Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
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:	08.05.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert

År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

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, 12.06.2025

Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Other income	5,6	2 990 000	4 750 000
Sum inntekter		**2 990 000**	**4 750 000**
Kostnader			
Research and development	7,8	15 627 000	44 756 000
General and administrative	7,8,9,10,13,22	4 968 000	11 219 000
Sum kostnader		**20 595 000**	**55 975 000**
Driftsresultat		**-17 605 000**	**-51 225 000**
Finansinntekter og finanskostnader			
Financial income	11	2 056 000	1 700 000
Sum finansinntekter		**2 056 000**	**1 700 000**
Financial expenses, intragroup		499 000	1 786 000
Financial expense	11,22	153 000	283 000
Sum finanskostnader		**652 000**	**2 069 000**
Netto finans		**1 404 000**	**-369 000**
Ordinært resultat før skattekostnad		**-16 201 000**	**-51 594 000**
Income tax	12	0	0
Ordinært resultat etter skattekostnad		**-16 201 000**	**-51 594 000**
Årsresultat		**-16 201 000**	**-51 594 000**
Overføringer og disponeringer			
Share premium		-8 428 000	-51 594 000
Other paid in capital		-7 773 000	0
Sum overføringer og disponeringer		**-16 201 000**	**-51 594 000**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Property, plant and equipment	13	0	18 000
Right-of-use asset	22	297 000	705 000
Sum varige driftsmidler		**297 000**	**723 000**
Sum anleggsmidler		**297 000**	**723 000**
Omløpsmidler			
Varer			
Fordringer			
Other current receivables	16	2 576 000	6 139 000
Sum fordringer		**2 576 000**	**6 139 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	14,15, 17	40 128 000	55 968 000
Sum bankinnskudd, kontanter og lignende		**40 128 000**	**55 968 000**
Sum omløpsmidler		**42 704 000**	**62 107 000**
SUM EIENDELER		**43 001 000**	**62 830 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	18	323 000	6 142 000
Overkurs		35 937 000	44 364 000
Sum innskutt egenkapital		**36 260 000**	**50 506 000**

Balanse

Beløp i: NOK	Note	2023	2022
Sum egenkapital		**36 260 000**	**50 506 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Other non-current liabilities	14	34 000	0
Non-current lease liabilities	22	0	327 000
Sum annen langsiktig gjeld		**34 000**	**327 000**
Sum langsiktig gjeld		**34 000**	**327 000**
Kortsiktig gjeld			
Leverandørgjeld		701 000	489 000
Public duties payables		772 000	1 085 000
Kortsiktig konserngjeld	19	2 538 000	7 362 000
Current lease liabilities	22	319 000	443 000
Other current liabilities	20	2 377 000	2 619 000
Sum kortsiktig gjeld	14,19	**6 707 000**	**11 998 000**
Sum gjeld		**6 741 000**	**12 325 000**
SUM EGENKAPITAL OG GJELD		**43 001 000**	**62 831 000**

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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0134 Oslo

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

Sentralbord
800 80 000
Telefaks
22 17 08 60

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

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

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

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

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

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

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

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

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

Med hilsen

Rune Tystad
Senior Adviser
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer

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ANNUAL REPORT 2023
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 biopharmaceutical company headquartered in Norway. The parent company, PCI Biotech Holding ASA, is listed on the Oslo Stock Exchange. The company develops new technologies and novel therapies through its photochemical technology platform originating from world-leading research at the Oslo University Hospital – the Norwegian Radium Hospital.

OUR PLATFORM TECHNOLOGY

The technology platform consists of two elements: a proprietary small molecule photosensitiser (named fimaporfin) and a light source. The technology platform is under development in two different areas. (1) Photochemical internalisation (PCI), inducing light-triggered intracellular release, which may unlock the potential of a wide array of therapeutic modalities. (2) Photochemical lysis (PCL), inducing selective light-triggered cell lysis, which may enhance yield and purity in viral vector manufacturing.

(1) Photochemical internalisation
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. Pharmaceutical companies struggle to find effective drug delivery methods, in order to achieve the full therapeutic and commercial potential of their products. The PCI technology may unlock this potential by modifying the intracellular trafficking in target cells, leading to enhanced biological effect of medicinal products.

(2) Photochemical lysis
In 2022, PCI Biotech initiated a programme to develop a new photochemical technology, PCL, for increasing yield and reducing impurities in viral vector manufacturing. There is a great need for novel technologies that enable more effective manufacturing and PCI Biotech's objective is to replace existing cell lysis methods. As such, the technology shall be applied to extract viral vectors from producer cells while reducing host-cell impurities, by selective disruption of producer cell membranes during the cell lysis process.

BUSINESS AREA AND OPERATIONS

BIOPROCESSING

Bioprocessing is the manufacturing of biological drugs, which involves complex processes that are bottlenecks in the endeavour to offer breakthrough therapies to new and larger patient populations. There is a great need for novel technologies that enable more effective bioprocessing with higher yield as well as increased quality. Development of technologies for use in bioprocessing is less complex from a regulatory perspective compared to clinical development of new therapies, allowing shorter timelines and lower costs.

Gene therapy utilises viruses (viral vectors) to deliver potentially lifesaving genetic medicines to patients. In the manufacturing process, viral vectors are produced by so-called "producer cells" (living cells) that act as "gene therapy factories". The combination of living cells as factories and a complex output (viral vectors) is what makes the manufacturing so challenging.

Manufacturing of viral vectors includes intricate upstream and downstream processes. In the upstream process, cell lysis is a key step, where the produced viral vectors are extracted from the producer (host) cells. In the subsequent downstream process, the viral vectors are separated from various cell debris (host-cell impurities) in sequential purification steps.

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Advancing manufacturing of viral vectors
In 2022, PCI Biotech initiated a programme to develop a novel photochemical technology for increasing yield and reducing impurities in viral vector manufacturing. PCI Biotech's objective is for PCL to replace existing cell lysis methods. As such, the technology shall be applied in the upstream process to extract viral vectors from producer cells while reducing host-cell impurities.

PCL improves extraction of viral vectors by selectively compromising the producer cell's plasma membrane integrity. This enables extraction of viral vectors with limited release of undesirable impurities from the producer cell, such as host-cell protein and DNA. This may have several important manufacturing benefits compared to existing technologies, including improved safety profile of the final drug, and a more efficient manufacturing workflow.

Importantly, by reducing host-cell impurities, the subsequent downstream purification process may become more efficient. This may ultimately lead to net increased manufacturing yield, as more viral vectors are retained through the various purification steps, where up to 70% loss of the viral vectors is common with today's industry standard.

Development status
During 2023, new data was generated to strengthen the first patent application filed in 2H 2022. The patent is pending, and the first feedback from UK authorities on the patent application was encouraging.

The technology's mode of action has been demonstrated in an ultra scale-down model across several commercially relevant producer cells and viral vectors in the upstream setting. These feasibility results suggest that the technology may be universally applicable in viral vector manufacturing processes where cell lysis is required, such as adenovirus (AV) and adeno-associated virus (AAV) manufacturing.

The positive initial external feedback on the technology's value proposition was further confirmed with field testing initiated in Q4 2023 with a European partner. The partner is part of an international life science group that provides a range of products and services to the biopharmaceutical industry. PCI Biotech brings its novel and promising technology for viral vector manufacturing into the upstream field testing, while the partner provides facilities and expertise, as well as feedback on performance and usability of the technology, guiding future development. The research collaboration agreement includes an option to mutually determine a potential future business transaction.

Collecting performance and usability feedback from potential customers at an early stage is key to understand what is required to make the technology commercially attractive. Feedback from partner's upstream testing, received in 2024, confirmed the technology's ability to extract AAVs (viral vectors) with reduced host-cell impurities (DNA and protein) in shake-flasks. The field testing represents a 20-40x scale-up from PCI Biotech's ultra scale-down process and warrants further development. It is emphasised that there is normally considerable uncertainty connected to assessments of future conditions.

Development plan for 2024
The key development milestones for 2024 will be first to demonstrate PCL's further scalability, followed by determining benefit in downstream purification of viral vectors. The first milestone will include advancing PCI Biotech's primary experimental model to suspension producer cells in shake-flasks, and subsequently scaling to mini benchtop bioreactors. Although commercial manufacturing is performed in larger vessels, mini benchtop bioreactors are considered representative for large-scale manufacturing. Moreover, they can produce sufficient material for the second milestone to perform downstream purification and functionality testing of the resulting viral vectors. Given a positive outcome, this may enable late-stage field testing in more commercially relevant settings in 2025.

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DERMATOLOGY

Nucleic acid therapeutics have the potential to improve treatment of dermatological diseases, but delivery to skin lesions remains an obstacle. This is a challenge PCI is uniquely positioned to solve, by achieving site-directed intracellular nucleic acid delivery.

An *ex vivo* wound model study was performed in 2023, by an expert contract research organisation. The study demonstrated significant PCI-mediated delivery in a simplified model employing primary human cells *ex vivo*, but these results were not translatable into the selected full-scale *ex vivo* human skin wound model. In this latter model we applied a challenging approach, testing topical delivery of unprotected ("naked") nucleic acid. A European patent for mRNA delivery by use of PCI was granted in 2023.

To fully focus resources on the application in viral vector manufacturing, further development within dermatology is limited to be pursued by collaborations.

INTRATUMOURAL IMMUNOTHERAPY

PCI Biotech is exploring intratumoural immunotherapy, aiming at identifying novel treatment combinations to overcome resistance to immune-checkpoint inhibitors and safety-issues associated with such treatments. The PCI technology is designed for local enhancement of therapeutic effects and is well suited for delivery of immune stimulants to tumour sites. As such, the technology can enhance the intracellular delivery of peptides, proteins, nucleic acids, small molecules, and viral vectors, all of which are relevant for locally administered immunotherapy. A patent application for an undisclosed treatment approach was filed in 2023.

The project is supported by the Research Council of Norway with a Ph.D. candidate grant of up to NOK 2.5 million over 3 years, commencing 1st January 2023.

RESEARCH COLLABORATIONS

In October 2023 the company entered into a research collaboration with an undisclosed partner with the purpose of testing PCI Biotech's technology under development for viral vector manufacturing.

The opportunistic early-stage collaboration with the Norwegian Institute of Marine Research, fully supported by a public grant and aiming to explore the use of photochemical treatments to combat salmon lice in fish farming, ended as planned 30th June 2023. The achieved results did not warrant further explorations. Two other research collaborations were closed during the year and in addition, there were two dormant collaborations without activity in 2023.

PCI Biotech continues to pursue new and value-adding collaborative opportunities.

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PCI Biotech AS – financial statement

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(1.1 - 31.12)

(figures in NOK 1 000)	Note	2023	2022
Other income	*5,6*	2 990	4 750
Total income		**2 990**	**4 750**
Research and development	*7,8*	15 627	44 756
General and administrative	*7,8,9,10,13,21,22*	4 968	11 219
Total operating expenses		**20 595**	**55 975**
Operating results		**-17 605**	**-51 225**
Financial income	*11*	2 056	1 700
Interest expense, intragroup		499	1 786
Financial expenses	*11,22*	153	283
Net financial results		**1 404**	**-369**
Profit/Loss before income tax		**-16 201**	**-51 594**
Income tax	*12*	-	-
Net profit/loss for the year		**-16 201**	**-51 594**
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		**-16 201**	**-51 594**

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PCI Biotech AS

BALANCE SHEET
for the year ended 31 December 2023

ASSETS *(figures in NOK 1 000)*	Note	2023	2022
Non-current assets			
Property, plant and equipment	*13*	-	18
Right-of-use assets	*22*	297	705
Total non-current assets		**297**	**723**
Current assets			
Other current receivables	*16*	2 576	6 139
Total receivables	*15*	**2 576**	**6 139**
Cash and cash equivalents	*14,15,17*	40 128	55 968
Total current assets		**42 704**	**62 107**
Total assets		**43 000**	**62 831**

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PCI Biotech AS

BALANCE SHEET for the year ended 31 December 2023

EQUITY AND LIABILITIES *(figures in NOK 1 000)*	Note	2023	2022
Equity			
Share capital	*18*	323	6 142
Share premium		35 937	44 364
Retained earnings		-	-
Total equity	*8*	**36 260**	**50 506**
Liabilities			
Non-current liabilities			
Other non-current liabilities	*14*	34	-
Non-current lease liabilities	*22*	-	327
Total non-current liabilities		**34**	**327**
Current liabilities			
Trade account payables		701	489
Current lease liabilities	*22*	319	443
Public duties payables		772	1 085
Other current liabilities, intragroup	*19*	2 538	7 362
Other current liabilities	*20*	2 377	2 619
Total current liabilities	*14,19*	**6 706**	**11 998**
Total liabilities	*15*	**6 740**	**12 325**
Total equity and liabilities		**43 000**	**62 831**

Oslo, 7 May 2024
Board of Directors and Chief Executive Officer,
PCI Biotech AS

Ronny Skuggedal	Anders Høgset	Karin Nord
Chair, CEO	*Director*	*Director*

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PCI Biotech AS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

(attributable to the parent company)

(figures in NOK 1 000)	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity 31 December 2021	*18*	**5 817**	**67 576**	**-**	**-**	**73 393**
Loss for the period		-	-51 594	-	-	-51 594
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the period		**-**	**-51 594**	**-**	**-**	**-51 594**
Capital changes		323	29 677	-	-	30 000
Share based payments	*8*	-	-	-1 294	-	-1 294
Allocation		-	-1 294	1 294	-	0
Equity 31 December 2022	*18*	**6 142**	**44 364**	**-**	**-**	**50 506**
Loss for the period		-	-8 428	-7 773	-	-16 201
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the period		**-**	**-8 428**	**-7 773**	**-**	**-16 201**
Capital changes		-5 819	-	5 819	-	-
Share based payments	*8*	-	-	1 955	-	1 955
Equity 31 December 2023	*18*	**323**	**35 937**	**-**	**-**	**36 260**

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PCI Biotech AS
CASH FLOW STATEMENT
for the year ended 31 December 2023

(figures in NOK 1 000)	Note	2023	2022
Profit/Loss before income tax		-16 201	-51 594
Depreciation and amortisation	7,14	371	6 406
Leasing interest cost	22	47	78
Share-based payments	8	1 955	-1 294
Currency gain (-) / loss (+) not related to operations	17	-	-235
Changes in accounts receivables		3 563	6 028
Changes in account payables		212	-3 237
Changes in other net operating assets and liabilities		-521	-11 725
Cash flow from operating activities		**-10 574**	**-55 574**
Net transactions intragroup interest-bearing loan		-4 824	22 343
Payment principal portion of lease liability	22	-442	-678
Net cash flow from financing activities		**-5 266**	**21 665**
Net changes in cash and cash equivalents		**-15 840**	**-33 909**
Exchange rate effect bank deposits in foreign currency	17	-	235
Cash and cash equivalents 1 January		55 968	89 642
Cash and cash equivalents 31 December	17	**40 128**	**55 968**
Additional information on operational cash flow			
Interest paid		*499*	*1 802*
Interest received		*2 017*	*1 260*

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PCI BIOTECH AS – ACCOUNTING PRINCIPLES 2023

1. Corporate information
The annual financial statement for 2023 for PCI Biotech AS (the Company or PCI Biotech) were approved for publication by the Board of Directors on 7 May 2024.

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. PCI Biotech AS is registered with office address at Ullernchausséen 64, N-0379 Oslo, Norway.

2. Significant accounting policies

2.1 Basis of preparation
The annual financial statement is prepared in accordance with IFRS Accounting Standards as adopted by the EU as per 31 December 2023.

The annual accounts has 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
The accounting policies that are material to the consolidated entity are set out below.

a) Government grants

Government grants are presented as other income. Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

b) Taxes

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

c) Intangible assets - *Research and development costs, and patents and trademarks*

The Company has currently no development expenditure that qualifies for recognition as an asset under IAS 38. Research costs, including costs related to patents and trademarks, are expensed as incurred.

d) Financial instruments

Financial assets at amortised cost are the most relevant category for the Company. The Company does not have financial assets at fair value through profit and loss.

e) Share-based payments

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

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The cost of equity-settled transactions is determined by the fair value at the date when the grant of share-options are made using the Black-Scholes valuation model.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted for 2023 are consistent with those of the previous financial year.

3. Significant accounting estimates and assumptions

The preparation of the Company's annual financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of other revenue, expenses, assets and liabilities, and the accompanying disclosures. 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, PCI Biotech AS.

- The Company has not recognised a deferred tax asset related to carry forward losses, as described in more detail in Note 12 Tax.

4. New Accounting Standards and Interpretations not yet mandatory or early adopted

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted for the annual reporting period ended 31 December 2023. PCI Biotech AS has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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PCI BIOTECH AS - NOTES FINANCIAL STATEMENT 2023

5 OTHER INCOME

OTHER INCOME
(figures in NOK 1,000)

	2023	2022
SkatteFUNN	2 148	4 750
Grants from the Research Council of Norway	746	0
Other	96	0
Total other income	**2 990**	**4 750**

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 and from 2023 through 2025. Grant receivables as of year-end are disclosed in Note 16 Receivables.

6 OPERATING SEGMENTS

The Company has only one operating segment, which is research and development. The accounting principles applied for operating segment and financial reporting purposes, are consistent. The Company had no revenues for the reporting periods. All non-current assets are geographically located to Norway.

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

Operating costs according to classification.
(figures in NOK 1,000)

	Note	2023	2022
Salary expenses	8	9 650	20 586
Share option scheme, accounting effect	8	2 014	-1 153
R&D exclusive salary and other operating expenses		6 179	27 620
Depreciation and amortisation	14,22	371	6 406
Legal, audit, accounting, patents, and other fees		3 406	3 773
Other operating expenses		-1 025	-1 257
Total operating expenses		**20 595**	**55 975**

Of the total salary expenses NOK 5 806 relates to R&D activities (2022: NOK 11 526).

R&D expenses by category:

	2023	2022
Clinical studies	0	32 442
Pre-clinical studies	9 613	7 257
CMC and equipment	2 172	2 100
Patents	3 642	2 958
Other expenses	200	0
Total R&D expenses	**15 627**	**44 756**

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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 2.5 million (2022: NOK 2.5 million).

8 SALARY EXPENSES AND OTHER REMUNERATION

(figures in NOK 1,000)	Note	2023	2022
Wages and Board of Directors remuneration		7 447	15 692
Social security contributions		1 306	2 261
Share-based payments, incl social security		2 014	-1 153
Pension costs	9	784	2 276
Other expenses		112	357
Total salary expenses		**11 664**	**19 433**
No. of full-time equivalent positions		6.2	10.4

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. Each share option gives the right to subscribe for or acquire one share upon PCI Biotech Holding ASA's choice. 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. A total number of 700 000 share options were granted in 2023, and 570 000 in 2022. The Board of Directors has not been granted any share options. See note 21 Related party transactions for further information.

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 stock market valuation. The exercise price is set at market terms, equal to the average volume weighted share price last five days of trade prior to grant date (5 days VWAP), and no premium for the share options are paid. The risk-free interest rate is based on Norwegian 3-5 years government bond yield. Each option program is assessed separately, and the fair value estimated at grant date is amortised over the vesting term. The share options granted in 2023 and 2022 are granted with a value cap of 20 times the strike price. If the value cap threshold is met, all share options will vest immediately and be available for exercise. The table below shows input values used in the fair value assessment model, and other relevant information.

Share options granted in 2023 and 2022	**September 2023**	**November 2022**
Number of share options granted	700 000	570 000
Dividend yield	0	0
Historical volatility (%)	109 %	161 %
Risk free interest rate (%)	3.96%	3.22 %
Expected share option lifetime (years)	5	4.8
Expected level of vesting	78%	87%
Strike price (5 days VWAP)	NOK 1.66	NOK 1.90
Fair value of all share options	NOK 0.8 million	NOK 0.9 million
Vesting term	3 years	3 years
Value cap	20x strike price	20x strike price

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Authorisation from the annual general meeting
The general meeting in the parent company PCI Biotech Holding ASA, held 25 May 2023, authorised the Board of Directors to grant the employees with a total of 2,790,000 share options and the authorisation applies for one year. 1,653,334 share options of the current authorisation have been granted by the Board of Directors at year-end 2023.

Share option scheme income statement effect and year-end balance sheet items

	2023	2022
Income statement effect	NOK -2.0 million	NOK 1.3 million
Other non-current liability	NOK 34 thousand	-

The net reversal of costs in 2022 was mainly due to organsational downsizing, resulting in a reduced expected number of future vested share options. The potential social security liability for future exercises is calculated based upon share options that are in-the-money per reporting date and recognised as a current- or non-current liability in the balance sheet depending on vesting date of the underlying share options.

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

Expiry date	Exercise price in NOK per share	Number of share options		Average remaining lifetime (years)	
		2023	2022	2023	2022
2024 - Q3	25.78	150 000	150 000	0,7	1,7
2025 - Q3	50.36	130 000	130 000	1,7	2,7
2026 - Q3	19.41	136 667	150 000	2,7	3,7
2027 - Q3	1.90	556 667	570 000	3,7	4,7
2028 - Q3	1.66	680 000	-	4,7	-
Total		**1 653 334**	**1 000 000**		

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

	2023		2022	
	Number	Average exercise price in NOK per share	Number	Average exercise price in NOK per share
Outstanding at the beginning of the year	1 000 000	14.41	1 615 000	30.96
Granted during the year	700 000	1.66	570 000	1.90
Lapsed during the year	46 666	6.80	1 025 000	32.42
Exercised during the year	0	-	0	-
Expired during the year	0	-	160 000	21.48
Outstanding at year-end	1 653 334	9.23	1 000 000	14.41
Exercisable options at year-end	570 000	21.99	286 667	32.10

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9 PENSION EXPENSES

(figures in NOK 1,000)

	2023	2022
Total pension cost from contribution schemes	784	2 276

The contribution pension scheme is in compliance with Norwegian public requirements and a total of 7 employees are included in the scheme at year-end 2023 (2022: 9 employees). The contributions are 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.

10 AUDITORS FEE

AUDITOR FEES

(figures in NOK 1,000)	2023	2022
Statutory audit	65	78
Other assurance services	0	81
Total	**65**	**159**

11 FINANCIAL INCOME AND EXPENSES

(figures in NOK 1,000)

	2023	2022
Interest income	2 056	1 228
Other financial income	0	472
Total financial income	**2 056**	**1 700**
Interest expense	105	16
Interest expense leasing	47	78
Interest expense intragroup	499	1 786
Other financial expense	0	189
Total financial expense	**652**	**2 069**

For 2022 NOK 0.2 million in other financial income were related to accounting effects of cash deposits in Euro per year-end, resulting from converting these Euro cash positions into NOK as functional currency for the annual accounts. The effects are reduced over time, with no effect in 2023 due to general lower cash positions held in Euro.

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12 TAX

(figures in NOK 1,000)

	2023	2022
Comprehensive income before tax	**-16 201**	**-51 594**
Expected nominal rate of tax (2023: 22% / 2022: 22%)	-3 564	-11 351
Permanent differences charged through P&L	-53	-1 332
Deferred tax asset not recognised in the balance sheet	3 618	12 683
Total tax expense for the year	**0**	**0**

Specification of basis for deferred tax asset / liability

Temporary differences:	2023	2022
Fixed assets	-3 529	-4 391
Right of use asset / lease liability	-22	-64
Social security liabilities share option scheme	-59	0
Tax loss carry forward	-669 067	-651 775
Temporary differences and tax loss carry forward	**-672 677**	**-656 231**
Deferred tax assets not recognised	-147 989	-144 371
Deferred tax assets recognised	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 corporate tax rate in Norway was 22% in 2023 and 2022. The carry forward loss has no time limit according to current tax legislations.

13 FIXED AND INTANGIBLE ASSETS

(figures in NOK 1,000)

	Device	Office equipment	Total
Acquisition cost per 31 December 2022	**9 609**	**392**	**10 001**
Acquisition cost per 31 December 2023	**9 609**	**392**	**10 001**
Accumulated depreciation per 1 January 2022	**3 836**	**359**	**4 195**
Ordinary depreciation 2022	0	16	16
Impairment 2022	5 773	0	5 773
Accumulated depreciation per 31 December 2022	**9 609**	**375**	**9 984**
Ordinary depreciation 2023	0	18	18
Accumulated depreciation per 31 December 2023	**9 609**	**939**	**10 002**
Book value per 31 December 2022	0	18	18
Book value per 31 December 2023	**0**	**0**	**0**

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

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.

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(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.

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.

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 pre-clinical studies. The Company's expenses are incurred in multiple currencies. The Company is therefore exposed to fluctuations in exchange rates and the risk is assessed on a regular basis. PCI Biotech is currently not using any financial hedging instruments.

(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 company's interest rate risk is primarily associated with 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 2023 and 2022.

Interest rate sensitivity

		Effect on financial result	
	Interest rate change	**2023**	**2022**
Bank deposits	+2%	0	1 119
	-2%	0	-1 119
	+5%	1	2 798
	-5%	-1	-2 798

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Liquidity risk
The biotech industry is a resource demanding industry, and product development can be both labour and cash intensive. One of the main objectives of PCI Biotech's financial policy is to ensure that the company has sufficient short- and long-term financial flexibility to achieve strategic and operational objectives. PCI Biotech's goal is to at least have sufficient funds to cover the expected capital need for the next 12 months, as well as a strategic reserve. The Company closely monitors cash flows based on short- and long-term forecasts.

PCI Biotech's most important sources of financing are future royalty and milestone payments associated with potential licensing agreements, government grants, and the capital market. PCI Biotech is a pre-commercial stage biotech, meaning that the Company mainly relies on the ability to raise funds via the equity capital market and government grants. The capital market is foreseen to be used as a source of liquidity when this is appropriate and the conditions in these markets are competitive.

The cash burn rate depends mainly on the level of activity in the development projects. The cost base has been reduced since 2022, mainly due to the focus on pre-clinical development and implemented cost reductions, slimming down both the operational- and executive teams. PCI Biotech has no external debt with financial covenants or material long-term debt.

The cash position at year-end 2023 is estimated to support operations for the next twelve months, with current plans. PCI Biotech's financial policy goal of a strategic reserve beyond the next twelve months is not secured by date of this report, but the current operations do not involve substantial long-term commitments, allowing flexibility for adjusting operational activities and the corresponding cash burn rate. The company will continue to explore financing and strategic opportunities to secure continued operations beyond the next twelve months from the date of this report, but no assurance can be made about PCI Biotech's ability to raise such financing.

(figures in NOK 1,000)	Remaining period				
	Less than 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
31.12.2023					
Other non-current liabilities	0	0	0	34	**34**
Trade accounts payables	701	0	0	0	**701**
Current lease liabilities	0	0	319	0	**319**
Public duties payables	541	96	136	0	**772**
Other current liabilities	280	957	1 140	0	**2 377**
Other current liabilities, intragroup	0	0	2 538	0	**2 538**
Total liabilities	**1 521**	**1 052**	**4 133**	**34**	**6 740**
31.12.2022					
Long term-lease liabilities	0	0	0	327	**327**
Trade accounts payables	489	0	0	0	**489**
Current lease liabilities	0	0	443	0	**443**
Public duties payables	860	81	144	0	**1 085**
Other current liabilities	86	681	1 852	0	**2 619**
Other current liabilities, intragroup	0	0	7 362	0	**7 362**
Total liabilities	**1 435**	**762**	**9 801**	**327**	**12 325**

Other non-current liabilities relate to estimated social securities for potential future share option exercises in the group's remuneration incentive program.

Credit risk
PCI Biotech has no sales or receivable balances based on sales and faces therefore no credit risk, and no bad debt provision has been recognised during 2023 or 2022. The majority of the Company's

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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 2023 or 2022.

Foreign currency risk
As NOK is the Company's functional currency, PCI Biotech is exposed to foreign currency risk associated with foreign net exchange rate exposure. Expenses accrue in various currencies, primarily NOK and EUR. PCI Biotech is therefore exposed to fluctuations in foreign exchange rates and 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.

	Changes in exchange rates - Euro	**Effect on operating result** *(NOK 1,000)*
2023	+/- 10 %	+/- 49
2022	+/- 10 %	+/- 29

15 CLASSIFICATIONS OF FINANCIAL ASSETS AND LIABILITIES

The Company´s financial assets are governmental grant receivables, and the financial liabilities are accounts payables and other current liabilities. The financial liabilities include liabilities to the parent company PCI Biotech Holding ASA. 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, except for lease liabilities which are measured and disclosed at amortised cost.

16 RECEIVABLES

Receivables are measured by the amortised cost method, but due to the assets being current receivables the non-discounted contractual payments are disclosed.

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

	31.12.2023	**31.12.2022**
Recognised not received government grants	2 394	4 750
Other	28	0
VAT receivables	154	538
Recognised, not received interest from bank	0	851
Total other receivables	**2 576**	**6 139**

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17 CASH AND CASH EQUIVALENTS

(Figures in NOK 1,000)

	31.12.2023	31.12.2022
Cash and cash equivalents, restricted (1)	385	629
Cash and cash equivalents, non-restricted	39 742	55 339
Total	**40 128**	**55 968**

(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 primarily placed in cash deposits in NOK 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 2023 or 2022.

18 SHARE CAPITAL

	No. of shares	Nominal value per share in NOK	Share capital in NOK
Share capital as per 31.12.2021	**3 232 600**	**1,80**	**5 818 680**
Share transactions in 2022	-	0,10	323 260
Share capital as per 31.12.2022	**3 232 600**	**1,90**	**6 141 940**
Share write down in 2023	-	-1,80	-5 818 680
Share capital as per 31.12.2023	**3 232 600**	**0,10**	**323 260**

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.

As proposed by the board, an extraordinary general meeting on 27th September 2023 decided that a write-down of the share capital was to be carried out by way of a reduction of the nominal value of the Company's shares in order to establish a capital structure that is sound and reasonable for the business PCI Biotech currently operates. The write-down was completed and duly registered on 6 December 2023.

In 2022 a capital increase of NOK 30 million by way of an increase of the nominal value of the Company's share capital was resolved, by contribution in kind of an intercompany loan from the parent company, PCI Biotech Holding ASA. PCI Biotech AS is a wholly owned subsidiary by PCI Biotech Holding ASA.

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Shares owned in the parent company PCI Biotech Holding ASA, directly or indirectly, by members of the board of PCI Biotech Holding ASA and PCI Biotech AS, and executive management and their personally related parties per 31.12.2023 and per 31.12.2022:

		Number of shares	
Name	**Position**	**31.12.2023**	**31.12.2022**
Hans Peter Bøhn	Chair	123 662	123 662
Lars Viksmoen	Board member	12 966	12 966
Christina Herder*	Board member	NA	10 000
Hilde Furberg (Borkenholm AS)**	Board member	8 000	8 000
Andrew Hughes*	Board member	NA	-
Anders Høgset	CSO	64 800	64 800
Ronny Skuggedal	CFO	55 000	55 000
Kristin Eivindvik***	CDO	NA	25 200
Total		**264 428**	**299 628**

*Christina Herder and Andrew Hughes ended their terms as board members in May 2023.
** Hilde Furberg's shares are owned via Borkenholm AS, which is a related party to Hilde Furberg.
*** Kristin Eivindvik was part of the management team until August 2023.

19 FINANCING STRUCTURE

Except for interest-bearing leasing debt, the Company had no external interest-bearing debt as of year-end 2023 or 2022.

20 OTHER CURRENT LIABILITIES BY YEAR-END

(Figures in NOK 1,000)

	31.12.2023	**31.12.2022**
Accruals for incurred external R&D expenses	840	550
Accruals for employee bonus, holiday payments, board remuneration etc.	1 537	1 830
Other accruals	0	239
Total other current liabilities	**2 377**	**2 619**

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

21 RELATED PARTIES TRANSACTIONS

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

Executive remuneration *(NOK 1,000)*	**2023**	**2022**
Management team remuneration	4 164	11 088

The management team was downsized in 2022 and 2023, from 7 to 2 persons to tailor management to current operations. The management team per year-end 2023 consists of a combined CEO and CFO position, and a CSO, totalling 2 persons. In relation to the downsizing in 2022, one member of the management team received termination payment accounting for 3 months additional notice period, and some employees outside of the management team received termination payment accounting for 1 month additional notice period.

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It is not given additional remuneration for special services outside the normal functions of a senior executive, and no remunerations are made for board positions in PCI Biotech AS for 2023 or 2022.

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.

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 parent company's, PCI Biotech Holding ASA, established guidelines on the determination of salaries and other remuneration of executive management in accordance with § 6–16a of the Norwegian Public Companies Act.

Senior executive's shareholdings in the parent company PCI Biotech Holding ASA are disclosed in note 18 Share capital.

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 31.12.2022	Allocated	Lapsed	Exercised	Expired	Total holdings 31.12.2023	Average exercise price in NOK
Ronny Skuggedal, CEO / CFO	360 000	300 000	0	0	0	660 000	8.24
Anders Høgset, CSO	250 000	120 000	0	0	0	370 000	12.85
Kristin Eivindvik, former CDO*	110 000	20 000	46 667	0	0	83 333	NA
Total	**720 000**	**440 000**	**46 667**	**0**	**0**	**1 113 333**	

*CDO until August 2023

Other related parties:

Helpyou2 Ltd.
In 2022 the Company had regular business transactions with Helpyou2 Ltd. a UK based company owned by Prof. Andrew Hughes, then a Board Director in the parent company PCI Biotech Holding ASA. The services rendered concern agreed scientific consultancies by Prof. Hughes during that year. The services rendered were pre-approved by the Board of Directors of PCI Biotech Holding ASA and regular fee overviews were presented for the Board of Directors of PCI Biotech Holding ASA. For the agreed scientific consultancies, Helpyou2 Ltd. received NOK 15 thousand in fees for 2022, and no services were rendered for 2023. It is in management and the Board of Director's of PCI Biotech Holding ASA's opinion that the 2022 service fee was based on 'arm's length' principles and the level of consultancy was not considered to constitute a threat to independence for the parties in 2022.

PCI Biotech Holding ASA:
The parent company, PCI Biotech Holding ASA, has no employees and group operations are therefore managed through PCI Biotech AS. These operations include services like management, offices, finance, and investor relation functions for the group. All transactions are performed at market terms.

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The parent company has been charged for operations according to the service agreement of NOK 1.7 million in 2023 (2022: NOK 2.1 million). The parent company has charged PCI Biotech AS interest expenses for intercompany loans of NOK 0.5 million during 2023 (2022: NOK 1.8 million). Net current liabilities to the parent company PCI Biotech Holding ASA at year-end 2023 were NOK 2.5 million (2022: NOK 7.4 million). In 2022 an intercompany loan from PCI Biotech Holding ASA of NOK 30 million was utilised as contribution in kind for a capital increase in PCI Biotech AS.

22 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

PCI Biotech has entered into a lease agreement with Oslo Cancer Cluster Incubator, Ullernchausséen 64 Oslo, Norway. The lease runs to 31 December 2024, with an option for 3 additional years. The lease agreement is subject to annual adjustment according to changes in the consumer price index. In December 2022 the lease office space was reduced, and the right to use asset and future lease obligations were reduced accordingly. Right-of-use assets and lease liabilities are measured according to the amortised cost model, applying an incremental borrowing rate of 12% (2022: 12%). Nominal amounts of minimum lease payment for the non-cancellable operating leases is NOK 0.5 million (non-discounted contractual payments) per year-end 2023 (2022: NOK 1.2 million).

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

Right-of-use asset - office lease	
Accumulated acquisition costs 01.01.2022	**3 682**
Disposals FY2022	-531
Accumulated acquisition costs 31.12.2022	**3 151**
Adjustments FY2023	-56
Accumulated acquisition costs 31.12.2023	**3 095**
Accumulated depreciation and impairment as of 01.01.2022	**1 829**
Depreciation FY 2022	618
Accumulated depreciation and impairment as of 31.12.2022	**2 447**
Depreciation FY 2023	352
Accumulated depreciation and impairment as of 31.12.2023	**2 799**
Total right-of-use assets – office lease as of 31.12.2022	**705**
Total right-of-use assets – office lease as of 31.12.2023	**297**
Lower of remaining lease term or economic life – 2022	2.0 years
Lower of remaining lease term or economic life - 2023	1.0 years
Depreciation method	Linear

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Lease liabilities - office

Accumulated lease liabilities 01.01.22	**1 906**
De-recognition during 2022	-531
Payments principal portion of the lease liability FY 2022	-682
Interest expenses on the lease liability FY 2022	76
Accumulated lease liabilities 31.12.22	**770**
De-recognition during 2023	-56
Payments principal portion of the lease liability FY 2023	-442
Interest expenses on the lease liability FY 2023	47
Total lease liabilities for office as of 31.12.2023	**319**
Whereof:	
Current lease liabilities < 1 year 2023 / 2022	319 / 443
Non-current lease liabilities > 1 year 2023 / 2022	0 / 327

The Company applies the short-term lease recognition exemption for leases related to office equipment and parking facilities at the office in Oslo. Lease payments for this category of leases are consequently charged directly through profit and loss.

Income statement effects leasing	**2023**	**2022**
Depreciation of right to use asset	-352	-618
Effect on Operating results net of tax	**-352**	**-618**
Interest expenses on the lease liabilities	-47	-76
Effect on Net financial result net of tax	**-47**	**-76**
Comprehensive income effect net of tax	**-400**	**-694**

The Company had total cash outflows related to leases of NOK 0.5 million in 2023 (2022: NOK 0.8 million).

23 GOING CONCERN

Per date of this report PCI Biotech AS has sufficient funds to continue its operations, but 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 2018-2023, 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. Per year-end 2023 the parent company, PCI Biotech Holding ASA, has limited cash to support the subsidiary and future support via cash transfers depends on PCI Biotech Holding ASA ability to raise funds in the capital market. In accordance with § 3-3a of the Norwegian Accounting Act it is confirmed that the conditions for assuming that PCI Biotech AS 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

PCI Biotech is not aware of any other subsequent events since year-end 2023 which are of material significance to the financial statements as of 31 December 2023.

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To the General Meeting of PCI Biotech AS

Independent Auditor's Report

Opinion

We have audited the financial statements of PCI Biotech AS (the Company), showing a loss of TNOK 16 201. The financial statement comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 as required by 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

The Board of Directors and the Managing Director (management) are responsible for the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the other information. The purpose is to consider if there is material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, or whether the other information appears to be materially misstated. We are required to report if there is a material misstatement in the other information. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting 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.

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 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. We 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 a true and fair view.

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, 7 May 2024
RSM Norge AS

Marthe Lise Drolsum
State Authorised Public Accountant

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OTHER INFORMATION

DEFINITIONS AND GLOSSARY

Fimaporfin:	Generic name of the photosensitiser active ingredient TPCS2a
IFRS:	International Financial Reporting Standards
NAA:	Norwegian Accounting Act
PCI:	Photochemical internalisation
PCL:	Photochemical lysis
PCIB:	The parent company PCI Biotech Holding ASA's ticker at Oslo Børs
R&D:	Research and Development

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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