



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 991 036 393
Organisasjonsform: Allmennaksjeselskap
Foretaksnavn: PCI BIOTECH HOLDING ASA
Forretningsadresse: Ullernchausséen 64
0379 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Ronny Skuggedal
Dato for fastsettelse av årsregnskapet: 25.05.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 20.06.2024



Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Kostnader			
General and administrative	7,8	5 222 000	4 969 000
Sum kostnader		5 222 000	4 969 000
Driftsresultat		-5 222 000	-4 969 000
Finansinntekter og finanskostnader			
Finacial income	11	1 797 000	1 593 000
Sum finansinntekter		1 797 000	1 593 000
Financial expenses	11,15	463 816 000	151 539 000
Sum finanskostnader		463 816 000	151 539 000
Netto finans		-462 019 000	-149 946 000
Ordinært resultat før skattekostnad		-467 241 000	-154 915 000
Income tax	12	0	0
Ordinært resultat etter skattekostnad		-467 241 000	-154 915 000
Årsresultat		-467 241 000	-154 915 000
Overføringer og disponeringer			
Share premium		-361 148 000	0
Other paid in capital		-31 626 000	0
Retained earings		-74 468 000	-154 915 000
Sum overføringer og disponeringer		-467 242 000	-154 915 000



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	15	69 157 000	504 191 000
Sum finansielle anleggsmidler		69 157 000	504 191 000
Sum anleggsmidler		69 157 000	504 191 000
Omløpsmidler			
Varer			
Fordringer			
Receivables from group companies	18	7 362 000	15 019 000
Other short-term receivables	18	23 000	33 000
Sum fordringer		7 385 000	15 052 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	16,17, 19	628 000	26 476 000
Sum bankinnskudd, kontanter og lignende		628 000	26 476 000
Sum omløpsmidler		8 013 000	41 528 000
SUM EIENDELER		77 170 000	545 719 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	20	111 979 000	111 979 000
Overkurs		0	361 148 000
Annen innskutt egenkapital		0	31 626 000
Sum innskutt egenkapital		111 979 000	504 753 000



Balanse

Beløp i: NOK	Note	2022	2021
Opptjent egenkapital			
Retained earnings		-35 944 000	39 818 000
Sum opptjent egenkapital		-35 944 000	39 818 000
Sum egenkapital		76 035 000	544 571 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Trade accounts payables		6 000	19 000
Public duties payables		140 000	140 000
Other current liabilities		990 000	990 000
Sum kortsiktig gjeld		1 136 000	1 149 000
Sum gjeld		1 136 000	1 149 000
SUM EGENKAPITAL OG GJELD		77 171 000	545 720 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Other income	5,6	4 750 000	6 273 000
Sum inntekter		4 750 000	6 273 000
Kostnader			
Research and development	7,8	44 756 000	71 707 000
General and administrative	7,8,9,1 0,14,2 3,24	16 441 000	20 595 000
Sum kostnader		61 197 000	92 302 000
Driftsresultat		-56 447 000	-86 029 000
Finansinntekter og finanskostnader			
Finacial income	11	1 711 000	789 000
Sum finansinntekter		1 711 000	789 000
Financial expenses	11,15, 24	359 000	3 151 000
Sum finanskostnader		359 000	3 151 000
Netto finans		1 352 000	-2 362 000
Ordinært resultat før skattekostnad		-55 095 000	-88 391 000
Income tax	12	0	0
Ordinært resultat etter skattekostnad		-55 095 000	-88 391 000
Årsresultat		-55 095 000	-88 391 000
Overføringer og disponeringer			
Retained earings		-55 095 000	-88 391 000
Sum overføringer og disponeringer		-55 095 000	-88 391 000



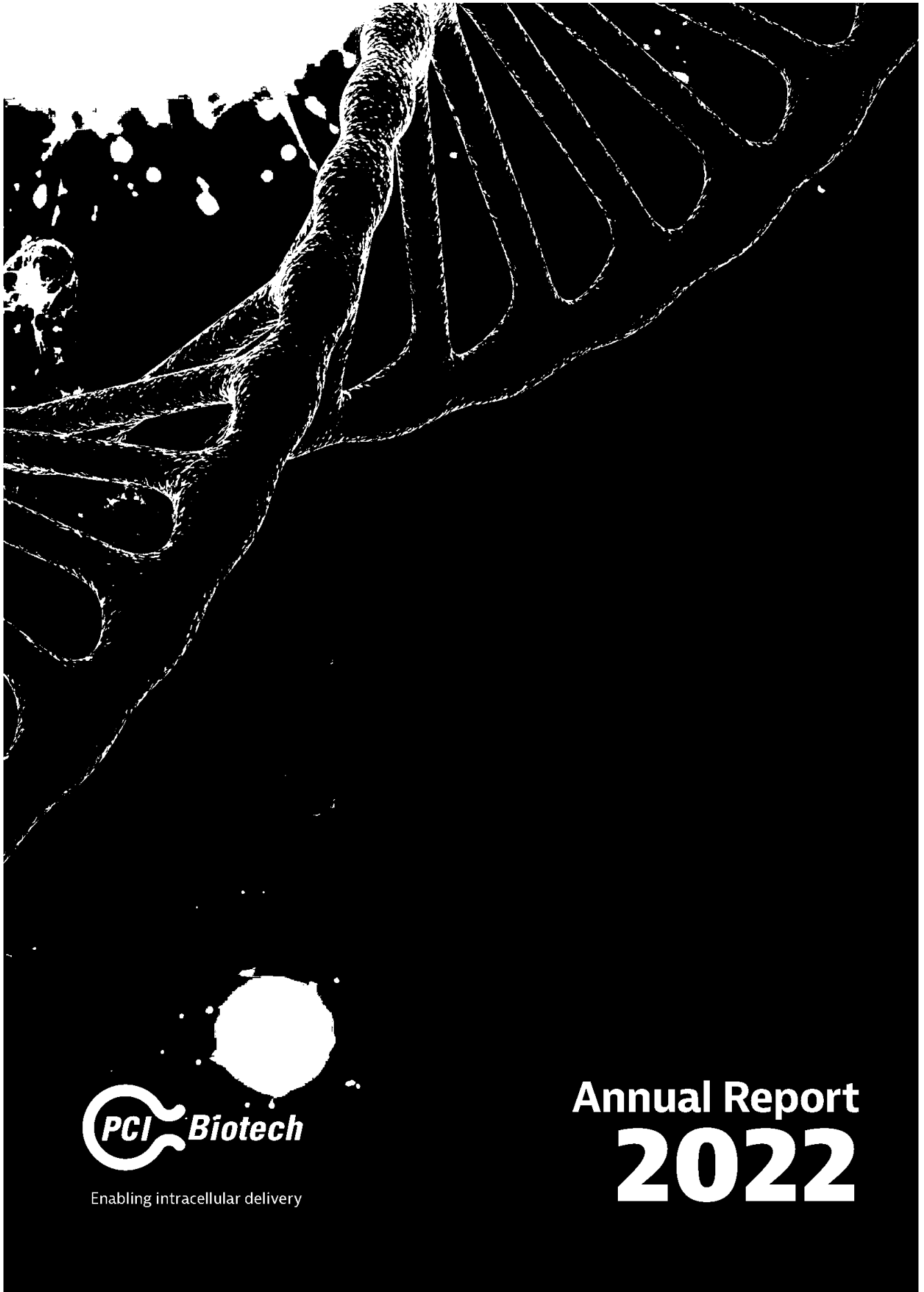
Konsernets balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Property, plant and equipment	14	18 000	5 806 000
Right to use asset	24	705 000	1 854 000
Sum varige driftsmidler		723 000	7 660 000
Sum anleggsmidler		723 000	7 660 000
Omløpsmidler			
Varer			
Fordringer			
Other short-term receivables	18	6 162 000	12 200 000
Sum fordringer	17	6 162 000	12 200 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	16,17, 19	56 596 000	116 118 000
Sum bankinnskudd, kontanter og lignende		56 596 000	116 118 000
Sum omløpsmidler		62 758 000	128 318 000
SUM EIENDELER		63 481 000	135 978 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	20	111 979 000	111 979 000
Overkurs			450 464 000
Annen innskutt egenkapital		-54 577 000	-448 650 000
Sum innskutt egenkapital		57 402 000	113 793 000



Konsernets balanse

Beløp i: NOK	Note	2022	2021
Sum egenkapital	8	57 402 000	113 793 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Long-term lease liability	16,24	327 000	1 277 000
Sum annen langsiktig gjeld		327 000	1 277 000
Sum langsiktig gjeld		327 000	1 277 000
Kortsiktig gjeld			
Trade accounts payables		495 000	3 745 000
Current lease liabilities	24	443 000	629 000
Public duties payables		1 225 000	1 713 000
Other current liabilities	22	3 590 000	14 823 000
Sum kortsiktig gjeld		5 753 000	20 910 000
Sum gjeld		6 080 000	22 187 000
SUM EGENKAPITAL OG GJELD		63 482 000	135 980 000



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Annual Report 2022



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INTRODUCTION

ABOUT PCI BIOTECH

PCI Biotech Holding ASA ("PCI Biotech" or "the Group" or "the Company") is a biopharmaceutical company headquartered in Norway and listed on the Oslo Stock Exchange. The company develops novel therapies through its proprietary photochemical internalisation (PCI) platform technology originating from world-leading research at the Oslo University Hospital – the Norwegian Radium Hospital. PCI Biotech's lead product candidate is the photosensitiser fima porfin (Amphinex®). The PCI technology works by inducing light-triggered endosomal release, which may unlock the potential of a wide array of modalities.

OUR PLATFORM TECHNOLOGY

Several novel classes of drugs (e.g. certain immunotherapeutics) need access to the inside of their human target cells, such as tumour cells or immune cells, in order to be effective. Unfortunately, many of these substances are by nature encapsulated in so-called endosomes as they enter the target cell. Once inside the cell, most of the active compound may hence be trapped in the endosomes and therefore unable to exert its therapeutic effect.

Pharmaceutical companies struggle to find effective methods to release drugs that are entrapped in this way and are actively searching for technologies that provide adequate drug release inside the target cells, in order to achieve the full therapeutic and commercial potential of their products.

The PCI technology platform consists of two elements: a proprietary small molecule photosensitiser (named fima porfin) and a light source. The primary aim of PCI is to introduce drug molecules or macromolecules into the cytosol of the target cells, called intracellular delivery, in a *targeted* manner. PCI is employed to give the cells new properties by modifying the intracellular trafficking of drugs/antigens, leading to enhanced biological effect of these substances after PCI treatment of target cells in the body.

BUSINESS AREA

fimaNAC - DELIVERY OF NUCLEIC ACID THERAPEUTICS

Nucleic acids have in recent years emerged as a promising class of drugs, exemplified by the mRNA COVID-19 vaccines and several products for the treatment of rare diseases. However, efficient and safe delivery to most tissues is still a major barrier to treating new indications. By achieving site-directed intracellular delivery, this is a challenge **fimaNAC** is uniquely positioned to solve. Thus, results from collaborations and PCI Biotech's own data indicate that the **fimaNAC** technology provides an attractive intracellular delivery solution in this area.

The **fimaNAC** programme is a preclinical-stage collaborative programme developing a targeted intracellular delivery technology for different classes of nucleic acids. PCI Biotech aims to develop the **fimaNAC** technology as a platform for both dermatology and bioprocessing, with a partnership-driven development strategy.

Dermatology

Systemic nucleic acid delivery to skin is largely ineffective. Needle-based delivery may in some cases be effective, but is pharmaceutically sub-optimal and technically cumbersome, especially when larger surface areas are involved. PCI Biotech aims to develop a topical formulation for delivery of nucleic acid therapeutics to skin using **fimaNAC**, to combine the ease of use of topical administration with enhanced delivery from **fimaNAC**. Pre-clinical experiments have demonstrated that the **fimaNAC** technology can substantially enhance nucleic acid delivery to skin. PCI Biotech's development plans

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focus on chronic skin ulcers, with a large unmet medical need, but the technology may also be applied to other dermatological conditions.

Bioprocessing

Bioprocessing is the manufacturing of biologic drugs ("biologics"). This involves complex processes and bottlenecks in the endeavour to offer breakthrough therapies to new and larger patient populations. There is a great need for technologies that enable more effective bioprocessing with higher yield as well as increased quality at a lower cost, and PCI Biotech initiated in 2022 a project aimed at solving such challenges in viral vector manufacturing by employing the **fimaNAC** technology. Development of bioprocessing technologies is less complex from a regulatory perspective compared to development of new therapies, allowing shorter timelines and lower costs of development.

IMMUNOTHERAPY AND fimaVacc

The **fimaVacc** technology aims to enhance immunotherapy responses and has shown excellent preclinical efficacy with protein- and peptide-based vaccines. The technology has shown particularly strong CD8 T-cell responses, which are important for therapeutic vaccination, as well as enhanced helper (CD4) T-cell and antibody responses. Immune responses and safety have been successfully translated to healthy subjects in a Ph I clinical study¹. The technology is versatile, as it can potentially be used with several modalities, including nucleic acid-based immunotherapy.

Intratumoural immunotherapy

Immunotherapy utilises the body's own immune system to fight cancer, and immune checkpoint inhibitors (ICIs) have revolutionised cancer treatment. However, a large proportion of patients do not respond to ICIs, or progress shortly after initial response. Combining ICIs with intratumour immunotherapy is an attractive approach to increase the response rate to ICIs. Here immunotherapy is administered directly into the tumour and constitutes a "local" treatment. As a result, the dose is relatively low, and systemic adverse effects are expected to be limited, which in turn may enable novel combination treatments.

fimaVacc is a technology designed for local enhancement of therapeutic effects and is well suited for delivery of immunotherapy combinations to tumour sites. As such, **fimaVacc** can enhance the delivery of proteins, nucleic acids, small molecules, and viral vectors, all of which are relevant for locally administered immunotherapy. In addition, the **fimaVacc** technology by itself has a local immunostimulatory effect, e.g. by inducing cytokine production.

¹ Otterhaug *et al.* (2021) *Frontiers in Immunology*;11:576756



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BOARD OF DIRECTORS REPORT

A TRANSFORMING YEAR

The RELEASE trial was terminated in Q1 2022, due to changes in the competitive landscape that rendered the trial challenging to complete and potentially inadequate for approval. PCI Biotech focussed on a swift and cost-efficient closing process of the RELEASE trial, including tailoring the organisation to the new setting with closure of the **fimaCHEM** program. All major study closure activities for the RELEASE trial are completed and the estimated remaining cash effect for 2023 is less than NOK -1 million.

Efforts to finance a Ph II clinical trial in head and neck cancer did not, under the 2022 capital market conditions, result in a feasible way forward and the company reported in August that it will not conduct a company-sponsored Ph II trial with the **fimaVacc** technology. This entailed a full downsizing of the clinical team, which was enacted during the second half of 2022, with full cost reduction effect in Q1 2023.

The year-end cash position of NOK 57 million enables an extended estimated financial runway towards the end of 2024 with current plans, providing an opportunity window to demonstrate the commercial potential of the technology platform. The company will continue to explore financing and strategic opportunities as the pre-clinical pipeline matures.

2022 was transformative for PCI Biotech. The company now directs its efforts and resources on pre-clinical research in areas where there is need for novel drug delivery systems, with a partnership-driven development strategy. **fimaNAc** is focussed on dermatology and bioprocessing applications, and **fimaVacc** on intratumoural immunotherapy.

In 2022 we initiated a project within bioprocessing, aimed at using **fimaNAc** for improving yields in viral vector manufacturing. Inadequate yield is a bottleneck to making certain gene therapies available to new indications and larger patient populations. Development of bioprocessing technologies is less complex from a regulatory perspective compared to development of new therapies, allowing shorter timelines and lower costs. A first patent application was filed in 2H 2022 and 1H 2023 will be focussed on in-house generation of proof-of-principle data at a small scale. Initial external feedback on **fimaNAc**'s value proposition has been positive, warranting further studies working towards testing with potential customers.

Nucleic acid therapeutics have the potential to improve treatment of dermatological diseases, but delivery remains an obstacle. PCI Biotech has initiated a project aimed at developing an easy-to-use topical formulation for efficacious delivery of nucleic acids using **fimaNAc**. Readout from the feasibility study for the dermatology program, performed by a leading contract research organisation, is expected 1H 2023. If positive, the results may provide opportunities for early-stage collaborations with partners developing nucleic acid drug candidates.

PCI Biotech is exploring intratumoural immunotherapy with the **fimaVacc** program, aiming at identifying novel treatment combinations that may overcome resistance to immune-checkpoint inhibitors and safety-issues associated with such treatments. A patent application for an undisclosed treatment approach is planned to be filed in 2023. This project is supported by a Ph.D. candidate grant, commencing January 2023.

PCI Biotech continues to pursue new and value-adding collaborative opportunities. Certain research collaborations were ended during 2022, based on review of progress and value, and new collaborations were initiated. The collaboration with the Norwegian Institute of Marine Research,

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aiming to explore the use of photochemical treatments to combat salmon lice in fish farming, has demonstrated killing of free-swimming sea lice. Refinement of the principle is ongoing to evaluate if sea lice attached to fish can be combated, and a patent application is planned to be filed in 2023. This is an opportunistic, early-stage project, where domain expertise is ensured by collaboration with experts in the field, and further partnership is particularly important for progress.

BUSINESS, LOCATION AND HUMAN RESOURCES

PCI Biotech Holding ASA is a biopharmaceutical company headquartered in Norway and listed on the Oslo Børs, with the ticker PCIB. The company is developing therapeutic products based on its proprietary photochemical internalisation (PCI) technology.

The PCI Biotech group comprises PCI Biotech Holding ASA, and the wholly owned Norwegian subsidiary PCI Biotech AS. PCI Biotech is located at Ullernchausséen 64, Oslo, Norway.

The Board of Directors – The Board of Directors consist of Hans Peter Bøhn (Chairman), Hilde Furberg, Christina Herder, Lars Viksmoen and Andrew Hughes, who were all elected for a one-year term at the annual general meeting in May 2022.

Employees - All operations of the Group are managed by PCI Biotech AS and the Group had 7 employees as of 31 December 2022 (2021: 17 employees). The parent company has no employees. The Group mainly uses external service providers for manufacturing, research and development, and regulatory work.

The management team consists of Ronny Skuggedal, Chief Executive Officer and Chief Financial Officer, Anders Høgset, Chief Scientific Officer, and Kristin Eivindvik, Chief Development Officer.

The working environment is considered good. No accidents or injuries were reported in 2022 or 2021. Absence due to illness was 53 days, approximately 2.0% in 2022 (2021: 128 days, approximately 4.7%).

PCI Biotech aims to be a workplace with gender equality and where discrimination is not accepted. As of date of this report the Group has 40% female representation in the board of directors and 33% in the executive management team. 3 out of 7 employees as of year-end 2022 were women (2021: 9 out of 17). Working time and remuneration of the Group employees are not related to gender.

OPERATIONS

Operational overview

fimaNAC

Dermatology

PCI Biotech aims to develop a topical formulation for delivery of nucleic acid therapeutics to skin using **fimaNAC**, to combine the ease of topical administration with enhanced delivery from **fimaNAC**. Current development aims to demonstrate **fimaNAC**-mediated nucleic acid delivery in an *ex vivo* wound model with topical administration to act as a stepping-stone towards partnership with nucleic acid therapeutics owners. This study, performed by a leading contract research organisation, has expected readout in 1H 2023.

Bioprocessing

Bioprocessing is the manufacturing of biologic drugs ("biologics"). There is a great need for technologies that enable more effective bioprocessing with higher yield as well as increased quality at a lower cost. PCI Biotech has identified the potential of its technology for use in several areas of bioprocessing. The first patent application was filed in 2022 and 2023 will be focussed on in-house

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feasibility studies of **fimaNAc** for use in viral vector manufacturing and thereafter on getting feedback from potential customers by performing alpha testing.

fimaVacc

Refocussing the strategy

The company announced in August 2022 that the previously reported efforts to finance a Ph II clinical trial in head and neck cancer did not, under the current market conditions, result in a feasible way forward and PCI Biotech will not conduct a company-sponsored Ph II trial with the **fimaVacc** technology. The company now focusses its efforts and resources on non-clinical research exploring new fields of use for the PCI technology utilising **fimaVacc** for intratumoural immunotherapy, with a partnership-driven development strategy.

A Ph.D. industry candidate grant of up to NOK 2.5 million over 3 years is granted by the Research Council of Norway, dedicated to the development of intratumoural immunotherapy, commencing 1st January 2023.

Publication of preclinical BCG vaccination results

In January 2022, positive results from preclinical studies on BCG vaccination performed in collaboration with The University of Zurich and ETH Zurich were accepted for publication in *Frontiers in Immunology*, a high impact immunology journal. The article title is "*Photochemically-mediated inflammation and cross-presentation of Mycobacterium bovis BCG proteins stimulates strong CD4 and CD8 T-cell responses in mice*". Infectious diseases are not within PCI Biotech's core focus areas, but the results support our general understanding of **fimaVacc**'s mode of action and the potential of the technology.

Research collaborations

PCI Biotech has an active collaborative strategy for **fimaNAc** and **fimaVacc**. The collaboration partners include MDimune, OliX Pharmaceuticals, IMV, and Mymetics. In these collaborations, PCI Biotech and the partners are exploring synergies between their proprietary technologies, with potential expansion of the partnerships. PCI Biotech continues to pursue new and value-adding collaborative opportunities for the **fimaNAc** and **fimaVacc** programmes.

In January 2022, PCI Biotech entered a new **fimaNAc** research collaboration with MDimune, a South Korean biotech company developing a versatile drug delivery system based on nanosized vesicles obtained from cells. In August 2022 a **fimaVacc** research collaboration was initiated with Mymetics, a company based in Switzerland and a pioneer in the research and development of virosome-based vaccines and immunotherapies against infectious and life-disabling diseases. This aims to explore technological synergies for cancer therapy.

All collaborations have during 2022 been reviewed for progress, value, and priorities set by both parties. Three previous collaborations (eTheRNA, Aposense and Mendus) have been closed as a result of such evaluations.

Collaboration with Norwegian Institute for Marine Research (NIMR)

NIMR (Havforskningsinstituttet) received in 2021 a NOK 4.5 million grant from the Norwegian Seafood Fund for a 2-year collaboration project with PCI Biotech ending June 2023. The project aims to explore the use of photochemical treatments to combat salmon lice in fish farming. NIMR will perform the research, and PCI Biotech will provide expertise and compounds and retain commercial rights to the results of the project. Several photosensitizing compounds are tested in the project and refinement of the principle is needed. This will continue in 2023.



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Corporate

Termination of the RELEASE trial and closure of the *fima* *CHEM* program

The RELEASE trial was terminated in Q1 2022, due to changes in the competitive landscape that rendered the trial challenging to complete and potentially inadequate for approval. PCI Biotech focused on a swift and cost-efficient closing process of the trial. Sites with no ongoing patients (nearly 60%) were closed immediately. The last patient discontinued the study in May and all remaining clinical sites were closed by the end of June 2022. Other major study closure activities were completed during 2022, including publishing the study results in the EU clinical trial database, while publication on clinicaltrials.gov is pending as of date of this report. The trial enrolled a total of 41 patients, of which 34 patients provided efficacy data. Data collected in the study was insufficient to draw conclusions regarding the efficacy of the PCI treatment.

The RELEASE trial has been a tremendous effort and the company would like to thank all external contributors, not least the enrolled patients and the clinical sites for their willingness to contribute to the benefit of future patients and their relatives.

The swift wind-down of RELEASE allowed the company to reallocate resources to the other development programmes. The remaining cash effect for the closure process of RELEASE, from 1st January 2023, is estimated to be less than NOK -1 million.

Organisational changes

Following the termination of the RELEASE trial and closure of the *fima* *CHEM* program the clinical team was reduced during the first half of 2022. The decision in August 2022 not to pursue a PCI Biotech-sponsored *fima* *V*Acc Ph II study entailed full disbandment of the clinical team, which was enacted during the second half of 2022 with a full cost reduction effect in Q1 2023.

Per Walday (former CEO), resigned in March to assume a new position and it was mutually agreed that he stepped down from his position at the end of May. Ludovic Robin (former CBO), left the company in May 2022. Amir Snapir (former CMO), left the company in September 2022. Ronny Skuggedal (CFO), was appointed Interim CEO effective 1st June, and promoted to CEO effective 1st September 2022, currently holding both positions.

Scientific Advisory Committee

The Scientific Advisory Committee (SAC) composition has changed due to PCI Biotech's reprioritisation of programs during 2022 and now consist of: Inventor of the photochemical internalisation technology, Prof. Kristian Berg (Head of Department of Radiation Biology, Institute for Cancer Research, Oslo University Hospital) and Prof. Ernst Wagner (Ludwig-Maximilians-Universität and the Center of Nanoscience in Munich), with distinguished expertise and experience in the field of targeted delivery of nucleic acids and protein therapeutics. The SAC will be supplemented with additional expertise when considered appropriate.

Conferences

The company participated on-site at the following conferences during 2022: LSX World Congress (London, UK), NLS Days (Malmö, Sweden), BIO-Europe (Leipzig, Germany), and European Society for Gene and Cell Therapy Collaborative Congress (Edinburgh, UK). The company also participated at the BIO-Europe Spring digital event. In addition, an overview of PCI Biotech's proprietary platform technology for use in the exciting field of mRNA-based therapies was presented at the TIDES USA 2022 conference.

Business development

PCI Biotech's strategy is to create value by efficient development of the business areas towards commercialisation. The commercialisation of products is intended primarily through agreements with external partners based on preclinical data.

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FINANCIAL REVIEW

(All amounts in brackets are comparative figures for 2021 unless otherwise specifically stated)

Profit and loss

The Group did not record revenues in 2022 or 2021. Grants received from various public sources such as the Research Council of Norway and "SkatteFUNN" were recorded as other operating income amounting to NOK 4.8 million (NOK 6.3 million). The parent company did not record any revenue for 2022 or 2021.

Expenditure on research activities is recognised as an expense in the period in which it was incurred. The Group had no development expenditure qualifying for recognition as an asset under IAS 38 in 2022 and as for previous years all research expenses are charged through the profit and loss statement. Total operating expenses were NOK 61.2 million in 2022 (NOK 92.3 million) and expenses are mainly driven by the research and development (R&D) activities. R&D expenses amounted to NOK 44.8 million in 2022 (NOK 71.7 million). Other operating (general and administrative) expenses were NOK 16.4 million (NOK 20.6 million). The change in general and administration costs is mainly driven by non-cash accounting elements for the share option scheme for employees, and reduced number of employees. Operating result in 2022 ended at NOK -56.4 million (NOK -86.0 million) for the Group. Operating result for the parent company were NOK -5.2 million in 2022 (NOK -5.0 million).

Net financial result for the Group was NOK 1.4 million positive in 2022 (NOK 2.4 million negative). The net positive result in 2022 was mainly driven by interest income, while 2021 was impacted by a negative effect of NOK 2.5 million from cash deposits placed in EUR at year-end, as a hedge of the foreign currency risk for the RELEASE study. The parent company's financial income for 2022 consists mainly of interest on loans to the subsidiary PCI Biotech AS. In 2021 and 2022 the parent company made a partial write-down of its investment in the wholly-owned subsidiary PCI Biotech AS, based on the observable fair value of the Group at Oslo Børs per year-end. The NOK 463.7 million (NOK 148.8 million) write-down is disclosed as financial expenses for the parent company.

The Board of Directors proposes that the comprehensive loss of NOK 467.2 million in 2022 for the parent company, PCI Biotech Holding ASA, is covered by retained earnings, other paid-in capital and share premium.

Balance sheet

Property, plant and equipment at the beginning of 2022 mainly consisted of devices used in the RELEASE trial. In January 2022 the company decided to stop the RELEASE trial, and the post-decision value of devices dedicated to this trial are considered low. These devices were recognised with a carrying value of NOK 5.8 million in the balance sheet, and depreciated in full in January 2022 without cash-flow effect. Right to use assets is partly reduced during 2022 due to a reduction of the office lease space, with corresponding effect on lease liabilities.

Short term receivables per end of 2022 were NOK 6.1 million (NOK 12.2 million) and mainly consist of recognised not received public grants. The reduction compared to last year is mainly due to off-setting advance payments in connection with the RELEASE trial during 2022.

Current liabilities were generally lower per the end of 2022 compared to the end of 2021, mainly due to decreased scope of operations during 2022.

Total equity for the Group were NOK 57.4 million per year-end 2022 (NOK 113.8 million). Total equity of the parent company amounts to NOK 76.0 million in 2022 (NOK 544.6 million) reflecting this year's result and equity settled share-based payment elements for the Group's share option scheme.

Equity in the wholly-owned subsidiary PCI Biotech AS was NOK 50.5 million at the end of 2022 (NOK 73.4 million). The equity in PCI Biotech AS were increased in 2022 by NOK 30 million, through a capital increase from the parent company PCI Biotech Holding ASA.

Total assets of the Group at the end of 2022 were NOK 63.5 million (NOK 136.0 million) and the decrease from last year is mainly due to net loss from operational activities. Total assets in the parent

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company amounted to NOK 77.2 million per year-end 2022 compared to NOK 545.7 million at year-end 2022, mainly reflecting the write down of shares in the subsidiary.

PCI Biotech does not recognise deferred tax assets in the balance sheet, due to uncertainty as to when the company will accrue a payable tax liability. Unrecognised deferred tax assets at the end of 2022 were NOK 156.4 million (NOK 142.9 million).

Cash flow

Net cash flow from operating activities amounted to NOK -59.0 million in 2022 (NOK -68.3 million) for the Group and for the parent company to NOK -3.5 million for 2022 (NOK -3.5 million). Net change in cash and cash equivalents for the Group was NOK -59.5 million in 2022 (NOK -71.9 million). Net change in cash and cash equivalents for the parent company were NOK -25.8 million in 2022 (NOK -42.0 million).

The Group held cash and cash equivalents of NOK 56.6 million at the end of 2022, compared to NOK 116.1 million per end of 2021, reflecting net negative changes in cash of NOK 59.7 million in 2022 (NOK 69.3 million) and NOK 0.2 million net positive (NOK 2.5 million net negative) exchange rate effect on bank deposits in foreign currency. Cash flow from operations is mainly dependent on R&D activities. The Group employs a prudent cash management strategy for its cash and cash equivalents and assets are held as bank deposits or invested in low-risk short-term money market instruments. All cash and cash equivalents were held as bank deposits at the end of the year.

The Parent's cash and cash equivalents at the end of 2022 amounted to NOK 0.6 million (NOK 26.5 million).

Employee share option scheme

In accordance with the authorisation granted by the Annual General Meeting 25 May 2022, the Board of Directors of PCI Biotech Holding ASA awarded a total of 570,000 share options to key employees in November 2022. Each share option gives the right to subscribe for or acquire one share per option (after PCI Biotech Holding ASA's choice), at a strike price of NOK 1.90, equal to the volume weighted average share price (VWAP) for the last 5 days of trade prior to the grant date.

The share options are granted without consideration and are subject to service based vesting conditions, with a three-year vesting term and one-third vest each year. The share options are lapsing in Q3 2027. Further details about the share option scheme are described in PCI Biotech's remuneration policy.

Related parties transactions

All material transactions between the Group and shareholders, directors, management or close associates of such parties are to be valued independently by a third party. No such transactions exist for 2022.

In 2022 the Group had regular business transactions with Helpyou2 Ltd. a UK based company owned by Prof. Andrew Hughes, a Director in PCI Biotech Holding ASA. The services rendered concern Prof. Hughes position as member of the Scientific Advisory Committee ('SAC'), and related agreed scientific consultancies by Prof. Hughes during the year. The services rendered are pre-approved by the Board of Directors and regular fee overviews are presented for the Board of Directors. Helpyou2 Ltd. has not received any fees for services related to the SAC for 2022 or 2021. For other agreed scientific consultancies, Helpyou2 Ltd. received NOK 15 thousand in fees for 2022 (2021: NOK 24 thousand). It is in management and the Board of Director's opinion that the service fee is based on 'arm's length' principles and the level of consultancy is not considered to constitute a threat to independence for the parties in 2022 or 2021. Please refer to Note 23 Related party transactions to the financial statements for 2022 where information regarding related party transactions are disclosed.



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RISK AND RISK MANAGEMENT

Implications of the COVID-19 pandemic and the war in Ukraine

PCI Biotech decided to terminate the RELEASE study in January 2022, and operational implications of the COVID-19 pandemic have been minimal since. The war in Ukraine started after the company decided to terminate the RELEASE trial and have therefore no material impact on the operations for PCI Biotech. No accounting implications of the Russian invasion of Ukraine or the COVID-19 pandemic that require specific IFRS disclosure are identified.

Corporate governance policy, corporate social responsibility and transparency

The annual statement of corporate governance policy, corporate social responsibility and the Transparency Act are integrated parts of this Board of Directors report.

Operational Risk and Risk Management

There are great risks in the business of developing medical drugs, new technologies, and innovative products, both related to regulatory affairs and market risk. The development may fail at any stage of the process, due to safety considerations, lack of clinical results, changes in clinical development or patient management, any other matters affecting patient's ability or willingness to participate in clinical trials, and partners willingness to test prototypes and innovative products may impede development. It is not possible to predict with certainty whether and when PCI Biotech or its partners will be able to submit applications to regulatory authorities in the relevant markets. Moreover, one cannot be sure that PCI Biotech or partners will receive the marketing authorisations to commercialise the products. Regulatory approval and specific regulatory designations may be denied, suspended or limited. Poor performance of PCI Biotech's potential products and technologies on the market and new technologies and innovative or generic products that are not yet launched may also limit the competitive edge of PCI Biotech's products and impact pricing and/or reimbursement. PCI Biotech's business strategy is to commercialise its technology partly through collaborative agreements and the Company cannot give any assurance that such agreements will be obtained on acceptable terms. There is no certainty that PCI Biotech or its partners will achieve commercial success. The success, competitive position, and future revenues will depend in part on PCI Biotech's ability to protect intellectual property and know-how. Patent applications filed by others could also limit PCI Biotech's freedom to operate. Changes in the healthcare market and/or the market access environment could further preclude PCI Biotech from charging a premium price or obtaining coverage and/or reimbursement for the Company's products. The Company is highly dependent upon having a highly qualified senior management and scientific team. The loss of key employees might impede the achievement of the scientific development and commercialisation objectives. PCI Biotech cannot be certain that it will be able to enter into satisfactory agreements with third-party suppliers or manufacturers.

To handle the inherent risks in the industry, and to comply with national and international regulations, PCI Biotech has implemented a process to identify, analyse and manage the key risks for the Group, including the character of the relevant insurance policies.

The directors and officers of PCI Biotech Holding ASA and its subsidiary PCI Biotech AS are covered under a world-wide Group Director & Officer's Liability Insurance. The insurance covers personal legal liabilities including defence and legal costs. The cover also includes employees in managerial positions who become named in a claim or investigation. The Group does not pollute the external environment.

Financial Risk and Risk Management

The Group's activities are exposed to certain financial risks including currency risk, interest rate risk and liquidity risk. The risk is of such character that the Group has chosen to put in place measures to mitigate the potential currency risk of the financial markets and a prudent strategy regarding interest rate risk.

Regarding liquidity risk, PCI Biotech's most important future sources of financing are revenue related to any licensing and collaboration agreements, government grants and equity issues. The biotech industry is a resource demanding industry, and drug development can be both labour and cash

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intensive. PCI Biotech being a pre-commercial stage biotech, means that the Company mainly relies on the ability to raise funds via the equity market and government grants for its development plans, and no assurance of the availability of resources for current and future development plans can be made, especially not under the current equity market conditions for the biotech industry. The equity capital market is used as a source of liquidity when appropriate and conditions within this market are competitive.

Currency risk - The Group's expenses and revenues are incurred in multiple currencies. The Group is therefore exposed to fluctuations in exchange rates. The risks are assessed on a regular basis. PCI Biotech is currently not using any financial hedging instruments.

Interest rate risk - PCI Biotech has no interest-bearing debt and interest risks are mainly related to the Group's holdings of cash and cash equivalents. The Group employs a prudent cash management strategy for its cash and cash equivalents, and assets are placed as bank deposits or invested in low-risk short-term money market instruments. Per year-end 2022 all cash and cash-equivalents are placed as bank deposits.

Liquidity Risk - One of the main objectives of PCI Biotech's financial policy is to ensure that the Group has sufficient short- and long-term financial flexibility to achieve strategic and operational objectives. PCI Biotech's goal is to at least have sufficient cash to cover the expected capital need for the next 12 months, as well as a strategic reserve. The Group closely monitors cash flows based on short- and long-term forecasts. Cash burn rate depends mainly on the level of activity in the development programmes. The programmes do not involve substantial long-term commitments for the Group, allowing flexibility for adjusting operational activities. The current cost base for the Company is reduced over time in 2022, mainly due to the closure of the RELEASE trial and implemented cost reductions during the year, slimming down both the operational- and executive team. PCI Biotech has no external debt with financial covenants or any long-term debt. The cash position per year-end 2022 is on this basis estimated to enable a financial runway towards the end of 2024.

GOING CONCERN

In accordance with § 3-3a of the Norwegian Accounting Act (NAA) it is confirmed that the conditions for assuming that the Group will continue as a going concern are present and that the financial statements have been prepared on the basis of this assumption. The Board of Directors refers to the document on corporate governance in the annual report relating to corporate governance (NAA § 3-3b) and corporate social responsibility (NAA § 3-3c).

SUBSEQUENT EVENTS

PCI Biotech is not aware of any other subsequent events since year-end 2022 which are of material significance to the financial statements as of 31 December 2022.



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OUTLOOK

PCI Biotech's proprietary PCI technology enables intracellular delivery, which provides the possibility to unlock the true potential of certain classes of innovative medicines, and develop new technologies and innovative products. The PCI technology has the opportunity to play a significant role in the realisation of several new therapeutic modalities, including nucleic acid therapeutics (**fimaNAc**) and immunotherapy (**fimaVacc**).

The **fimaNAc** programme follows a collaborative approach, by development of applications in the most attractive areas for the technology and pursuing out-licensing opportunities. The **fimaVacc** programme aims to enhance immunotherapy in cancer, by triggered endosomal release of antigens or nucleic acids encoding antigens, or immunostimulatory factors.


The main priorities of PCI Biotech are to:

- Focus efforts and resources on pre-clinical research for technology platform development
- Manage alliance and partnering activities across all commercially interesting areas for the PCI platform

Oslo, 27 April 2023

Board of Directors and Chief Executive Officer,
PCI Biotech Holding ASA



Hans Peter Bøhn
Chairman


Christina Herder
Director


Lars Viksmoen
Director


Hilde Furberg
Director


Andrew Hughes
Director


Ronny Skuggedal
CEO




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RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We confirm that the financial statements for the period 1 January to 31 December 2022, to the best of our knowledge, have been prepared in accordance with IFRS and that the accounts give a true and fair view of the assets, liabilities, financial position and results of operations, and that the information in the report includes a fair review of the development, performance and position of the Company and the Group, together with a description of the principal risks and uncertainties PCI Biotech faces.

Oslo, 27 April 2023
Board of Directors and Chief Executive Officer,
PCI Biotech Holding ASA



Hans Peter Bøhn
Chairman


Hilde Furberg
Director


Christina Herder
Director


Andrew Hughes
Director


Lars Viksmoen
Director


Ronny Skuggedal
CEO



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ANNUAL STATEMENT ON CORPORATE GOVERNANCE POLICY AND CORPORATE SOCIAL RESPONSIBILITY POLICY AND THE TRANSPARENCY ACT

PCI Biotech Holding ASA emphasises good corporate governance

The Norwegian Code of Practice for corporate governance is a guideline for listed companies to help regulate the division of roles between shareholders, the board of directors and executive management more comprehensively than is required by legislation.

PCI Biotech Holding ASA ("PCI Biotech" or "The Company") bases its policy for corporate governance on the Norwegian Code of Practice of 14 October 2021. Adherence to the code of practice is implemented on the basis of a "comply or explain principle".

The Board of Directors and management have resolved as a main principle to follow the recommendations of the Norwegian Corporate Governance Code ("the Code") to the extent not considered unreasonable due to the company size and stage of development. Explanations of non-conformance to the Code are provided if not fully implemented. PCI Biotech's compliance with the Code is described in this report and section numbers refer to the Code's chapters.

1. Implementation and reporting on corporate governance

PCI Biotech acknowledges the division of roles between shareholders, the Board of Directors, and the executive management team. PCI Biotech has implemented a sound corporate governance policy. Guidelines on corporate governance and statement of compliance with the Code is presented in the Company's annual report and website. The Company ensures that the policy is adopted by holding regular Board of Directors' meetings where the executive management team attends to present strategic, operational, and financial matters.

Corporate values are established with the purpose to establish a healthy corporate culture and preserve the Company's integrity by helping employees to comply with standards of good business conduct. Furthermore, the values are intended to be a tool for self-assessment and for further development of the Company's identity. Corporate values are important foundations for PCI Biotech's corporate governance. Ethical guidelines are also established and these guidelines are based on corporate values.

PCI Biotech adheres to the code of practice for corporate governance. The company has to date six deviations from the code and the reasons for the deviations and solutions selected are further explained under section 2.1, 6, 9 and 12.

2. Business

The objective and purpose of PCI Biotech's business are clearly defined and described in the articles of association. *"The Company's business activities shall include cancer treatment and drug delivery based on the PCI technology and other related activities, including participation in other companies with similar activities through equity, loan or by issue of guarantees."* The Company's articles of association are available at the Company's website and the Company's objectives and strategy are available in the annual report.

PCI Biotech has defined development programmes with clear objectives, strategies, and risk profiles for the company's business activities to enable PCI Biotech to create long-term value for its shareholders. The Board of Directors performs annual evaluations of the objectives, strategies, and risk profiles.

The company has implemented guidelines for how to integrate stakeholder considerations into its value creation in a sustainable manner, through corporate social responsibility and ethical guidelines.

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2.1 Corporate social responsibility (CSR)

PCI Biotech is a Norwegian based company focusing on research and development within the field of cancer treatment. The PCI Biotech Group consists of 7 employees and the core competencies are possessed by these employees, while the group's other resources in research and development are mainly purchased from public and private research institutions and service providers across Europe and USA.

As of today, the Group has no sales or supply of services and a limited complexity in operations. The Group has established guidelines and policies in accordance with internal control policies for comparable businesses of similar size, complexity, and industry to fight corruption. This means that the group requires its directors and employees to demonstrate high ethical standards in business and interpersonal relationships. Other principles followed are prevention through awareness-raising, limitation of opportunities, high detection risk of, and zero tolerance for corruption.

The Group has established its own quality control system in line with authorities' requirements within the activities that the Group operates, in terms of production and storage of pharmaceutical products, and in connection with clinical studies. The quality control procedures are based on the relevant activities in relation to the different phases of operation and the development of procedures is thus a dynamic process. The Group is concerned that staff have appropriate training and experience in their business areas and staff are regularly updated within their business fields.

The Group is concerned with animal welfare, human- and labour rights, social issues and sustainable development. The Group's management conducts regular performance reviews and internal evaluations, and the Group adapts according to Norwegian law within the area. Preclinical and clinical research is subject to strict government regulation on animal welfare, human rights, and social conditions in all the countries where the research and development work is carried out, including South Korea and Taiwan where the RELEASE trial had open sites at selected hospitals in 2021 and parts of 2022. The Group therefore considers that animal welfare, human rights, labour rights, and social issues are well taken care of, both internally and among its subcontractors. Regarding sustainable development, please see section 2.2.

The Group has not identified any material issues based on the corporate social responsibility procedures (CSR) performed in 2022. The implementation of further detailed specific objectives, strategies or action plans related to CSR, beyond the ones described above, has not yet been prioritised, but will be developed along with the continuous development of PCI Biotech's operations.

Non-conformance with the recommendation: The Group's operations are of such character that it does not significantly affect the environment and the Group therefore believes it is not appropriate to establish specific guidelines, policies, procedures and standards in this area, but environmental issues are included in PCI Biotech's ethical guidelines and please also see the separate reporting regarding sustainable development in section 2.2.

2.2 Sustainable development

PCI Biotech is concerned with sustainability, but has not used any specific reporting standards or guidelines for sustainability reporting other than the Code and this section for sustainable development is considered an integrated part of the CSR reporting. In general PCI Biotech's strategy and operations are focused on human welfare through its vision of '*unlocking the potential of innovative medicines*'. PCI Biotech focuses its development on anti-cancer product- and technology candidates. This vision and focus may directly contribute to one of the UN's seventeen sustainable development goals, goal #3 'Good health and well-being'. All international anti-cancer development is strictly regulated regarding animal welfare and high focus on safety and well-being for patients participating in clinical trials. PCI Biotech have internal routines securing that the Group and service providers comply with all relevant standard in these regards.

The Group's operations are of such character that they do not significantly affect the environment beyond normal course of business for a small biotech company, nevertheless the Company strives to minimise our environmental footprint in daily operations. Travelling and the need for shipment of

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devices and materials for preclinical and clinical trials are identified as the activities with the most environmental impact. To keep the environmental impact to a minimum, devices that are no longer used are returned in bulk to the producer for recycling. Other shipments are optimised in collaboration with our service providers and collaborators to reduce the number of shipments. External meetings are evaluated for use of virtual meeting tools when appropriate, to limit travel to what is considered necessary from an operational and business development perspective.

2.3 Ethical guidelines

The ethical guidelines encompass the following elements: Core values, compliance with laws and regulations, working environment, interaction with different stakeholders, intragroup transactions, employees loyalty, conflicts of interest, confidentiality, environment, accounting, financial reporting, trading of Company shares, other employee activities and compliance with the ethical guidelines.

2.4 Equality and diversity

PCI Biotech's goal is to be a workplace with gender equality and where discrimination is not accepted. Respect for individuals is a cornerstone of our company values, accompanied by an including working environment. PCI Biotech strives to contribute to diversity and gender balance in recruitment processes, balanced with candidates' expertise and capacity. During 2022, there was no recruitment. PCI Biotech's total number of employees are 7, where of 3 are females and 4 are males. The management team consist of 3 employees, 1 female and 2 males. The Board composition comply with regulations for gender diversity with minimum 40% female representation for the current Board, with 2 females and 3 males.

2.5 Transparency Act

PCI Biotech strives to comply with the new implemented act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act). The Act shall promote enterprises' respect for fundamental human rights and decent working conditions and ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions. PCI Biotech includes the Transparency Act in its corporate social responsibility work, and this section regarding transparency is considered an integrated part of the CSR reporting. To comply with the Transparency Act a statement that is to be published before 30th June 2023 is included under section 16 of this annual statement.

3. Equity and dividends

PCI Biotech's equity as of 31 December 2022 was NOK 57.4 million. The capital structure is regularly assessed in light of the Company's objectives, strategy and risk profile. The equity level is assessed as satisfactory per year-end 2022. To tailor the share capital to current operations the Group will seek to make a write-down of the share capital level during 2023.

To date the Company has not distributed any dividends and this dividend policy will apply as long as PCI Biotech is in a research and development phase. The Board of Directors has no mandate to approve the distribution of dividend.

The Board of Directors has been authorised by the Company's General Assembly in May 2022 to increase the share capital by share issue of up to 2,790,000 shares in connection with the Company's employee incentive program and to issue shares in connection with private placements by an amount up to 10% of the share capital of the Company. The authorisations are valid to the next ordinary general assembly. Other than the above the Board of Directors has no general authorisation to issue shares.

4. Equal treatment of shareholders

PCI Biotech has only one class of shares and all shares have equal rights. Each share carries one vote.

The Board of Directors and management are committed to treat all shareholders equally. The Company had no transactions in own shares during 2022.

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In the event of the Board of Directors resolving to issue new shares and waive the pre-emptive rights of existing shareholders, the Board of Directors intends to comply with the recommendation of the Norwegian Code of Practice for Corporate Governance that the justification for such waiver is noted in the Stock Exchange announcement relating to such a share issue.

5. Shares and tradability

The shares in PCI Biotech are freely tradable with no form of restriction. No restrictions regarding voting, ownership or tradability are placed on the shares in the Company's articles of association.

6. General Meetings

The Board of Directors facilitate that as many shareholders as possible may exercise their rights by participating at the General Meeting and that the General Meeting is an effective forum for both the views of shareholders and the Board of Directors.

The Chairman, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are present at the Annual General Meeting, along with representation from the Nomination Committee and the Group auditor.

Shareholders who are unable to participate themselves may vote by proxy and a person can also be appointed to vote for the shareholders as a proxy. The Board of Directors may decide that shareholders may submit their votes in writing, including by use of electronic communication, in a period prior to the general meeting.

Notice of the meeting and relevant documents, including the proposal of the nomination committee, are made available on the company website three weeks in advance of the meeting. Notice of the meeting is sent to all shareholders individually, or to their depository banks, three weeks in advance of the meeting. The meeting notice includes information regarding shareholders' rights, guidelines for registering and voting at the meeting. The company provides information on the procedure for representation at the meeting through proxy, nominations of a person to vote on behalf of the shareholders and to the extent possible prepare a form which allows separate voting instructions for each matter, hereunder for individual candidates for appointment to the Group's governing bodies. The deadline for notice of attendance is set as close to the meeting as practically possible and in accordance with the provisions in the Articles of Association.

Non-conformance with the recommendation: PCI Biotech is a small company and has encouraged directors to attend the General Meeting. The entire Board has not usually attended the General Meeting as, thus far, the items on the agenda of the General Meeting have not required all directors to attend. The Chair of the Board is present, and other Board members participate on an ad hoc basis. From the Group's perspective, this is considered sufficient. The recommendation to implement routines to ensure an independent chairing of the meeting has not been applied, both for cost and convenience reasons based on the size of the company. From the Group's perspective, this is considered sufficient.

7. Nomination Committee

The requirement for a Nomination Committee and its guidelines follows from article 6 of the articles of association. The Nomination Committee's duties are to propose candidates for election to the Board of Directors and to propose remuneration. The Nomination Committee is required to justify its recommendations and encouraged to interact with shareholders, the Board of Directors and the Chief Executive Officer (CEO) in its work. The Nomination Committee's members, including the chairperson, are elected by the General Meeting for two years at a time, unless otherwise resolved by the General Meeting and the General Meeting may adopt instructions for the Nomination Committee. The Nomination Committee shall consist of minimum two members who shall be shareholders or representatives for the shareholders. The remuneration to the members of the Nomination Committee is determined by the General Meeting.

The Nomination Committee ensures that shareholders' views are taken into account when qualified members are nominated to the governing bodies of PCI Biotech. Shareholders are encouraged to

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submit proposals to the Nomination Committee for candidates for election to the board of directors. Such proposals must be in writing and justified and be submitted minimum 2 months before the General Meeting if they are to be considered by the nomination committee.

None of the Committee's members represents PCI Biotech's management or Board and they are all considered to be independent of daily management and the Board. The Nomination Committee is considered to have a composition that reflects the common interests of the community of shareholders.

The nomination committee currently consists of the following three members: Jónas Einarsson (chairperson), Erik Must and Trond Johansen. The current members have been elected by the general meeting with a term until the Company's ordinary general meeting in 2023. The Nomination Committee's contact details are available at PCI Biotech's website.

8. Board of Directors, composition and independence

The Board of Directors is composed to ensure that the Board of Directors can operate independently, attend the common interest for all shareholders and the Company's need for expertise, capacity and diversity. The shareholders elect between three and seven members to the Board of Directors, including the Chair and they are elected for one-year terms by the General Meeting. The Board of Directors is presented on the company website. All board members are considered to be independent from the Company's day-to-day management, main shareholders and material business connections. All board members are encouraged to be shareholders and their shareholdings are disclosed in the Annual Report.

9. Work of the Board of Directors

It is the responsibility of the Board of Directors to ensure that the Company has a well-functioning internal control environment in accordance with the regulations that apply to its activities and to supervise daily management and activities of the company in general. In addition, the Board of Directors is responsible for appointment of Chief Executive Officer (CEO) and convening and preparing for general meetings. The Board of Directors has implemented instructions for the Board and the executive management, with focus on allocation of internal responsibilities and duties. These instructions includes handling of agreements with related parties, including whether an independent valuation must be obtained, and disclosure of such agreements in the annual directors' report. The objectives, responsibilities and functions of the Board of Directors and the CEO are in compliance with rules and standards applicable for the Company.

The Board of Directors should ensure that members of the Board and executive personnel make the Company aware of any material interests that they may have in items to be considered by the Board of Directors. The Board of Directors' consideration of material matters in which the Chairman of the Board is, or has been, personally involved, shall be chaired by another member of the Board.

The Board of Directors adopts an annual plan for its work, which includes objectives, strategy and implementation. The CEO is responsible for keeping the Board of Directors informed about the company's activities, position and financial and operational developments. The Board of Directors evaluates its performance and expertise annually and the evaluation is made available to the Nomination Committee. The Company has not established a separate Audit Committee in accordance with the exemption in the Norwegian Public Limited Liability Companies Act. The Company has not established a separate Remuneration Committee. The Board of Directors in its entirety serves as both Audit and Remuneration Committee.

The Board conducted twelve meetings in 2022. Board members had the following attendance at these meetings:

Hans Peter Bøhn, 12/12
Hilde Furberg, 12/12
Christina Herder 11/12

Lars Viksmoen, 11/12
Andrew Hughes 12/12

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Non-conformance with the recommendation: PCI Biotech has not established separate Audit and Remuneration Committees. The Board of Directors believes that this is most appropriate given the Company's limited size and complexity. The Board of Directors will, depending on the Company's performance, consider appointing separate Audit and Remuneration Committees at a future date.

10. Risk management and internal control

It is the responsibility of the Board of Directors to ensure that the Company has sound internal controls and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Significant risks include strategic risks, market risks, financial risks, liquidity risks and operational risks including risks related to development of products. The internal control systems also include company values, code of ethics and corporate social responsibility. The Company's significant risk areas and internal control systems are assessed on an on-going basis and at least once a year by the Board of Directors.

Please also refer to The Board of Directors report, for a description of relevant risk factors.

11. Remuneration of the Board of Directors

The General Meeting determines the remuneration to the Board of Directors based on a proposal from the Nomination Committee. Remuneration reflects the Board of Directors responsibility, expertise, time commitment and the business complexity. The remuneration is not linked to the Company's performance, and no share options are granted to Directors. Detailed information on the remuneration of the Board of Directors can be found in the Annual Report.

Board members or companies to which they are connected should not undertake separate assignments for the Group in addition to the Board appointment. If they nevertheless do, the whole Board is to be informed. Fees for such assignments are to be approved by the Board. If remuneration has been paid above the normal Board fee, this is to be specified in the annual report.

12. Remuneration of executive personnel

The Board has established guidelines on the determination of salaries and other remuneration of executive management in accordance with § 6–16a of the Norwegian Public Companies Act. The remuneration guidelines shall be communicated to and approved by the Annual General Meeting. The remuneration guidelines seek to contribute to the alignment of interests between the shareholders and executive management and sets out the main principles in determining the salary and other remuneration for the executive management. Performance-related remuneration is linked to long-term value creation for shareholders and is based on quantifiable factors that can be influenced by the executive management. A share option scheme is part of the remuneration policy, and the scheme is approved by the general meeting.

Non-conformance with the recommendation: The established guidelines for other performance-based remuneration of executive management do not set an absolute limit in terms of potential future value per awarded share option. As a corrective action share options awarded in 2022 were awarded with a value cap of 20 times the strike price. Great care is taken by the BoD when awarding share options to executive management and based on all elements of the guidelines for performance-based remuneration, and the value cap on share options awarded in 2022, the current guidelines are considered appropriate.

13. Information and communication

The Company presents its financial statements in accordance with IFRS, and procedures have been established to ensure compliance with IFRS interim and annual reporting requirements. The Company's management, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for preparing the financial statements, and financial reports are approved by the Board of Directors prior to publication. PCI Biotech reports in accordance with the rules in the Norwegian Securities Trading Act, as well as with the requirements specified by the Oslo Børs for companies with listed shares.



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The Group's report on corporate social responsibility is integrated into the annual report. The Board has set an IR policy for PCI Biotech's reporting of financial and other information. The Board has approved guidelines and procedures relating to the handling of insider information and trading in the company's shares.

The Company's guidelines for reporting of financial and other information are based on transparency and take into account the requirement for equal treatment of all participants in the securities market. The Company is committed to report financial results and other relevant information on an accurate and timely basis. The Company publishes a financial calendar on an annual basis, including dates for release of interim and annual reports and dates for general meetings. PCI Biotech considers it important to inform shareholders about the Group's development and economic and financial status. Management members are available for discussions with shareholders, other than through general meetings, to develop a balanced understanding of such shareholders' situation and focus, subject however to the provisions in legislation and regulations. The Chair of the Board ensures that shareholders' viewpoints are communicated to the entire Board.

14. Take-overs

The Board of Directors endorses the principles concerning equal treatment of all shareholders. In the event of a take-over bid, it is obliged to act in accordance with the requirements of Norwegian law and in accordance with the applicable principles for good corporate governance.

The Board of Directors will not hinder or obstruct takeover bids for PCI Biotech's activities or shares. The Board will ensure that shareholders are given sufficient information and time to form an opinion on an offer. If a takeover offer is received, the Board will issue a statement with a recommendation as to whether shareholders should or should not accept the offer.

A transaction that in fact is a business disposal shall be approved by a General Meeting.

15. Auditor

Ernst & Young AS (EY) is the appointed auditor of PCI Biotech.

The auditor shall annually in writing confirm to the Board of Directors that he/she satisfies established requirements for independence and objectivity. The auditor participates at least one Board of Directors meeting per year, where he/she present auditors plan for the audit, the assessment of the Company's internal control and participate during the approval of the annual accounts. The auditor has a minimum of one meeting per year with the Board of Directors without the presence of the Executive Management. The Board of Directors has established separate guidelines for use of non-audit services. Fees paid to the external auditor for audit and non-audit services are reported in the Company's Annual Report, which are, in turn, approved by the Annual General Meeting. The auditor is requested to participate at the Annual General Meeting for consideration of the annual financial statement.



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16. Statement of Transparency Act

PCI Biotech strives to comply with the new implemented act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act). The Act applies to larger enterprises and applies to PCI Biotech being a listed company. The Act shall promote enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions.

The enterprises shall carry out due diligence in accordance with the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises. Due diligence means, among other things, identifying and assessing actual and potential adverse impacts on fundamental human rights and decent working conditions that the enterprise has either caused or contributed toward, or that are directly linked with the enterprise's operations, products or services via the supply chain or business partners.

Due diligence shall be carried out regularly and in proportion to the size of the enterprise, the nature of the enterprise, the context of its operations, and the severity and probability of adverse impacts on fundamental human rights and decent working conditions.

Enterprises shall publish an account of due diligence and the account shall at least include:

- a) a general description of the enterprise's structure, area of operations, guidelines and procedures for handling actual and potential adverse impacts on fundamental human rights and decent working conditions
- b) information regarding actual adverse impacts and significant risks of adverse impacts that the enterprise has identified through its due diligence
- c) information regarding measures the enterprise has implemented or plans to implement to cease actual adverse impacts or mitigate significant risks of adverse impacts, and the results or expected results of these measures.

Duty to account for due diligence:

PCI Biotech confirms performance of due diligence in Q1 2023 in accordance with the above, and report the following:

- a) PCI Biotech is a biopharmaceutical company. The nature of operations is to perform research and development with the aim to develop novel therapies through its photochemical internalisation technology platform, within the two focus areas; *fimaNAC* and *fimaVACC*. The Group is domiciled in Norway, located at Oslo Cancer Cluster Innovation Park, and consist of the parent company PCI Biotech Holding ASA and the wholly owned subsidiary PCI Biotech AS. The Group is in pre-clinical and pre-commercial phase and has 7 employees per year-end 2022. The Group has no sales or supply of goods or services and a limited complexity in its operations.

PCI Biotech's business relationships can be categorised as service providers of standard professional services (legal, intellectual property, business development, contract research organisations etc.), academic institutions (pre-clinical research) or life-science related professionals (biotech's, pharma, key opinion leaders etc.), and other suppliers of consumables. PCI Biotech's main consumables are materials for *in vitro* and *in vivo* preclinical research commonly available across European and US based suppliers. The lead drug candidate, fimaporfin, is available on stock for internal purposes. The previous batch was produced in 2019 in Europe and there is no immediate need for production of a new batch.

The Group is concerned with human- and labour rights, social issues and sustainable development. Fundamental human rights and decent working conditions for employees are handled by compliance to standard Norwegian employment regulations, annual (minimum) individual employee meetings,

PCI Biotech Holding ASA, Ullernchausséen 64, 0379 Oslo, Norway, Company no: 991036393 VAT
Phone: + 47 67 11 54 00, www.pcibiotech.com



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established remuneration policy, regular workload reporting, regular management and employee assembly meetings, annual risk assessments, established EHS routines, onboarding and training routines, whistle-blowing routines, and ethical guidelines. For external affairs the company has implemented corporate social responsibility guidelines and core values follows by the ethical guidelines.

b) The first due diligence was performed in Q1 2023. The assessment approach and methodology were based on the Transparency Act, section 4. Duty to carry out due diligence. To tailor the due diligence process to PCI Biotech's size, nature and context of operations, and the severity and probability of adverse impacts on fundamental human rights and decent working conditions, a risk-based approach was applied. All suppliers were screened based upon product/service volume higher than NOK 0.1 million for the year of 2022 and expected future annual volumes, supplier category, and country of origin.

This risk-based due diligence did not result in identification of suppliers or business partners with underlying significant risks of severe adverse impacts on fundamental human rights and decent working conditions caused or contributed toward by PCI Biotech, or increased risk for potential adverse impacts during 2023. Based on this risk-based due diligence no further procedures toward PCI Biotech's supply chain and business partners were performed.

For internal affairs compliance with fundamental human rights and decent working conditions were secured based on review of the above-described internal control routines. The review did not identify any actual adverse impacts or significant risks of adverse impacts on fundamental human rights and decent working conditions caused by PCI Biotech's operations during 2022, or increased risk for potential adverse impacts during 2023.

c) PCI Biotech is concerned with human- and labour rights, and social issues. Based upon PCI Biotech's size, nature and context of operations, the potential severity and probability of adverse impacts on fundamental human rights and decent working conditions, and the outcome of the first due diligence performed in Q1 2023, it is not implemented specific guidelines, procedures or measures for handling of actual and potential adverse impacts on fundamental human rights and decent working conditions caused by, or directly linked via, our supply chain or business partners outside of the general corporate social responsibility guidelines and core values as stated in PCI Biotech's ethical guidelines. PCI Biotech is prepared for implementation of such additional guidelines and procedures when deemed appropriate based upon the outcome of regular due diligence assessments or if there are changes to PCI Biotech's size, and nature and context of operations that negatively impact the potential severity and probability of adverse impacts.



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PCI Biotech Holding ASA – financial statement

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2022 (1.1 - 31.12)

Parent				Group	
2022	2021	(figures in NOK 1,000)	Note	2022	2021
-	-	Other income	5,6	4 750	6 273
-	-	Total income		4 750	6 273
-	-	Research and development	7,8	44 756	71 707
5 222	4 969	General and administrative	7,8,9,10,14,23,24	16 441	20 595
5 222	4 969	Total operating expenses		61 197	92 302
-5 222	-4 969	Operating results		-56 447	-86 029
1 797	1 593	Financial income	11	1 711	789
463 816	151 539	Financial expenses	11,15, 24	359	3 151
-462 020	-149 946	Net financial results		1 352	-2 362
-467 242	-154 915	Profit/Loss before income tax		-55 095	-88 391
-	-	Income tax	12	-	-
-467 242	-154 915	Net profit/loss for the year		-55 095	-88 391
		Other comprehensive income, net of tax			
-	-	Items that will not be reclassified to income statement		-	-
-	-	Items that subsequently may be reclassified to income statement		-	-
-467 242	-154 915	Total comprehensive income for the year		-55 095	-88 391
		Attributable to:			
		Non-controlling interest		-	-
		Equity holders of the Parent		-55 095	-88 391
		Loss per share basic and diluted (figures in NOK)	13	1.48	2.37



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PCI Biotech Holding ASA

BALANCE SHEET for the year ended 31 December 2022

Parent				Group	
2022	2021	ASSETS	Note	2022	2021
		<i>(figures in NOK 1,000)</i>			
		Non-current assets			
-	-	Property, plant and equipment	14	18	5 806
-	-	Right to use assets	24	705	1 854
69 157	504 191	Shares in subsidiary	15	-	-
69 157	504 191	Total non-current assets		723	7 660
		Current assets			
7 362	15 019	Receivables from group companies	18	-	-
23	33	Other short-term receivables	18	6 162	12 200
7 386	15 052	Total receivables	17	6 162	12 200
628	26 476	Cash and cash equivalents	16,17,19	56 596	116 118
8 013	41 528	Total current assets		62 758	128 318
77 170	545 719	Total assets		63 482	135 978



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PCI Biotech Holding ASA BALANCE SHEET for the year ended 31 December 2022

Parent 2022	2021	EQUITY AND LIABILITIES <i>(figures in NOK 1,000)</i>		Group 2022	2021
			Note		
		Equity			
111 979	111 979	Share capital	20	111 979	111 979
0	361 148	Share premium		0	450 464
0	31 626	Other paid-in capital		0	0
-35 944	39 818	Retained earnings		-54 577	-448 650
76 034	544 570	Total equity	8	57 403	113 792
		Liabilities			
		Non-current liabilities			
		Other long-term liabilities	16	-	-
		Long-term lease liabilities	16, 24	327	1 277
0	0	Total non-current liabilities		327	1 277
		Current liabilities			
6	19	Trade account payables		495	3 745
-	-	Current lease liabilities	24	443	629
140	140	Public duties payables		1 225	1 713
990	990	Other current liabilities	22	3 590	14 823
1 136	1 149	Total current liabilities	16,21	5 752	20 909
1 136	1 149	Total liabilities	17	6 079	22 186
77 170	545 719	Total equity and liabilities		63 482	135 978

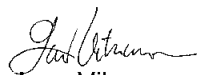
Oslo, 27 April 2023
Board of Directors and Chief Executive Officer,
PCI Biotech Holding ASA



Hans Peter Bøhn
Chairman


Christina Herder
Director


Hilde Furberg
Director


Andrew Hughes
Director


Lars Viksmoen
Director


Ronny Skuggedal
CEO

PCI Biotech Holding ASA, Ullernchausséen 64, 0379 Oslo, Norway, Company no: 991036393 VAT
Phone: + 47 67 11 54 00, www.pcibiotech.com

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PCI Biotech Holding ASA - GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022
(attributable to the equity holders of the parent)

(figures in NOK 1,000)

	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity 31 December 2020	20	111 979	450 464	0	-373 199	189 244
Loss for the period		-	-	-	-88 391	-88 391
Other comprehensive income, net of tax		-	-	-	-	0
Total comprehensive income for the period		-	-	-	-88 391	-88 391
Capital increase		-	-	-	-	0
Capital increase expenses		-	-	-	-	0
Share based payments	8	-	-	12 939	-	12 939
Allocation		-	-	-12 939	12 939	0
Equity 31 December 2021	20	111 979	450 464	0	-448 650	113 792
Loss for the period		-	-	-	-55 095	-55 095
Other comprehensive income, net of tax		-	-	-	-	0
Total comprehensive income for the period		-	-	-	-55 095	-55 095
Capital increase		-	-	-	-	0
Capital increase expenses		-	-	-	-	0
Share based payments	8	-	-	-	-1 294	-1 294
Allocation		-	-450 464	-	450 464	0
Equity 31 December 2022	20	111 979	0	0	-54 577	57 403



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PCI Biotech Holding ASA - PARENT CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2022

<i>(figures in NOK 1,000)</i>	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity 31 December 2020	20	111 979	361 148	18 687	194 732	686 546
Profit for the period		-	-	-	-154 915	-154 915
Other comprehensive income, net of tax		-	-	-	-	0
Total comprehensive income for the period		-	-	-	-154 915	-154 915
Capital increase		-	-	-	-	0
Capital increase expenses		-	-	-	-	0
Share based payments in subsidiary		-	-	12 939	-	12 939
Equity 31 December 2021	20	111 979	361 148	31 626	39 818	544 570
Profit for the period		-	-361 148	-31 626	-74 468	-467 242
Other comprehensive income, net of tax		-	-	-	-	0
Total comprehensive income for the period		-	-361 148	-31 626	-74 468	-467 242
Capital increase		-	-	-	-	0
Capital increase expenses		-	-	-	-	0
Share based payments in subsidiary		-	-	-	-1 294	-1 294
Equity 31 December 2022	20	111 979	0	0	-35 944	76 034



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PCI Biotech Holding ASA CASH FLOW STATEMENT for the year ended 31 December 2022

Parent 2022	Parent 2021		Group 2022	Group 2021
		<i>(figures in NOK 1,000)</i>		
		Note		
-467 242	-154 915	Profit/Loss before income tax	-55 095	-88 391
-	-	Depreciation and amortization	7,14 6 406	2 541
-	-	Leasing interest cost	24 78	38
463 740	148 817	Write down investment in subsidiary	-	-
-	-	Share-based payments	8 -1 294	12 939
37	2 513	Currency gain (-) / loss (+) not related to operations	19 -198	2 529
10	53	Changes in accounts receivables	6 038	962
-13	-41	Changes in account payables	-3 250	-1 445
0	86	Changes in other net operating assets and liabilities	-11 725	2 520
-3 468	-3 487	Cash flow from operating activities	-59 042	-68 307
-27 570	-41 598	Disbursement intragroup interest-bearing loan	-	-
5 227	5 600	Proceeds intragroup interest-bearing loan	-	-
-	-	Investment in subsidiary	15 -	-
-	-	Acquisition of non-current assets	14 -	-341
-22 343	-35 998	Net cash flow from investing activities	-	-341
-	-	Payment principal portion of lease liability	24 -678	-673
-	-	Proceeds from issue of new equity	8,20 -	-
-	-	Expenses in relation to issues of new equity	20 -	-
0	0	Net cash flow from financing activities	-678	-673
-25 811	-39 485	Net changes in cash and cash equivalents	-59 720	-69 321
-37	-2 513	Exchange rate effect bank deposits in foreign currency	19 198	-2 529
26 476	68 474	Cash and cash equivalents 1 January	116 118	187 967
628	26 476	Cash and cash equivalents 31 December	56 596	116 118
Additional information on operational cash flow				
33	187	Interest paid	49	198
1 796	1 592	Interest received	1 269	639



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PCI BIOTECH HOLDING ASA – ACCOUNTING PRINCIPLES 2022

1. Corporate information

The annual accounts for 2022 for PCI Biotech Holding ASA (the Company) and the consolidated financial statement (the Group or PCI Biotech) was approved for publication by the Board of Directors on 27th April 2023.

PCI Biotech Holding ASA is a public listed company domiciled in Norway. The business of the Group is associated with research and development of pharmaceutical products and related technical equipment. The Company is listed on the Oslo Børs and the registered office address is Ullernchausséen 64, N-0379 Oslo.

2. Significant accounting policies

2.1 Basis of preparation

The Group and the Company's annual accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as specified by the International Accounting Standards Board and implemented by the EU as per 31 December 2022.

The annual accounts for the Group and the Company have been prepared on the basis of historical cost. The financial income statement is presented by function of expense.

NOK (Norwegian kroner) is the functional currency for all companies within the Group. In the absence of any statement to the contrary, all financial information is reported in whole thousands. As a result of rounding adjustments, the figures in the financial statements may not add up to the totals. The Group's consolidated financial statements are presented in NOK, which is also the parent company's functional currency.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of PCI Biotech Holding ASA and its wholly owned subsidiary PCI Biotech AS. The subsidiary is fully consolidated. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and events under similar circumstances. Intercompany transactions and balances, including internal profits and unrealised gains and losses, are eliminated. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Summary of significant accounting policies

a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.



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A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Government grants

Government grants are presented as other income, see Note 5 for further information. Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

c) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly



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in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

d) Foreign currencies

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

e) Cash dividend distribution to equity holders of the parent

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

f) Property, plant and equipment

Tangible fixed assets are recognised at cost less deductions for accumulated depreciation and write-downs (carrying amount). It is assessed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's fair value, less costs of disposal, and its value in use. For assets where the carrying amount exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Tangible fixed assets are depreciated over the expected useful life of the assets taking any residual value into consideration. Costs accrued for major replacements and upgrades of tangible fixed assets are added to cost if it is probable that the costs will generate future economic benefits for the Group and if the costs can be reliably measured. Ordinary maintenance is expensed as incurred.

Tangible fixed assets are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

- Production and test equipment 3-5 years
- Furniture and equipment 3-5 years

g) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.



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At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, PCI Biotech' incremental borrowing rate. The incremental borrowing rate is used as the discount rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

h) Intangible assets - Research and development costs

Research costs are expensed as incurred. Development costs will be capitalized once the asset being developed has met requirements of technical and commercial feasibility to signal that the intangible investment is likely to either be brought to market or sold.

The Group has currently no development expenditure that qualifies for recognition as an asset under IAS 38. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

i) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Right-of-use assets are also subject to impairment.

j) Financial instruments

Financial assets

The Group's financial assets are governmental grant receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures



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a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group measures financial assets at amortised cost if both of the following conditions are met

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are the most relevant category for the Group. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. A receivable represents the Group's right to an amount of consideration that is unconditional.

The Groups financial assets at amortised cost includes governmental grant receivables and cash and cash equivalents (short-term deposits). The Group does not have financial assets at fair value through profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Note 16 Financial risk
- Note 18 Receivables by year-end
- Note 19 Cash and cash equivalents

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other comprehensive income, loans and borrowings, or payables. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables. The Group does not have financial liabilities at fair value through profit and loss.

Subsequent measurement

The measurement of financial liabilities depends on their classification. After initial recognition, payables are measured at their nominal amount when the effect of discounting when using the amortised cost measurement is not material. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

PCI Biotech Holding ASA, Ullernchausséen 64, 0379 Oslo, Norway, Company no: 991036393 VAT
Phone: + 47 67 11 54 00, www.pcibiotech.com

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Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

k) Cash and short-term deposits

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment of other purposes. Cash and short-term deposits in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

m) Pensions and other post-employment benefits

PCI Biotech AS has an agreement with a life assurance company concerning contribution-based pensions for employees. Contributions, ranging from 7% to 21% of the employee's ordinary salary up to 12 times the basic amount (G) of the Norwegian National Insurance scheme, are paid into the employee's contribution account with the life assurance company. The Company's payment of contributions is expensed in the period it is accrued. Any prepayments made to the contribution fund are recognised in the balance sheet.

n) Share-based payments

Employees (including executive management) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. See Note 8 Salary expenses and other remuneration for further information.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share, further details are given in Note 13 Earnings per share.



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o) License costs

Agreements with external parties concerning access to technology in the form of license agreements and agreements that allow the use of patented technology are expensed when they occur according to the agreement and are disclosed as "Research and development expenses" in the income statement.

p) Segment reporting

Segments are reported similarly as the internal reporting to the Group's Chief Operating Decision Maker. Chief Operating Decision Makers are defined as the Group's management group. The Group has only one segment and see Note 6 for further information.

q) Cash-flow statement

The statement of cash flows distinguishes between cash flows from operating, investing, and financing activities and the statement has been prepared in accordance with the indirect method. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and short-term deposits with a maturity of three months or less. Cash and cash equivalents denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising from the translation of these monetary items are not considered to be related to operations and are presented as part of net changes in cash and cash equivalents. Interest paid and interest received are included under cash flow from operating activities. Cash flows from share issues are recognised as cash flows from financing activities.

r) Events after the balance sheet date

New information regarding the Group's financial position on the balance sheet date has been considered in the annual accounts. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet date, but which will affect the Group's financial position in the future, are reported if they are significant.

s) Contingent liabilities and assets

Contingent liabilities are defined as:

- Possible liabilities as a result of earlier events where their existence depends on future events;
- Liabilities that are not included because it is not probable that they will lead to an outflow of resources from the Group;
- Liabilities that cannot be measured with sufficient reliability.

Contingent liabilities are not included in the annual accounts. Notes on significant contingent liabilities are provided, with the exception of contingent liabilities with little probability of occurring. Contingent assets are not included in the annual accounts, but are reported in cases in which there is a certain likelihood of their resulting in a benefit to the Group.

Accounting policies only relevant for the Parent:

t) Investment in subsidiaries

Shares and investments intended for long-term ownership are reported in the Company's statement of financial position as non-current assets and valued at cost. The Company determines at each reporting date whether there is any objective indication that the investment in the subsidiary is impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the subsidiary and its carrying value and recognizes the amount in the statement of profit and loss. Any realised and unrealised losses and any write-downs relating to these investments will be included in the Company's statement of comprehensive income as financial items.



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2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. Other amendments and interpretations apply for the first time in 2022, but do not have an impact on the Group's consolidated financial statements.

3. Significant accounting estimates and assumptions

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

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Financial risk management and policies, Note 16 Financial risk.

In the process of applying the Group's accounting policies, management has made the following estimates and assumption, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- The fair value of employee options is calculated according to the Black-Scholes method. This method involves the use of estimates and discretionary assessments, as described in more detail in Note 8. The allocation of options to employees of subsidiary is made directly from the parent company and the financial presentation is correspondingly reported in the subsidiary.
- The Group has not recognised a deferred tax asset related to carry forward losses, as described in more detail in Note 12 Tax.

Significant accounting estimates and assumptions only relevant for the Parent

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the separate financial statements for the Parent:

- PCI Biotech Holding ASA has in its separate financial statement performed an assessment of the carrying amount of the subsidiary PCI Biotech AS, see Note 11 Financial income and Note 15 Shares in subsidiaries for further information.

4. Standards issued, but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



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PCI BIOTECH HOLDING ASA - NOTES FINANCIAL STATEMENT 2022

5 OTHER INCOME

OTHER INCOME

(figures in NOK 1,000)

	Group	
	2022	2021
SkatteFUNN	4 750	4 750
Grants from the Research Council of Norway	0	1 422
Other	0	101
Total other income	4 750	6 273

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Grants are disclosed as other income. R&D projects have been approved for SkatteFUNN for the period 2020 through 2022. The Group was awarded a grant from The Research Council of Norway (user-driven research-based innovation programme (BIA)) of up to NOK 13.8 million in total for the period June 2017 through June 2021 and per end of 2021 a total of NOK 13.4 million were received and recognised. Grant receivables as of year-end are disclosed in Note 18 Receivables.

6 OPERATING SEGMENTS

The Group has only one operating segment, which is research and development, and had no revenues for the reporting periods. All non-current assets are geographically located to Norway.

7 STATEMENT OF COMPREHENSIVE INCOME ACCORDING TO CLASSIFICATION AND R&D EXPENSES BY CATEGORY

Operating costs according to classification.

(figures in NOK 1,000)

	Note	Group		Parent	
		2022	2021	2022	2021
Salary expenses	8	21 968	26 428	1 382	1 482
Share option scheme, accounting effect	8	-1 153	12 549	0	0
R&D exclusive salary and other operating expenses		27 620	43 595	0	0
Depreciation and amortisation	14,24	6 406	1 923	0	0
Legal, audit, accounting, patents, and other fees*		4 152	4 722	2 517	2 380
Other operating expenses		2 205	3 084	1 324	1 107
Total operating expenses		61 197	92 302	5 222	4 969

*Other fees relate to the Parent company which pays for management services performed by employees formally employed by the wholly-owned subsidiary, PCI Biotech AS.

Of the total salary expenses NOK 11 526 relates to R&D activities (2021: NOK 17 369).

R&D expenses by category:

	2022	2021
Clinical studies	32 442	57 204
Pre-clinical studies	7 257	6 966
CMC and equipment	2 100	3 332
Patents	2 958	4 205
Other expenses	0	0
Total R&D expenses	44 756	71 707

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The Group has no development expenditure that qualifies for recognition of an asset under IAS 38 and intangible assets and all research expenditures are charged through the income statement, in line with previous years. A new batch of the product under development (fimaporfin) was produced in 2019 and an estimated cost value of fimaporfin in stock per year-end is NOK 2.5 million (2021: NOK 2.7 million).

8 SALARY EXPENSES AND OTHER REMUNERATION

(figures in NOK 1,000)

	Note	Group		Parent	
		2022	2021	2022	2021
Wages and Board of Directors remuneration		16 927	21 255	1 235	1 340
Social security contributions		2 408	2 805	147	142
Share-based payments, incl social security		-1 153	12 549	0	0
Pension costs	9	2 276	1 702	0	0
Other expenses		357	666	0	0
Total salary expenses		20 814	38 977	1 382	1 482
No. of full-time equivalent positions		10.4	14.3	0.0	0.0

Share option programme for employees

Employees (including executive management) of the Group receive remuneration partly in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The employees are employed in the subsidiary, PCI Biotech AS, and the share-based payment is thus accounted for as a P&L effect in the Group accounts and an investment in subsidiary in the parent company accounts. The general vesting term in the employee share option scheme is three years, with one third vested each year. The share options expire five years from grant date. All share options will lapse immediately upon the event that the employee's employment with the company is terminated. Each share option gives the right to subscribe for or acquire one share upon PCI Biotech Holding ASA's choice. The strike price is set at market terms and no premium for the share options are paid. The Black-Scholes method is used for fair value assessment of the share options at grant date. Further details about the share option program can be found in the Group remuneration policy.

Valuation method for fair value assessment of share options granted

The Black-Scholes method is used for fair value assessment of the share options at grant date. Volatility is calculated based on PCI Biotech's own stock market valuation. The exercise price is set at market terms, equal to the average volume weighted share price last five days of trade prior to grant date (5 days VWAP), and no premium for the share options are paid. The risk-free interest rate is based on Norwegian 3-5 years government bond yield. Each option program is calculated separately with actual exercise price and lifetime for the program. The table below shows the input values used in the fair value assessment model at grant date.

Fair value for all share options granted in 2022 were NOK 1.1 million (2021: NOK 7.5 million). The fair value estimated at grant date is amortised over the vesting period of three years.

Share options granted in 2021 and 2022	September 2021	November 2022
Number of share options	485 000	570 000
Dividend	0	0
Historical volatility (%)	132 %	161 %
Risk free interest rate (%)	1.11%	3.22 %
Expected lifetime (years)	5	4.8
Expected level of vesting	100%	87%



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Authorisation from the annual general meeting

The general meeting held 28 May 2022 authorised the Board of Directors to grant the employees with a total of 2,790,000 share options and the authorisation applies for one year. 1,000,000 share options of the current authorisation have been granted by the Board of Directors at year-end 2022. The Board of Directors has not been granted any share options. See note 23 Related party transactions for further information.

Share option transactions during the year

In accordance with the authorisation granted by the Annual General Meeting 28 May 2022, the Board of Directors of PCI Biotech Holding ASA awarded a total of 570,000 share options to key employees on 25 November 2022. Each share option gives the right to subscribe for or acquire one share per option (after PCI Biotech Holding ASA's choice), at a strike price of NOK 1.90, equal to the volume weighted average share price (VWAP) for the last 5 days of trade prior to the grant date. The share options are subject to other customary terms and conditions for employee incentive programs and the share options are lapsing in Q3 2027.

The Black-Scholes method is used for fair value assessment of the share options at the grant date and the fair value was assessed to NOK 1.1 million, which will be charged to the profit and loss statement over the three-year vesting period if all share options are vested.

Of the 570,000 share options, a total of 360,000 share options were allotted to the following primary insiders: 220,000 share options were allotted to Ronny Skuggedal, CEO/CFO. 120,000 share options were allotted to Anders Høgset, CSO. 20,000 share options were allotted to Kristin Eivindvik, CDO.

Share option transactions during 2021

In accordance with the authorisation granted by the Annual General Meeting 28 May 2021, the Board of Directors of PCI Biotech Holding ASA awarded a total of 485,000 share options to key employees on 6th September 2021. Each share option gives the right to subscribe for or acquire one share per option (after PCI Biotech Holding ASA's choice), at a strike price of NOK 19.41, equal to the volume weighted average share price (VWAP) for the last 5 days of trade prior to the grant date. The share options are subject to other customary terms and conditions for employee incentive programs and the share options are lapsing in Q3 2026.

The Black-Scholes method is used for fair value assessment of the share options at the grant date and the fair value was assessed to NOK 7.5 million, which will be charged to the profit and loss statement over the three-year vesting period if all share options are vested.

Of the 485,000 share options, a total of 340,000 share options were allotted to the following primary insiders at that time: 70,000 share options were allotted to Per Walday, former CEO. 60,000 share options were allotted to Amir Snapir, former CMO. 50,000 share options were allotted to Ronny Skuggedal, CFO. 40,000 share options were allotted to Ludovic Robin, former CBO. 40,000 share options were allotted to Anders Høgset, CSO. 40,000 share options were allotted to Lucy Wabakken, former CDO (acting). 40,000 share options were allotted to Kristin Eivindvik, CDO. The share options awarded to former executives Walday, Snapir, Robin and Wabakken all lapsed during 2022.

P&L and balance sheet accounting effects of the share option programme

The net P&L accounting effect for share-based payments and corresponding social security liability following potential future share option exercises were a net reversal of costs of NOK 1.3 million (2021: net cost NOK 12.6 million). The net reversal of costs in 2022 is mainly due to downsizing, resulting from reduced expected number of vested share options. The potential social security liability for future exercises is calculated based upon share options that are in-the-money per reporting date and recognised as a short- or long-term liability in the balance sheet depending on vesting date of the underlying share options. No share options were in-the-money per year-end 2022 or 2021.

For the parent company, PCI Biotech Holding ASA, a net amount of NOK -1.3 million for share based payments (2021: NOK +12.9 million) is recognised as adjustment of investment in subsidiary.

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Share options outstanding at the end of the period have the following expiry date and exercise prices:

Expiry date	Exercise price in NOK per share	Number of share options	
		2021	2022
2022 - Q3	21.48	310 000	-
2024 - Q3	25.78	300 000	150 000
2025 - Q3	50.36	520 000	130 000
2026 - Q3	19.41	485 000	150 000
2027 - Q3	1.90	-	570 000
Total		1 615 000	1 000 000

Options granted to employees, average exercise price and transactions during the year is listed below:

	2021		2022	
	Number	Average exercise price in NOK per share	Number	Average exercise price in NOK per share
Outstanding at the beginning of the year	1 185 000	35.80	1 615 000	30.96
Granted during the year	485 000	19.41	570 000	1.90
Lapsed during the year	55 000	33.55	1 025 000	32.42
Exercised during the year	0	-	0	-
Expired during the year	0	-	160 000	21.48
Outstanding at year-end	1 615 000	30.96	1 000 000	14.41
Exercisable options at year-end	683 333	30.06	286 667	32.10

Exercise price and average remaining lifetime for outstanding options per year-end:

Number of options 2021 / 2022	Exercise price in NOK per share	Average remaining lifetime (years)	
		2021	2022
310 000 / 0	21.48	0.7	-
300 000 / 150 000	25.78	2.7	1.7
520 000 / 130 000	50.36	3.7	2.7
485 000 / 150 000	19.41	4.7	3.7
0 / 570 000	1.90	-	4.7



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9 PENSION EXPENSES

(figures in NOK 1,000)

	Group	
	2022	2021
Total pension cost from contribution schemes	2 276	1 702

The contribution pension scheme is in compliance with Norwegian public requirements and a total of 9 employees are included in the scheme at year-end 2022 (2021: 13 employees, in addition to one employee in a Finnish pension scheme, two employees in a Swedish pension scheme and one employee in a French pension scheme).

10 AUDITORS FEE

AUDITOR FEES

(figures in NOK 1,000)

	Group		Parent	
	2022	2021	2022	2021
Statutory audit	374	210	296	131
Other assurance services	81	52	0	8
Total	455	262	296	139

11 FINANCIAL INCOME AND EXPENSES

(figures in NOK 1,000)

	Group		Parent	
	2022	2021	2022	2021
Interest income	1 237	640	9	2
Interest income group company	-	-	1 786	1 591
Other financial income	474	149	1	0
Total financial income	1 711	789	1 797	1 593
Interest expense	49	51	33	187
Interest expense leasing	78	38	0	0
Other financial expense	232	3 062	463 783	151 351
Total financial expense	359	3 151	463 816	151 539

For 2022 NOK 0.1 million in other financial expense (2021: NOK 2.5 million) in Parent and NOK 0.2 million in other financial income (2021: NOK 2.5 million other financial expense) in Group were related to accounting effects of cash deposits in Euro per year-end, resulting from converting these Euro cash positions into NOK as functional currency for the annual accounts. The effects are reduced over time, due to general lower cash positions held in Euro.

In 2021 and 2022 the parent company made a partial write-down of its investment in the wholly-owned subsidiary PCI Biotech AS, based on the observable fair value of the Group at Oslo Børs per year-end. The NOK 463.7 million write-down (2021: NOK 148.8 million) is disclosed as financial expenses for the parent company.



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12 TAX

(figures in NOK 1,000)

	Group		Parent	
	2022	2021	2022	2021
Comprehensive income before tax	-55 095	-88 391	-467 242	-154 915
Expected nominal rate of tax (2022: 22% / 2021: 22%)	-12 121	-19 446	-102 793	-34 081
Permanent differences charged through P&L	-1 332	1 803	102 793	32 741
Deferred tax asset not recognised in the balance sheet	13 453	17 643	770	1 340
Total tax expense for the year	0	0	0	0

Specification of basis for deferred tax asset / liability

Tax effect of temporary differences:

	Group		Parent	
	2022	2021	2022	2021
Fixed assets	-966	64	0	0
Receivables	-14	-11	0	0
Carry forward loss	-155 376	-142 957	-11 986	-11 215
Total tax asset (22% for 2022 / 22% for 2021)	-156 357	-142 904	-11 986	-11 215
Deferred tax asset not recognised	156 357	142 904	11 986	11 215
Deferred tax asset recognised in the balance sheet	0	0	0	0

The Group and Parent have no history of taxable profits and due to uncertainty of future utilisation, deferred tax assets have not been recognised in the balance sheets. The carry forward loss has no time limit according to current tax legislations.

13 EARNINGS PER SHARE

Earnings per share for the Group (diluted earnings per share) are calculated on the basis of the financial result after tax for the year (financial result after tax for the year adjusted for dilutive effects) divided by a weighted average number of shares outstanding for the year (weighted average number of outstanding shares for the year adjusted for dilutive effects). Dilution effect is weighted number of outstanding share options which are in-the-money during the year. Accretive effects are not taken into consideration. Earnings per share are not affected by the dilution effect if negative results in the period.

Earnings per share	2022	2021
Weighted average number of shares (in '000)	37 326	37 326
Net loss for the year	-55 095	-88 391
Earnings per share (NOK per share)	-1.48	-2.37

Dilution effect of in-the-money outstanding share options are not relevant as the result for the year is negative for 2022 and 2021.



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14 FIXED ASSETS

(figures in NOK 1,000)

	Group		
	Device	Office equipment	Total
Acquisition cost per 1 January 2021	9 268	392	9 661
Additions in 2021	341	0	341
Disposals and scrapping during 2021	0	0	0
Acquisition cost per 31 December 2021	9 609	392	10 001
Additions in 2022	0	0	0
Disposals and scrapping during 2022	0	0	0
Acquisition cost per 31 December 2022	9 609	392	10 001
Accumulated depreciation per 1 January 2021	1 928	343	2 272
Ordinary depreciation 2021	1 908	16	1 923
Disposals in 2021	0	0	0
Accumulated depreciation per 31 December 2021	3 836	359	4 195
Ordinary depreciation 2022	0	16	16
Write-down 2022	5 773	0	5 773
Disposals in 2022	0	0	0
Accumulated depreciation per 31 December 2022	9 609	375	9 984
Book value per 31 December 2021	5 773	33	5 806
Book value per 31 December 2022	0	18	18

The decision made in Q1 2022 to stop the RELEASE trial made the device (lasers) of no or low value and the carrying amount of NOK 5.8 million was depreciated in full in 2022.



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15 SHARES IN SUBSIDIARIES – only relevant for the Parent company

Company	Year of acquisition	Share capital of company	Equity participation and share of voting rights	Carrying amount (NOK thousand)	Equity (NOK thousand)	Financial result (NOK thousand)
PCI Biotech AS, Oslo - Norway	2008					
Figures for 2022		6 141 940	100 %	69 157	50 506	-51 594
Figures for 2021		5 818 680	100 %	504 191	73 393	-82 293

In 2022 the share capital of PCI Biotech AS was increased by NOK 323 260, with a share premium of NOK 29 676 740, totalling to NOK 30 000 000. The share capital was increased by a contribution in kind of intercompany balances of NOK 30 million by PCI Biotech Holding ASA.

In 2021 the share capital of PCI Biotech AS was increased by NOK 323 260, with a share premium of NOK 39 676 740, totalling to NOK 40 000 000. The share capital was increased by a contribution in kind of intercompany balances of NOK 40 million by PCI Biotech Holding ASA.

The carrying amount is assessed at the lowest of historic cost value and the observable market value of PCI Biotech at Oslo Børs. Per year-end the carrying amount is at fair value based on the observable market value of PCI Biotech at Oslo Børs. In 2022 and 2021 the parent company made a partial write-down of its investment in the wholly-owned subsidiary PCI Biotech AS, based on the observable fair value of the Group at Oslo Børs per year-end. The NOK 463.7 million write-down (2021: NOK 148.8 million) is disclosed as financial expenses for the parent company.

16 FINANCIAL RISK

This note describes the Group's various financial risks and the management of these. In addition, numerical tables for risk associated with financial risks are also presented.

(I) Organisation of financial risk management

PCI Biotech has an international business operation and is exposed to currency risk, interest risk, liquidity risk and credit risk. The Group has not utilised any derivatives or other financial instruments to reduce these risks during the accounting period. The responsibility for managing financial risk is at group level. The risk associated with centralised activities such as financing, interest rate and currency management is managed at group level. In addition, the group manages the risks associated with the business processes. The financial risk management is monitored by the Board of Directors.

Centralised risk management

PCI Biotech has a centralised risk management policy. The most important tasks within risk management are to ensure the Group's financial freedom to act both in a short- and long term perspective, and to monitor and manage financial risk in cooperation with the individual units in the group.

Financial risk

This section describes the most important risk factors within each business area and the management of these. In this context, financial risk is understood as risk associated with financial instruments. These can either be hedging instruments for underlying risk or be considered themselves as a source of risk. Market risk is not hedged with financial instruments.

Research and development activities

PCI Biotech carries out research and development for new innovative medical products based on the company's patented technology. The currency risk in research and development is limited to the purchase of services, primarily related to clinical and pre-clinical studies. Foreign currency risk

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Phone: + 47 67 11 54 00, www.pcibiotech.com



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associated with purchase of goods and services are foremost related to transactions in EUR and GBP. Foreign currency exposure associated with research and development is not normally hedged, but at year-end 2021 the Group had placed cash deposits in EURO to hedge the foreign currency risk for the RELEASE study. The study was terminated during 2022, and there are no material cash deposits in EURO at year-end 2022.

(II) Classes of financial risk

Interest rate risk

Except for interest-bearing leasing liabilities, PCI Biotech does not have any interest-bearing debt, and the group's interest rate risk is primarily associated with the Group's cash positions and cash equivalents. This risk is managed at group level. The main strategy is to diversify the risk and invest in cash deposits with fixed or spot interest rates or money market funds with low risk, high liquidity and short duration. All funds are placed as cash deposits per year-end 2021 and 2022.

Interest rate sensitivity

		Effect on financial result			
		Group		Parent	
Bank deposits	Interest rate change	2022	2021	2022	2021
	+2%	1 132	2 322	13	530
	-2%	-1 132	-2 322	-13	-530
	+5%	2 830	5 806	31	1 324
	-5%	-2 830	-5 806	-31	-1 324

Liquidity risk

One of the most important objectives of PCI Biotech's finance policy is to ensure that the Group has financial freedom to act in the short and long-term in order to attain strategic and operational goals. PCI Biotech shall have sufficient funds to cover expected capital requirements during the forthcoming 12 month period in addition to a strategic reserve. Cash flow in research and development depends mainly on the activity level of the clinical programmes and the activity levels are adjustable without substantial long term commitments. The finance department monitors the cash flows in a short- and long term perspective. PCI Biotech's most important source of finance are future royalty and milestone payments associated with licence agreements, government grants and the capital market. The biotech industry is a resource demanding industry, and drug development can be both labour and cash intensive. PCI Biotech being a pre-commercial stage biotech, means that the Company mainly relies on the ability to raise funds via the equity market and government grants for its development plans, and no assurance of the availability of resources for current and future drug development plans can be made. The capital market is used as a source of liquidity when this is appropriate and the conditions in these markets are competitive. The finance department continually evaluate other sources of financing. PCI Biotech does not have any debt agreements with key business ratio requirements (covenants).

The cost base for the Company is reduced over time during 2022, mainly due to the closure of the RELEASE trial and implemented cost reduction matters during slimming down both the operational- and executive team. The cash position per year-end 2022 is on this basis estimated to enable a financial runway towards the end of 2024.



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Group (figures in NOK 1,000)	Remaining period				
	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
31.12.2022					
Other long-term liabilities	0	0	0	0	0
Long term-lease liabilities	0	0	0	327	327
Trade accounts payables	495	0	0	0	495
Current lease liabilities	0	0	443	0	443
Public duties payables	1 000	81	144	0	1 225
Other current liabilities	67	681	2 842	0	3 590
Total liabilities	1 562	762	3 429	327	6 079
31.12.2021					
Other long-term liabilities	0	0	0	0	0
Long term lease liabilities	0	0	0	1 277	1 277
Trade accounts payables	3 745	0	0	0	3 745
Current lease liabilities	0	0	629	0	629
Public duties payables	1 171	542	0	0	1 713
Other current liabilities	760	3 398	10 665	0	14 823
Total liabilities	5 676	3 940	11 294	1 277	22 186

Other long-term liabilities relate to estimated social securities for potential future share option exercises in the Group's remuneration incentive program.

Parent (figures in NOK 1,000)	Remaining period				
	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
31.12.2022					
Trade accounts payables	6	0	0	0	6
Public duties payables	0	0	140	0	140
Other current liabilities	0	0	990	0	990
Total liabilities	6	0	1 130	0	1 136
31.12.2021					
Trade accounts payables	19	0	0	0	19
Public duties payables	0	0	140	0	140
Other current liabilities	0	0	990	0	990
Total liabilities	19	0	1 130	0	1 149

Credit risk

PCI Biotech has no sales or receivable balances based on sales and faces therefore no credit risk. PCI Biotech has no need for monitoring of receivable balances based on sales and no bad debt provision has been recognised during 2022 or 2021. The majority of the Group's financial assets are cash and cash equivalents and these funds are placed in cash deposits in different banks with satisfactory credit ratings. The credit risk for these funds is assessed to be low and no impairment test are performed for 2022 or 2021.



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Foreign currency risk

As NOK is the Group's functional currency, PCI Biotech is exposed to foreign currency risk associated with the Group's foreign net exchange rate exposure. The Group's expenses accrue in various currencies, primarily EUR and NOK. PCI Biotech is therefore exposed to fluctuations in foreign exchange rates. The Group evaluates whether measures should be taken to reduce the foreign currency risk through hedging for significant transactions and projects.

The following table details the Group's and Parent company's sensitivity to potential changes in the foreign currency exchange rate, with all other factors constant. The changes in exchange rates of +/-10% is considered to be a reasonably possibly change. The calculation assumes an equal change in exchange rates against all relevant foreign currencies. The estimated effect on operating result is due to changes in value of monetary items in the balance sheet per year-end, with no effect on Other Comprehensive Income.

	Changes in exchange rates - Euro	Effect on operating result (NOK 1,000)	
		Parent	Group
2022	+/- 10 %	+/- 0	+/- 29
2021	+/- 10 %	+/- 2 647	+/- 1 811

17 CLASSIFICATIONS OF FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets are governmental grant receivables, and the Group's financial liabilities are accounts payables and other current liabilities. The Parent's financial assets also include receivables from the wholly owned subsidiary, PCI Biotech AS. All these financial assets and liabilities are classified as financial instruments at amortised costs, and no financial assets or liabilities are classified at fair value through profit and loss.

Financial assets and liabilities at amortised costs are measured at their nominal amount, as the nominal amount is assessed to be fair value due to the immaterial discounting effect for short-term maturities.

18 RECEIVABLES

Receivables are measured by the amortised cost method, but due to the assets being short-term receivables the non-discounted contractual payments are disclosed. No credit losses allowance is recognised at year-end 2022 or 2021.

Other current receivables - specification

(Figures in NOK 1,000)

	Group		Parent	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Recognised not received government grants	4 750	4 750	0	0
Prepaid payables	0	7 096	0	5
VAT receivables	561	354	23	28
Recognised, not received interest from bank	851	0	0	0
Total other receivables	6 162	12 200	23	33

The parent company has supported its wholly owned subsidiary, PCI Biotech AS, with loans and capital increases during the year. The capital increase during 2022 was NOK 30 million (2021: NOK 40 million) and per year-end the loan balance is NOK 7.4 million (2021: NOK 15.0 million).



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19 CASH AND CASH EQUIVALENTS

(Figures in NOK 1,000)

	Group		Parent	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Cash and cash equivalents, restricted ⁽¹⁾	629	938	0	0
Cash and cash equivalents, non-restricted	55 967	115 180	628	26 476
Total	56 596	116 118	628	26 476

(1) Restricted cash and cash equivalents are security for the employees' withholding tax and bank deposits.

The carrying amount of cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. The cash and cash equivalents are placed in cash deposits in NOK and EUR in different banks with satisfactory credit ratings. The credit risk for these funds is assessed to be low and no impairment test are performed for 2022 or 2021.

20 SHARE CAPITAL

	No. of shares	Nominal value per share in NOK	Share capital in NOK
Share capital as per 31.12.2020	37 326 390	3,00	111 979 170
Share issues in 2021	-	-	-
Share capital as per 31.12.2021	37 326 390	3,00	111 979 170
Share issues in 2022	-	-	-
Share capital as per 31.12.2022	37 326 390	3,00	111 979 170

All shares have equal voting rights and otherwise have equal rights in the company and one share represents one voting right.

Ordinary shares are classified as equity and only one class of shares exists. Expenses that are directly attributable to the issue of ordinary shares are disclosed as reduction of equity.

The annual general meeting in May 2022 authorised the board of directors to execute share capital increases by issuing up to 2,790,000 shares with a nominal value of NOK 3.00 in connection with the company's employee share option program. The authorisation is valid for one year. In addition, the board of directors was authorised to execute share capital increases with up to NOK 12,034,000 in connection with private placements. The authorisation shall not be used to increase share capital by an amount in excess of 10% of the share capital, based on the share capital per date of the authorisation and potential share capital increases in relation to the employee share option program. The authorisation may be used for general corporate purposes and is valid for one year.



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Ownership structure per 31 December 2022:

Name	No. of shares	Ownership
FONDSAVANSE AS	3 910 443	10.48 %
MP PENSJON PK	2 185 801	5.86 %
Myrlid AS	2 034 463	5.45 %
RADFORSK INVESTERINGSSTIFTELSE	1 082 415	2.90 %
GRESSLIEN	938 800	2.52 %
Nordnet Bank AB	809 677	2.17 %
CLEARSTREAM BANKING S.A.	502 381	1.35 %
RAVI INVESTERING AS	500 000	1.34 %
Jandersen Kapital AS	470 000	1.26 %
BNP Paribas	428 283	1.15 %
Total 10 largest shareholders	12 862 263	34.46%
Others	24 464 127	65.54%
Total	37 326 390	100.00%

Shares owned, directly or indirectly, by members of the board and executive management, and their personally related parties per 31.12.2022 and per 31.12.2021:

Name	Position	Number of shares	
		31.12.2022	31.12.2021
Hans Peter Bøhn	Chairman	123 662	123 662
Lars Viksmoen	Board member	12 966	12 966
Christina Herder	Board member	10 000	10 000
Hilde Furberg (Borkenholm AS)*	Board member	8 000	4 000
Andrew Hughes	Board member	-	-
Anders Høgset	CSO	64 800	64 800
Ronny Skuggedal	CFO	55 000	55 000
Kristin Eivindvik	CDO	25 200	25 200
Per Walday**	former CEO	NA	72 700
Ludovic Robin***	former CBO	NA	-
Amir Snapir****	former CMO	NA	-
Total		299 628	368 336

* Hilde Furberg's shares are owned via Borkenholm AS, which is a related party to Hilde Furberg.

** former CEO, Per Walday, left the company in May 2022.

*** former CBO, Ludovic Robin, left the company in May 2022.

**** former CMO, Amir Snapir, left the company in September 2022.



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21 FINANCING STRUCTURE

Except for interest-bearing leasing debt the Group had no external interest-bearing debt as of year-end 2022 or 2021.

22 OTHER CURRENT LIABILITIES BY YEAR END

(Figures in NOK 1,000)

	Group		Parent	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accruals for incurred external R&D expenses	550	8 721	0	0
Accruals for employee bonus, holiday payments, board remuneration etc.	2 820	5 495	990	990
Other accruals	239	0	0	0
Total other current liabilities	3 609	14 217	990	990

Other current liabilities are measured by the amortised cost method, but due to the liabilities being short term liabilities the non-discounted contractual payments are disclosed. Other accruals per 31.12.2022 represents accruals related to the downsizing process.

23 RELATED PARTIES TRANSACTIONS

Figures for remuneration are expensed amounts in the financial year. All board remunerations are accounted for in the parent company.

Executive remuneration (NOK 1,000)	2022	2021
Management team remuneration	11 088	13 790
Board of Director's remuneration	1 235	1 235

The Board of Directors' remuneration consists only of board remuneration as approved by the annual general meeting. The Board of Director's consisted of 5 persons for both 2021 and 2022.

The management team per year-end 2022 consists of a combined CEO and CFO position, CSO and CDO, totaling 3 persons. The management team was downsized in 2022, to tailor management to current operations. The management team per year-end 2021 consisted of CEO, CFO, CSO, CMO, CBO, CDO, and acting CDO, totaling 7 persons. In relation to the downsizing in 2022, one member of the management team received termination payment accounting for 3 months additional notice period, and some employees outside of the management team received termination payment accounting for 1 month additional notice period. These two elements are considered temporary deviations from the current remuneration guidelines.

Please refer to the Remuneration Report 2022 for more information.

	Board remuneration	Salary	Bonus	Other benefits	Pension benefits	Total
Board of Directors 2022						
Hans Peter Bøhn, Chairman	355	0	0	0	0	355
Hilde Furberg	220	0	0	0	0	220
Christina Herder	220	0	0	0	0	220
Lars Viksmoen	220	0	0	0	0	220
Andrew Hughes	220	0	0	0	0	220
Total remuneration	1 235	0	0	0	0	1 235



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	Board remuneration	Salary	Bonus	Other benefits	Pension benefits	Total
Board of Directors 2021						
Hans Peter Bøhn, Chairman	355	0	0	0	0	355
Hilde Furberg	220	0	0	0	0	220
Christina Herder	220	0	0	0	0	220
Lars Viksmoen	220	0	0	0	0	220
Andrew Hughes	220	0	0	0	0	220
Total remuneration	1 235	0	0	0	0	1 235

The senior executives participate in the Group's pension plan that is a defined contribution plan which entails payment of 7% to 21% of the employee's annual salary up to 12 times the basic National Insurance amount (G). The pension scheme also covers in the event of disability.

The CEO is entitled to six months' notice and has an agreement of additional 6 months' salary on certain terms. There are no agreements beyond the statutory requirements for other senior executives.

Senior executives have not received any remuneration or financial benefits from other companies in the Group other than those disclosed above. It is not given additional remuneration for special services outside the normal functions of a senior executive.

There are no loans or pledges to senior executives, board of directors, employees or other persons in elected corporate bodies. For more details about PCI Biotech's remuneration policy, please see the established guidelines on the determination of salaries and other remuneration of executive management in accordance with § 6–16a of the Norwegian Public Companies Act.

Senior executive's shareholdings in PCI Biotech Holding ASA are disclosed in note 20 Share capital.



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Allocation, exercise and holdings of share options in the Company for senior executives are presented in the table below:

Overview share options, Senior executives	Total holdings					Total holdings 31.12.2022	Average exercise price in NOK
	31.12.2021	Allocated	Lapsed	Exercised	Expired		
Ronny Skuggedal, CEO / CFO	190 000	220 000	0	0	50 000	360 000	13.72
Anders Høgset, CSO	190 000	120 000	0	0	60 000	250 000	18.21
Kristin Eivindvik, PD	110 000	20 000	0	0	20 000	110 000	21.36
Per Walday, former CEO*	295 000	0	295 000	0	0	0	-
Ludovic Robin, former CBO**	130 000	0	130 000	0	0	0	-
Amir Snapir, former CMO***	150 000	0	150 000	0	0	0	-
Lucy Wabakken, former acting CDO****	160 000	0	160 000	0	0	0	-
Total	1 225 000	360 000	735 000	0	130 000	720 000	

*former CEO, P.Walday left the company in May 2022

**former CBO, L.Robin left the company in May 2022

***former CMO, A.Snapir left the company in September 2022

****former acting CDO, L.Wabakken worked as acting CDO during 2021 and into 2022

Related parties:

Helpyou2 Ltd.

In 2022 the Group had regular business transactions with Helpyou2 Ltd. a UK based company owned by Prof. Andrew Hughes, a Director in PCI Biotech Holding ASA. The services rendered concern Prof. Hughes position as member of the Scientific Advisory Committee ('SAC'), and related agreed scientific consultancies by Prof. Hughes during the year. The services rendered are pre-approved by the Board of Directors and regular fee overviews are presented for the Board of Directors. Helpyou2 Ltd. has not received any fees for services related to the SAC for 2022 or 2021. For other agreed scientific consultancies, Helpyou2 Ltd. received NOK 15 thousand in fees for 2022 (2021: NOK 24 thousand). It is in management and the Board of Director's opinion that the service fee is based on 'arm's length' principles and the level of consultancy is not considered to constitute a threat to independence for the parties in 2022 or 2021.

PCI Biotech AS:

The parent company, PCI Biotech Holding ASA, has no employees. The Group operations are managed through the wholly-owned subsidiary PCI Biotech AS that has a management service agreement with the parent company, including services like management, offices, finance and investor relation functions for the Group. All transactions are performed at market terms.

The parent company has been charged for operations according to the service agreement of NOK 2.1 million in 2022 (2021: NOK 2.2 million). The parent company has charged PCI Biotech AS interest expenses for intercompany loans of NOK 1.8 million during 2022 (2021: NOK 1.6 million). Net current receivables from PCI Biotech AS at year-end 2022 were NOK 7.4 million (2021: NOK 15.0 million). In 2022 an intercompany loan to PCI Biotech AS of NOK 30 million was utilised as contribution in kind from PCI Biotech Holding ASA for a capital increase in PCI Biotech AS.



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24 RIGHT TO USE ASSETS AND LEASE LIABILITIES

PCI Biotech has entered into a lease agreement with Oslo Cancer Cluster Incubator, Ullernchausséen 64 Oslo, Norway. The lease originally runs to 31 December 2021, with an option for three more years. PCI Biotech exercised the lease option and the lease now runs to 31 December 2024. The lease agreement is subject to annual adjustment according to changes in the consumer price index. In December 2022 the lease office space was reduced, and the right to use asset and future lease obligations are reduced accordingly. Amounts of minimum lease payment for the non-cancellable operating lease is NOK 0.8 million (discounted contractual payments) per year-end 2022 (2021: NOK 1.9 million), applying an incremental borrowing rate of 12% (2021: 6%).

Payments for the principal portion of the lease liabilities are not charged to profit and loss and will only have cash flow effects.

Right to use asset - office lease

Accumulated recognition 31.12.2019	1 815
Acquisitions FY 2020	0
Acquisitions FY 2021	1 867
Acquisitions FY 2022	0
Disposals FY2022	-531
Accumulated acquisition costs 31.12.2021	3 682
Accumulated acquisition costs 31.12.2022	3 151

Depreciation FY 2019	604
Depreciation FY 2020	605
Depreciation FY 2021	620
Depreciation FY 2022	618
Accumulated depreciation and impairment as of 31.12.2021	1 829
Accumulated depreciation and impairment as of 31.12.2022	2 447

Total right to use assets – office lease as of 31.12.2021	1 854
Total right to use assets – office lease as of 31.12.2022	705

Lower of remaining lease term or economic life - 2021	3.0 years
Lower of remaining lease term or economic life - 2022	2.0 years
Depreciation method	Linear

Lease liabilities - office

Accumulated recognition 31.12.19	1 196
Recognition during 2020	0
Recognition during 2021	1 867
De-recognition during 2022	-531
Accumulated recognition 31.12.21	3 063
Accumulated recognition 31.12.22	2 532

Payments principal portion of the lease liability FY 2020	-668
Payments principal portion of the lease liability FY 2021	-672
Payments principal portion of the lease liability FY 2022	-682
Interest expenses on the lease liability FY 2020	144
Interest expenses on the lease liability FY 2021	40
Interest expenses on the lease liability FY 2022	76
Total lease liabilities for office as of 31.12.2021	1 906
Total lease liabilities for office as of 31.12.2022	770

PCI Biotech Holding ASA, Ullernchausséen 64, 0379 Oslo, Norway, Company no: 991036393 VAT
Phone: + 47 67 11 54 00, www.pcibiotech.com



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Whereof:

Short term lease liabilities < 1 year 2021 / 2022	629 / 443
Long term lease liabilities > 1 year 2021 / 2022	1 277 / 327

The Group applies the short-term lease recognition exemption for leases related to office equipment, parking facilities at the office and a flat in Oslo available for disposition for foreign employees. Lease payments for this category of leases are consequently charged directly through profit and loss.

<u>Income statement effects leasing</u>	2022	2021
Depreciation of right to use asset	-618	-620
<u>Effect on Operating results net of tax</u>	-618	-620
Interest expenses on the lease liabilities	-76	-40
<u>Effect on Net financial result net of tax</u>	-694	-660
Comprehensive income effect net of tax	-694	-660

The Group had total cash outflows related to leases of NOK 0.8 million in 2022 (2021: NOK 1.0 million). Minimum nominal payments for non-cancellable payments for all leases are NOK 1.0 million per year-end 2022 (2021: NOK 0.7 million).

25 SUBSEQUENT EVENTS

PCI Biotech is not aware of any other subsequent events since year-end 2022 which are of material significance to the financial statements as of 31 December 2022.



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6a, 0191 Oslo
Postboks 1156 Sentrum, 0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Pci Biotech Holding ASA

Opinion

We have audited the financial statements of Pci Biotech Holding ASA (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2022, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2022 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 16 years from the election by the general meeting of the shareholders on 17. desember 2007 for the accounting year 2007.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2022. We have determined that there are no key audit matters to communicate in our report.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the



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work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report - Pci Biotech Holding ASA 2022

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Penneo Dokumentnøkkel: WAHFI-2PY90-G06BD-B2CT5-VCIWF-PBJCI



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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of PCI Biotech Holding ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name pcibiotechholdingasa-2022-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial

Independent auditor's report - Pci Biotech Holding ASA 2022

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Penneo Dokumentnummer: WAHTL2PY90-G06BD-B2CT5-VCIWF-PBJCI



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statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 27th of April 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Tommy Romskaug
State Authorised Public Accountant (Norway)

Penneo Dokumentnøkkel: WAHTL-2PYPO-GC6BD-B2CT5-VCIWF-PBJCI



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OTHER INFORMATION

DEFINITIONS AND GLOSSARY

Amphinex:	Trade name of the clinical intravenous formulation of fimaporfin
BIA:	User-driven research-based innovation program by the Research Council of Norway
CSR:	Corporate Social Responsibility
Fimaporfin:	Generic name of the photosensitiser active ingredient TPCS2a
fimaChem	Previous development program for enhancement of generic chemotherapies
fimaNAC:	Development program for PCI Biotech's technology for delivery of nucleic acids
fimaVACC:	Development program for PCI Biotech's immune therapy technology
IFRS:	International Financial Report Standards
ICI:	Immune Checkpoint Inhibitor
<i>In vitro</i> :	Studies performed with cells or biological molecules studied outside their normal biological context; for example proteins are examined in solution, or cells in artificial culture medium.
<i>In vivo</i> :	Studies in which the effects of various biological entities are tested on whole, living organisms usually animals.
NAA:	Norwegian Accounting Act
PCI:	Photochemical internalisation
PCIB:	PCI Biotech's ticker at Oslo Børs
RELEASE:	Name of PCI Biotech's pivotal study for inoperable extrahepatic bile duct cancer
R&D:	Research and Development
SAC:	Scientific Advisory Committee

FINANCIAL CALENDAR

First quarter 2023 report	12 May 2023
Ordinary general meeting 2023	25 May 2023
Second quarter 2023 report	31 August 2023
Third quarter 2023 report	22 November 2023



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INVESTOR CONTACT

Contact person: Ronny Skuggedal, email: rs@pcibiotech.no mob: +47 9400 5757

Web: www.pcibiotech.com

FORWARD LOOKING STATEMENTS

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, and are sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that are expressed or implied by statements and information in the Report, including, among others, risks or uncertainties associated with the Company’s business, segments, development, growth management, financing, market acceptance and relations with customers, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, and fluctuations in currency exchange rates and interest rates. None of the Company or any of its subsidiaries or any such person’s directors, employees or advisors provide any assurance that the assumptions underlying forward-looking statements expressed in this Report are free from errors nor does any of them accept any responsibility for the future accuracy of such forward-looking statements.

PCI Biotech Holding ASA, Ullernchausséen 64, 0379 Oslo, Norway, Company no: 991036393 VAT
Phone: + 47 67 11 54 00, www.pcibiotech.com

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PCI BIOTECH HOLDING ASA
Ullernchausséen 64
N-0379 Oslo, Norway

Phone: +47 67 11 54 00
Email: post@pcibiotech.com
Web: www.pcibiotech.com

PCI BIOTECH AS, subsidiary
Ullernchausséen 64
N-0379 Oslo, Norway



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 22.08.2014	Vår dato 09.09.2014
Telefon 22078139	Deres referanse Per Walday	Vår referanse 2014/586078

PCI BIOTECH HOLDING ASA
Strandveien 55
1366 LYSAKER

Permission to prepare the annual accounts and directors' report in English language

With reference to your letter of 22 August 2014, you apply for permission to keep annual accounts and directors' report in English language. The application in question concerns the following companies;

PCI Biotech Holding ASA org. nr. 991 036 393
PCI Biotech AS org. nr. 982 611 830

Conclusion

Based on a total evaluation, the view of The Directorate of Taxes is that PCI Biotech Holding ASA and PCI Biotech AS may make the directors' report and annual accounts in English language according to the Norwegian Accounting Act § 3-4 third paragraph. The exemption requires that the information that the decision is based on, does not change significantly.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the financial statements. It is incumbent on the company to document by this letter that the permit is granted.

Background

PCI Biotech Holding ASA is listed at Oslo Axess. PCI Biotech Holding ASA is granted exemption from the Norwegian language requirement at Oslo Axess. PCI Biotech Holding ASA has one wholly owned subsidiary, PCI Biotech AS, where all employees within the group are located and all operations take place. PCI Biotech's largest shareholder is Photocure ASA, which is a professional player in the international life science industry. The second largest shareholder is The Norwegian Radium Hospital Research Foundation, which is a professional investor within the industry. The majority of the remaining shares are held by professional large investment funds. The above shareholders sum up to 70 % of the shareholder base. PCI Biotech is a Norwegian biopharmaceutical company developing a novel light directed treatment system based on its patented photochemical internalization (PCI) technology. PCI Biotech is currently an R&D focused company doing both pre-clinical and clinical studies. All clinical and most pre-clinical studies are done abroad through international service providers, and the business language is consistently English. Furthermore, the life science industry is an international industry and all potential

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



counterparts for commercial related agreements are international. The annual report and financial statements are required to be prepared each year in the Norwegian language only in order to satisfy the requirements of the Norwegian Accounting Act.

Permission to make the annual accounts and the directors' report in Norway in English language

According to the Norwegian Accounting Act § 3-4, third paragraph shall *"the directors' report and annual accounts ... be in Norwegian. The Ministry can in an individual decision decide that the directors' report and/or annual accounts may be in another language"*.

Ot. prp. nr. 42 (1997-1998) About Act about annual accounts etc., says the following about the purpose of the Accounting Act, refer section 1.1:

"The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information."

Hence, one of the main aims of the Accounting Act is to contribute to "informative accounts for different users of accounts". The users of the accounts will include investors, creditors, employees and the local community.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or directors' report should be prepared in Norwegian, not in any significant way deviate from the consideration of users of the accounts.

As mentioned above it is particularly the consideration of the users of the account information which has to be taken into consideration when considering the application for permission. In this assessment, the Directorate of Taxes has emphasized the majority of the shareholder are professional investors. The company is granted exemption from the Norwegian language requirement at Oslo Axess. English is the preferred language for internal and external communication. Further, the working language is English.



We kindly request you to mention "our reference" in written communication with The Norwegian Tax Authorities.

Med hilsen

Rune Tystad
Senior Adviser
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer

