815,000	220,000
Total financial fixed assets		**815,000**	**220,000**
Total non-current assets		**20,034,484**	**9,156,950**
Current assets			
Accounts receivable	7	93,188	-
Other receivables	7	7,058,343	7,247,630
Total receivables		**7,151,531**	**7,247,630**
Cash and cash equivalents	8	4,354,589	5,756,756
Total current assets		**11,506,120**	**13,004,386**
Total assets		**31,540,603**	**22,161,335**

Balance sheets as of 31 December 2019

Amounts in NOK	Note	2019	2018
Paid-up equity			
Share capital	11	4,436,115	3,741,600
Total restricted equity		**4,436,115**	**3,741,600**
Share capital not registered		150,000	-
Share premium (reserve)		21,621,309	12,287,768
Other paid-up equity		180,244	-5,666
Total paid-up equity		**26,387,668**	**16,023,702**
Uncovered loss		-11,375,891	-7,493,735
Total equity		**15,011,777**	**8,529,967**
Non-current liabilities			
Debt to financial institutions		2,500,000	1,500,000
Leasing liability		-	-
Total of other non-current liabilities		**2,500,000**	**1,500,000**
Current liabilities			
EU SME-II Float		8,512,004	8,512,004
Trade creditors		4,336,892	1,757,961
Social taxes		506,125	381,692
Other short-term liabilities		673,803	1,479,711
Total current liabilities		**14,028,824**	**12,131,368**
Total liabilities		**16,528,824**	**13,631,368**
Total equity and liablities		**31,540,603**	**22,161,335**

Haugesund, 28 February 2020

Turid Thormodsen
Member

Øyvind Gjerde
Chairman

Åse Tveit Samdal
Member

Kjetil Rein
Member

Annette Petersen-Øverleir
Member

Bjørn Bugge
Member

Thorleif Thormodsen
CEO

Cash flow statement

Amounts in NOK	2019	2018
Cash flows from operating activities		
Result before income taxes	**-3,882,156**	**-3,700,681**
Income taxes paid	-	-
Depreciation and amortization	1,875	45,671
Change in deferred revenue, net	-	-
Change in accounts receivable	-93,188	-
Change in accounts payable	2,578,931	1,246,039
Change in other working capital items, including unrealised forex	-492,187	-3,596,044
Expensed interest	-	-
Effect of exchange rate differences on long term loans	-	-
Net cash flow from operating activities	**-1,886,725**	**-6,005,015**
Cash flow used in investing activities		
Investment in fixed assets	-4,465,783	-835,929
Activated R&D expenses	-5,818,626	-2,737,883
Investment in subsidiary, net of cash acquired	-595,000	-
Loan to employees	-	-
Net cash flow used in investing activities	**-10,879,409**	**-3,573,812**
Cash flow from financing activities		
Long term loan obtained	1,000,000	-
Payments of EU funds (SME-II)	-	8,512,004
Payment and refunds of equity	-	-
Equity Issue	10,363,966	5,624,306
Net cash flow from/used in financing activities	**11,363,966**	**14,136,310**
Net cash flows for the period	**-1,402,168**	**4,557,483**
Cash and cash equivalents at the beginning of the period	5,756,756	1,199,274
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents from new subsidary at acquisition	-	-
Cash and cash equivalents at the end of the period	4,354,589	5,756,756

Notes to the Financial Statements

Note 1 Corporate information

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

Subsidiaries/associated companies

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

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

Classification and assessment of balance sheet items

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

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

Receivables

Account receivables and other receivables are entered in the balance sheet at face value after deduction for provisions/allowances for expected losses. Provisions/allowances for losses are made on the basis of individual assessments of the individual receivables.

In addition, unspecified provisions/allowances are made for other account receivables to cover expected losses.

Research and development

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

Intangible assets

Patents and technology that have a limited or exhaustive lifespan are capitalised at acquisition cost with deduction for depreciations.

Patents and technology are not depreciated but are subjects to a value test—the so-called Impairment Test—at each accounting.

Public grants

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

Taxes

The tax expense in the financial statement includes both the periods payable taxes and change in deferred taxes. Deferred taxes are calculated by 22 % based on the temporary differences that exists between accounting and tax values, as well as tax loss carry-forwards at the end of the financial year. Temporary tax-increasing and tax-reducing differences that reverse or can reverse in the same period are equalised and netted.

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

Cash flow statement

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

Notes to the Financial Statements

Note 2 Personnel expenses

Employee benefit expenses during the year:

Amounts in NOK	2019	2018
Wages and salaries	5,748,629	3,456,272
Social security cost	912,905	513,086
Pension cost	269,578	158,280
Other personell cost	429,163	127,857
Activated to project	-5,996,268	-3,498,944
Board fee	90,000	-
Total	**1,454,007**	**756,551**

Number of employees: pt. 15

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

Employees part of the Norwegian Companies' pension scheme: 15

Please see further information in Alginor ASA consolidated notes disclosures.

Note 3 Other operating expenses

Operating expenses

Amounts in NOK	2019	2018
Office expenses	502,984	357,083
IT equipment and licenses	310,372	212,143
Consultant fees*	1,283,953	791,265
Other operating expenses	126,123	1,498,101
Total other operating expenses	**2,223,432**	**2,858,592**

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

Expensed audit fees

Amounts in NOK ex. VAT	2019	2018
Statutory audit	83,230	122,469
Tax services	-	-
Other services	55,040	36,375
Total	**138,270**	**158,844**

Note 4 Income tax

This year's tax expense

Amounts in NOK	2019	2018
Tax on ordinary profit/loss	-	-
Payable tax	-	-
Change in deferred tax assets	-	-
Tax expense on ordinary profit/loss	**-**	**-**
Taxable income		
Ordinary result before tax	-3,882,156	-3,700,681
Permanent differences	-3,450,539	-3,362
Changes in temporary differences	1,448,970	2,022,022
Taxable income	**-5,883,725**	**-1,682,021**

Taxable income

Amounts in NOK	31.12.2019	31.12.2018
Deferred tax		
Deferred tax relates to the following		
Fixed assets & intangibles	-6,066,750	-4,617,780
Other differences		
Total temporary differences	**-6,066,750**	**-4,617,780**
Losses available for offsetting against future taxable income	-11,481,804	-5,598,080
Not included in the basis for deferred tax	17,548,554	10,215,860
Basis for deferred taxes	-	-

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

Note 5 Property, plant and equipment

Amounts in NOK	Land, buildings and other real estate	Operating movable property, furnitures and other	Total
At 1 January 2019	**406,420**	**488,706**	**895,126**
Accumulated depreciation 01.01	-20,736	-24,935	-45,671
Depreciation	-1,875	-	-1,875
Net increase	1,138,469	3,372,985	4,511,454
At 31 December 2019	**1,522,278**	**3,836,756**	**5,359,034**
Accumulated depreciation as of 31 December 2019	-22,611	-24,935	-47,546
Depreciation method	Straight line	Straight line	
Precentage	2 %	20 %	

Depreciation of assets used in R&D projects booked against the project cost	**2019**	**2018**
	778,428	-

Note 6 Intangible assets

Amounts in NOK	R&D	Patents	Total
Year end 31 December 2018			
Opening net book amount	5,100,808	203,135	5,303,943
Additions	2,649,163	88,718	2,737,881
Closing net book amount	7,749,971	291,853	8,041,824
Year end 31 December 2019			
Additions	5,689,968	128,658	5,818,626
Amortisation charge	-	-	-
At 31 December 2019	**13,439,939**	**420,511**	**13,860,450**

Note 7 Accounts receivables and other short-term receivables

Amounts in NOK	31.12.2019	31.12.2018
Accounts receivables	93,188	-
Other receivables	7,044,343	7,253,969
Total	7 137 531	7,253,969

Notes to the Financial Statements

Note 8 Cash and cash equivalents

Amounts in NOK	31.12.2019	31.12.2018
Cash at bank and in hand	4,354,589	5,756,756
Restricted cash	252,620	207,991

Note 9 Financial assets

Company Name	Registered office	Ownership/voting rights	Booked equity	Net result 2019	Book value
Alginor Biorefinery AS	Haugesund	100%	164,472	-15,890	200,000
Alginor Industrial Estate AS	Haugesund	100%	158,430	-40,900	165,000
Hypomar AS	Skudeneshavn	100%	162,734	7,372	260,000
OEWA AS	Haugesund	100%	79,889	-45,800	190,000
Total			**565,525**	**-95,218**	**815,000**

Note 10 Share capital

Share capital per year's end is NOK 4.436 million consisting of 887,223 shares, each with par value NOK 5 per share.

As per today, the share capital is NOK 4.595 million costisting of 918,923 shares, each with par value of NOK 5 per share.

The number of shareholders is 144.

For further information, please see notes disclosures for the consolidated financial statements.

Note 11 Equity capital

	Share capital	Share premium	Sharecapital not registered	Other paid in capital
01.01.2019	**3,741,600**	**12,287,768**	**-**	**-5,666**
Share capital not registered	-	-	150,000	-
Capital increase expenses booked to equity	-	-1,225,569	-	-
Equity effect warrants	-	-	-	185,910
Share issue	694,515	10,559,110	-	-
As of 31 December 2019	**4,436,115**	**21,621,309**	**150,000**	**180,244**

	Other equity	Total equity
01.01.2019	**-7,493,735**	**8,529,967**
Profit/loss for the period	-3,882,156	-3,882,156
Share capital not registered	-	150,000
Capital increase expenses booked to equity	-	185,910
Equity effect warrants	-	-1,225,569
Share issue	-	11,253,625
As of 31 December 2019	**-11,375,891**	**15,011,777**

Note 12 Subsequent events

For information, please see notes disclosures for the consolidated financial statements.

Responsibility Statement

We confirm to the best of our knowledge that:

The consolidated financial statements for 2019 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 2019 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.

The Board of Directors of Alginor ASA

Haugesund, 28 February 2020

Turid Thormodsen
Member

Øyvind Gjerde
Chairman

Åse Tveit Samdal
Member

Kjetil Rein
Member

Annette Petersen-Øverleir
Member

Bjørn Bugge
Member

Thorleif Thormodsen
CEO

Independent **Auditor's** Report

Haugesund, 28 February 2020

KPMG AS
Karmsundgata 72
5529 Haugesund

Telephone +47 04063
Fax +47 52 70 37 70
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Alginor ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Alginor ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Alginor ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Haugesund, 28 February 2020
KPMG AS

Willy Hauge
State Authorised Public Accountant

SEAL OF EXCELLENCE

European Commission

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

The project proposal **822693, AORTA 2**

Alginor's Ocean Refining Total utilisation Application

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

SME instrument
by
ALGINOR ASA
HARALDSGATA 162
5525 HAUGESUND
Norway

following evaluation by an international panel of independent experts

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

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

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

Corina Cretu,
Commissioner for
Regional Policy

Carlos Moedas
Commissioner for Research
Science and Innovation

Brussels, 13/04/2018

Hypomar Harvesting

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

hypomar

ALGINOR LIFE SCIENCE INGREDIENTS			
ACTIVE PHARMACEUTICAL INGREDIENTS (API)		FOOD & NUTRACEUTICAL INGREDIENTS	
MANNITOL	FUCOIDAN	CAROTENOIDS	AMINO ACIDS
CELLULOSE	ALGINATE	SAVOURY	MINERALS
LAMINARIN	POLYPHENOLS	BOREA POWDER	BARK POWDER

AORTA biorefining

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

Benefits

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

aorta

New paradigm:

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

100 kg

100 tonnes

alginor | Lab Scale | Piloting

Alginor Laboratory — OEWA lab — Pico and micro production

Production capacity: 200—2,000 kg/year

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

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

GMP

Mattilsynet

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22000
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9001

ISO

Pilot collaboration with partners

Production capacity: 10—100 tonnes/year finished products

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

GMP

Mattilsynet

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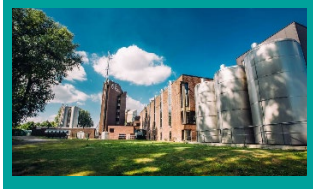
9001

ISO



Demonstrator Biorefinery

Capacity: 1,500 tonnes/year finished product

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

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

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Full-scale Industrial Biorefinery

Capacity: 15,000 tonnes/year finished product

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

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

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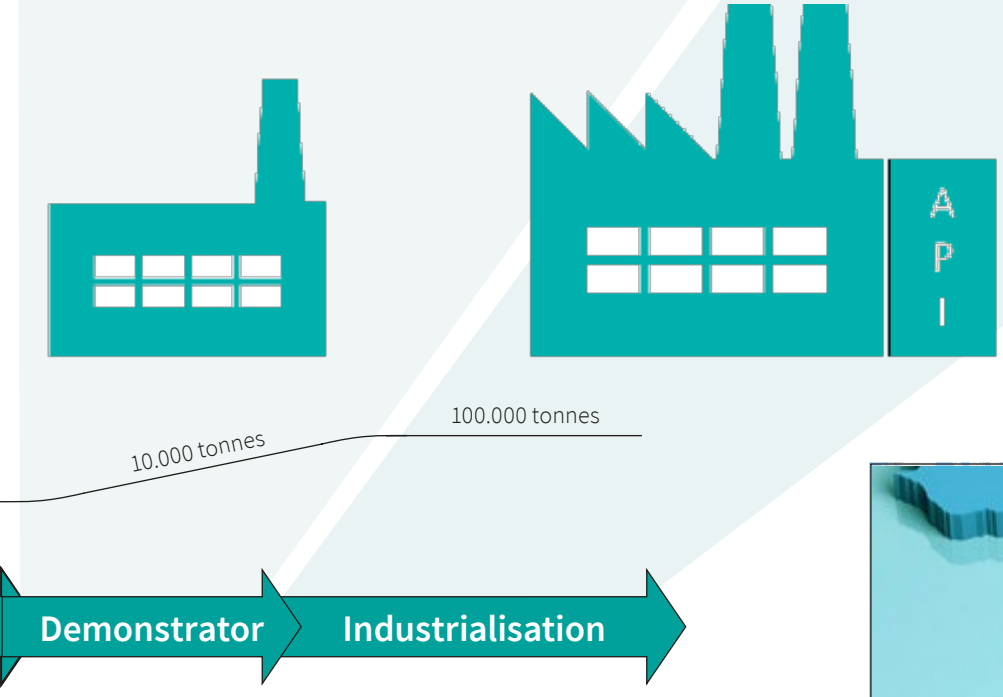
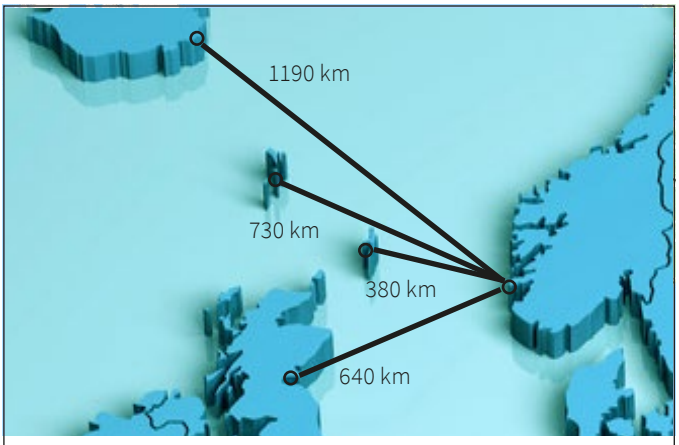
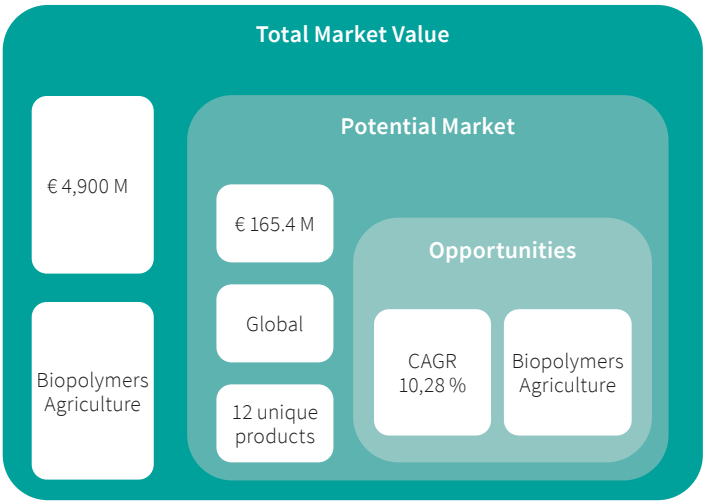




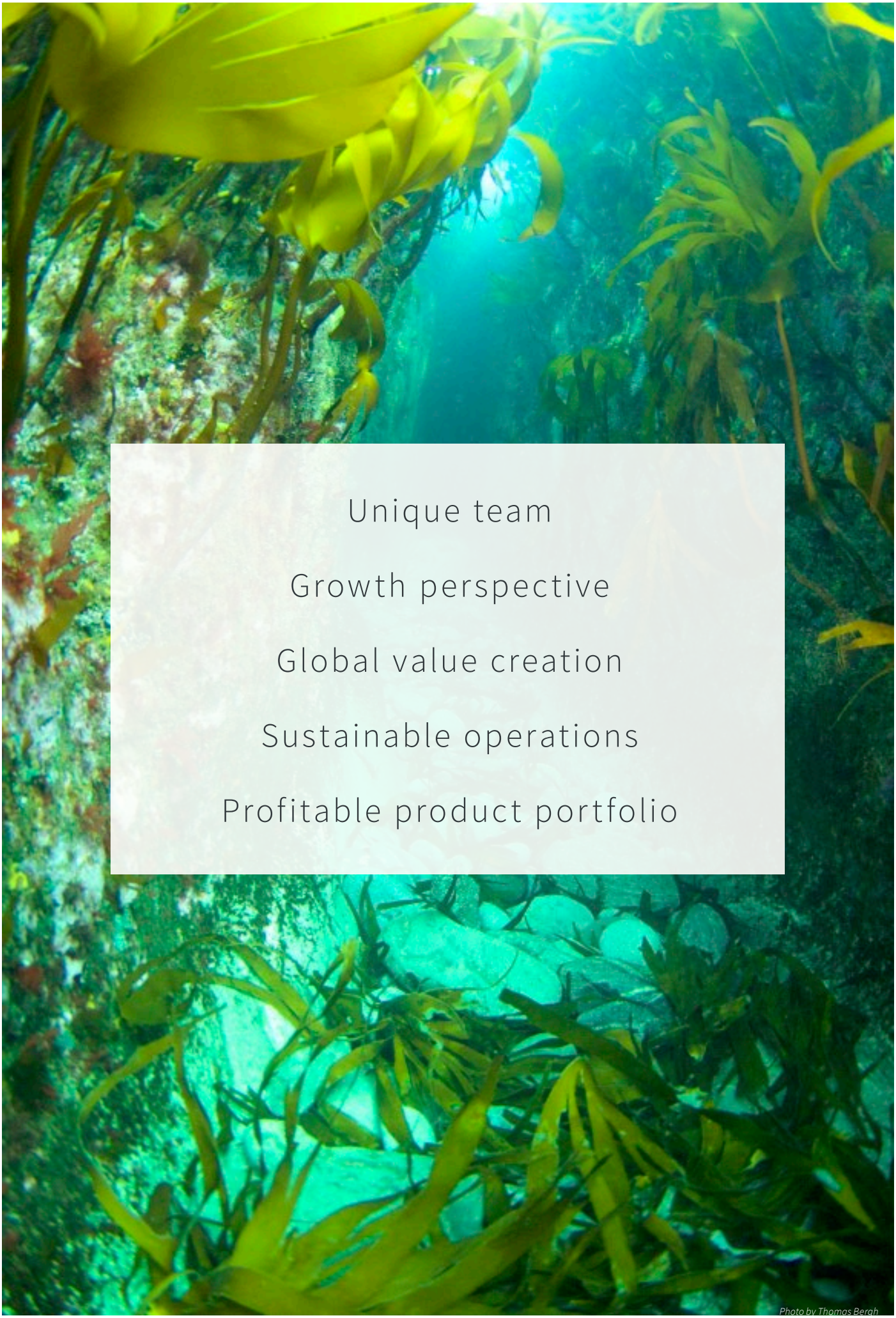


The Norwegian Perspective

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

Value-Creation Potential

- Today's raw material costs ca. NOK 0.25 per kg
- Product value estimated at NOK 15 per kg raw material
- Bioeconomical value-creation is imperative for sustainable industry



Unique team

Growth perspective

Global value creation

Sustainable operations

Profitable product portfolio

Photo by Thomas Bergh

Group **Directory**

Alginor ASA Head Office
Haraldsgata 162

NO-5525 Haugesund

OEWA Laboratory
Kirkegata 169

NO-5525 Haugesund

Alginor Biorefinery AS
Haraldsgata 170

NO-5525 Haugesund

Hypomar AS
Søragadå 73C

NO-4280 Skudeneshavn

Hypomar AS Pilot Plant
Hall V, Steiningsholmen

NO-4280 Skudeneshavn

General Contact
contact@alginor.no

IR Contact
investor@alginor.no

Photo by Thomas Bergh

alginor

Alginor ASA
Haraldsgata 162, NO-5525 Haugesund
+47 52 70 73 10
contact@alginor.no | investor@alginor.no