Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	982 611 830
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	PCI BIOTECH AS
Forretningsadresse:	Ullernchausséen 64 0379 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Ronny Skuggedal
Dato for fastsettelse av årsregnskapet:	29.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert

År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 13.06.2023

Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Other income	5,6	6 273 000	7 368 000
Sum inntekter		**6 273 000**	**7 368 000**
Kostnader			
Research and development	7,8	71 707 000	75 571 000
General and administrative	7,8,9,10,14,23,24	15 626 000	9 254 000
Sum kostnader		**87 333 000**	**84 825 000**
Driftsresultat		**-81 060 000**	**-77 457 000**
Finansinntekter og finanskostnader			
Finacial income	11	750 000	2 302 000
Sum finansinntekter		**750 000**	**2 302 000**
Financial expenses, intragroup		1 591 000	2 905 000
Financial expenses	11,22	392 000	608 000
Sum finanskostnader		**1 983 000**	**3 513 000**
Netto finans		**-1 233 000**	**-1 211 000**
Ordinært resultat før skattekostnad		**-82 293 000**	**-78 668 000**
Ordinært resultat etter skattekostnad		**-82 293 000**	**-78 668 000**
Årsresultat		**-82 293 000**	**-78 668 000**

Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Property, plant and equipment	13	5 806 000	7 388 000
Right to use asset	22	1 854 000	605 000
Sum varige driftsmidler		**7 660 000**	**7 993 000**
Sum anleggsmidler		**7 660 000**	**7 993 000**
Omløpsmidler			
Varer			
Fordringer			
Other short-term receivables	16	12 167 000	13 076 000
Sum fordringer		**12 167 000**	**13 076 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	14,15, 17	89 642 000	119 493 000
Sum bankinnskudd, kontanter og lignende		**89 642 000**	**119 493 000**
Sum omløpsmidler		**101 809 000**	**132 569 000**
SUM EIENDELER		**109 469 000**	**140 562 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	18	5 817 000	5 494 000
Overkurs		67 576 000	97 254 000
Sum innskutt egenkapital		**73 393 000**	**102 748 000**

Balanse

Beløp i: NOK	Note	2021	2020
Sum egenkapital		**73 393 000**	**102 748 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Other long-term lliabilities	14	0	32 000
Long-term lease liabilities	22	1 277 000	0
Sum annen langsiktig gjeld		**1 277 000**	**32 000**
Sum langsiktig gjeld		**1 277 000**	**32 000**
Kortsiktig gjeld			
Trade accounts payables		3 726 000	5 130 000
Current lease liabilities	22	629 000	673 000
Public duties payables		1 573 000	1 978 000
Other current liabilities, intragroup	19	15 019 000	19 021 000
Other current liabilities	20	13 852 000	10 981 000
Sum kortsiktig gjeld	14,19	**34 799 000**	**37 783 000**
Sum gjeld	15	**36 076 000**	**37 815 000**
SUM EGENKAPITAL OG GJELD		**109 469 000**	**140 563 000**

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	22.08.2014	09.09.2014
Telefon	Deres referanse	Vår referanse
22078139	Per Walday	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 intemalization (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

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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

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ANNUAL REPORT 2021
PCI Biotech AS

PCI Biotech AS, Ullernchausséen 64, 0379 Oslo, Norway, Company no: 982611830 VAT
Phone: + 47 67 11 54 00, www.pcibiotech.com

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CONTENTS

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INTRODUCTION

ABOUT PCI BIOTECH

PCI Biotech AS ("PCI Biotech" or "the Company") is a cancer focused biopharmaceutical company headquartered in Norway. The parent company, PCI Biotech Holding ASA, is listed on Oslo Børs. The Company is developing therapeutic products based on its proprietary photochemical internalisation (PCI) technology, which originates from world leading research at the Norwegian Radium Hospital. PCI Biotech's lead product candidate is the photosensitiser fimaporfin (Amphinex®) and the Company has an extensive collaboration with Norwegian and international hospitals and companies.

OUR TECHNOLOGY

The PCI technology can enhance the effect of anticancer drugs by targeted, light-directed drug delivery into cancer cells, and can also be used as a platform that may both potentiate the effect of vaccines and enable macromolecules to reach intracellular targets. During 2021, PCI Biotech applied the technology to three distinct anticancer paradigms: fima*CHEM* (enhancement of chemotherapeutics for localised treatment of cancer), fima*VACC* (T-cell induction technology for therapeutic vaccination), and fima*NAC* (nucleic acid therapeutics delivery).

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 fimaporfin) and a light source. The primary aim of PCI is to introduce drug molecules or macromolecules into the cytosol of the target cells. It is this drug or macromolecule that gives the biological effect in a PCI treatment, and the intended biological effect may range from cell killing (fima*CHEM*), through modification of gene expression (fima*NAC*) to enhanced antigen presentation (fima*VACC*). Needless to say, in the two latter approaches the aim is not to kill the target cells, but PCI is employed to give the cells new properties by modifying the intracellular trafficking of drugs/antigens.

For different applications, fimaporfin will be formulated differently and used at different doses e.g. intravenous injection in localised cancer treatment versus minute amounts administered into the skin in the vaccination setting. The light source may also be different for different applications. Red laser light is used in localised cancer treatment to achieve good tissue penetration, while a LED light may be used in vaccination, as deep light penetration may not be needed to reach antigen presenting cells (APC's) at the site of vaccination.

BUSINESS AREAS FOR 2021

Recent advancements in cancer therapy, not least owing to the development of new classes of drugs, such as immunotherapeutics, imply a potential to significantly improve the prognosis for millions of patients. The potential of fimaporfin to improve the efficacy of anti-cancer agents has been convincingly shown in well-established preclinical models as well as in clinical trials, with the first clinical results being published in the renowned medical journal the Lancet Oncology. This was followed by a Phase Ib study in bile duct cancer patients that delivered encouraging early signs of tumour response and survival. Based on these positive findings, PCI Biotech focused during 2021 on developing three parallel programmes.

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INOPERABLE BILE DUCT CANCER AND fima*CHEM*

The fima*CHEM* programme aims to fulfil unmet medical needs by providing localised targeted enhancement of approved chemotherapies for the benefit of the many patients currently left without effective treatment options. Based on findings from a successful Phase Ib study in bile duct cancer patients, a single pivotal clinical trial, named the RELEASE study, was initiated in 2019 for inoperable extrahepatic bile duct cancer, a rare, but fatal disease with no cure.

PCI Biotech decided in January 2022 (after balance sheet date event) to close recruitment to the RELEASE study and focus the development efforts on the promising immunotherapy opportunities within fima*VACC* and selected applications for the fima*NAC* asset.

The decision to close the RELEASE study is based on recent randomised Phase III clinical trial results presented at the American Society of Clinical Oncology Gastrointestinal Cancer Symposium (ASCO GI, January 20-22, 2022) from the TOPAZ-1 study, demonstrating that a combination of immune checkpoint inhibition with gemcitabine and cisplatin provides a significant survival benefit to patients with advanced biliary tract cancer compared with placebo plus gemcitabine and cisplatin. These results are expected to rapidly change the first line standard treatment for patients with unresectable perihilar or distal bile duct cancer, which is the intended patient population of the RELEASE trial. Such a change in the standard of care treatment will render the RELEASE trial challenging to complete and the clinical results potentially inadequate for approval and significantly diminish the opportunity for PCI Biotech's treatment approach in this patient population.

These recent clinical trial results, which were presented at ASCO GI, are positive news for patients and the impact has been discussed with key opinion leaders, confirming an expected rapid change and early adoption of immunotherapy plus chemotherapy as the new standard of care treatment for the RELEASE trial's target population.

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

The trial enrolled a total of 41 patients, of which around 30% will continue to receive the study treatments for a duration of up to six months in 2022. The results of the RELEASE trial will be compiled and analysed for assessment of how they can be utilised going forward.

IMMUNOTHERAPY AND fima *VACC*

Immunotherapy utilises the body's own immune system to fight cancer, which is a radically different approach to treating cancer than chemotherapy. The armamentarium of cancer immunotherapies includes many different therapeutic approaches including antibody-based treatments, cell-based therapies, and therapeutic vaccines. The pharmaceutical industry has long recognised the potential of therapeutic cancer vaccination and the objective of a therapeutic vaccine is to treat an established disease using the body's natural defences. Whereas in a traditional anti-infectious vaccine, the main component of the vaccine is the infectious agent antigen, in the case of a cancer vaccine the main component can be a peptide or protein found on the surface of tumour cells. By vaccinating with such tumour-specific antigens, the body's natural defences can be trained to recognise and destroy cancer cells.

Peptide and protein based vaccines are a subgroup of therapeutic cancer vaccines. There is a broad consensus that therapeutic peptide and protein based cancer vaccines have so far not been able to elicit sufficiently strong immune responses. A fundamental challenge for most existing therapeutic vaccine approaches is to produce a strong and relevant cellular immune response (T-cell activation). Potent induction of Cytotoxic T-cells is considered paramount for successful therapeutic vaccination. This is a main need in the market, which could be addressed by using the fima*VACC* technology. In addition to the use in therapeutic vaccination for cancer, fima*VACC* also has the potential to be used for the treatment of infectious diseases.

fima*VACC* is an endosomal escape technology that may realise the true benefit of innovative therapeutic vaccines by modifying the intracellular machinery of immune cells in such a way that antigens are more efficiently processed and induce antigen specific cytotoxic T-cells. The innovative

and well characterised mode of action of fima*VACC* can be applied to a wide range of cancer vaccine technologies and provide PCI Biotech with a strategic opportunity to enter the field of cancer immunotherapy at a time where the understanding of cancer biology and the potential of modulating the immune response to fight cancer is growing at a rapid pace. The fima*VACC* technology is versatile, as it can be used with several modalities, including nucleic acid based immunotherapy technologies.

In terms of type of vaccination, fima*VACC* is also a versatile technology that can be used in multiple settings including, intradermal, intranodal, and intratumoural administration. Preclinical research has shown that it could also be developed in conjunction with *ex vivo* vaccination. Another promising way forward in the development of therapeutic vaccines is to combine vaccination with other cancer immunotherapy modalities such as checkpoint inhibitors (CPIs). There is a strong scientific rationale for combining CPIs with the fima*VACC* technology: fima*VACC* increases the number of T-cells induced by cancer vaccines while the CPIs prevent the tumour from evading the immune response.

Vaccine technologies commonly utilise adjuvants to enhance immune responses, but the consensus is that each one of the adjuvants available today has shortcomings, like variation in efficacy and toxicity issues. fima*VACC* is expected to increase vaccines' efficacy and generate the immune response faster, and to be user-friendly since illumination of the target area is considered to be a minor inconvenience that potentially can be done without involvement of health personnel. fima*VACC* has the potential to increase patient safety if it can reduce the antigen payload and adjuvant volume per treatment and reduce the number of treatments needed. Increased efficacy for a broad range of peptide and protein based vaccines and patient safety are fima*VACC*'s key competitive differentiators.

The proprietary fima*VACC* technology was successfully translated into humans through a Phase I study in healthy volunteers after having demonstrated strong preclinical efficacy. The immune results in man provide Proof-of-Concept and clinical support of fima*VACC*'s potential to enhance overall T-cell responses, by demonstrating improvement of the immunogenicity of vaccines in healthy volunteers. It is anticipated that several of the cancer vaccines in development could use fima*VACC* to boost their activation of T-cells and increase their efficacy. There are competing peptide vaccine enhancing technology platforms; for example adjuvants, liposomes and nanoparticles. For some of these technologies fima*VACC* has shown synergistic effects in the preclinical setting.

NUCLEIC ACID THERAPEUTICS AND THE fima*NAc* DELIVERY TECHNOLOGY

PCI Biotech's nucleic acid therapeutics program (fima*NAc*) aims at improving the efficacy of novel nucleic acid based therapies. The fima*NAc* technology addresses a main hurdle in the development of nucleic acid based therapies: Sufficient release of therapeutics inside the targeted cells. The therapeutic molecules are, due to their size and charge, notoriously difficult to deliver in large payloads inside cells. Nucleic acids are in most cells taken up by endocytosis, but are then trapped in endosomes, constituting a barrier severely limiting the achievable therapeutic effect. Thus, nucleic acids are very good candidates for enhancement by an endosomal release technology like fima*NAc*, and preclinical experiments have shown that fima*NAc* can give a substantial improvement in the effect of important classes of nucleic acids such as oligonucleotides and mRNA. Nucleic acid therapeutics are widely acknowledged to have a large potential as therapeutic agents, and numerous clinical trials with nucleic acid therapeutics are underway. The commercial exploitation of most such drugs has been hampered by the lack of technologies for efficient delivery of the therapeutic molecules to their molecular targets inside cells. PCI Biotech's fima*NAc* drug delivery technology has the potential to address this issue, as demonstrated in numerous preclinical models.

Nucleic acids have emerged as very promising therapeutic candidates for a wide range of diseases and are now considered the third major drug class, in addition to antibodies and small molecules. Recent progress has been rapid and broad, with several nucleic acid based drugs on the market and with a broad pipeline. The development of the fimaNAc programme is focused on selected applications well suited to the specific strengths of the PCI technology and with several collaborations established. It is a preclinical stage programme aiming at improving the efficacy of novel nucleic acid based therapies, where partners are exploring technological synergies, with potential for further deepening of the partnerships. PCI Biotech see great potential for further development of our intracellular delivery technology, not least within the emerging field of mRNA.

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PCI Biotech AS – financial statement

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021
(1.1 - 31.12)

(figures in NOK 1.000)	Note	2021	2020
Other income	*5,6*	6 273	7 368
Total income		**6 273**	**7 368**
Research and development	*7,8*	71 707	75 571
General and administrative	*7,8,9,10,13*	15 626	9 254
Total operating expenses	*21,22*	**87 333**	**84 825**
Operating results		**-81 060**	**-77 457**
Financial income	*11*	750	2 302
Financial expenses, intragroup		1 591	2 905
Financial expenses	*11,22*	392	608
Net financial results		**-1 233**	**-1 211**
Profit/Loss before income tax		**-82 293**	**-78 668**
Income tax	*12*	-	-
Net profit/loss for the year		**-82 293**	**-78 668**
Other comprehensive income, net of tax			
Items that will not be reclassified to income statement		-	-
Items that subsequently may be reclassified to income statement		-	-
Total comprehensive income for the year		**-82 293**	**-78 668**

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PCI Biotech AS

BALANCE SHEET
for the year ended 31 December 2021

ASSETS *(figures in NOK 1.000)*	Note	2021	2020
Non-current assets			
Property, plant and equipment	*13*	5 806	7 388
Right to use assets	*22*	1 854	605
Total non-current assets		**7 660**	**7 994**
Current assets			
Other short-term receivables	*16*	12 167	13 076
Total receivables	*15*	**12 167**	**13 076**
Cash and cash equivalents	*14,15,17*	89 642	119 493
Total current assets		**101 809**	**132 569**
Total assets		**109 469**	**140 562**

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PCI Biotech AS
BALANCE SHEET for the year ended 31 December 2021

EQUITY AND LIABILITIES *(figures in NOK 1.000)*	Note	2021	2020
Equity			
Share capital	*18*	5 817	5 494
Share premium		67 576	97 254
Retained earnings		-	-
Total equity	*8*	**73 393**	**102 748**
Liabilities			
Non-current liabilities			
Other long-term liabilities	*14*	-	32
Long-term lease liabilities	*22*	1 277	-
Total non-current liabilities		**1 277**	**32**
Current liabilities			
Trade account payables		3 726	5 130
Current lease liabilities	*22*	629	673
Public duties payables		1 573	1 978
Other current liabilities, intragroup	*19*	15 019	19 021
Other current liabilities	*20*	13 852	10 981
Total current liabilities	*14,19*	**34 799**	**37 783**
Total liabilities	*15*	**36 076**	**37 815**
Total equity and liabilities		**109 469**	**140 562**

Oslo, 28 June 2022
Board of Directors and Chief Executive Officer,
PCI Biotech AS

Ronny Skuggedal	Lucy Wabakken	Anders Høgset
Chairman, CEO	*Director*	*Director*

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PCI Biotech AS

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

(figures in NOK 1,000)	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 31 December 2019	*8,18*	**5 171**	**99 906**	**0**	**0**	**105 077**
Capital increase		323	69 677	-	-	70 000
Share-based payments		-	-	6 339	-	6 339
Total comprehensive income		-	-72 329	-6 339	-	-78 668
Equity at 31 December 2020	*8,18*	**5 494**	**97 254**	**0**	**0**	**102 748**
Capital increase		323	39 677	-	-	40 000
Share-based payments		-	-	12 939	-	12 939
Total comprehensive income		-	-69 354	-12 939	-	-82 293
Equity at 31 December 2021	*8,18*	**5 817**	**67 576**	**0**	**0**	**73 393**

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PCI Biotech AS
CASH FLOW STATEMENT
for the year ended 31 December 2021

(figures in NOK 1,000)

	Note	2021	2020
Profit/Loss before income tax		-82 293	-78 668
Depreciation and amortisation	7,13	2 541	2 208
Leasing interest cost	22	38	75
Share-based payments	8	12 939	6 339
Currency gain (-) / loss (+) not related to operations	17	16	-115
Changes in accounts receivables		909	1 502
Changes in account payables		-1 404	-3 323
Changes in other net operating assets and liabilities		2 434	-3 373
Cash flow from operating activities		**-64 820**	**-75 354**
Disbursement intragroup interest-bearing loan		-5 600	-4 184
Proceeds intragroup interest-bearing loan		41 598	65 194
Acquisition of non-current assets	13	341	-3 919
Net cash flow from investing activities		**35 658**	**57 091**
Payment principal portion of lease liability	22	-673	-668
Net cash flow from financing activities		**-673**	**-668**
Net changes in cash and cash equivalents		**-29 835**	**-18 930**
Exchange rate effect on bank deposits in foreign currency	17	-16	115
Cash and cash equivalents at 1 January		119 493	138 308
Cash and cash equivalents at 31 December	17	**89 642**	**119 493**

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PCI BIOTECH AS – ACCOUNTING PRINCIPLES 2021

1. Corporate information
The annual accounts for 2021 for PCI Biotech AS (the Company or PCI Biotech) were approved for publication by the Board of Directors on 28 June 2022.

PCI Biotech AS is a wholly owned subsidiary of PCI Biotech Holding ASA, a public listed company at Oslo Børs and domiciled in Norway. The business of PCI Biotech is associated with research and development of pharmaceutical products and related technical equipment. The office address is Ullernchausséen 64, N-0379 Oslo.

2. Significant accounting policies

2.1 Basis of preparation
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 2021.

The annual accounts for 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. 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.

2.2 Summary of significant accounting policies

a) Current versus non-current classification

The Company 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.

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 Company 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.

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 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

The Company's financial statements are presented in NOK, which is the company's functional currency. Transactions in foreign currencies are initially recorded 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 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 Company 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 Company 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 Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company 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 Company 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 Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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 Company 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 Company 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 Company 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 Company ´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 Company's business model for managing them. The Company

initially measures 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 Company 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 is the most relevant category for the Company. 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 Company's right to an amount of consideration that is unconditional.

The Company financial assets at amortised cost includes governmental grant receivables and cash and cash equivalents (short-term deposits). The Company 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 Company's consolidated statement of financial position) when:
• The rights to receive cash flows from the asset have expired
or
• The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 14 Financial risk
• Note 16 Receivables by year-end
• Note 17 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 Company's financial liabilities include trade and other payables. The Company 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.

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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 Company 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 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 Company receive remuneration in the form of share-based payments from the parent company PCI Biotech Holding ASA, 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 Company'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.

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 Company's Chief Operating Decision Maker. Chief Operating Decision Makers are defined as the Company's management group. The Company 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 Company'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 Company's financial position on the balance sheet date, but which will affect the Company'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 Company;
- 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 Company.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021, but they do not have an impact on the financial statements of the Company. The Company has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

The following standards and amendments are applied for the first time in the 2021 consolidated accounts,
* Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4 and IFRS 16.

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These amendments had no impact on the consolidated financial statements of the Company for 2021.

3. Significant accounting estimates and assumptions

The preparation of the Company's 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 Company's exposure to risks and uncertainties include:

- Financial risk management and policies, Note 14 Financial risk.

In the process of applying the Company'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 Company has not recognised a deferred tax asset related to carry forward losses, as described in more detail in Note 12 Tax.

4. Standards issued, but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. 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 AS - NOTES FINANCIAL STATEMENT 2021

5 OTHER INCOME

OTHER INCOME
(figures in NOK 1,000)

	2021	2020
SkatteFUNN	4 750	4 750
Grants from the Research Council of Norway	1 422	2 573
Other	101	45
Total other income	**6 273**	**7 368**

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 Company 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 Company has only one operating segment, which is research and development, and had no revenues for the reporting periods.

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	2021	2020
Salary expenses	8	24 556	20 834
Share option scheme, accounting effect	8	12 549	1 291
R&D exclusive salary and other operating expenses		43 595	55 389
Depreciation and amortisation	13,22	2 541	2 208
Legal, audit, accounting, patents		2 342	2 720
Other operating expenses		1 749	2 383
Total operating expenses		**87 333**	**84 825**

Of the total salary expenses NOK 17 369 relates to R&D activities (2020: NOK 15 379).

R&D expenses by category:

	2021	2020
Clinical studies	57 204	57 761
Pre-clinical studies	6 966	6 607
CMC and equipment	3 332	6 637
Patents	4 205	4 566
Other expenses	0	0
Total R&D expenses	**71 707**	**75 571**

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The Company 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 2.7 million (2020: NOK 3.8 million).

8 SALARY EXPENSES AND OTHER REMUNERATION

(figures in NOK 1,000)	Note	2021	2020
Wages and Board of Directors remuneration		19 915	16 000
Social security contributions		2 663	2 629
Share-based payments, incl social security		12 549	1 291
Pension costs	9	1 702	1 627
Other expenses		276	419
Total salary expenses		**37 105**	**21 967**
No. of full-time equivalent positions		14.3	14.2

Share option programme for employees
Employees (including executive management) of the Company 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 Company 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 are 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 Holding ASA's own stock market price. 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 share options granted in 2021 were NOK 7.5 million (2020: NOK 20.7 million). The fair value estimated at grant date is amortised over the vesting period of three years.

Share options granted in 2021 and 2020	**September 2021**	**October 2020**
Number of share options	485 000	540 000
Dividend	0	0
Historical volatility (%)	132 %	107 %
Risk free interest rate (%)	1,11%	0.37 %
Expected lifetime (years)	5	5

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Authorisation from the annual general meeting
The general meeting held 28 May 2021 authorised the Board of Directors of PCI Biotech Holding ASA to grant the employees with a total of 2,790,000 share options and the authorisation applies for one year. 1,615,000 share options of the current authorisation have been granted by the Board of Directors at year-end 2021. 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 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 for the share options.

Of the 485,000 share options, a total of 340,000 share options were allotted to the following primary insiders: 70,000 share options were allotted to Per Walday, CEO. 60,000 share options were allotted to Amir Snapir, CMO. 50,000 share options were allotted to Ronny Skuggedal, CFO. 40,000 share options were allotted to Ludovic Robin, CBO. 40,000 share options were allotted to Anders Høgset, CSO. 40,000 share options were allotted to Lucy Wabakken, CDO (acting). 40,000 share options were allotted to Kristin Eivindvik, CDO.

Share option transactions during 2020
Participants in the Company's share option program exercised on 2 September 2020 a total number of 60,500 share options, out of these 26,000 share options were exercised at a strike price of NOK 7.84 and 34,500 share options were exercised at a strike price of NOK 3.26. The average market value for the shares were NOK 45.60. All of the exercised share options were about to expire unless exercised.

Out of the total number of exercised share options, 54,500 share options are exercised by the following primary insiders:

Primary insider Per Walday (CEO) has on 2 September 2020 exercised a total number of 9,000 share options at a strike price of NOK 3.26. The share options were granted to Walday in November 2015 and now about to expire unless exercised. Subsequent to the exercise he has sold 4,600 shares in the market at an average price of NOK 45.6 per share in order to finance the cash and tax impact of the transaction.

Primary insider Ronny Skuggedal (CFO) has on 2 September 2020 exercised a total number of 20,000 share options at a strike price of NOK 7.84 and a total number of 6,000 share options at a strike price of NOK 3.26. The share options were granted to Skuggedal in April 2015 and November 2015 and now about to expire unless exercised. Subsequent to the exercise he has sold 14,000 shares in the market at an average price of NOK 45.6 per share in order to finance the cash and tax impact of the transaction.

Primary insider Kristin Eivindvik (PD) has on 2 September 2020 exercised a total number of 6,000 share options at a strike price of NOK 7.84 and a total number of 7,500 share options at a strike price of NOK 3.26. The share options were granted to Eivindvik in April 2015 and November 2015 and now about to expire unless exercised. Subsequent to the exercise she has sold 7,100 shares in the market at an average price of NOK 45.6 per share in order to finance the cash and tax impact of the transaction.

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Primary insider Anders Høgset (CSO) has on 2 September 2020, as a participant in the Company's share option program, exercised a total number of 6,000 share options at a strike price of NOK 3.26. The share options were granted to Høgset in November 2015 and now about to expire unless exercised. Subsequent to the exercise he has sold 4,500 shares in the market at an average price of NOK 45.6 per share.

In accordance with the authorisation granted by the Annual General Meeting 27 May 2020, the Board of Directors of PCI Biotech Holding ASA awarded a total of 540,000 share options to key employees on 6th October 2020. 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 50.36, equal to the volume weighted average share price (VWAP) for the last 5 days of trade prior to the grant date.

The share options vest over approximately three years and can be exercised with 1/3 of the options after approximately one year, further 1/3 after approximately two years and the last third after approximately three years. To ensure long term ownership by executive management, shares shall be held for at least three years after exercise, except shares to be sold immediately to cover transaction costs and tax under a so called cash less exercise.

The Black-Scholes method is used for fair value assessment of the share options at grant date and the fair value is assessed to NOK 20.7 million which will be charged to the profit and loss statement over the vesting period for the share options. The share options are subject to other customary terms and conditions for employee incentive programs and the share options are lapsing in Q3 2025.

Of the 540,000 share options, 400,000 share options were allotted to the following primary insiders: 90,000 share options were allotted to Amir Snapir, CMO. 90,000 share options were allotted to Ludovic Robin, CBO. 70,000 share options were allotted to Per Walday, CEO. 50,000 share options were allotted to Anders Høgset, CSO. 50,000 share options were allotted to Ronny Skuggedal, CFO. 50,000 share options were allotted to Lucy Wabakken, CDO (acting).

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 cost of NOK 12.6 million (2020: NOK 1.3 million). The potential social security liability for future exercises are 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 are in-the-money per year-end 2021.

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	2020
2022 - Q3	21.48	310 000	325 000
2024 - Q3	25.78	300 000	320 000
2025 - Q3	50.36	520 000	540 000
2026 - Q3	19.41	485 000	-
Total		**1 615 000**	**1 185 000**

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

	2021		2020	
	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	705 500	17.70
Granted during the year	485 000	19.41	540 000	50.36
Lapsed during the year	55 000	33.55	0	-
Exercised during the year	0	-	60 500	5.23
Expired during the year	0	-	0	-
Outstanding at year-end	1 615 000	30.96	1 185 000	35.80
Exercisable options at year-end	683 333	30.06	431 667	22.54

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

Number of options 2021 / 2020	Exercise price in NOK per share	Average remaining lifetime (years)	
		2021	2020
310 000 / 325 000	21.48	0.7	1.7
300 000 / 320 000	25.78	2.7	3.7
520 000 / 540 000	50.36	3.7	4.7
485 000 / 0	19.41	4.7	-

9 PENSION EXPENSES

(figures in NOK 1,000)

	2021	2020
Total pension cost from contribution schemes	1 702	1 627

The contribution pension scheme is in compliance with Norwegian public requirements and a total of 13 employees are included in the scheme at year-end 2021 (2020: 14 employees), in addition to one employee in a Finnish pension scheme and two employees in a Swedish pension scheme.

10 AUDITORS FEE

AUDITOR FEES

(figures in NOK 1,000)	2021	2020
Statutory audit	79	63
Other assurance services	44	44
Total	**123**	**107**

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11 FINANCIAL INCOME AND EXPENSES

(figures in NOK 1,000)

	2021	2020
Interest income	601	1 765
Interest income group company	-	0
Other financial income	150	537
Total financial income	**750**	**2 302**
Interest expense	10	15
Interest expense leasing	38	75
Other financial expense	344	518
Total financial expense	**392**	**608**

12 TAX

(figures in NOK 1,000)

	2021	2020
Comprehensive income before tax	**-82 293**	**-72 239**
Expected nominal rate of tax (2021: 22% / 2020: 22%)	-18 105	-15 893
Permanent differences charged through P&L	1 802	343
Deferred tax asset not recognised in the balance sheet	16 303	15 549
Total tax expense for the year	0	0

Specification of basis for deferred tax asset / liability
Tax effect of temporary differences:

	2021	2020
Fixed assets	64	184
Receivables	-11	0
Carry forward loss	-131 742	-115 570
Total tax asset (22% for 2021 / 22% for 2020)	**-131 689**	**-115 386**
Deferred tax asset not recognised	131 689	115 386
Deferred tax asset recognised in the balance sheet	0	0

The Company has 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 FIXED AND INTANGIBLE ASSETS

(figures in NOK 1,000)

	Device (laser)	Office equipment	Total
Acquisition cost per 31 December 2019	**5 349**	**392**	**5 742**
Additions in 2020	3 919	0	3 919
Disposals and scrapping during 2020	0	0	0
Acquisition cost per 31 December 2020	**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**
Accumulated depreciation per 31 December 2019	**339**	**330**	**669**
Ordinary depreciation 2020	1 589	13	1 603
Disposals in 2020	0	0	0
Accumulated depreciation per 31 December 2020	**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**
Book value per 31 December 2020	7 340	48	7 388
Book value per 31 December 2021	**5 773**	**33**	**5 806**

The laser device is for the fima*CHEM* programme. The COVID-19 pandemic has not impacted the valuation of fixed assets per year-end 2021 or 2020. A non-adjusting event after the reporting period has made the device (lasers) of no or low value by January 2022 and the carrying amount of NOK 5.8 million will be depreciated in full in 2022. See Note 24 Subsequent events for more details.

14 FINANCIAL RISK

This note describes the Company'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 Company 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 of PCI Biotech Holding ASA.

Centralised risk management
PCI Biotech has a centralised risk management policy. The most important tasks within risk management are to ensure the Company'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. A hedging-oriented view forms the basis for risk management of the finance department's positions so that all transactions with financial instruments have a counter item in an underlying commercial hedging requirement. Any permits required for borrowing and entering into derivative framework agreements are given on an annual basis by the Board of Directors of PCI Biotech Holding ASA.

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 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

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year-end 2021 the group has placed cash deposits in EURO to hedge the foreign currency risk for the RELEASE study.

(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 Company'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.

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 current cost base for the Company will be reduced over time in 2022, mainly due to the closure of the RELEASE trial and implemented cost reduction matters during first half of 2022 slimming down both the operational- and executive team. The cash position per year-end 2021 is on this basis estimated to enable a financial runway well into 2023.

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The following table shows an overview of the maturity structure of the company's financial obligations, based on non-discounted contractual payments.

(figures in NOK 1,000)	Remaining period				
	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
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	3 726	0	0	0	**3 726**
Current lease liabilities	0	0	629	0	**629**
Public duties payables	1 031	542	0	0	**1 573**
Other current liabilities	779	3 398	9 675	0	**13 852**
Other current liabilities, intragroup	0	0	15 019	0	**15 019**
Total liabilities	**5 536**	**3 940**	**25 323**	**1 277**	**36 076**
31.12.2020					
Other long-term liabilities	0	0	0	32	**32**
Long term lease liabilities	0	0	0	0	**0**
Trade accounts payables	5 130	0	0	0	**5 130**
Current lease liabilities	168	168	336	0	**673**
Public duties payables	950	165	863	0	**1 978**
Other current liabilities	175	4 516	6 290	0	**10 981**
Other current liabilities, intragroup	0	0	19 021	0	**19 021**
Total liabilities	**6 423**	**4 849**	**26 510**	**32**	**37 815**

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

Credit risk
PCI Biotech has no sales or receivable balances based on sales for 2021 and 2020 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 2021 or 2020. The majority of the Company'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 2021 or 2020.

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

The following table details the 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

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	Changes in exchange rates	Effect on operating result
2021	+/- 10 %	+/- 128
2020	+/- 10 %	+/- 298

15 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The Company's financial assets are governmental grant receivables, and the Company's financial liabilities are accounts payables and other current liabilities. 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.

16 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 2021 or 2020.

Other current receivables - specification
(Figures in NOK 1,000)

	31.12.2021	31.12.2020
Recognised not received government grants	4 750	5 373
Prepaid payables	7 091	7 122
VAT receivables	326	581
Total other receivables	**12 167**	**13 076**

17 CASH AND CASH EQUIVALENTS

(Figures in NOK 1,000)

	31.12.2021	31.12.2020
Cash and cash equivalents, restricted [1]	938	799
Cash and cash equivalents, non-restricted	88 704	118 694
Total	**89 642**	**119 493**

(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 2021 or 2020.

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18 SHARE CAPITAL

	No. of shares	Nominal value per share in NOK	Share capital in NOK
Share capital as per 31.12.2019	**3 232 600**	**1,60**	**5 172 160**
Share issues in 2020	-	0,10	323 260
Share capital as per 31.12.2020	**3 232 600**	**1,70**	**5 495 420**
Share issues in 2021	-	0,10	323 260
Share capital as per 31.12.2021	**3 232 600**	**1,80**	**5 818 680**

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.

In November 2021 a capital increase of NOK 40 million was resolved, by contribution in kind of an intragroup loan from the parent company, PCI Biotech Holding ASA. After the transaction the share capital is NOK 5,818,680 divided by 3,232,600 shares, each with a nominal value of NOK 1.80. The company is a wholly owned subsidiary by PCI Biotech Holding ASA.

Shares owned in the parent company PCI Biotech Holding ASA, directly or indirectly, by members of the board and executive management, and their personally related parties per 31.12.2021 and per 31.12.2020:

		Number of shares	
Name	**Position**	**31.12.2021**	**31.12.2020**
Per Walday	CEO	72 700	72 700
Anders Høgset	CSO	64 800	64 800
Ronny Skuggedal	CFO	55 000	55 000
Kristin Eivindvik	CDO	25 200	25 200
Lucy Wabakken, and related parties	CDO (acting)	10 008	10 008
Ludovic Robin	CBO	-	-
Amir Snapir	CMO	-	-
Total		**378 336**	**378 336**

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

19 FINANCING STRUCTURE

Except for interest-bearing leasing debt the Company had no external interest-bearing debt as of year-end 2021 or 2020. At current stage the Company is in a research and development phase and is financially dependent on support from the parent company, PCI Biotech Holding ASA. See Note 23 Going concern for further details

20 OTHER CURRENT LIABILITIES BY YEAR END

(Figures in NOK 1,000)

	31.12.2021	31.12.2020
Accruals for incurred external R&D expenses	9 347	6 440
Accruals for employee bonus, holiday payments, board remuneration etc.	4 505	4 541
Other accruals	0	0
Total other current liabilities	**13 852**	**10 981**

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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.

21 RELATED PARTIES TRANSACTIONS

Figures for remuneration are expensed amounts in the financial year.

(Figures in NOK 1,000)	Board remuneration	Salary	Bonus	Other benefits	Pension benefits	Total
Senior executives 2021						
Per Walday, CEO	0	2 260	487	20	161	**2 928**
Ronny Skuggedal, CFO	0	1 666	287	20	154	**2 128**
Anders Høgset, CSO	0	1 399	152	20	138	**1 710**
Kristin Eivindvik, PD	0	498	15	16	78	**607**
Lucy Wabakken, CDO (acting)	0	1 139	104	20	145	**1 408**
Ludovic Robin, CBO	0	1 793	222	63	0	**2 078**
Amir Snapir, CMO	0	2 163	318	44	406	**2 932**
Total senior executives remuneration	**0**	**10 919**	**1 585**	**205**	**1 082**	**13 790**
Senior executives 2020						
Per Walday, CEO*	0	2 031	317	400	154	**2 902**
Ronny Skuggedal, CFO*	0	1 434	258	1 027	153	**2 873**
Anders Høgset, CSO*	0	1 124	106	273	131	**1 633**
Kristin Eivindvik, PD*	0	1 017	54	558	130	**1 759**
Lucy Wabakken, CDO (acting)	0	1 094	92	19	127	**1 331**
Ludovic Robin, CBO**	0	1 110	0	65	0	**1 175**
Amir Snapir, CMO**	0	1 271	0	44	183	**1 497**
Total senior executives remuneration	**0**	**9 080**	**827**	**2 386**	**878**	**13 171**

* "Other benefits" include salary benefits in relation to exercise of share options during 2020.
** Ludovic Robin and Amir Snapir joined the Company in May 2020.

The senior executives participate in the Company'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 for PCI Biotech Holding ASA 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 18 Share capital.

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Allocation, exercise and holdings of share options in the parent company PCI Biotech Holding ASA for senior executives are presented in the table below:

Overview share options, Senior executives	Total holdings 31.12.2020	Allocated	Lapsed	Exercised	Expired	Total holdings 31.12.2021	Average exercise price in NOK
Per Walday, CEO	225 000	70 000	0	0	0	295 000	28.72
Ronny Skuggedal, CFO	140 000	50 000	0	0	0	190 000	29.44
Anders Høgset, CSO	150 000	40 000	0	0	0	190 000	29.55
Kristin Eivindvik, CDO	70 000	40 000	0	0	0	110 000	24.92
Lucy Wabakken, CDO (acting)	120 000	40 000	0	0	0	160 000	30.79
Ludovic Robin, CBO	90 000	40 000	0	0	0	130 000	40.84
Amir Snapir, CMO	90 000	60 000	0	0	0	150 000	37.98
Total	**885 000**	**340 000**	**0**	**0**	**0**	**1 225 000**	

Related parties:

Helpyou2 Ltd.
Helpyou2 Ltd. is a UK based company wholly 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 other 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 for services related to the SAC received fees of NOK 21 thousand for 2021 (2020: NOK 0.). For other related agreed scientific consultancies, Helpyou2 Ltd. received NOK 24 thousand in fees for 2021 (2020: NOK 0). 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 2021 or 2020.

PCI Biotech Holding ASA:
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 2.2 million in 2021 (2020: NOK 1.9 million). The parent company has charged PCI Biotech AS interest expenses for intercompany loans of NOK 1.6 million during 2021 (2020: NOK 2.9 million). Net current receivables from PCI Biotech AS at year-end 2021 were NOK 15.0 million (2020: NOK 19.0 million). In 2021 an intercompany loan to PCI Biotech AS of NOK 40 million was utilised as contribution in kind from PCI Biotech Holding ASA for a capital increase in PCI Biotech AS.

22 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 in 2021 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. Amounts of minimum lease payment for the non-cancellable operating lease is NOK 1.9 million (discounted contractual payments) per year-end 2021, applying an incremental borrowing rate of 6%.

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

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Right to use asset - office lease	
Initial recognition 01.01.2019	1 815
Acquisition costs 31.12.2019	**1 815**
Acquisitions FY 2020	0
Acquisitions FY 2021	1 867
Accumulated acquisition costs 31.12.2021	**3 682**
Depreciation FY 2020	605
Accumulated depreciation and impairment as of 31.12.2020	**1 209**
Depreciation FY 2021	620
Accumulated depreciation and impairment as of 31.12.2021	**1 828**
Total right to use assets – office lease as of 31.12.2020	**605**
Total right to use assets – office lease as of 31.12.2021	**1 854**
Lower of remaining lease term or economic life - 2020	1.0 years
Lower of remaining lease term or economic life - 2021	3.0 years
Depreciation method	Linear

Lease liabilities - office	
Accumulated recognition 31.12.19	1 196
Recognition during 2020	0
Recognition during 2021	1 867
Accumulated recognition 31.12.21	**3 063**
Payments principal portion of the lease liability FY 2020	-668
Payments principal portion of the lease liability FY 2021	-672
Interest expenses on the lease liability FY 2020	144
Interest expenses on the lease liability FY 2021	40
Total lease liabilities for office as of 31.12.2020	**673**
Total lease liabilities for office as of 31.12.2021	**1 906**
Whereof:	
Short term lease liabilities < 1 year 2020 / 2021	673 / 629
Long term lease liabilities > 1 year 2020 / 2021	0 / 1 277

The Company 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.

Income statement effects leasing	**2021**	**2020**
Depreciation of right to use asset	-620	-606
Operating expenses for short-term leases	0	-170
Effect on Operating results net of tax	**-620**	**-777**
Interest expenses on the lease liabilities	-40	-144
Effect on Net financial result net of tax	**-660**	**-921**
Comprehensive income effect net of tax	**-660**	**-921**

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The Company had total cash outflows related to leases of NOK 1.0 million in 2021 (2020: NOK 0.8 million). Minimum payments for non-cancellable payments for all leases are NOK 0.7 million per year-end 2021 (2020: NOK 0.9 million).

23 GOING CONCERN

PCI Biotech AS is dependent on financial support from the parent company, PCI Biotech Holding ASA, which finalised a capital increase with gross proceeds of NOK 360 million in October 2018. Major parts of the proceeds have been transferred to PCI Biotech AS during 2018, 2019, 2020 and 2021, by capital increases and intragroup debt. The parent company, PCI Biotech Holding ASA, will continue to financial support PCI Biotech AS as this entity is the operational unit within the PCI Biotech group and the company has not reached commercial stage per date of this financial statement.

In accordance with § 3-3a of the Norwegian Accounting Act (NAA) it is confirmed that the conditions for assuming that the Company will continue as a going concern are present and that the financial statements have been prepared on the basis of this assumption.

24 SUBSEQUENT EVENTS

The company decided in January 2022 to close recruitment to the RELEASE study and focus the drug development efforts on the promising immunotherapy opportunities within fima*VACC* and selected applications for the fima*NAC* asset.

From a financial reporting perspective, the stop-decision is a non-adjusting after the reporting date event. There is one balance sheet item under Non-current assets that will be impacted by the decision to close the trial in January 2022. Property, plant and equipment include a device specifically designed to be used in the trial, and the post-decision value of the device is considered low. Per year-end 2021 these devices were recognised with a carrying value of NOK 5.8 million in the balance sheet, which will be depreciated in full in January 2022 without cash-flow effect.

PCI Biotech has focused on a swift and cost-efficient closing process of the RELEASE trial. The sites with no ongoing patients, nearly 60%, were closed immediately after the decision to terminate recruitment. Collection of efficacy data continued for ongoing patients until the earliest possible closure of the remaining sites. The trial enrolled a total of 41 patients, of which 34 patients provided efficacy data on PFS and ORR endpoints, which did not allow conclusion on potential differences between the treatment arms. All further follow-up assessments have ceased and the last patient will leave the study in May. The swift wind-down of RELEASE allows the company to reallocate resources to the other drug development programmes.

As next development step for fima*VACC* the company is actively preparing for a Phase II clinical proof-of-concept (PoC) study, while financing opportunities are being explored.

The war in Ukraine started after the company decided to close recruitment to the RELEASE trial and have therefore no material impact on the operations for PCI Biotech.

In March 2022 the CEO, Dr Per Walday, resigned to assume a new position. Dr Walday has a notice period of six months, and he stepped down from his position by the end of May 2022. CFO, Ronny Skuggedal, is appointed Interim CEO effective 1 June 2022 and will then hold both positions.

PCI Biotech is not aware of any other subsequent events since year-end 2021 which is of material significance to the financial statements as of 31 December 2021.

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Pci Biotech AS

Opinion

We have audited the financial statements of Pci Biotech AS (the Company), which comprise the balance sheet as at 31 December 2021, 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 as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with 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 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.

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 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, whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

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 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 to cease operations, or has no realistic alternative but to do so.

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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 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 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 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.

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.

Oslo, 28. June 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Tommy Romskaug
State Authorised Public Accountant (Norway)

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OTHER INFORMATION

DEFINITIONS AND GLOSSARY

Amphinex:	Trade name of the clinical intravenous formulation of fimaporfin
APC:	Antigen Presenting Cell
BIA:	User-driven research-based innovation program by the Research Council of Norway
CCA:	Cholangiocarcinoma – Bile duct cancer
CPI:	Checkpoint Inhibitor
CRC:	Cohort Review Committee
CSR:	Corporate Social Responsibility
FDA:	US Food and Drug Administration
Fimaporfin:	Generic name of the photosensitiser active ingredient TPCS2a
fima*CHEM*:	PCI Biotech's development program for enhancement of generic chemotherapies
fima*NAC*:	PCI Biotech's development program for delivery of nucleic acids
fima*VACC*:	PCI Biotech's development program for a vaccination technology
HPV:	Human papillomavirus
IDMC:	Independent Data Monitoring Committee
IFRS:	International Financial Report Standards
IND	Investigational New Drug
In vitro:	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.
In vivo:	Studies in which the effects of various biological entities are tested on whole, living organisms usually animals.
KLH	Keyhole limpet hemocyanin
NAA:	Norwegian Accounting Act
ODD:	Orphan Drug Designation
ORR:	Overall Response Rate
OS:	Overall Survival
PCI:	Photochemical internalisation
PCIB:	PCI Biotech's ticker at Oslo Børs
PFS:	Progression Free Survival
RELEASE:	Name of PCI Biotech's pivotal study for inoperable extrahepatic bile duct cancer
R&D:	Research and Development
SAC:	Scientific Advisory Committee
SoC:	Standard of Care

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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.

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