



ARCTIC BLUE BEVERAGES

HALF YEAR REPORT

ARCTIC BLUE BEVERAGES AB
Organisation number 559361-7078

JANUARY - JUNE 2023



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HALF YEAR REPORT – JAN–JUN 2023

SUMMARY

THE PERIOD JANUARY – JUNE 2023

- Revenues (Jan – Jun): SEK 4,291 thousand (SEK 5,861 thousand on corresponding period 2022 which was positively affected by one-time other operating income of SEK 1,345 thousand)
- EBITDA: SEK –8,849 thousand (SEK –20,659 thousand)
- EBIT: SEK –9,976 thousand (SEK –21,450 thousand)
- Net result: SEK –10,832 thousand (SEK –21,748 thousand)
- Earnings per share (EPS) –0.43 SEK / share
- Cash and cash equivalents: SEK 939 thousand (30 June 2023)

APRIL – JUNE 2023

- Revenues (Apr – Jun): SEK 2,022 thousand (SEK 2,554 thousand on corresponding period 2022)
- EBITDA: SEK –4,315 thousand (SEK –14,728 thousand)
- EBIT: SEK –4,885 thousand (SEK –15,252 thousand)
- Net result: SEK –5,729 thousand (SEK –15,549 thousand)
- Earnings per share (EPS) –0.22 SEK / share

SIGNIFICANT EVENTS DURING APRIL – JUNE 2023

- Company launches premium liquorice liqueur, Arctic Blue Laku.
- Company announces the outcome of the exercise of warrants of series TO2.
- Company announces that it has completed the restructuring Company's new distribution and logistics set-up in Finland and Nordic travel retail and it is now fully operational.
- Company announces that Arctic Blue Laku got a great start on the Finnish market.
- Company announces the sale of its subsidiary Valamo Beverages Oy to boost strategic focus.
- Arctic Blue Laku makes an impressive debut, wins Double Gold at Singapore World Spirits Competition 2023.
- Company announces growth on the Finnish market and Laku's international success.
- Arctic Blue Laku awarded "Best Of Class" at Singapore World Spirits Competition 2023.

SIGNIFICANT EVENTS AFTER PERIOD

- No significant events after the reporting period.



ABOUT ARCTIC BLUE BEVERAGES

Arctic Blue Beverages AB is a Nordic beverage Company, known for its award-winning products 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 was founded in 2017 and produces and sells artisanal beverages such as gin and liqueurs made from natural Finnish ingredients. The Company invests in international exports and its products are sold in Finland, Sweden, Japan, Australia, Canada and more than a dozen other countries. For more information, visit Arctic Blue Beverages webpage <https://arcticbluebeverages.com>.

Arctic Blue Beverages AB is listed on Nasdaq First North Growth Market Stockholm since May 2022.

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
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KEY FINANCIALS

KEY FINANCIALS	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Revenue (SEK thousand)	2 022	2 554	4 291	5 861	10 894
EBITDA (SEK thousand)	-4 315	-14 728	-8 849	-20 659	-35 904
Operating profit/loss (SEK thousand)	-4 885	-15 252	-9 976	-21 450	-37 767
Net profit/loss (SEK thousand)	-5 729	-15 549	-10 832	-21 748	-37 949
"Cash flow generated from operations (SEK thousand)"	-2 401	-20 759	-4 787	-20 195	-31 862
Equity ratio (%)	59 %	83 %	59 %	83 %	80 %
Number of shares, average	26 097 652	17 118 798	25 243 941	17 118 798	18 106 612
Number of shares at the end of the period	26 198 089	17 118 798	26 198 089	17 118 798	24 390 230
Number of Share options	1 362 000	387 000	1 362 000	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	3 733 332
Number of shares after dilution	27 560 089	24 972 462	27 560 089	24 972 462	28 510 562
Equity per share (SEK)	0,37	1,67	0,37	1,67	0,81
Earnings per share (SEK) undiluted	-0,22	-0,91	-0,43	-1,27	-2,10
Earnings per share (SEK) diluted	-0,21	-0,62	-0,39	-0,87	-1,53
Number of employees (average for the period)	7	8	8	8	8



COMMENTS FROM THE CEO, VALTTERI EROMA

AN IMPRESSIVE START WITH THE NEW PRODUCT, ARCTIC BLUE LAKU

In the beginning of the second quarter 2023 we launched a new product, premium liquorice liqueur, Arctic Blue Laku, together with the Finnish luxury liquorice producer Kouvolan Lakritsi. Arctic Blue Laku is a smooth liquorice liqueur which combines the all-natural sweet flavour of artisanal liquorice with organic ingredients carefully selected from Finland's uniquely pure nature. Arctic Blue Laku had secured its standard selection status in Finnish monopoly market Alko and was widely available from the start. Availability in the rest of the world will be built gradually throughout the year 2023.

Soon after the release, Arctic Blue Laku achieved an impressive accomplishment by winning a prestigious Double Gold Medal in its first competition, the esteemed Singapore World Spirits Competition (SWSC) 2023. SWSC belongs to the Tasting Alliance, widely recognized for hosting the most influential spirits competitions in the world. Arctic Blue Laku was also honoured with the renowned "Best of Class" award at the Singapore World Spirits Competition 2023. The title "Best of Class" is granted to the best example within each spirit category. Arctic Blue Laku participated in the category "Other Liqueurs".

We have experienced great success on the Finnish market with Arctic Blue Laku in shape of sales and highly positive consumer feedback. Winning a double gold medal and best of class serves as an important marketing asset, to boost Arctic Blue Laku's visibility on the international market, especially in Asia which is one of our most important focus areas. The assumption that only Nordic people take a liking to liquorice taste can now be disproven. I am genuinely delighted to witness the fruitful outcomes of our innovative approach.

SALES

During the first half of 2023, our sales revenue decreased by 7% compared to the corresponding period last year. This decline is mainly because during first half 2023 we did not have the same fulfilment of stock-in orders that occurred during first half 2022 for the South-East Asia region. Additionally, there has been an unfavourable sales trend in the markets of UK and Sweden. On the other hand, there has been positive sales development in several other markets, including Finland and Travel Retail, as well as Germany and Benelux. These trends were largely due to the signing of new distribution partnerships.

In the second quarter of 2023, sales revenue decreased by 25% compared to the same period last year. After a great start during first half 2023 sales decreased during second quarter in Finland and the Travel Retail sector. Due to challenging economic times consumers are switching to cheaper products and this can be seen in our main sales channel in Finland, Alko alcohol monopoly. Gin category sales is down by 7% in the overall market and premium gin segment even more. Despite the bottom of the premium market was Arctic Blue Gin sales in Alko down only 3% compared to same period last year.



MAJOR EVENTS

During first half 2023 we completed Arctic Blue Beverages' new distribution and logistics set-up and it is now fully functional in Finland and Nordic travel retail. These are very important markets for Arctic Blue Beverages, and therefore we have been carefully building up the new set-up that will streamline and enhance the sales and distribution operations in these areas. In Finland, we now have two very experienced and focused distributors, Norex Selected Brands Oy and Oy Sinebrychoff Ab. In Nordic travel retail, Norex Selected Brands Oy acts as Arctic Blue Beverages' products sales agent. This new arrangement enables us to concentrate many channels into two experienced sales organizations, and thus ensure a consistent brand image and competitive product portfolio in all our important channels. We also have a new logistics service provider Skanlog Oy, an independent 3rd party logistics specialist. Through this partnership, we aim to improve the efficiency of the Company's travel retail and export logistics operations.

We announced the sale of Arctic Blue Beverages Oy's subsidiary Valamo Beverages Oy, as a part of its strategic decision to streamline our operations and optimise our product portfolio. Valamo Beverages Oy was sold to a group of Finnish investors. The sale of Valamo Beverages Oy is beneficial for Arctic Blue Beverages, to in the future being able to more efficiently focus all resources around one product line both on the home market Finland and abroad.



SUMMARY

Challenging economic times and consumers switching to cheaper products is not making it easy for a premium craft beverage company like Arctic Blue Beverages. However, we have shown that by releasing new innovative products like Arctic Blue Laku, focusing to our core markets and products, and being active in the HoReCa field, we can fight against the declining sales trend in the market. In Finland and in Travel Retail we are in the very beginning with our newest distribution partners, and I believe that we will see improved results once our collaborations progress. Export market has been in decline, and we need to carefully analyze the market and tighten the focus during rest of the year.

Although we are a small player in global alcohol market, we have a portfolio of winning products that consumers love. So despite the decline in the premium alcohol sector, I believe we will be in good position to increase our market share and reach during second half 2023.

Valtteri Eroma, CEO



BUSINESS OVERVIEW

SIGNIFICANT EVENTS DURING APRIL – JUNE 2023

SALES

During the first half of 2023, sales revenue decreased by 7% compared to the corresponding period last year. This decline is mainly due to the fulfillment of stock-in orders during H1/22 for the South-East Asia region. Additionally, an unfavorable sales trend was observed in the markets of UK and Sweden. Conversely, positive sales development was seen in several other markets, including Finland and Travel Retail, as well as Germany and Benelux. These trends were largely due to the signing of new distribution partnerships.

In the second quarter of 2023, sales revenue decreased by 25% compared to the same period last year. The primary reason for this decrease was a negative sales trend in Finland and the Travel Retail sector, resulting in a total decline of 26%. The main sales channel in Finland, Alko alcohol monopoly, faced challenges in the gin category, leading to a 7% contraction (volume) in the overall market and premium gin segment even more. Concurrently, the absence of promotional activities compared to the previous year contributed to reduced sales in the Travel Retail segment. In addition, there were no new orders from the Swedish market compared to last year. On a positive note, there were sales improvements, particularly in South-East Asia and Canada. However, the sales volumes in these regions still remain relatively modest.

The total sales revenue in the second quarter of 2023 decreased by 14% compared to the previous quarter. This decline was primarily attributed to stock-in orders that were fulfilled in Q1/23 for new distributor i.e. in Germany.

FINANCIAL OVERVIEW

In period January – June 2023 Company's net sales of SEK 4,117 thousand decreased compared to the same period a year earlier (SEK 4,515 thousand) due to a lower level of fulfillment of stock-in orders and lower demand during the latter part of the period.

Materials and services expenses SEK -3,465 thousand (SEK -3,803 thousand) decreased clearly due to improved operations and to some extent decreased purchasing volumes.

Personnel expenses SEK -4,187 thousand (SEK -5,488 thousand) decreased compared to the same period a year ago due to lower remuneration and decreased number of personnel.

Materials and services expenses SEK -3,465 thousand (SEK -3,803 thousand) decreased compared to the same period a year earlier.

Other external expenses SEK -5,488 thousand (SEK -17,209 thousand) decreased clearly mainly due to high one-time costs during the corresponding period last year.

EBITDA and EBIT were SEK -8,849 thousand (-20,659 thousand) and SEK -9,976 thousand (-21,450 thousand) for the period Jan – Jun 2023.

In the second quarter 2023, Company's net sales of SEK 1,928 thousand decreased compared to the same period a year earlier (SEK 2,554 thousand) mainly due to lower sales volumes in domestic market Finland and Travel Retail sector.

Materials and services expenses SEK -1,456 thousand (SEK -2,632 thousand) decreased clearly due to improved operations and to some extent decreased purchasing volumes.

Personnel expenses SEK -2,351 thousand (SEK -2,992 thousand) decreased compared to the same period a year ago due to lower remuneration and decreased number of personnel.

Other external expenses SEK -2,529 thousand (SEK -11,657 thousand) decreased clearly mainly due to high one-time costs during the corresponding period last year. Due to continuing cost-cutting and cost optimization measures other operating expenses were 15% or SEK 430 thousand less than in the previous quarter.

EBITDA and EBIT were SEK -4,315 thousand (-14,728 thousand) and SEK -4,885 thousand (-15,252 thousand) for the quarter.

Disposal of Valamo Beverages Oy assets had a one-time assets write-down effect of SEK -882 thousand on the Company's net profit and balance sheet in the second quarter of 2023.

The Company's cash and cash equivalents were SEK 939 thousand at the end of the reporting period.

The Company will continue to perform cost-cutting and cost optimization measures. Among other things the Company will further reduce use of the external service providers, continue to change to a more cost-efficient operation model, and further decrease the administrative costs.

MAJOR EVENTS

2023-04-05 Company launched premium liquorice liqueur, Arctic Blue Laku, together with the Finnish luxury liquorice producer Kouvola Lakritsi. A collaboration that was agreed upon a few years ago turned into something concrete. Arctic Blue Beverages and Kouvola Lakritsi teamed up to create Arctic Blue Laku – a smooth liquorice liqueur which combines the all-natural sweet flavour of artisanal liquorice with organic ingredients carefully selected from Finland's uniquely pure nature. Arctic Blue Laku has secured its standard selection status in Finnish monopoly market Alko and is already widely available. Availability in the rest of the world will be built gradually throughout the year 2023.

2023-04-06 Company announced the outcome of the exercise of warrants of series TO2 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 1 807 859 shares were subscribed for with the support of the Warrants, implying an exercise rate of approximately 48 percent. Arctic Blue Beverages received proceeds of approximately MSEK 0,83 before issue costs.



2023-04-13 Company announced that it has completed the restructuring Company's new distribution and logistics set-up in Finland and Nordic travel retail and it is now fully operational. Finland and Nordic travel retail are very important markets for Arctic Blue Beverages, and therefore the Company has carefully been building up the new set-up that will streamline and enhance the sales and distribution operations in these areas. In Finland, the Company has now two very experienced and focused distributors: 1. Norex Selected Brands Oy, which distributes Arctic Blue Beverages' products to the national beverage retailing monopoly Alko, to wholesale and in the HoReCa field. 2. Oy Sinebrychoff Ab, which distributes selected Arctic Blue Beverages' products in the HoReCa field. In Nordic travel retail, Norex Selected Brands Oy acts as Arctic Blue Beverages' products sales agent.

2023-04-25 Company announced that Arctic Blue Laku has get a great start on the Finnish market. Arctic Blue Laku, a collaboration between two award-winning craft producers from Finland, made its debut on the market in the beginning of April 2023. The unique gin-based liquorice liqueur by Arctic Blue Beverages and Kouvolan Lakritsi has had a strong start on its home market. In only a few days, the product's distribution footprint grew to cover over 250 Alko stores. Alko is national alcoholic beverage retailing monopoly in Finland. Arctic Blue Laku has had an impressive start on the Finnish market, with the product being sold out in many Alko stores during the first week. The product has also received a lot of positive feedback from the Finnish HoReCa field, where Arctic Blue Laku clearly stands out and sparks interest, both in terms of taste and style.

2023-06-02 Company announced the sale of its subsidiary Valamo Beverages Oy to boost strategic focus. The sale of Arctic Blue Beverages Oy's subsidiary Valamo Beverages Oy was a part of Arctic Blue Beverages strategic decision to streamline its operations. Arctic Blue Beverages Oy signed a share purchase and loans agreement of the sale and purchase of all its owned issued and outstanding shares and group internal loans in Valamo Beverages Oy. Valamo Beverages Oy was sold to a group of Finnish investors.

2023-06-02 Arctic Blue Laku made an impressive debut, won Double Gold at Singapore World Spirits Competition 2023. The recently launched Arctic Blue Laku achieved an impressive accomplishment by winning a prestigious Double Gold Medal in its first competition - the esteemed Singapore World Spirits Competition (SWSC) 2023. SWSC belongs to the Tasting Alliance, widely recognized for hosting the most influential spirits competitions in the world.

2023-06-13 Bulletin from the Annual General Meeting in Arctic Blue Beverages AB on 13 June 2023.

2023-06-21 Company announced great progress on the Finnish market, as reflected by the latest statistics as well as the achievements with the new product Arctic Blue Laku. Laku's win in Singapore World Spirits Competition has increased the interest towards the product on the European and Asian markets.

2023-06-26 Arctic Blue Laku was awarded "Best Of Class" at Singapore World Spirits Competition 2023. Singapore World Spirits Competition 2023 announces "Best of Class" and "Best in Show". Arctic Blue Laku was granted "Best of Class", an award that is given to the finest representation within each spirit category.

SIGNIFICANT EVENTS AFTER THE INTERIM PERIOD

No significant events after the end of the reporting period.



FINANCIAL REPORTS

INCOME STATEMENT - GROUP

SEK thousand	Note	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Revenue						
Net sales		1 928	2 554	4 177	4 515	9 441
Other operating income		<u>94</u>	<u>0</u>	<u>113</u>	<u>1 345</u>	<u>1 452</u>
		2 022	2 554	4 291	5 861	10 894
Operating expenses						
Materials and services		-1 456	-2 632	-3 465	-3 803	-8 923
Other external expenses		-2 529	-11 657	-5 488	-17 209	-28 046
Personnel expenses	2	-2 351	-2 992	-4 187	-5 507	-9 829
Depreciation and write-downs of tangible and intangible assets		<u>-570</u>	<u>-524</u>	<u>-1 127</u>	<u>-791</u>	<u>-1 863</u>
Operating expenses total		<u>-6 906</u>	<u>-17 806</u>	<u>-14 267</u>	<u>-27 310</u>	<u>-48 661</u>
Operating profit (EBIT)		-4 885	-15 252	-9 976	-21 450	-37 767
Results from financial items		-844	0	-856	-1	116
Profit after financial items		<u>-5 729</u>	<u>-15 252</u>	<u>-10 832</u>	<u>-21 451</u>	<u>-37 652</u>
Profit before tax		-5 729	-15 252	-10 832	-21 451	-37 652
Tax expense for the period		<u>0</u>	<u>-297</u>	<u>0</u>	<u>-297</u>	<u>-297</u>
Net profit		<u>-5 729</u>	<u>-15 549</u>	<u>-10 832</u>	<u>-21 748</u>	<u>-37 949</u>
Attributable to						
The parent company's shareholders		-5 728	-15 621	-10 833	-21 827	-37 953
Minority interest		-1	34	1	41	4



BALANCE SHEET - GROUP

SEK thousand	Note	30 JUN 2023	30 JUN 2022	31 DEC 2022
ASSETS				
Non-current assets				
Intangible assets				
Trademarks	3	1 026	1 794	1 335
Goodwill	4	4 289	5 153	4 787
		5 314	6 947	6 123
Financial assets				
Receivables from associated companies		503	455	474
Other long-term investment		464	444	462
Other long-term receivables		131	3 154	3 425
Deferred tax assets		0	–	0
		1 098	4 053	4 361
Total non-current assets		6 412	11 000	10 484
Current assets				
Inventory				
Raw materials and consumables		–	1 033	279
Finished goods		3 011	5 562	4 421
		3 011	6 595	4 700
Current receivables				
Accounts receivables		4 094	5 892	6 179
Other receivables		1 363	1 395	206
Prepayments and accrued income		564	3 196	1 437
		6 022	10 483	7 823
Cash and cash equivalents		939	6 244	1 633
Total current assets		9 972	23 322	14 155
TOTAL ASSETS		16 384	34 323	24 639
<hr/>				
SEK thousand	Note	30 JUN 2023	30 JUN 2022	31 DEC 2022
EQUITY AND LIABILITIES				
Equity				
Share capital		1 258	822	1 171
Reserve for invested non-restricted equity		49 413	42 684	49 090
Reserves		1 642	637	1 156
Retained earnings		–42 591	–15 549	–31 757
Equity attributable to the parent company's shareholders		9 722	28 594	19 660
Minority interest		–	42	7
Total equity		9 722	28 636	19 667
Provisions				
Provisions for pensions and similar obligations		0	–	0
Current liabilities				
Short term loans	5,6	1 417	–	–
Accounts payable		925	3 420	2 206
Other liabilities		1 060	876	458
Accrued expenses and deferred income		3 259	1 391	2 308
Total current liabilities		6 662	5 686	4 973
TOTAL EQUITY AND LIABILITIES		16 384	34 323	24 639



CASH FLOW STATEMENT – GROUP

SEK thousand	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Operating profit	-4 885	-15 252	-9 976	-21 450	-37 767
Adjustments for:					
Depreciation and write-downs	570	524	1 127	791	1 863
Exchange rate differences	188	0	169	734	0
Changes in provisions	0	0	0	-79	0
Options	0	0	0	1 099	1
Financial income/expenses (+/-)	-8	-12	-39	13	168
Paid taxes	0	-297	0	-297	-297
Operating activities before working capital changes	-4 134	-15 037	-8 719	-19 188	-36 032
Changes in working capital:					
Increase (-) or decrease (+) in inventory	611	723	1 737	258	2 650
Increase (-) or decrease (+) in trade receivables	1 098	-210	1 682	-19	204
Increase (-) or decrease (+) in other receivables	-371	-3 744	323	-4 169	-1 138
Increase (+) or decrease (-) in trade payables	-1 349	-645	-1 397	1 302	266
Increase (+) or decrease (-) in other payables	1 743	-1 845	1 588	1 621	2 188
Cash flow from operating activities (A)	-2 401	-20 759	-4 787	-20 195	-31 862
Disposal of subsidiary	13	0	13	0	0
Disposal of financial assets	2 334	0	2 358	0	0
Purchase of other fixed assets	0	148	0	-149	0
Cash flow from investing activities (B)	2 347	148	2 371	-149	0
Reduction of share capital	0	0	0	25	25
Proceeds from loans	103	0	1 329	0	0
Shareholder contribution	0	0	0	0	0
Proceeds from issuance of shares	409	25 496	409	25 496	32 251
Cash flow from financing activities (C)	512	25 496	1 738	25 521	32 276
Net increase/decrease in cash and cash equivalents (A+B+C)	458	4 886	-678	5 177	414
Cash and cash equivalents at beginning of period	505	1 021	1 633	1 021	1 021
Exchange rate differences	-24	45	-16	45	197
Cash and cash equivalents at end of period	939	6 244	939	6 244	1 633



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 Apr 2023	1 171	49 090	-36 862	1 294	0	14 693	9	14 702
New share issue	87	322				409		409
Translation difference				348		348	-8	340
Profit (loss) for the period					-5 728	-5 728	-1	-5 729
Equity 30 Jun 2023	1 258	49 413	-36 862	1 642	-5 728	9 722	0	9 722
Equity 1 Apr 2022	25	0	0	0	0	25	0	25
Share holders contribution	-25					-25		-25
New share issue	822	42 684				43 506		43 506
Translation difference				637		637	1	638
Profit (loss) for the period					-15 549	-15 549	41	-15 507
Equity 30 Jun 2022	822	42 684	0	637	-15 549	28 594	42	28 636
Equity 1 Jan 2023	1 171	49 090	-31 757	1 156	0	19 660	7	19 667
New share issue	87	322				409		409
Translation difference				486		486	-8	479
Profit (loss) for the period					-10 833	-10 833	1	-10 832
Equity 30 Jun 2023	1 258	49 413	-31 757	1 642	-10 833	9 722	0	9 722
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	-8	1 148
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	-1	19 659



NOTES TO JANUARY – JUNE HALF 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 report for the 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 until May 31st 2023.

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

- Arctic Gateway Asia Pte. Ltd
- Arctic Gateway India Private Limited Pty Ltd (dormant)
- Arctic Brand House Oy (dormant until deregistration on 7.6.2023)

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 first quarter 2022.

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	APR-JUN 2023	APR-JUN 2022	JAN-JUN 2023	JAN-JUN 2022	JAN-DEC 2022
Average number of employees					
Arctic Blue Beverages Oy Finland	7	8	8	8	8
Total	7	8	8	8	8

NOTE 3 – TRADEMARKS

SEK thousand	30 JUN 2023	30 JUN 2022	31 DEC 2022
Accumulated acquisition values			
At the beginning of the period	4 600	4 172	4 172
Disposals	0	-47	0
Translation differences	210	185	368
At the end of the period	4 810	4 310	4 540
Accumulated depreciation			
At the beginning of the period	-3 332	-1 963	-1 963
Depreciation for the period	-292	-473	-1 085
Translation differences	-161	-80	-156
At the end of the period	-3 785	-2 516	-3 204
Recorded value at the end of the period	1 026	1 794	1 335

NOTE 4 – GOODWILL

SEK thousand	30 JUN 2023	30 JUN 2022	31 DEC 2022
Accumulated acquisition values			
At the beginning of the period	5 846	245	307
New acquisitions		5 188	4 995
Translation differences	267	11	467
At the end of the period	6 114	5 445	5 770
Accumulated depreciation			
At the beginning of the period	-1 472	-61	-62
Depreciation for the period	-278	-256	-778
Translation differences	-76	25	-143
At the end of the period	-1 825	-291	-983
Recorded value at the end of the period	4 289	5 153	4 787

NOTE 5 – PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

	30 JUN 2023	30 JUN 2022	31 DEC 2022
Pledged collateral	489	None	None
Contingent liabilities	None	None	None

Company has signed contract with Finnish financial institute of sales of receivables (factoring agreement). Liability of the factoring loan has been pledged. Contract includes credit insurance with 95% coverage of receivables included in the agreement.



NOTE 6 – TRANSACTIONS WITH RELATED PARTIES

On March 1, 2023, Company entered into a short-term loan agreement of EUR 40,000 with Heino Group Oy who is one of the Company's shareholders controlled by the board member Petri Heino and a short term loan agreement of EUR 40,000 with Grizzly Hill Capital Ab who is one of the company's shareholders controlled by the board member Gustaf Björnberg. The loans totalling EUR 80,000 refer to financing for the company's ongoing operations and ensuring liquidity. The loans have customary market-based terms and conditions and partly repayment of approx. EUR 35,922 was taken place by offsetting the loan amount against Warrant TO2 subscriptions.

On May 5, 2023, Company's subsidiary Arctic Blue Beverages Oy entered into a short-term loan agreement of EUR 30,000 with Heino Group Oy who is one of the Company's shareholders controlled by the board member Petri Heino and a short term loan agreement of EUR 30,000 with Grizzly Hill Capital Ab who is one of the company's shareholders controlled by the board member Gustaf Björnberg. The loans totalling EUR 60,000 refer to financing for the company's ongoing operations and ensuring liquidity. The loans have customary market-based terms and conditions.

Additionally, the following transactions with related parties have been implemented in the first quarter of 2023.

APR – JUN 2023

SEK thousand

Advisory services, Hoikka Consulting Oy (Antti Villanen, chairman of the board)	120
Advisory services, On-Trade Helsinki Oy (Sebastian Pinomaa, external consultant)	315

NOTE 7 – RISKS AND UNCERTAINTIES

Future funding

The resources required to execute Arctic Blue Beverages' business plan, including product development, expansion into new markets and other investments, depends on several factors. Product development or launch in new markets can be more expensive and take longer than expected. The Company has generated a negative result and may need to raise additional capital in the future to finance its growth plans. The Company may be forced to seek alternative financing in the form of debt financing or additional capital raising.

Access to quality raw materials

The Company is dependent on the availability of quality raw materials, such as Finnish blueberries, and in cases where the supply of raw materials on which the Company is dependent on for the production of its products decreases or deteriorates, it may entail difficulties in producing and delivering its 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 expertise of the Company's management, the board of directors and other key personnel's competences.

Competitive situation

The state monopolies in the Nordic countries and especially in Finland are important revenue channels for the Company. Despite that extensive legislation that applies in the state retail monopolies and other international markets where the company operates, the industry of gin is competitive.

Currency risks

Currency risk occurs in the form of recalculation exposure as purchases and sales are not always the same currency and recalculation exposure when recalculating the subsidiaries' income statements and balance sheets, primarily EUR to the accounting currency, which is SEK.



NOTE 8 – SIGNIFICANT EVENTS

Significant events during the reporting period

2023-04-05 Arctic Blue Beverages launched a premium liquorice liqueur, Arctic Blue Laku, together with the Finnish luxury liquorice producer Kouvolan Lakritsi. A collaboration that has been agreed upon a few years ago turned into something concrete. Arctic Blue Beverages and Kouvolan Lakritsi teamed up to create Arctic Blue Laku – a smooth liquorice liqueur that combines the all-natural sweet flavour of artisanal liquorice with organic ingredients carefully selected from Finland's unique, pure, nature. Arctic Blue Laku has secured its standard selection status in the Finnish alcohol monopoly Alko and is already widely available. Availability in the rest of the world will be built gradually throughout the year 2023.

2023-04-06 Company announced the outcome of the exercise of warrants of series TO2 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 1 807 859 shares were subscribed for with the support of the Warrants, implying an exercise rate of approximately 48 percent. Arctic Blue Beverages received proceeds of approximately MSEK 0,83 before issue costs.

2023-04-13 Company communicated that it has completed its new distribution and logistics setup in Finland and Nordic travel retail. Finland and the Nordic travel retail are very important markets for Arctic Blue Beverages, and therefore the Company has carefully been building up the new setup that will streamline and enhance sales and distribution operations in these areas. In Finland, the Company now has two very experienced and focused distributors; 1) Norex Selected Brands Oy, which distributes Arctic Blue Beverages' products to the Finnish alcohol monopoly Alko, to wholesale and in the HoReCa field. 2) Oy Sinebrychoff Ab, which distributes selected Arctic Blue Beverage' products in the HoReCa field. In the Nordic travel retail, Norex Selected Brands Oy acts as Arctic Blue Beverages' products sales agent. Arctic Blue Beverages also has a new logistics provider, Skanlog Oy, an independent 3rd party logistics specialist. Skanlog specializes in beverages and is the largest beverages business logistics operator in the Scandinavian countries. Through this partnership, Arctic Blue Beverages aims to improve the efficiency of the Company's travel retail and export logistics operations.

2023-04-25 Company announced that Arctic Blue Laku has got a great start on the Finnish market. Arctic Blue Laku, a collaboration between two award-winning craft producers from Finland, made its debut on the market in the beginning of April 2023. The unique gin-based liquorice liqueur by Arctic Blue Beverages and Kouvolan Lakritsi has had a strong start on its home market. In only a few days, the product's distribution footprint grew to cover over 250 Alko stores. Alko is national alcoholic beverage retailing monopoly in Finland. Arctic Blue Laku has had an impressive start on the Finnish market, with the product being sold out in many Alko stores during the first week. The product has also received a lot of positive feedback from the Finnish HoReCa field, where Arctic Blue Laku clearly stands out and sparks interest, both in terms of taste and style.

2023-06-02 Company announced the sale of Arctic Blue Beverages Oy's subsidiary Valamo Beverages Oy, as a part of its strategic decision to streamline its operations. Arctic Blue Beverages Oy signed a share purchase and loans agreement of the sale and purchase of all its owned issued and outstanding

shares and group internal loans in Valamo Beverages Oy. Valamo Beverages Oy was sold to a group of Finnish investors.

The enterprise value of Valamo Beverages Oy was approximately EUR 300 thousand. The purchase price is subject to a customary closing accounts adjustment. The purchase price will be paid to Arctic Blue Beverages Oy in cash. The disposal improves Arctic Blue Beverages Oy's cash position, but the Company does not expect it to have a significant impact on operating profit in the future. The disposal had a onetime assets write-down effect of approximately EUR 80 thousand on the Company's profit and balance sheet in the second quarter of 2023.

The Company has previously published information of being in a process to divest its shares in Valamo Beverages Oy. The reason being that Valamo Beverages Oy is not seen to fit into the Company's strategic international expansion plans. The Company sees a simplification of the organizational structure as beneficial.

2023-06-02 Arctic Blue Laku made an impressive debut, won Double Gold at Singapore World Spirits Competition 2023. The recently launched Arctic Blue Laku achieved an impressive accomplishment by winning a prestigious Double Gold Medal in its first competition – the esteemed Singapore World Spirits Competition (SWSC) 2023. SWSC belongs to the Tasting Alliance, widely recognized for hosting the most influential spirits competitions in the world.

The annual general meeting of the Company was held, 13 June 2023, at the premises of Eversheds Sutherland Advokatbyrå on Sveavägen 20 in Stockholm. The following main resolutions were passed by the required majority at the meeting:

Adoption of the income statement and balance sheet

The annual general meeting resolved to adopt the Company's income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet.

Distribution of profit

The annual general meeting resolved to treat the result in accordance with the proposal of the board of directors in the annual report, meaning that the result is carried forward.

Discharge from liability

The directors and managing director were discharged from liability for the 2022 financial year.

Election of the board of directors and auditor and directors and auditor's fees

The annual general meeting resolved that the board of directors shall consist of four members with no deputies.

Antti Villanen, Gustaf Björnberg and Petri Heino were re-elected as board members. The annual general meeting resolved to elect Matti Nikkola as a new board member. Antti Villanen was elected chairperson of the board. It was resolved that board fees of EUR 12,000 shall be paid to each of the members elected by the general meeting who are not employed by the Company or the group, and EUR 24,000 to the chairperson of the board.



WeAudit Sweden AB was re-elected as auditor. Before the meeting, WeAudit Sweden AB had informed that in case of re-election, Mikael Köver will continue to be the auditor in charge. It was decided that fees to the auditor shall be paid according to approved invoices.

Resolution on guidelines for the nomination committee

The annual general meeting resolved to adopt guidelines for the nomination committee as set out in the notice.

Resolution on implementation of incentive program

The annual general meeting resolved to implement incentive program 2023/2026 as proposed. Incentive program 2023/2026 is aimed at certain employees of the Company and comprises a maximum of 975,000 warrants. Each warrant entitles the holder to subscribe for one (1) new share in Arctic Blue Beverages AB during a period of 25 days after the Company's publication of the Q2 report for 2026. The subscription price for new shares corresponds to 110 percent of the volume-weighted average price during a period of thirty (30) days before the annual general meeting 2023.

Resolution to allow certain members of the board participate in the incentive program 2023/2026

The annual general meeting resolved to approve shareholder Grizzly Hill Capital Abs' proposal to allow board member Antti Villanen to participate in the incentive program 2023/2026 due to this operational role in the Company.

Resolution on authorization for the Board of Directors to decide on issues of shares, warrants and convertibles

It was resolved to authorize the board of directors to on one or more occasions and at the latest until the next Annual General Meeting – to decide to increase the Company's share capital by issuing new shares, warrants and convertibles within the limits permitted by the articles of association from time to time. New issues of shares, as well as issues of warrants and convertibles, may be made with or without deviation from the shareholders' preferential rights and with or without provision for contribution in kind, set-off or other conditions. Pursuant to Chapter 16 of

the Swedish Companies Act, the Board of Directors may not, by virtue of this authorization, decide on issues to members of the Board of Directors of the group, employees and others. Issues resolved on the basis of the authorization shall be made on market terms. The purpose of the authorization and the reasons for any deviation from the shareholders' preferential rights is to enable new issues of shares, warrants and convertibles to be made to increase the Company's financial flexibility and/or the Board of Directors room for action.

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 clarification to the resolutions adopted at the meeting to the extent necessary for the registration of the resolutions.

2023-06-21 Company announced great progress on the Finnish market, as reflected by the latest statistics as well as the achievements with the new product Arctic Blue Laku. Laku's win in Singapore World Spirits Competition has increased the interest towards the product on the European and Asian markets.

2023-06-26 Arctic Blue Laku was awarded "Best Of Class" at Singapore World Spirits Competition 2023. Singapore World Spirits Competition 2023 announces "Best of Class" and "Best in Show". Arctic Blue Laku was granted "Best of Class", an award that is given to the finest representation within each spirit category.

Significant events after the end of the reporting period

No significant events after the end of the reporting period.

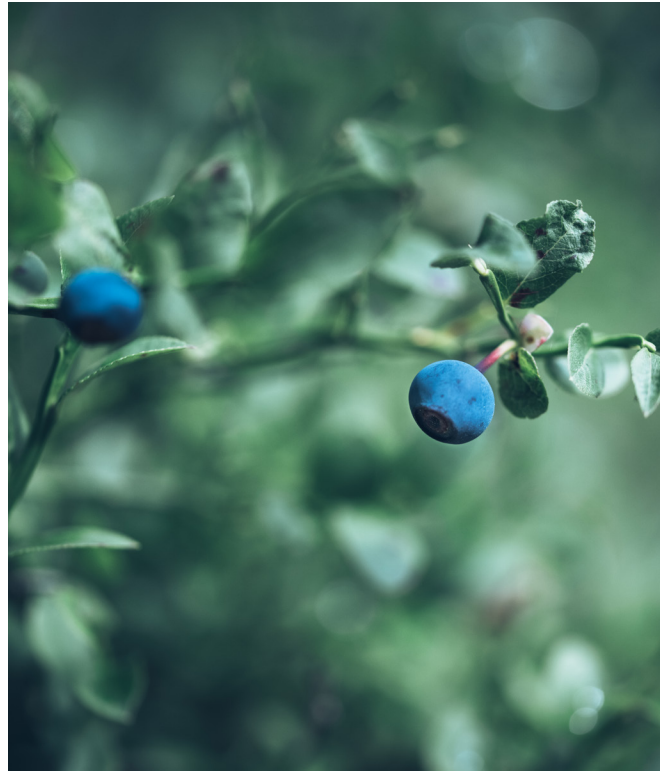


THE SHARE

Arctic Blue Beverages stock is listed on Nasdaq First North Growth Market with the ticker symbol "Arctic". As of June 30, 2023, the total number of shares was 26,198,089 and the closing price was SEK 0.94 per share.

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

Year-End Report 2022	February 20, 2023
Annual Report 2022	April 24, 2023
Interim report Jan – Mar 2023	May 15, 2023
Annual General Meeting 2023	June 13, 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 August 21, 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, August 21, 2023

Valtteri Eroma	Chief Executive Officer
Antti Villanen	Chairman of the board
Gustaf Björnberg	Member of the board
Petri Heino	Member of the board
Matti Nikkola	Member of the board



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