



ARCTIC BLUE BEVERAGES

INTERIM REPORT

ARCTIC BLUE BEVERAGES AB
Organisation number 559361-7078

JANUARY- SEPTEMBER 2022



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INTERIM REPORT – JAN-SEP 2022

SUMMARY

THE INTERIM PERIOD JANUARY – SEPTEMBER 2022

- Revenues (Jan – Sep): SEK 8,177 thousand (SEK 7,292 thousand on corresponding period 2021)
- Increased revenues due to increased delivery volumes
- EBITDA: SEK -28,975 thousand (SEK -9,364 thousand)
- Profit declined mainly due to one-off expenses related to group re-organization (Swedish TopCo) and share issue costs
- EBIT: SEK -30,295 thousand (SEK -10,140 thousand)
- Net result: SEK -30,488 thousand (SEK -10,130 thousand)
- Earnings per share (EPS) -1.78 SEK / share
- Cash and cash equivalents: SEK 694 thousand (30 September 2022)

JULY – SEPTEMBER 2022

- Revenues (Jul – Sep): SEK 2,316 thousand (SEK 4,357 thousand on corresponding period 2021)
- Both net sales value and volumes increased from the corresponding period, the corresponding period was positively affected by one-off corporate subsidies
- EBITDA: SEK -8,316 thousand (SEK -2,171 thousand)
- Profit declined mainly due to lower revenues and higher personnel costs and marketing activities
- EBIT: SEK -8,845 thousand (SEK -2,430 thousand)
- Net result: SEK -8,702 thousand (SEK -2,426)
- Earnings per share (EPS) -0.51 SEK / share

SIGNIFICANT EVENTS DURING JULY – SEPTEMBER 2022

- International Wine and Spirit Competition (IWSC) 2022:
 - Hang Oat Vanilla, Silver Award, RTD category
- New York Wine & Spirits Competition (NYWSC) 2022:
 - Arctic Blue Oat, Silver Award
 - Arctic Blue Gin Rose, Bronze Award
 - Arctic Blue Gin Rose, reaches general selection status at Alko (the national beverage retailing monopoly in Finland)
- Distribution agreement with The Got Brothers Empire, to distribute Arctic Blue Beverage's products Malaysia.
- An agent agreement with Joyhall Inc., to distribute Arctic Blue Beverages products on the Canadian Alberta market
- Received the first order from the distributor ID Shoji, who will start introducing Arctic Blue Beverages products in Osaka, Japan.
- Launched of Arctic Blue Legacy Gin

SIGNIFICANT EVENTS AFTER PERIOD

- Proceeds of approx. 1.6 million SEK before issue costs of exercising series TO1 warrants
- 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
- The board of directors resolved on a fully secured rights issue of approximately SEK 5.2 million before issue related costs
- Arctic Blue Legacy Gin purchase right sales campaign utilizing NFT technology



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	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Revenue (SEK thousand)	2 316	4 357	8 177	7 292	11 892
EBITDA (SEK thousand)	-8 316	-2 171	-28 975	-9 364	-14 369
Operating profit/loss (SEK thousand)	-8 845	-2 430	-30 295	-10 140	-15 404
Net profit/loss (SEK thousand)	-8 702	-2 426	-30 488	-10 130	-15 390
"Cash flow generated from operations (SEK thousand)"	-5 517	-5 163	-25 712	-13 284	-19 859
Equity ratio (%)	77 %	93 %	77 %	93 %	86 %
Number of shares, average	17 118 798	-	17 118 798	-	-
Number of shares at the end of the period	17 118 798	-	17 118 798	-	-
Number of Share options	387 000	-	387 000	-	-
Number of warrants of series TO1	3 733 332	-	3 733 332	-	-
Number of warrants of series TO2	3 733 332	-	3 733 332	-	-
Number of shares after dilution	24 972 462	-	24 972 462	-	-
Equity per share (SEK)	1,17	-	1,17	-	-
Earnings per share (SEK) undiluted	-0,51	-	-1,78	-	-
Earnings per share (SEK) diluted	-0,35	-	-1,22	-	-
Number of employees (average for the period)	9	5	8	5	5



COMMENTS FROM THE CEO, VALTTERI EROMA

COMMERCIAL LAUNCH OF ULTRA-PREMIUM, ARCTIC BLUE LEGACY GIN

September 15th, 2022 marks a very special day for us as the ultra-premium, limited-edition Arctic Blue Legacy Gin was commercially launched in collaboration with the Finnish design agencies Sarpaneva Design and Infinity Design, and Web3 digital agency Struggle C&C Ltd. The limited-edition Arctic Blue Legacy's purchase rights will be distributed as unique NFTs.

Arctic Blue Legacy Gin is handcrafted in Ilomantsi, Finland, matured for 24 months in oak barrels. It combines Timo Sarpaneva's unique, world-known glass design with the internationally awarded professionalism of master distiller Asko Rynänen. The product was awarded with the highest recognition at the International Wine and Spirit Competition with a gold-medal and 95 points in 2021. It was also awarded for Double Gold in San Francisco World Spirits Competition 2022.

The unique design of the Legacy bottle is based on the E415 prototype work designed in 1976 for Iittala by the international force in Finnish design, Timo Sarpaneva (1926-2006). Legacy's prestige wooden case seeks inspiration from Sarpaneva's sculpture, Gateway to Dreams designed in 1982. Together with Sarpaneva Design and Infinity Design, has his designs been subtly adapted to new uses, giving birth to Arctic Blue Legacy's appearance. Each exclusive, oak-aged Arctic Blue Legacy is individually numbered and thus a unique piece of art.

The limited-edition Arctic Blue Legacy's purchase rights will be distributed as NFTs (non-fungible tokens) in its pre-sale period. A non-fungible token (NFT) is a record on a blockchain associated with a unique and nonreplicable digital or physical asset, making it possible for collectors to grow their physical collection in a digital form. Arctic Blue Legacy is a luxury product, and the proof of digital ownership enables a seamless global secondary market, which facilitates trading or gifting of the NFT at any time.

This is a very special product launch for us, the first of its kind. We are honoured to carry on a legacy of a legendary designer, by giving new life to Timo Sarpaneva's previous creations together with Sarpaneva Design and Infinity Design. We see NFT as an innovative tool through which we can build brand value and deliver community value.

SALES

Sales increase in the third quarter 2022 was 2.3% compared to the same period a year ago. Total sales revenue in the third quarter 2022 has decreased by 9.3% compared to the second quarter in 2022. Sales in the main market, Finland in the third quarter was up 12% compared to the same period a year ago and +2.8% compared to the second quarter in 2022.

The sales to Asia-Pacific i.e. Japan still in some extent suffered from pandemic, however now we are finally progressing with a new potential distributor candidate, ID Shoji. First order is being prepared for shipment and market entry planning underway. In Australia our sales 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, including nationwide retailers like Dan Murphys and First Choice's stores.

MAJOR EVENTS

We succeeded in the major spirits competitions where our products collected many prestigious awards. In the prestigious IWSC (International Wine and Spirit Competition) our new product, Hang Oat Vanilla, launched in spring, won silver in the RTD category. In the New York Wine & Spirits Competition (NYWSC) 2022, our innovative Arctic Blue Oat received a Silver medal and Arctic Blue Gin Rose received a Bronze medal. New York Wine & Spirits Competition (NYWSC) is a member of the Tasting Alliance, the parent organization of the world-renowned San Francisco World Spirits Competition, San Francisco International Wine Competition and Singapore World Spirits Competition. Awards from the international competitions are very important marketing tools for us, since they are universally recognized indicators of exceptional qualities and craftsmanship. Recognitions in North America will help positioning our brand i.e., in Canada where we have just recently signed an agent agreement for the distribution of our products.

Our novelty premium gin, Arctic Blue Gin Rose, reached general selection status at Alko only just over two months after the product was launched on the Finnish market. The multi-award-winning Arctic Blue Gin Rose is the latest addition to the Arctic Blue Beverages



product portfolio, and the our first flavoured gin.

We signed a distribution agreement with The Got Brothers Empire, to distribute Arctic Blue Beverage's products in Malaysia. Arctic Blue Beverage's products are the only gin products in The Got Brothers Empire product portfolio, and will be distributed as super premium products to high-end cocktail bars, casino groups and premium restaurants in Malaysia. We have been testing the market in Malaysia with The Got Brothers Empire already and the results has been encouraging. Now after the formalization of our cooperation, I believe that we can intensify our joint efforts to accelerate sales in the growing Malaysian market.

We signed an exclusive two-year agent agreement for the Canadian Alberta market with Joyhall Inc. The exclusive agent agreement between Arctic Blue Beverages and Joyhall Inc. covers distribution of Arctic Blue Beverages products on the Canadian Alberta market. For us, Canada is a very potential market where the interest towards craft gins is increasing all the time. In Alberta, craft distilling has recently grown at an annual rate of 30%. This collaboration is our very first step into North America, where the aim is to test the market and collect feedback. We are happy to start our journey in Canada together with Joyhall Inc.

We received the first order from the distributor ID Shoji, who will start introducing Arctic Blue Beverages products in Osaka, Japan. For us, this collaboration strengthens our product position on the fast-growing Japanese craft gin market. We have had ongoing operations in Japan since the end of year 2019 when the first distribution agreement was signed with the multi-Michelin star restaurant chain Robuchon. Japan is one of our most important markets, where our unique craft gins are attracting attention. Nordic brands with a distinctive brand story have a great potential on the Japanese market. Especially aromas from the Finnish forest and naturalness prominent in our gins are appreciated by the Japanese consumers. Our distilling method without chill-filtering that preserve the natural aromas and scents in our final product makes our gin soft to enjoy in addition to gin and tonic also neat over ice, something that is popular in Japan. We are looking forward to our collaboration with ID Shoji.

SUMMARY

Challenging world- and the economic situation has continued throughout the third quarter 2022 and it has impacted also to our business. Progress in new markets and expansion in current markets has been slower than expected. We have also further delayed some of the product development projects and product launches. Nevertheless, we have been progressing in accordance with our strategy although not in fully planned extent. We have won prizes with our products in major international competitions, which help our products' visibility, increase awareness and sales globally. Commercial launch of Arctic Blue Legacy Gin was a major milestone for us and the purchase right sales campaign utilizing NFT technology has a great potential. Going in to the fourth quarter of the year I am looking forward to closing the negotiations with our potential new distributor ID Shoji and start our collaboration in full speed in Japan.

Valtteri Eroma, CEO



BUSINESS OVERVIEW

SIGNIFICANT EVENTS DURING JULY – SEPTEMBER 2022

SALES

In the third quarter of 2022 sales revenue increased by 2.3% compared to the same period last year. There was good development especially in Travel Retail where the sales were five times higher compared to the last year. Sales in Finland was +12% compared to the same period last year.

Total sales revenue in the third quarter 2022 went down by -9.3% compared to the previous quarter. Seasonality plays a big role which shows in Travel retail sales (-11%). Sales in Finland was up by +2.8% due the activities in HoReCa channel. The decrease is coming mainly from postponed shipments to Nordics and Germany.

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 including nationwide retailers like Dan Murphys and First Choice's stores.

In Japan negotiation with a new distributor candidate, ID Shoji has progress and the preparation of the first container shipment to Osaka, Japan is underway.

PRODUCTS

Ultra-premium, limited-edition Arctic Blue Legacy Gin was commercially launched in collaboration with the Finnish design agencies Sarpaneva Design and Infinity Design. The limited-edition Arctic Blue Legacy's purchase rights will be distributed as unique NFTs.

Handcrafted in Ilomantsi, Finland and matured for 24 months in oak barrels – the limited-edition Arctic Blue Legacy Gin is the Company's latest product to be launched on the market. Arctic Blue Legacy is an extraordinary creation that combines Timo Sarpaneva's unique world-known glass design with the internationally awarded professionalism of master distiller Asko Ryyänen. Arctic Blue Legacy has been internationally awarded with the highest recognition at the International Wine and Spirit Competition 2021 and with Double Gold in San Francisco World Spirits Competition 2022.

The unique design of the Legacy bottle is based on the E415 prototype work designed in 1976 for Iittala by the international force in Finnish design, Timo Sarpaneva (1926-2006). Legacy's prestige wooden case seeks inspiration from Sarpaneva's sculpture, Gateway to Dreams designed in 1982. Together with Sarpaneva Design and Infinity Design, his designs have been subtly adapted to new uses, giving birth to Arctic Blue Legacy's appearance. Each exclusive, oak-aged Arctic Blue Legacy is individually numbered and thus a unique piece of art.

The limited-edition Arctic Blue Legacy's purchase rights will be distributed as NFTs (non-fungible tokens) in its pre-sale period. A non-fungible token (NFT) is a record on a blockchain associated with a unique and nonreplicable digital or physical asset, making it possible for collectors to grow their physical collection in a digital form. The main functionalities of an NFT

are proof of digital ownership and holder benefits. The physical product will be stored in Arctic Blue Beverages professional care until the holder of the NFT decides to exercise their purchase right (delivery starting from early 2023) or transfer the digital ownership securely over the Ethereum blockchain. Arctic Blue Legacy is a luxury product, and the proof of digital ownership enables a seamless global secondary market, which facilitates trading or gifting of the NFT at any time.

FINANCIAL OVERVIEW

In the third quarter 2022, Company's net sales of SEK 2,316 thousand increased by 2.3% compared to the same period a year earlier (SEK 2,264 thousand) mainly due to favorable currency rate effect. The decrease compared to the previous quarter was 9.3% due to seasonal fluctuation and postponed deliveries.

Materials and services expenses SEK 2,120 thousand (SEK 1,462 thousand) increased due to increased purchasing volumes.

Personnel expenses SEK 2,276 thousand (SEK 978 thousand) followed further increased personnel number.

Other external expenses SEK 6,236 thousand (SEK 4,087 thousand) increased due to increased marketing activities and grown group structure but were 46% or SEK 5.4 million less than in the previous quarter which was affected by one-off expenses related to group re-organization (Swedish TopCo) and share issue costs.

EBITDA and EBIT were SEK -8,316 (-2,171) thousand and SEK -8,845 (-2,430) thousand for the quarter.

Due to some aged accounts receivable and lower than anticipated sales volumes in the third quarter 2022 the Company's cash and cash equivalents were temporarily at the low level of SEK 694 thousand at the end of the reporting period.

The Company has performed and will continue to improve sales acceleration and products' commercialization actions towards to one of the highest demand peaks during the year. The Company has started several cost-cutting and cost optimization measures which effects will be visible both from the fourth quarter 2022 and the first quarter 2023 onwards. Among the other things the Company has reduced use of the external services provides, changed to more cost-efficient operation model, and decreased the administrative costs. The cost savings of these actions in operating expenses are estimated to be at level of SEK -3.0 million (or around -30%) in the fourth quarter of 2022 compared to the third quarter 2022 or SEK -4.5 million in the first quarter of 2023 (or around -40%) compared to the third quarter 2022.

Additionally, the Company has implemented further actions to improve its liquidity which are described in the chapter Significant events after the interim period.



MAJOR EVENTS

Arctic Blue Beverages succeeded in the world's biggest spirits competition, the prestigious IWSC (International Wine and Spirit Competition). Company's new product, Hang Oat Vanilla, launched in spring, won silver in the RTD category. Hang Oat Vanilla is company's first mild alcoholic drink in the growing RTD (ready to drink) category. The market for RTD drinks has grown enormously worldwide, and at the same time, oat-based alternatives are taking shelf space from traditional dairy products. The growth in both categories is compelling. With Hang Oat Vanilla, Arctic Blue Beverages is among the first to take part in this growing segment. The product is manufactured in Finland and packed in a Tetra Pak carton. It is sold in Finland in S-Groups' Prisma stores. In the future, company plans to increase its RTD product selection by bringing new flavors to the market and sell the products abroad.

Arctic Blue Beverages products, Arctic Blue Oat and Arctic Blue Gin Rose were awarded in New York Wine & Spirits Competition (NYWSC) 2022, one of the most respected judging events in the world. The innovative Arctic Blue Oat received a Silver medal and Arctic Blue Gin Rose received a Bronze medal. New York Wine & Spirits Competition (NYWSC) is a member of the Tasting Alliance, the parent organization of the world-renowned San Francisco World Spirits Competition, San Francisco International Wine Competition and Singapore World Spirits Competition.

Arctic Blue Beverages' novelty premium gin, Arctic Blue Gin Rose, reaches general selection status at Alko only just over two months after the product was launched on the Finnish market. The multi-award-winning Arctic Blue Gin Rose is the company's entry product into the fast-growing flavoured gin category. Arctic Blue Gin Rose is the latest addition to the Arctic Blue Beverages product portfolio, and the company's first flavoured gin. The product was launched on the Finnish market during end of May this year and has already won multiple international awards. Arctic Blue Gin Rose was awarded Double gold in the prestigious San Francisco World Spirit Competition (SFWSC) and Double gold as well as Best of Class in the Singapore World Spirits Competition (SWSC). Arctic Blue Gin Rose is now reaching general selection status at Alko, the national beverage retailing monopoly in Finland.

Arctic Blue Beverages signed a distribution agreement with The Got Brothers Empire, to distribute Arctic Blue Beverage's products Arctic Blue Gin and Arctic Blue Gin Navy Strength in Malaysia. Arctic Blue Beverage's products are the only gin products in The Got Brothers Empire product portfolio, and will be distributed as super premium products to high-end cocktail bars, casino groups and premium restaurants in Malaysia. Arctic Blue Beverages products are already to be found in The Got Brothers Empire storage. Asia is an important market for Arctic Blue Beverages where their products are currently sold in Japan, Singapore, Hong Kong, Thailand and the Philippines. With this distribution partnership Arctic Blue Beverages is expecting an increased recognition of the products and the brand on the Asian market, and to boost their sales in Asia in the mid term. The Got Brothers Empire is strategically located in the heart of the growing Asian market with more than 20 years of experience in the logistics and supply chain field. The team has regional experiences and key links from various industries, to support and help their partner's growth plans and opportunities of growing into the global emerging market of Asia Pacific.

Arctic Blue Beverages signed an exclusive two-year agent agreement for the Canadian Alberta market with Joyhall Inc. The exclusive agent agreement between Arctic Blue Beverages and Joyhall Inc. covers distribution of Arctic Blue Beverages products on the Canadian Alberta market. Estimated sales for this two-year period is 5.9 million SEK. The first container to Canada was shipped at the end of July 2022. Joyhall Inc. is a family-owned liquor agency in Alberta, Canada, importing and marketing premium craft spirits, craft beers and fine wines. The company was founded in 2018. Canada is the first country in North America to which Arctic Blue Beverages is expanding. The province of Alberta is in Western Canada with a population of 4.5 million (government of Alberta, 2022).

Arctic Blue Beverages received the first order from the distributor ID Shoji, who will start introducing Arctic Blue Beverages products in Osaka, Japan. For the Company, this collaboration strengthens its products position on the fast-growing Japanese craft gin market. Arctic Blue Beverages have had ongoing operations in Japan since the end of year 2019 when the first distribution agreement was signed with the multi-Michelin star restaurant chain Robuchon. Now when the restrictions caused by the pandemic has loosen up, the market



has been picking up, creating new opportunities for unique craft gin brands in Japan. The local gin production, as well as the local consumption have increased in Japan and its gin market is expected to grow at a CARG of approximately 7.3% for the period 2021–2025. ID Shoji is a company importing and selling premium spirits in Japan. When it comes to products in their portfolio, focus is on both quality raw materials and quality manufacturing methods, such as in craft spirits. Arctic Blue Beverages products would be the first gins in ID Shoji's product portfolio.

SIGNIFICANT EVENTS AFTER THE INTERIM 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 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 11th of November the Board of Directors of the Company, with the authorization from the Annual General Meeting on April 8, 2022, decided to carry out a new share issue of a maximum of 5 628 514 shares with preferential rights for existing shareholders at a subscription price of SEK 0.92 (the "Rights Issue"). The Rights Issue is 100 percent covered by subscription and guarantee commitments from a consortium consisting of current shareholders, management, and Board members. The proceeds from the Rights Issue, approximately SEK 5.2 million before issue related costs, intends 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. In conjunction with the Rights Issue, all participants of the subscription and guarantee commitments have agreed to enter into lock-up agreements for 100 percent of their shares subscribed for in the Rights Issue for a period of 9 months. In addition, the Board of Directors of the Company may carry out an over-allotment issue of approximately SEK 0.78 million corresponding to 15 percent of the Rights Issue (the "Over-allotment Issue") if the Rights Issue is oversubscribed. To secure the Company's working capital until the conclusion of the Rights Issue the Company has entered into loan agreements with shareholders amounting to approximately SEK 2.2 million that will be set off against shares in the Rights Issue.

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



FINANCIAL REPORTS

INCOME STATEMENT - GROUP

SEK thousand	Note	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Revenue						
Net sales		2 316	2 264	6 831	4 147	8 749
Other operating income		<u>0</u>	<u>2 093</u>	<u>1 345</u>	<u>3 145</u>	<u>3 143</u>
		2 316	4 357	8 177	7 292	11 892
Operating expenses						
Materials and services		-2 120	-1 462	-5 923	-2 711	-4 715
Other external expenses		-6 236	-4 087	-23 446	-11 028	-17 269
Personnel expenses	2	-2 276	-978	-7 783	-2 916	-4 278
Depreciation and write-downs of tangible and intangible assets		<u>-529</u>	<u>-259</u>	<u>-1 320</u>	<u>-777</u>	<u>-1 035</u>
Operating expenses total		<u>-11 161</u>	<u>-6 787</u>	<u>-38 472</u>	<u>-17 432</u>	<u>-27 296</u>
Operating profit (EBIT)		<u>-8 845</u>	<u>-2 430</u>	<u>-30 295</u>	<u>-10 140</u>	<u>-15 404</u>
Results from financial items		-144	0	105	-2	-2
Profit after financial items		<u>-8 702</u>	<u>-2 430</u>	<u>-30 190</u>	<u>-10 142</u>	<u>-15 406</u>
Profit before tax		<u>-8 702</u>	<u>-2 430</u>	<u>-30 190</u>	<u>-10 142</u>	<u>-15 406</u>
Tax expense for the period		<u>0</u>	<u>4</u>	<u>-297</u>	<u>12</u>	<u>16</u>
Net profit		<u>-8 702</u>	<u>-2 426</u>	<u>-30 488</u>	<u>-10 130</u>	<u>-15 390</u>
Attributable to						
The parent company's shareholders		-8 696	-2 420	-30 523	-10 128	-15 373
Minority interest		-6	-6	35	-2	-17


BALANCE SHEET - GROUP

SEK thousand	Note	30 SEP 2022	30 SEP 2021	31 DEC 2021
ASSETS				
Non-current assets				
Intangible assets				
Trademarks	3	1 572	2 448	2 209
Goodwill	4	4 986	260	245
		6 558	2 708	2 454
Financial assets				
Receivables from associated companies		465	741	743
Other long-term investment		454	418	419
Other long-term receivables		3 224	2 968	2 975
Deferred tax assets		-	12	16
		4 143	4 138	4 153
Total non-current assets		10 701	6 846	6 607
Current assets				
Inventory				
Raw materials and consumables		800	821	299
Finished goods		5 600	7 260	6 554
		6 400	8 081	6 853
Current receivables				
Accounts receivables		5 103	1 625	5 873
Other receivables		1 749	49	247
Prepayments and accrued income		1 527	349	176
		8 379	2 023	6 296
Cash and cash equivalents		694	7 763	1 021
Total current assets		15 473	17 867	14 171
TOTAL ASSETS		26 174	24 713	20 778
<hr/>				
SEK thousand	Note	30 SEP 2022	30 SEP 2021	31 DEC 2021
EQUITY AND LIABILITIES				
Equity				
Share capital		822	26	26
Reserve for invested non-restricted equity		42 684	71 380	71 380
Reserves		939	-176	-166
Retained earnings		-24 408	-48 145	-53 332
Equity attributable to the parent company's shareholders		20 037	23 084	17 908
Minority interest		44	18	2
Total equity		20 081	23 102	17 910
Provisions				
Provisions for pensions and similar obligations			59	79
Current liabilities				
Accounts payable		4 194	1 143	2 118
Other liabilities		264	123	241
Accrued expenses and deferred income		1 635	286	429
Total current liabilities		6 093	1 552	2 788
TOTAL EQUITY AND LIABILITIES		26 174	24 713	20 778



CASH FLOW STATEMENT – GROUP

SEK thousand	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Operating profit	-8 845	-2 430	-30 295	-10 140	-15 404
Adjustments for:					
Depreciation and write-downs	529	259	1 320	777	1 035
Exchange rate differences	-1 241	-371	-507	22	273
Changes in provisions	0	19	-79	59	79
Options	0	59	1 099	175	233
Financial income/expenses (+/-)	144	0	157	-2	-2
Paid taxes	0	0	-297	0	0
Operating activities before working capital changes	-9 414	-2 463	-28 602	-9 110	-13 786
Changes in working capital:					
Increase (-) or decrease (+) in inventory	709	878	967	1 110	2 196
Increase (-) or decrease (+) in trade receivables	1 014	3	995	248	-4 029
Increase (-) or decrease (+) in other receivables	1 441	296	-2 728	2 081	2 026
Increase (+) or decrease (-) in trade payables	999	-3 870	2 301	-7 455	-6 379
Increase (+) or decrease (-) in other payables	-266	-6	1 354	-157	113
Cash flow from operating activities (A)	-5 517	-5 163	-25 712	-13 284	-19 859
Liquid assets in acquired company	0	0	0	0	0
Purchase of other fixed assets	-127	18	-276	-791	-859
Cash flow from investing activities (B)	-127	18	-276	-791	-859
Reduction of share capital	0	0	25	0	0
Shareholder contribution	0	0	0	18 237	18 237
Proceeds from issuance of shares	0	0	25 496	0	0
Cash flow from financing activities (C)	0	0	25 521	18 237	18 237
Net increase/decrease in cash and cash equivalents (A+B+C)	-5 644	-5 146	-467	4 162	-2 481
Cash and cash equivalents at beginning of period	6 244	12 767	1 021	3 523	3 523
Exchange rate differences	94	141	140	78	-21
Cash and cash equivalents at end of period	694	7 763	694	7 763	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 1 Jul 2022	822	42 684	0	637	-15 549	28 594	42	28 636
Translation difference				302		302	0	302
Profit (loss) for the period					-8 859	-8 859	2	-8 857
Equity 30 sep 2022	822	42 684	0	939	-24 408	20 037	44	20 081
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	822	42 684				43 506		43 506
Translation difference				939		939	0	939
Profit (loss) for the period					-24 408	-24 408	44	-24 363
Equity 30 Sep 2022	822	42 684	0	939	-24 408	20 037	44	20 081
(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 – SEPTEMBER INTERIM 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
- Arctic Brand House Oy (dormant)
- Arctic Gateway Asia Pte. Ltd
- Arctic Gateway Australia Pty Ltd (dormant, until deregistration on 22.6.2022)
- Arctic Gateway India Private Limited Pty Ltd (dormant)
- Valamo Beverages Oy

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 – September 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	JUL-SEP 2022	JUL-SEP 2021	JAN-SEP 2022	JAN-SEP 2021	JAN-DEC 2021
Average number of employees					
Arctic Blue Beverages Oy Finland	9	5	8	5	5
Total	9	5	8	5	5

NOTE 3 – TRADEMARKS

SEK thousand	30 SEP 2022	30 SEP 2021	31 DEC 2021
Accumulated acquisition values			
At the beginning of the period	4 172	4 095	4 095
Disposals	-47	0	0
Exchange rate effect	282	67	77
At the end of the period	4 407	4 162	4 172
Accumulated depreciation			
At the beginning of the period	-1 963	-964	-964
Depreciation for the period	-744	-777	-974
Exchange rate effect	-128	26	-26
At the end of the period	-2 835	-1 714	-1 963
Recorded value at the end of the period	1 572	2 448	2 209

NOTE 4 – GOODWILL

SEK thousand	30 SEP 2022	30 SEP 2021	31 DEC 2021
Accumulated acquisition values			
At the beginning of the period	245	301	301
New acquisitions	5 188		
Exchange rate effect	17	6	6
At the end of the period	5 450	307	307
Accumulated depreciation			
At the beginning of the period	-61	-	-
Depreciation for the period	-539	-46	-61
Exchange rate effect	136	-1	0
At the end of the period	-464	-47	-61
Recorded value at the end of the period	4 986	260	245

NOTE 5 – PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

	30 SEP 2022	30 SEP 2021	31 DEC 2021
Pledged collateral	None	None	None
Contingent liabilities	None	None	None



NOTE 6 – TRANSACTIONS WITH RELATED PARTIES

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

JUL - SEP 2022

SEK thousand

Advisory services, Hoikka Consulting Oy Antti Villanen, chairman of the board)	99
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

On the 16th of August 2022, Company signed a distribution agreement with The Got Brothers Empire, to distribute Arctic Blue Beverage's products Arctic Blue Gin and Arctic Blue Gin

Navy Strength in Malaysia. Arctic Blue Beverage's products are the only gin products in The Got Brothers Empire product portfolio and will be distributed as super premium products to high-end cocktail bars, casino groups and premium restaurants in Malaysia. Arctic Blue Beverages products are already to be found in The Got Brothers Empire storage.

On the 2nd of September 2022, Company signed an exclusive two-year agent agreement for the Canadian Alberta market with Joyhall Inc. The exclusive agent agreement between Arctic Blue Beverages and Joyhall Inc. covers distribution of Arctic Blue Beverages products on the Canadian Alberta market. Estimated sales for this two-year period is 5.9 million SEK. The first container to Canada was shipped at the end of July 2022. Joyhall Inc. is a family-owned liquor agency in Alberta, Canada, importing and marketing premium craft spirits, craft beers and fine wines. The company was founded in 2018. Canada is the first country in North America to which Arctic Blue Beverages is expanding. The province of Alberta is in Western Canada with a population of 4.5 million (government of Alberta, 2022)

On the 15th of September 2022 the ultra-premium, limited-edition Arctic Blue Legacy Gin was commercially launched in collaboration with the Finnish design agencies Sarpaneva Design and Infinity Design, and Web3 digital agency Struggle C&C Ltd. The limited-edition Arctic Blue Legacy's purchase rights will be distributed as unique NFTs.

On the 22nd of September 2022, Company received its first order from the distributor ID Shoji, who will start introducing Arctic Blue Beverages products in Osaka, Japan. For the Company, this collaboration strengthens its products position on the fast-growing Japanese craft gin market. The local gin production, as well as the local consumption have increased in Japan and its gin market is expected to grow at a CARG of approximately 7.3% for the period 2021-2025. ID Shoji is a company importing and selling premium spirits in Japan. When it comes to products in their portfolio, focus is on both quality raw materials and quality manufacturing methods, such as in craft spirits. Arctic Blue Beverages products would be the first gins in ID Shoji's product portfolio.

Significant events after the end of the reporting period

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 11th of November the Board of Directors of the Company, with the authorization from the Annual General Meeting on April 8, 2022, decided to carry out a new share issue of a maximum of 5 628 514 shares with preferential rights for existing shareholders at a subscription price of SEK 0.92 (the "Rights Issue"). The Rights Issue is 100 percent covered by subscription and guarantee commitments from a consortium



consisting of current shareholders, management, and Board members. The proceeds from the Rights Issue, approximately SEK 5.2 million before issue related costs, intends 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. In conjunction with the Rights Issue, all participants of the subscription and guarantee commitments have agreed to enter into lock-up agreements for 100 percent of their shares subscribed for in the Rights Issue for a period of 9 months. In addition, the Board of Directors of the Company may carry out an over-allotment

issue of approximately SEK 0.78 million corresponding to 15 percent of the Rights Issue (the "Over-allotment Issue") if the Rights Issue is oversubscribed. To secure the Company's working capital until the conclusion of the Rights Issue the Company has entered into loan agreements with shareholders amounting to approximately SEK 2.2 million that will be set off against shares in the Rights Issue.

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



THE SHARE AND THE WARRANTS

Arctic Blue Beverages stock is listed on Nasdaq First North Growth Market with the ticker symbol "Arctic". As of September 30, 2022, the total number of shares was 17,118,798 and the closing price was SEK 1.406 per share.

As of September 30, 2022, the total number of warrants of series TO1 was 3,733,332 and of series TO2 was 3,733,332.

WARRANTS OF SERIES TO1

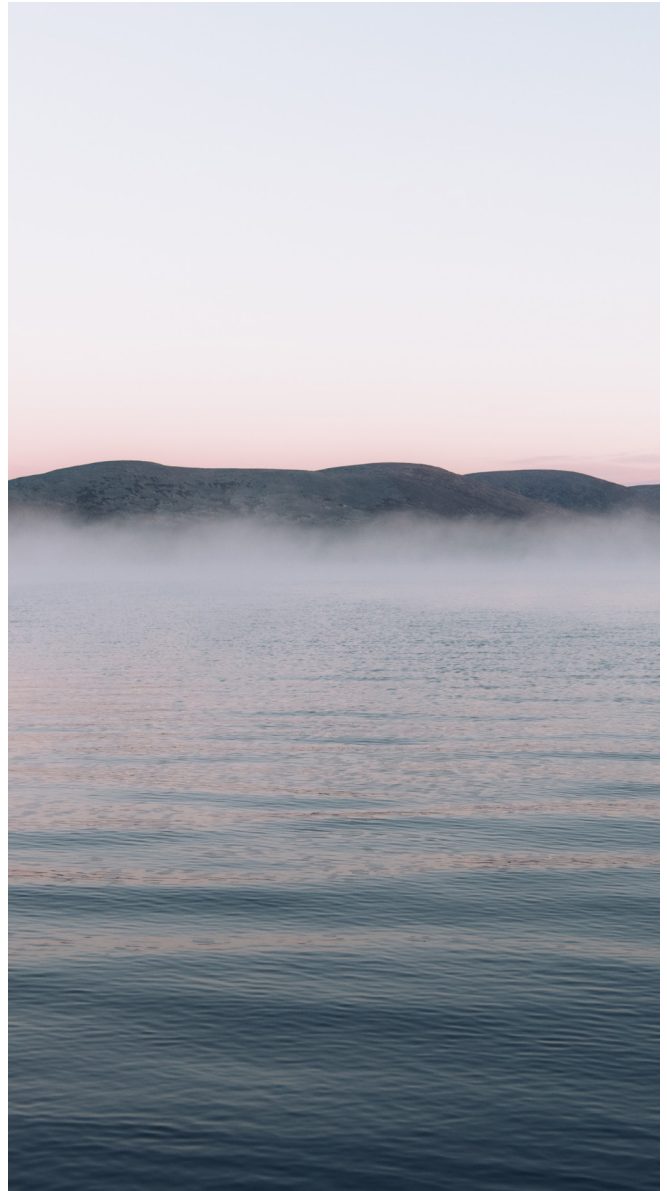
One (1) warrant of series TO1 gives the right to subscribe to one (1) new share during the period starting 3 October 2022 and ending 14 October 2022, at a market price equivalent to 70 per cent of the volume-weighted average market price for the Company's share on the Nasdaq First North Growth Market 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.

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

KPMG AB is the company's auditor and is presented by Mattias Lotborn.





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.

NEXT REPORT

The next financial report will be published:

Year-end report Jan – Dec 2022: February 20, 2023

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 November 21, 2022.

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, November 17, 2022

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
Tuomas Kukkonen	Member of the board
Ilari Schouwvlioger	Member of the board
Katri Teller	Member of the board



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