



ARCTIC BLUE BEVERAGES

YEAR-END REPORT

ARCTIC BLUE BEVERAGES AB
Organisation number 559361-7078

JANUARY - DECEMBER 2022



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YEAR-END REPORT – JAN-DEC 2022

SUMMARY

THE PERIOD JANUARY – DECEMBER 2022

- Total revenues (Jan – Dec): SEK 10,894 thousand (SEK 11,892 thousand on corresponding period 2021), net sales SEK 9,441 thousand (SEK 8,749 thousand)
- EBITDA: SEK -35,904 thousand (SEK -14,369 thousand)
- Profit declined mainly due to higher marketing activities and one-off expenses related to group re-organization (Swedish TopCo) and share issue costs
- EBIT: SEK -37,767 thousand (SEK -15,404 thousand)
- Net result: SEK -37,949 thousand (SEK -15,390 thousand)
- Earnings per share (EPS) -2.22 SEK / share
- Cash and cash equivalents: SEK 1,633 thousand (31 December 2022)

OCTOBER – DECEMBER 2022

- Revenues (Oct – Dec): SEK 2,717 thousand (SEK 4,602 thousand on corresponding period 2021 which was positively affected by high overseas deliveries)
- EBITDA: SEK -6,929 thousand (SEK -5,003 thousand)
- EBIT: SEK -7,472 thousand (SEK -5,262 thousand)
- Net result: SEK -7,462 thousand (SEK -5,258)
- Earnings per share (EPS) -0.44 SEK / share

SIGNIFICANT EVENTS DURING OCTOBER – DECEMBER 2022

- Listing Company products at the major retail chain Calgary Co-op Wine & Spirits and in the premium retail store Prestige Wine & Spirits in Edmonton, Canada
- Growth of distribution footprint to cover over 150 stores with Company's products in all of Australia's six states
- Arctic Blue Legacy Gin purchase right sales campaign utilizing NFT technology
- Distribution agreement for the Finnish market with Norex Selected Brands Oy
- Proceeds of approx. SEK 1.6 million before issue costs of exercising series TO1 warrants
- Proceeds of a fully secured rights issue approx. SEK 5.2 million before issue related costs
- EGM at the end of December (composition of the board, new auditor)

SIGNIFICANT EVENTS AFTER PERIOD

- No significant events after reporting period



ABOUT ARCTIC BLUE BEVERAGES

Arctic Blue Beverages AB is a Nordic beverage company whose best-known products are the multi-award winning Arctic Blue Gin, Arctic Blue Gin Navy Strength, Arctic Blue Gin Rose and the world's first dairy-free gin-based oat liqueur, Arctic Blue Oat. The company invests heavily into international export and its products are sold in Finland, Sweden, Japan, Australia and more than a dozen other countries. For more information, visit Arctic Blue Beverages webpage <https://arcticbluebeverages.com>.

Arctic Blue Beverages shares are listed on Nasdaq First North Growth Market Stockholm.

Arctic Blue Beverages share has the ISIN-code SE0017769136 and is traded under the name ARCTIC.

The company's Certified Adviser is Eminova Fondkommission AB
+46 8-684 211 10 | adviser@eminova.se



KEY FINANCIALS

| KEY FINANCIALS | OCT-DEC 2022 | OCT-DEC 2021 | JAN-DEC 2022 | JAN-DEC 2021 |
|---|-----------------|-----------------|-----------------|-----------------|
| Revenue (SEK thousand) | 2 717 | 4 602 | 10 894 | 11 892 |
| EBITDA (SEK thousand) | -6 929 | -5 003 | -35 904 | -14 369 |
| Operating profit/loss (SEK thousand) | -7 472 | -5 262 | -37 767 | -15 404 |
| Net profit/loss (SEK thousand) | -7 462 | -5 258 | -37 949 | -15 390 |
| "Cash flow generated from operations (SEK thousand)" | -6 150 | -6 575 | -31 862 | -19 859 |
| Equity ratio (%) | 80 % | 86 % | 80 % | 86 % |
| Number of shares, average | 19 648 036 | - | 18 106 612 | - |
| Number of shares at the end of the period | 24 390 230 | - | 24 390 230 | - |
| Number of Share options | 387 000 | - | 387 000 | - |
| Number of warrants of series TO1 | - | - | - | - |
| Number of warrants of series TO2 | 3 733 332 | - | 3 733 332 | - |
| Number of shares after dilution | 28 510 562 | - | 28 510 562 | - |
| Equity per share (SEK) | 0,81 | - | 0,81 | - |
| Earnings per share (SEK) undiluted | -0,44 | - | -2,22 | - |
| Earnings per share (SEK) diluted | -0,31 | - | -1,53 | - |
| Number of employees (average for the period) | 9 | 6 | 8 | 5 |



COMMENTS FROM THE CEO, VALTTERI EROMA

NEW DISTRIBUTION MODEL IN FINLAND AND IN NORDIC TRAVEL RETAIL

The big change in the way we distribute our products in Finland and in Nordic Travel Retail has been under planning during the second half of 2022. During the fourth quarter we were able to release the first phase of the change that will streamline and enhance our sales and distribution operations. This was the signing of a distribution agreement for the Finnish market, and an agent agreement for the Nordic travel retail with Norex Selected Brands Oy. The new collaboration enables us to concentrate many channels into one experienced sales organization, and thus ensure a consistent brand image and competitive product portfolio in all our important channels.

The second phase of the change will be released during the first quarter 2023.

The new distribution model as a whole in Finland will be up and running in full effect from second quarter 2023 onwards.

SALES

In the fourth quarter 2022 our sales revenue decreased by 43% compared to the same period last year. The main reason for the decrease was exceptional high overseas deliveries in the fourth quarter 2021 which were not taking place in the fourth quarter 2022. Finland represented over 50% of the total sales in the fourth quarter 2022 and it was 11% less than corresponding period last year. This was following the market trend when the total alcohol sales from Alko monopoly in 2022 was down by 10%. However, we saw good development in the other markets.

Total sales revenue in the fourth quarter 2022 went up by 13% compared to the previous quarter driven mainly by first shipments to Japan and Taiwan. Also, existing clients from Germany and Norway are placing orders again after the pandemic. Total sales in Finland decreased by 6%, although the Alko monopoly sales was up to +23% due to seasonal peak in December.

MAJOR EVENTS

November 28th, 2022 we signed a distribution agreement for the Finnish market, and an agent agreement for the Nordic travel retail with Norex Selected Brands Oy. For us, this agreement is important since both Finland and the Nordic travel retail belongs to the Company's home markets. Arctic Blue Beverages sales have developed well on the aforementioned areas, and the cooperation with Norex Selected Brands Oy will increase the momentum even further.

The start in Canada with our agent, Joyhall Inc. has been promising. In a month from signing the agreement, our products have made their way to the major retail chain Calgary Co-op Wine & Spirits and in the retail store Prestige Wine & Spirits in Edmonton. Calgary Co-op Wine & Spirit have a total of 29 stores in Southern Alberta, of which 23 are in Calgary. The retail account Prestige is known for its premium products and refined selection.

In November 2022 we started Arctic Blue Legacy Gin purchase right sales campaign utilizing NFT technology. Timing was far from perfect as the whole crypto currency market was impacted at the same time by the collapse of cryptocurrency exchange FTX.



The proceeds from the Rights Issue, approximately SEK 5.2 million before issue related costs, supported and will support us to accelerate our sales, strengthened commercialization of our main products on the existing and new markets and enabled development and launch of a new product which will be launched soon.

SUMMARY

Challenging world- and the economic situation continued throughout the fourth quarter 2022, and it also impacted to our business. Progress in new markets and expansion in current markets has been slower than expected, and therefore we have adjusted our operations and activities to suit the prevailing situation and to be able to progress in accordance with our strategy. However, there has been positive development as well. In example in Australia the distribution footprint has grown to cover over 150 stores with products in all of Australia's six states, all the way from Perth in the West to Cairns in the East. All this within 12 months since signing the distribution agreement in Australia.

The start of Arctic Blue Legacy Gin purchase right sales campaign utilizing NFT technology has so far not matched the expectations. We are monitoring the development closely and making necessary adjustments and changes.

Going in to the first quarter of the year 2023 I am looking forward to getting our renewed distribution model in Finland and in Nordic travel retail up and running. This will be a major enhancement of our sales and distribution operations.

Additionally, closing the prolonged negotiations with our potential new distributor ID Shoji and to get our collaboration started Japan.

Valtteri Eroma, CEO



BUSINESS OVERVIEW

SIGNIFICANT EVENTS DURING OCTOBER – DECEMBER 2022

SALES

In the fourth quarter 2022 sales revenue decreased by 43% compared to the same period last year. The main reason for the decrease was exceptional high overseas deliveries in the fourth quarter 2021 which were not taking place in the fourth quarter 2022. Finland represented over 50% of the total sales in the fourth quarter 2022 and it was 11% less than corresponding period last year. This was following the market trend when the total alcohol sales from Alko monopoly in 2022 was down by 10%. The trend seems to be in some extent more favourable for value for money products instead of the products in premium price category. However, there was good development in the other markets.

Total sales revenue in the fourth quarter 2022 went up by 13% compared to the previous quarter driven mainly by first shipments to Japan and Taiwan. Also, existing clients from Germany and Norway are placing orders again after the pandemic. Total sales in Finland decreased by 6% compared to the previous quarter. In the fourth quarter 2022 there were not major activations and promotions, and direct sales were in low level. However, the Alko monopoly sales was up +23% due to seasonal peak in December.

FINANCIAL OVERVIEW

In the fourth quarter 2022, Company's net sales of SEK 2,610 thousand decreased clearly compared to the same period a year earlier (SEK 4,602 thousand) mainly due to exceptional high sales in the corresponding period. However, the net sales increased by 13% compared to the previous quarter due to higher seasonal demand and thus increased deliveries.

Materials and services expenses SEK 3,000 thousand (SEK 2,004 thousand) increased due to increased purchasing volumes.

Personnel expenses SEK 2,045 thousand (SEK 1,361 thousand) followed further increased personnel number but were 10% less compared to the previous quarter.

Other external expenses SEK 4,601 thousand (SEK 6,241 thousand) decreased due to performed cost-cutting and cost optimization measures and were 26% or SEK 1,636 thousand less than in the previous quarter.

EBITDA and EBIT were SEK -6,929 (-5,003) thousand and SEK -7,472 (-5,262) thousand for the quarter.

The Company's cash and cash equivalents were SEK 1,633 thousand at the end of the reporting period.

The Company will further continue to improve sales acceleration and products' commercialization actions started in the fourth quarter 2022. The Company performed several cost-cutting and cost optimization measures which decreased personnel expenses and other external expenses by SEK 1.9 million compared to the previous quarter. Among the other things the Company reduced use of the external services

provides, changed to more cost-efficient operation model, and decreased the administrative costs. The full impact of performed improvement actions will materialize in the first quarter of 2023.

MAJOR EVENTS

In September 2022 the Company signed an agent agreement for the Canadian Alberta market with Joyhall Inc., and at the same time the Company's products were introduced on the Canadian market for the first time. On the 13th of October 2022, in a month from signing the agreement, the Company's products have made their way to the major retail chain Calgary Co-op Wine & Spirits and in the retail store Prestige Wine & Spirits in Edmonton. Calgary Co-op Wine & Spirit have a total of 29 stores in Southern Alberta, of which 23 are in Calgary. The retail account Prestige is known for its premium products and refined selection.

On the 17th of October 2022 the Company announced the outcome of the exercise of warrants of series TO1 (the "Warrants") that were included in the units issued in connection with the listing of the Company's shares on Nasdaq First North Growth Market in May 2022. A total of 1,642,918 shares were subscribed for with the support of the Warrants, implying an exercise rate of approximately 44 percent. The Company received proceeds of approximately SEK 1.6 million before issue costs.

Through the exercise of the Warrants, the total number of shares in the Company increased by 1,642,918 from 17,118,798 to 18,761,716. The share capital in the Company increased by SEK 78,860.064 from SEK 821,702.304 to SEK 900,562.368.

On the 10th of November 2022 the Company informed that following a year ago signed distribution agreement for the Australian market with the nationwide partner Vintage House Wine & Spirits the distribution footprint has grown to cover over 150 stores with products in all of Australia's six states, all the way from Perth in the West to Cairns in the East.

Vintage House Wine & Spirits is one of the leading importers of premium beverage brands on the Australian market, delivering products throughout the country to restaurants, bars, clubs, pubs, and retail outlets. For Arctic Blue Beverages the expansion to Australia has been an important step on the Company's Asia-Pacific strategy.

On the 14th of November 2022 the Company informed to start Arctic Blue Legacy Gin purchase right sales campaign utilizing NFT technology.

On the 18th of November 2022 the Company informed that it has signed distribution agreement for the Finnish market with Norex Selected Brands Oy.

The distribution agreement covers distribution of Arctic Blue Beverages products to the national beverage retailing monopoly in Finland - Alko, to wholesale and on the HoReCa field. In combination with the distribution agreement, the Parties have



also signed an agent agreement covering distribution of Arctic Blue Beverages products on the Nordic travel retail field.

For the Company, this agreement is important since both Finland and the Nordic travel retail belongs to the Company's home markets. The Company's sales have developed well on the aforementioned areas, and the cooperation with Norex Selected Brands Oy will increase the momentum even further.

Norex Selected Brands Oy is Finnish family-owned business founded in 1981. Norex is one of the largest importers of alcoholic beverages in Finland, importing beverages from over twenty different countries. Norex Selected Brands Oy have a large number of wine and spirit producers in their selection.

The distribution agreement entered into force 1st of January 2023 and the agent agreement 1st of December 2022.

On the 12th of December 2022 the Company announced the outcome of the rights issue of shares which was announced by press release on November 11, 2022 (the "Rights Issue"). The Rights Issue was subscribed to approximately SEK 3.1 million with and without preferential rights, corresponding to a subscription rate of approximately 60 percent. The rest up to 100 percent of the subscription, corresponding to approximately SEK 2.1 million or approximately 40 percent of the Rights Issue, was assigned to guarantors in accordance with entered guarantee commitments.

The subscription price in the Rights Issue was SEK 0.92 per share. The Rights Issue provides the Company with approximately SEK 5.2 million before issue related costs which enables the Company to accelerate sales, strengthen commercialization of the Company's main products on the existing and new markets, further development and launches of the new products.

The Rights Issue increased the share capital of Arctic Blue Beverages by SEK 270,168,672 from SEK 900,562,368 to 1,170,731,04 and the number of shares increased by 5,628,514 from 18,761,716 to 24,390,230, corresponding to a dilution of approximately 23.08 percent after the registration of the Rights Issue with the Swedish Companies Registration Office.

The extraordinary general meeting of the Company was held on the 29th December 2022. The following main resolutions were passed by the required majority at the meeting:

Resolution on the change of auditor

It was resolved to dismiss the Company's current auditor KPMG AB and that WeAudit Sweden AB shall be elected as auditor until the end of the annual general meeting 2023. It was noted that the reasons for change of auditor are the need for specific audit experience and knowledge about digitalization and crypto due the Company's issue of digital owner certificates in the form of NFTs (non-fungible tokens) in connection with the launch of an ultra-premium product earlier this year, as well as cost savings. WeAudit Sweden AB has informed the Company that the authorised auditor Mikael Köver will be the auditor in charge.

Resolution on the composition of the board of directors

It was resolved to reduce the composition of the board of directors to four and that the board of directors will thus consist of Antti Villanen (chairman), Gustaf Björnberg (board member), Petri Heino (board member) and Johan Biehl (board member).

Resolution authorising the board of directors to make minor adjustments to the resolutions adopted at the meeting

It was resolved to authorize the board of directors, the CEO or the person otherwise appointed by the board of directors to make such minor adjustments and clarifications to the resolutions adopted at the meeting to the extent necessary for the registration of the resolutions.

SIGNIFICANT EVENTS AFTER THE INTERIM PERIOD

There have not been significant events after the reporting period.



FINANCIAL REPORTS

INCOME STATEMENT - GROUP

| SEK thousand | Note | OCT-DEC 2022 | OCT-DEC 2021 | JAN-DEC 2022 | JAN-DEC 2021 |
|---|------|-----------------|-----------------|-----------------|-----------------|
| Revenue | | | | | |
| Net sales | | 2 610 | 4 602 | 9 441 | 8 749 |
| Other operating income | | <u>107</u> | <u>0</u> | <u>1 452</u> | <u>3 143</u> |
| | | 2 717 | 4 602 | 10 894 | 11 892 |
| Operating expenses | | | | | |
| Materials and services | | -3 000 | -2 004 | -8 923 | -4 715 |
| Other external expenses | | -4 601 | -6 241 | -28 046 | -17 269 |
| Personnel expenses | 2 | -2 045 | -1 361 | -9 829 | -4 278 |
| Depreciation and write-downs of tangible and intangible assets | | <u>-543</u> | <u>-258</u> | <u>-1 863</u> | <u>-1 035</u> |
| Operating expenses total | | <u>-10 189</u> | <u>-9 864</u> | <u>-48 661</u> | <u>-27 296</u> |
| Operating profit (EBIT) | | <u>-7 472</u> | <u>-5 262</u> | <u>-37 767</u> | <u>-15 404</u> |
| Results from financial items | | 11 | 0 | 116 | -2 |
| Profit after financial items | | <u>-7 462</u> | <u>-5 262</u> | <u>-37 652</u> | <u>-15 406</u> |
| Profit before tax | | <u>-7 462</u> | <u>-5 262</u> | <u>-37 652</u> | <u>-15 406</u> |
| Tax expense for the period | | <u>0</u> | <u>4</u> | <u>-297</u> | <u>16</u> |
| Net profit | | <u>-7 462</u> | <u>-5 258</u> | <u>-37 949</u> | <u>-15 390</u> |
| Attributable to | | | | | |
| The parent company's shareholders | | -7 430 | -5 242 | -37 953 | -15 373 |
| Minority interest | | -31 | -15 | 4 | -17 |



BALANCE SHEET - GROUP

| SEK thousand | Note | 31 DEC 2022 | 31 DEC 2021 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Trademarks | 3 | 1 335 | 2 209 |
| Goodwill | 4 | 4 787 | 245 |
| | | 6 123 | 2 454 |
| Financial assets | | | |
| Receivables from associated companies | | 474 | 743 |
| Other long-term investment | | 462 | 419 |
| Other long-term receivables | | 3 425 | 2 975 |
| Deferred tax assets | | 0 | 16 |
| | | 4 361 | 4 153 |
| Total non-current assets | | 10 484 | 6 607 |
| Current assets | | | |
| Inventory | | | |
| Raw materials and consumables | | 279 | 299 |
| Finished goods | | 4 421 | 6 554 |
| | | 4 700 | 6 853 |
| Current receivables | | | |
| Accounts receivables | | 6 179 | 5 873 |
| Other receivables | | 206 | 247 |
| Prepayments and accrued incom | | 1 437 | 176 |
| | | 7 823 | 6 296 |
| Cash and cash equivalents | | 1 633 | 1 021 |
| Total current assets | | 14 155 | 14 171 |
| TOTAL ASSETS | | 24 639 | 20 778 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 1 171 | 26 |
| Reserve for invested non-restricted equity | | 49 090 | 71 380 |
| Reserves | | 1 156 | -166 |
| Retained earnings | | -31 757 | -53 332 |
| Equity attributable to the parent company's shareholders | | 19 660 | 17 908 |
| Minority interest | | 7 | 2 |
| Total equity | | 19 667 | 17 910 |
| Provisions | | | |
| Provisions for pensions and similar obligations | | - | 79 |
| Current liabilities | | | |
| Accounts payable | | 2 206 | 2 118 |
| Other liabilities | | 458 | 241 |
| Accrued expenses and deferred income | | 2 308 | 429 |
| Total current liabilities | | 4 973 | 2 788 |
| TOTAL EQUITY AND LIABILITIES | | 24 639 | 20 778 |

**CASH FLOW STATEMENT – GROUP**

| SEK thousand | OCT-DEC 2022 | OCT-DEC 2021 | JAN-DEC 2022 | JAN-DEC 2021 |
|---|-----------------|-----------------|-----------------|-----------------|
| Operating profit | -7 472 | -5 264 | -37 767 | -15 404 |
| Adjustments for: | | | | |
| Depreciation and write-downs | 543 | 258 | 1 863 | 1 035 |
| Exchange rate differences | 507 | 251 | 0 | 273 |
| Changes in provisions | 79 | 20 | 0 | 79 |
| Options | -1 098 | 58 | 1 | 233 |
| Financial income/expenses (+/-) | 11 | 0 | 168 | -2 |
| Paid taxes | 0 | 0 | -297 | 0 |
| Operating activities before working capital changes | -7 430 | -4 676 | -36 032 | -13 786 |
| Changes in working capital: | | | | |
| Increase (-) or decrease (+) in inventory | 1 683 | 1 086 | 2 650 | 2 196 |
| Increase (-) or decrease (+) in trade receivables | -792 | -4 277 | 204 | -4 029 |
| Increase (-) or decrease (+) in other receivables | 1 590 | -55 | -1 138 | 2 026 |
| Increase (+) or decrease (-) in trade payables | -2 035 | 1 077 | 266 | -6 379 |
| Increase (+) or decrease (-) in other payables | 834 | 270 | 2 188 | 113 |
| Cash flow from operating activities (A) | -6 150 | -6 575 | -31 862 | -19 859 |
| Liquid assets in acquired company | 0 | 0 | 0 | 0 |
| Purchase of other fixed assets | 276 | -68 | 0 | -859 |
| Cash flow from investing activities (B) | 276 | -68 | 0 | -859 |
| Reduction of share capital | 0 | 0 | 25 | 0 |
| Shareholder contribution | 0 | 0 | 0 | 18 237 |
| Proceeds from issuance of shares | 6 755 | 0 | 32 251 | 0 |
| Cash flow from financing activities (C) | 6 755 | 0 | 32 276 | 18 237 |
| Net increase/decrease in cash and cash equivalents (A+B+C) | 882 | -6 643 | 414 | -2 481 |
| Cash and cash equivalents at beginning of period | 694 | 7 763 | 1 021 | 3 523 |
| Exchange rate differences | 58 | -98 | 197 | -21 |
| Cash and cash equivalents at end of period | 1 633 | 1 021 | 1 633 | 1 021 |



CHANGE IN EQUITY

| SEK thousand | Share capital | Invested unrestricted equity reserve | Retained earnings (loss) | Revaluation reserve | Profit (loss) for the period | Total equity belonging to parent company share holders | Minority interest | Total equity |
|------------------------------|---------------|--------------------------------------|--------------------------|---------------------|------------------------------|--|-------------------|---------------|
| (consolidated financials) | | | | | | | | |
| Equity 30 Sep 2022 | 822 | 42 684 | 0 | 939 | -24 408 | 20 037 | 44 | 20 081 |
| New share issue | 349 | 6 406 | | | | 6 755 | | 6 755 |
| Translation difference | | | | 217 | | 217 | 0 | 217 |
| Profit (loss) for the period | | | | | -7 350 | -7 350 | -37 | -7 387 |
| Equity 31 Dec 2022 | 1 171 | 49 090 | 0 | 1 156 | -31 757 | 19 660 | 7 | 19 667 |
| Equity 1 Apr 2022 | | | | | | | | |
| Equity 1 Apr 2022 | 25 | 0 | 0 | 0 | 0 | 25 | 0 | 25 |
| Reduction of share capital | -25 | | | | | -25 | | -25 |
| New share issue | 1 171 | 49 090 | | | | 50 261 | | 50 261 |
| Translation difference | | | | 1 156 | | 1 156 | 0 | 1 156 |
| Profit (loss) for the period | | | | | -31 757 | -31 757 | 7 | -31 751 |
| Equity 31 Dec 2022 | 1 171 | 49 090 | 0 | 1 156 | -31 757 | 19 660 | 7 | 19 667 |
| (combined financials) | | | | | | | | |
| Equity 1 Jan 2022 | 26 | 71 380 | -37 959 | -166 | -15 373 | 17 908 | 2 | 17 910 |
| Share holders contribution | | 18 | | | | 18 | | 18 |
| Stock option program | | | 1 099 | | | 1 099 | | 1 099 |
| Translation difference | -1 | 1 | | 266 | | 266 | -1 | 266 |
| Profit (loss) for the period | | | | | -6 222 | -6 222 | 7 | -6 215 |
| Equity 31 Mar 2022 | 25 | 71 399 | -36 860 | 100 | -21 595 | 13 069 | 9 | 13 078 |
| Equity 1 Jan 2021 | | | | | | | | |
| Equity 1 Jan 2021 | 26 | 53 143 | -38 192 | -474 | 0 | 14 503 | 19 | 14 521 |
| Share holders contribution | | 18 237 | | | | 18 237 | | 18 237 |
| Stock option program | | | 233 | | | 233 | | 233 |
| Translation difference | | | | 308 | | 308 | | 308 |
| Profit (loss) for the period | | | | | -15 373 | -15 373 | -17 | -15 390 |
| Equity 31 Dec 2021 | 26 | 71 380 | -37 959 | -166 | -15 373 | 17 908 | 2 | 17 910 |



NOTES TO JANUARY – DECEMBER FULL-YEAR REPORT

NOTE 1 – ACCOUNTING PRINCIPLES

The interim report has been prepared in accordance with the Annual Accounts Act (1995:1554), chapter 9 Interim report.

BASIS FOR DRAWING UP THE INTERIM REPORT

Arctic Blue Beverages AB's financial reports for the financial year 2021 and first quarter 2022 have been prepared as combined financial statements to illustrate historical financial information for a group of entities which was not legally a group, but which was owned by the same parties and with the same ownership shares that owned Arctic Blue Beverages Oy before the reorganization of the group.

The combined financial statements have been prepared for the purpose of being incorporated, by reference, into a prospectus because Arctic Blue Beverages AB issued shares and warrants that were listed on the Nasdaq First North Growth Market in Stockholm 12.5.2022.

The combined financial reports have been prepared in accordance with the Annual Accounts Act (1995:1554) and The Accounting Board's general advice BFNAR 2012:1 Annual report and consolidated accounts (K3).

The group's combined financial statements include the following companies:

- Arctic Blue Beverages AB
- Arctic Blue Beverages Oy
- Valamo Beverages Oy

Additionally in the group belongs following minor associate/subsidiary companies which are under group transformation.

- Arctic Gateway Asia Pte. Ltd
- Arctic Brand House Oy (dormant)
- Arctic Gateway India Private Limited Pty Ltd (dormant)
- Arctic Gateway Australia Pty Ltd (dormant, until deregistration on 22.6.2022)

The companies listed above formed a group with Arctic Blue Beverages AB as parent company. Historically, consolidated accounts have not been drawn up, neither for Arctic Blue Beverages AB nor for Arctic Blue Beverages Oy. As part of the preparations for the listing on the Nasdaq First North Growth Market, the group was reorganized and a new company, Arctic Blue Beverages AB became the new Swedish parent company on April 8, 2022.

The combined financial statements represent the group of entities that became a group on 8 April 2022 when the inactive parent company in the group, Arctic Blue Beverages AB, through a non-cash issue acquired 100% of the shares in Arctic Blue Beverages Oy. At the same time Arctic Blue Beverages AB reduced its share capital by SEK 25,000 by withdrawing all 25,000 outstanding shares before the general meeting. Arctic Blue Beverages AB thereby became the new parent company for the Arctic Blue Beverages Oy group. Arctic Blue Beverages

AB is included in the consolidated financial reports only from its formation on 20 January 2022 with a share capital of SEK 25,000.

There are no rules in K3 for consolidated financial reports. Because K3 does not provide any specific guidance a commonly occurring accounting principle for the preparation of consolidated financial reports has been chosen meaning that Arctic Blue Beverages AB and the Arctic Blue Beverages Oy group are aggregated based on historical reported values in the Arctic Blue Beverages Oy group after adjustment to Arctic Blue Beverages AB's accounting principles.

All intra-group transactions between legal entities and the corporate group have been eliminated. Hence, the combined financial reports represent the economic activities for The Arctic Blue Beverages AB group which was formed on April 8, 2022. From April 8, 2022 onwards (in practise April 1, 2022) the group presents the consolidated financial reports (meaning that January – December 2022 is combination of combined and consolidated financial reports).

The principles are unchanged compared to those applied in the combined financial statements for financial year 2021 and first quarter 2022 respectively.

Below are the most essential principles:

Income

Revenue is valued at the fair value of what has been received or will be received, less discounts. When selling goods, the revenue is reported upon delivery.

Inventory

The inventory is recorded at the lower of the acquisition value and the net sales value. The acquisition value calculated according to the first-in-first-out principle.

Financial assets and liabilities

Financial assets and liabilities are reported based on the acquisition value in accordance with chapter 11 Financial instruments valued based on the acquisition value in BFN AR 2012:1.

Receivables

Receivables have been recorded at the amounts with which they are estimated to have an impact.

Intangible assets

Intangible fixed assets that have been acquired are reported at the acquisition value less accumulated depreciation.

Depreciation principles for fixed assets

Depreciation according to plan is based on original acquisition values and estimated useful life.

The following depreciation periods apply: Period of use

| | |
|-------------------|---------|
| Intangible assets | |
| Trademarks | 5 years |
| Goodwill | 5 years |

**NOTE 2 – PERSONNEL**

| Personnel | OCT-DEC 2022 | OCT-DEC 2021 | JAN-DEC 2022 | JAN-DEC 2021 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Average number of employees | | | | |
| Arctic Blue Beverages Oy Finland | 9 | 6 | 8 | 5 |
| Total | 9 | 6 | 8 | 5 |

NOTE 3 – TRADEMARKS

| SEK thousand | 31 DEC 2022 | 31 DEC 2021 |
|--|----------------|----------------|
| Accumulated acquisition values | | |
| At the beginning of the period | 4 172 | 4 095 |
| Disposals | -47 | 0 |
| Exchange rate effect | 368 | 77 |
| At the end of the period | 4 493 | 4 172 |
| Accumulated depreciation | | |
| At the beginning of the period | -1 963 | -964 |
| Depreciation for the period | -1 022 | -974 |
| Exchange rate effect | -172 | -26 |
| At the end of the period | -3 158 | -1 963 |
| Recorded value at the end of the period | 1 335 | 2 209 |

NOTE 4 – GOODWILL

| SEK thousand | 31 DEC 2022 | 31 DEC 2021 |
|--|----------------|----------------|
| Accumulated acquisition values | | |
| At the beginning of the period | 245 | 301 |
| New acquisitions | 5 188 | |
| Exchange rate effect | 239 | 6 |
| At the end of the period | 5 673 | 307 |
| Accumulated depreciation | | |
| At the beginning of the period | -61 | - |
| Depreciation for the period | -841 | -61 |
| Exchange rate effect | 16 | 0 |
| At the end of the period | -886 | -61 |
| Recorded value at the end of the period | 4 787 | 245 |

NOTE 5 – PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

| | 31 DEC 2022 | 31 DEC 2021 |
|------------------------|----------------|----------------|
| Pledged collateral | None | None |
| Contingent liabilities | None | None |



NOTE 6 – TRANSACTIONS WITH RELATED PARTIES

The following transactions with related parties have been implemented in the fourth quarter of 2022.

OCT – DEC 2022

SEK thousand

| | |
|--|-----|
| Advisory services, Hoikka Consulting Oy (Antti Villanen, chairman of the board) | 92 |
| Rent agreement, Boss Capital Oy (Tuomas Kukkonen, board member) | 191 |

NOTE 7 – RISKS AND UNCERTAINTIES

Future funding

The resources required to execute Arctic Blue Beverage's business plan, including product development, expansion to new markets and other investments, depends on a number of factors. The corporate group is currently generating a negative result and may need to raise additional capital in the future in order to finance its growth plans. Product development or launching in new markets can be more expensive and take longer than expected.

Access to quality raw materials

The company is dependent on the availability of quality raw materials, for example Finnish blueberries, and in cases where the availability of raw materials that the company depends on to produce its products may decrease or deteriorate entail difficulties in producing and delivering their products in accordance with their commitments to customers.

Dependence on key people

Arctic Blue Beverages is a relatively small organization and its future growth is highly dependent on the competence of the company's management, the board and other key personnel.

Competitive situation

The state monopolies in the Nordic countries and above all in Finland are important revenue channels for the company. Despite that extensive legislation that applies within the state retail monopolies as well as other international markets where the company operates, the gin industry is exposed to competition.

Currency risks

Currency risk occurs in the form of transaction exposure as purchases and sales are not always the same currency and translation exposure when translating the subsidiary's income statement and balance sheet from primarily EUR to the accounting currency, which is Swedish kronor.

NOTE 8 – SIGNIFICANT EVENTS

Significant events during the reporting period

In September 2022 the Company signed an agent agreement for the Canadian Alberta market with Joyhall Inc., and at the same time the Company's products were introduced on the Canadian market for the first time. On the 13th of October 2022, in a month from signing the agreement, the Company's products have made their way to the major retail chain Calgary Co-op Wine & Spirits and in the retail store Prestige Wine & Spirits in Edmonton. Calgary Co-op Wine & Spirit have a total of 29 stores in Southern Alberta, of which 23 are in Calgary. The retail account Prestige is known for its premium products and refined selection.

On the 17th of October 2022 the Company announced the outcome of the exercise of warrants of series TO1 (the "Warrants") that were included in the units issued in connection with the listing of the Company's shares on Nasdaq First North Growth Market in May 2022. A total of 1,642, 918 shares were subscribed for with the support of the Warrants, implying an exercise rate of approximately 44 percent. The Company received proceeds of approximately EK 1.6 million before issue costs.



Through the exercise of the Warrants, the total number of shares in the Company increased by 1,642,918 from 17,118,798 to 18,761,716. The share capital in the Company increased by SEK 78,860.064 from SEK 821,702.304 to SEK 900,562.368.

On the 10th of November 2022 the Company informed that following a year ago signed distribution agreement for the Australian market with the nationwide partner Vintage House Wine & Spirits the distribution footprint has grown to cover over 150 stores with products in all of Australia's six states, all the way from Perth in the West to Cairns in the East.

Vintage House Wine & Spirits is one of the leading importers of premium beverage brands on the Australian market, delivering products throughout the country to restaurants, bars, clubs, pubs, and retail outlets. For Arctic Blue Beverages the expansion to Australia has been an important step on the Company's Asia-Pacific strategy.

On the 14th of November 2022 the Company informed to start Arctic Blue Legacy Gin purchase right sales campaign utilizing NFT technology.

On the 18th of November 2022 the Company informed that it has signed distribution agreement for the Finnish market with Norex Selected Brands Oy.

The distribution agreement covers distribution of Arctic Blue Beverages products to the national beverage retailing monopoly in Finland - Alko, to wholesale and on the HoReCa field. In combination with the distribution agreement, the Parties have also signed an agent agreement covering distribution of Arctic Blue Beverages products on the Nordic travel retail field.

For the Company, this agreement is important since both Finland and the Nordic travel retail belongs to the Company's home markets. The Company's sales have developed well on the aforementioned areas, and the cooperation with Norex Selected Brands Oy will increase the momentum even further.

Norex Selected Brands Oy is Finnish family-owned business founded in 1981. Norex is one of the largest importers of alcoholic beverages in Finland, importing beverages from over twenty different countries. Norex Selected Brands Oy have a large number of wine and spirit producers in their selection.

The distribution agreement entered into force 1st of January 2023 and the agent agreement 1st of December 2022.

On the 12th of December 2022 the Company announced the outcome of the rights issue of shares which was announced by press release on November 11, 2022 (the "Rights Issue"). The Rights Issue was subscribed to approximately SEK 3.1 million with and without preferential rights, corresponding to a subscription rate of approximately 60 percent. The rest up to 100 percent of the subscription, corresponding to approximately SEK 2.1 million or approximately 40 percent of the Rights Issue, was assigned to guarantors in accordance with entered guarantee commitments.

The subscription price in the Rights Issue was SEK 0.92 per share. The Rights Issue provides the Company with approximately SEK 5.2 million before issue related costs which enables the Company to accelerate sales, strengthen commercialization of the Company's main products on the existing and new markets, further development and launches of the new products.

The Rights Issue increased the share capital of Arctic Blue Beverages by SEK 270,168.672 from SEK 900,562.368 to 1,170,731.04 and the number of shares increased by 5,628,514 from 18,761,716 to 24,390,230, corresponding to a dilution of approximately 23.08 percent after the registration of the Rights Issue with the Swedish Companies Registration Office.

The extraordinary general meeting of the Company was held on the 29th December 2022. The following main resolutions were passed by the required majority at the meeting:

Resolution on the change of auditor

It was resolved to dismiss the Company's current auditor KPMG AB and that WeAudit Sweden AB shall be elected as auditor until the end of the annual general meeting 2023. It was noted that the reasons for change of auditor are the need for specific audit experience and knowledge about digitalization and crypto due the Company's issue of digital owner certificates in the form of NFTs (non-fungible tokens) in connection with the launch of an ultra-premium product earlier this year, as well as cost savings. WeAudit Sweden AB has informed the Company that the authorised auditor Mikael Köver will be the auditor in charge.

Resolution on the composition of the board of directors

It was resolved to reduce the composition of the board of directors to four and that the board of directors will thus consist of Antti Villanen (chairman), Gustaf Björnberg (board member), Petri Heino (board member) and Johan Biehl (board member).

Resolution authorising the board of directors to make minor adjustments to the resolutions adopted at the meeting

It was resolved to authorize the board of directors, the CEO or the person otherwise appointed by the board of directors to make such minor adjustments and clarifications to the resolutions adopted at the meeting to the extent necessary for the registration of the resolutions.

Significant events after the end of the reporting period

There have not been significant events after the reporting period.



THE SHARE AND THE WARRANTS

Arctic Blue Beverages stock is listed on Nasdaq First North Growth Market with the ticker symbol "Arctic". As of December 31, 2022, the total number of shares was 24,390,230 and the closing price was SEK 0.96 per share.

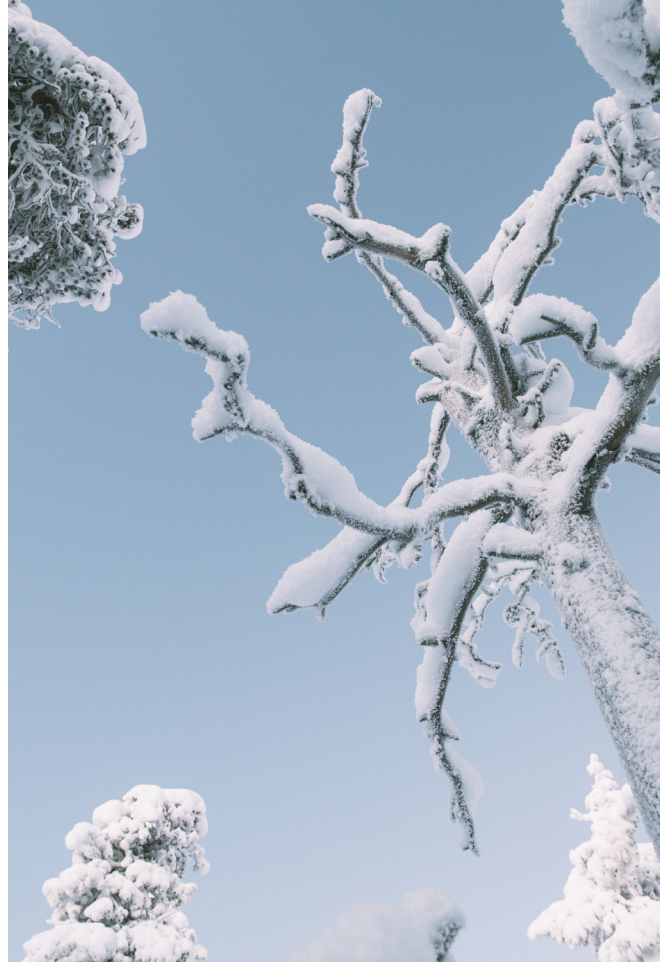
As of December 31, 2022, the total number of warrants of series TO2 was 3,733,332.

WARRANTS OF SERIES TO2

One (1) warrant of series TO2 gives the right to subscribe to one (1) new share during the period starting 24 March 2023 and ending 06 April 2023, at a market price equivalent to 70 per cent of the volume-weighted average market price for the Company's share on the Nasdaq First North Growth Market in Sweden during a period of ten (10) trading days prior to the first day of subscription. However, the issue price cannot be set lower than the quota value or higher than SEK 5.25.

AUDITOR

WeAudit Sweden AB is the company's auditor and is presented by Mikael Köver.





INFORMATION

CERTIFIED ADVISOR

As a company is listed on Nasdaq First North Growth Market Stockholm the company has an obligation to use a Certified advisor. Arctic Blue Beverages AB has appointed:

Eminova Fondkommission AB
Mail: adviser@eminova.se
Phone: +46 8-684 211 10

AUDITING

This report has not been audited by company's auditor.

FINANCIAL CALENDAR

| | |
|-------------------------------|-------------------|
| Annual Report 2022 | April 24, 2023 |
| Interim report Jan – Mar 2023 | May 15, 2023 |
| Annual General Meeting 2023 | May 25, 2023 |
| Half-Year Report 2023 | August 21, 2023 |
| Interim Report Jan-Sep 2023 | November 20, 2023 |
| Year-End Report 2023 | February 19, 2024 |

NOTE

This company announcement contains information that Arctic Blue Beverages AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact persons set out below at 8:00am CET on February 20, 2023.

FOR MORE INFORMATION, PLEASE CONTACT:

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THE BOARD'S DECLARATION

The board of Directors and CEO ensure that this interim report gives a true and fair view of the company's operations and financial position.

Helsinki, February 17, 2023

| | |
|------------------|-------------------------|
| Valtteri Eroma | Chief Executive Officer |
| Antti Villanen | Chairman of the board |
| Johan Biehl | Member of the board |
| Gustaf Björnberg | Member of the board |
| Petri Heino | Member of the board |



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