Lytix Biopharma

# Annual Report 2023

Letter from the CEO

# A focused development program for tomorrow's cancer treatment candidates

**Dear Shareholders,**

Cancer is still one of the most severe health problems globally, causing millions of deaths each year, with also millions of patients receiving suboptimal treatment. Lytix Biopharma's mission is to develop drug candidates that can improve outcomes and the quality of care for cancer patients. Our unique approach is addressing a major challenge in current cancer therapy with drug candidates that combines killing cancer cells locally and activating the immune system to fight tumors elsewhere in the body.

I'm proud of our significant clinical and operational progress last year, marked by positive interim results from our phase II studies, international recognition by publishing leading research papers, and newly registered patents. We are becoming a mature clinical company – with several phase II studies ongoing investigating major cancer indications worldwide. Our strategy has been to initiate studies including our leading drug candidate on some of the most common cancer indications globally such as skin cancer (melanoma and basal cell carcinoma). These indications represent large markets for cancer treatment.

Verrica Pharmaceuticals, has licensed our leading drug candidate for certain types of skin cancer studies. The company reported encouraging progress with its phase II study. Positive early data was presented at the American Association of Dermatology Innovation Academy Conference. LTX-315 could potentially represent a non-surgical alternative to surgery for patients suffering from BCC which is the most common type of cancer with a large commercial market potential. The partnership is a key validation of our technology and pending results could be highly profitable, with development and sales milestone payments, as well as royalty payments from Verricas sale of LTX-315.

In our other phase II study – ATLAS-IT-05 – we made significant progress, both in terms of patient recruitment as well as promising interim results. The study is evaluating the efficacy of LTX-315 in late stage patients with malignant melanoma. Early results presented at the European Society of Medical Oncology (ESMO) Congress in October 2023 showed that LTX-315 was able to stabilize the disease in almost half of the patients which is promising in a patient population that has failed to respond to multiple lines of therapies. Final results are expected for the full study in 2025.

In summary, our drug candidate has proven to address major challenges of current cancer therapy, with the potential to be used for multiple cancer types, either as monotherapy or in combination with other immunotherapies.

We have exciting months ahead. Firstly, we are expecting top-line data from Verrica this summer and further read-outs from our own phase II study on melanoma. Our studies have provided useful insight regarding the effect of LTX-315 and we are now pursuing the opportunity to investigate also LTX-315 in earlier-stage patients, in NorwayIn collaboration with Dr. Henrik Jespersen at the Norwegian Radium Hospital (OUS), we are initiating an investigator-led study in melanoma patients with earlier-stage diseases and a more responsive immune system. In this study, LTX-315 will be given in combination with pembrolizumab before surgery. This patient population represents a relatively large commercial potential and is planned to start H1 2024. In sum, we will now have three phase II studies on our lead product candidate LTX-315, leading the way for also further candidate development.

In line with our strategy, we continue to explore strategic partnering opportunities as well as other ways to finance our development plans and realization of the next clinical milestones. Through effective optimization and cost reduction, we extended our cash runway through H1 2024. In April 2024, we announced a capital raise, of which existing and new investors guaranteed NOK 50m, providing funding for further clinical development.

Finally, I would like to thank our stakeholders for their unwavering support and look forward to sharing further positive results in 2024.

Sincerely,

Øystein Rekdal, CEO and co-founder
Lytix Biopharma

# Highlights and key figures

## 2023 HIGHLIGHTS

**Partnership:**

- **Verrica Pharmaceuticals' Phase II study in basal cell carcinoma – positive early results**
  - Verrica completed Part 1 of their ongoing Phase II study evaluating LTX-315 (VP-315) for the treatment of basal cell carcinoma (BCC) and reported positive early results in August 2023.
    - Complete clearance of basal cell carcinoma cells in four out of six patients treated with the highest LTX-315 (VP-315) dose.
  - In January 2024, Verrica reported that all 80 patients had been dosed in the Phase II trial and that they would complete the entire study in H1 2024.

**R&D:**

- **ATLAS-IT-05 study ongoing – encouraging interim data from 20 melanoma patients**
  - In the first half of 2023 Lytix made substantial achievements in setting up new sites and recruiting more patients for ATLAS-IT-05 across the US and Europe. Enrollment was completed in August 2023.
  - Clinical interim-data obtained from all patients.
    - Disease control in approximately half of the patients with durable responses up to one year and one patient with partial response.
- **Expanding to earlier stage melanoma patients with a stronger immune system**
  - After having documented safety and efficacy in late-stage cancer patients, Lytix has decided to test LTX-315 in earlier stage patients with a more robust immune system by supporting an investigator led Phase II study at Oslo University Hospital, Radiumhospitalet.
  - This study will explore the clinical efficacy of LTX-315 in combination with pembrolizumab in melanoma patients before surgery (neoadjuvant therapy) and is planned to start in H1 2024.
- **Key mentions and publications over the year**
  - Results from the ATLAS-IT-04 study were published in OncoImmunology, a high-profile, open access journal, December 2023. The paper presented the positive results with LTX-315 in combination with adoptive cell therapy in patients with metastatic soft tissue sarcoma.
  - A paper describing LTX-315`s unique way of activating immune cells that are critical for T cell priming, was accepted for publication in the high profiled journal Frontiers in Immunology.
- **Strengthening intellectual property**
  - Two Patent Corporation Treaty (PCT) applications were filed in December 2023 to secure additional IP protection.

**Business and Financial:**

- Dr Marie Roskrow was elected as the new Chair of the Board of Directors at the General Assembly. Dr Roskrow is a senior executive with vast international experience in both life sciences and investment banking.
- In October, the Research Council of Norway approved Lytix's application for up to NOK 14.3m (US$1.3m) of non-dilutive financial support from the 'SkatteFUNN' R&D tax incentive scheme for a project in respect of its lead program: 'Intratumoral LTX-315 in advanced melanoma'.
- The revenue for 2023 amounted to NOK 3.9 million (NOK 11.0 million) and is related to the supply of LTX-315 to Verrica. In 2022 Lytix had NOK 1.4 million in revenue from supply of LTX-315 to Verrica. In 2022 Lytix also received a milestone payment from Verrica of NOK 9.6 million.
- Total operating expenses increased to NOK 100.8 million, compared to NOK 76.7 million for 2022. The increase is mainly explained by the higher activity in the ATLAS-IT-05 in 2023. The trial was expanded to six new sites in three different European countries. In 2023 Lytix completed the recruitment of patients.
- During 2023 Lytix introduced several cost-saving initiatives, extending its financial runway through H1 2024

**KEY FIGURES:**

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| Total operating income | 3,991 | 11,031 | 19,495 |
| Total operating expenses | (100,776) | (76,697) | (67,480) |
| **Loss from operations** | **(96,785)** | **(65,666)** | **(47,985)** |
| **Loss for the period** | **(87,897)** | **(56,069)** | **(48,079)** |
| **Total comprehensive income (loss) for the period** | **(87,897)** | **(56,069)** | **(48,079)** |
| **Earnings (loss) per share** | | | |
| Basic and diluted earnings (loss) per share | (2.19) | (1.41) | (1. 45) |

| *Amounts in NOK thousands* | **31.12.2023** | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 110 | 124 | - | - |
| Right-of-use assets | 438 | 1,251 | 2,140 | - |
| Other receivables | 12,777 | 6,735 | 5,680 | 4,168 |
| Short-term financial investments | 23,183 | 50,606 | - | - |
| Cash and cash equivalents | 27,365 | 94,552 | 197,282 | 28,450 |
| **Total assets** | **63,874** | **153,269** | **205,102** | **32,617** |
| **Total equity** | **51,319** | **135,034** | **189,593** | **19,889** |
| **Liabilities** | | | | |
| Lease liabilities, non-current | 41 | 476 | 1,344 | - |
| Trade payables | 3,572 | 6,997 | 1,476 | 3,284 |
| Other current liabilities | 8,492 | 9,894 | 11,862 | 9,444 |
| Lease liabilities, current | 451 | 868 | 827 | - |
| **Total liabilities** | **12,555** | **18,235** | **15,509** | **12,728** |
| **Total equity and liabilities** | **63,874** | **153,269** | **205,102** | **32,617** |

# Directors' Report

## Operational Review

### Partnerships

**LTX-315 development in partnership with Verrica**

During the period, significant progress was made in the development of LTX-315 in collaboration with Verrica Pharmaceuticals Inc ("Verrica"). In August, Verrica presented preliminary data from Part 1 of their ongoing Phase II study of LTX-315, referred to as VP-315 by Verrica, for the treatment of basal cell carcinoma (BCC). Verrica holds an exclusive worldwide license agreement with Lytix to develop and commercialize VP-315 for certain dermatologic oncology indications and is currently conducting a Phase II clinical study in patients with BCC.

Basal cell carcinoma (skin cancer) is the most common form of cancer worldwide, with a global increase in incidences. With approximately 3-4 million patients diagnosed with the disease in the U.S. annually, there exists a high unmet need for new treatment options. Traditionally BCC patients are treated with invasive surgery and VP-315 emerges as a potential alternative therapeutic regimen, offering significant advantages over surgery, such as reduced pain, infection, bleeding, and scarring.

The preliminary results were presented at the 2023 American Academy of Dermatology Innovation Academy meeting. This presentation highlighted the antitumor activity of VP-315, as demonstrated by both clinical and histological clearance of treated BCC lesions.

Key findings from the presentation included:

- Subjects received once-daily dosing of VP-315, administered intratumorally, for up to six treatments over a two-week period.
- At the maximum dose (8 mg) tested, six lesions were treated, and post-treatment clinical assessment and excisions were performed at Day 49 (Range 35-70), followed by histological evaluation.
- By day 49 post-treatment, consistent clinical and histological clearance of treated BCC lesions was observed, with four of six subjects (67%) showing complete tumor clearance. The remaining two subjects exhibited partial histological clearance, 95% and 30%, respectively.

In January 2024, Verrica reported that all patients have been dosed in their Phase II trial. The completion of patient enrolment in this ongoing study is a significant milestone in Verrica's commitment to advancing innovative solutions for US patients facing this prevalent form of skin cancer. Data from Verrica's Phase II study is expected by mid-2024.

Under the terms of the license agreement, Lytix received an upfront payment and is entitled to receive milestone payments based on specified development goals, and sales milestones, with aggregate payments of up to USD 111 million in total. Additionally, Lytix is poised to receive tiered royalties based on worldwide annual sales.

*ClinicalTrials.gov Identifier: NCT05188729*

### Research and development

**ATLAS-IT-05 trial (LTX-315 in combination with pembrolizumab in patients with advanced solid tumors)**

The ATLAS-IT-05 trial is assessing the effect of LTX-315 and pembrolizumab (Keytruda®) in patients with late-stage melanoma, who have previously failed treatment with anti-PD-1/PD-L1 immune chekpoint inhibitors. The patients enrolled in the study are late-stage patients that have previously been through several additional treatments. Generally, these patients have poor prognosis with rapid disease progression and few available treatment options

making them very difficult to treat. In the first half of 2023, we made substantial achievements in setting up new sites and recruiting more patients for ATLAS-IT-05. Ten sites with clinical teams experienced in melanoma and intratumoral immunotherapy were engaged in Europe and the US and are listed below.

- M.D. Andersen Cancer Centre, US
- Mount Sinai Cancer Center, US
- UPMC Hillman Cancer Center, US
- Levine Cancer Center, US
- Akershus Universitetssykehus, Norway
- Radium Hospitalet, Norway
- Institute Gustave Roussy, France
- Clinica Universidad de Navarra, Spain
- Hospices Civils de Lyon, France
- Centre Hospitalier Regional Université de Lille, France

In August 2023, Lytix announced the completion of recruitment (20 patients) in the ATLAS-IT-05 study. Enrolled patients received treatment with LTX-315 for up to five weeks. Pembrolizumab therapy will continue until disease progression or 24 months after enrollment.

Dr. Stephane Dalle, the top recruiting investigator for ATLAS-IT-05, presented a poster at the ESMO 2023 Congress in October, were 14 were assessed for early anti-tumor activity. The interim data from 14 patients, showed encouraging results with a disease control rate of 43% and one patient showing a confirmed and durable partial response with 89% tumor shrinkage. Substantial tumor shrinkage in non-injected lesions and complete regression in injected lesions were observed in several patients.

Interim data presented early 2024 on all 20 patients showed a slight increase of disease control from what was reported at ESMO (45%). Durable stabilization of the disease was obtained up to one year post treatment. Shrinkage of both non injected and injected lesions have been confirmed in a substantial number of the patients. Since these patients had earlier failed to respond to several lines of treatment, the interim results obtained so far is quite encouraging.

Some of the patients are still at an early phase of the study and further updates will be shared in future presentations as the study progresses.

*ClinicalTrials.gov Identifier: NCT04796194*

**Neoadjuvant setting (ATLAS-IT-06)**

Neoadjuvant immunotherapy refers to the administration of immunotherapy treatments before radiation or surgery and is expected to play an increasingly significant role in future cancer treatment strategies.

Based on the encouraging results in ATLAS-IT-05, the company has in collaboration with Dr. Henrik Jespersen, Head of the Melanoma Oncology Unit at Oslo University Hospital, Radiumhospitalet decided to initiate a neoadjuvant study in patients with early-stage melanoma with a more healthy immune system and lower tumor burden. Second, the commercial potential in early-stage melanoma is much larger due to larger patient populations. The study will be an investigator-led study where the efficacy of neoadjuvant LTX-315 (given prior to curative surgery) in combination with pembrolizumab will be assessed.

The neoadjuvant study, NeoLIPA, will be a Phase II, open-label study of neoadjuvant LTX-315 in combination with standard of care, pembrolizumab (Keytruda®), in 27 patients with clinically detectable and resectable stage III-IV melanoma.

While neoadjuvant checkpoint inhibition has demonstrated a significant reduction of the risk of relapse for high-risk melanoma compared to adjuvant therapy, many patients still experience limited or short treatment effects.

Consequently, there exists an unmet medical need for innovative and more effective neoadjuvant treatment regimens. The NeoLIPA study addresses this need by adding LTX-315 to standard of care (pembrolizumab).

Dr Henrik Jespersen presented the design of the planned NeoLIPA trial at the 15th Nordic Melanoma Meeting in Reykjavik in October 2023. His presentation was well received among the melanoma expert community.

With its unique and dual mode of action, LTX-315 emerges as a promising drug candidate for combination therapy with a PD-1 inhibitor in the neoadjuvant setting. By directly killing cancer cells in the injected lesion, LTX-315 has the potential to locally shrink tumors before surgery. Simultaneously, LTX-315 has demonstrated ability to increase number of tumor-specific immune cells in treated patients, potentially reducing the risk of disease relapse after surgery. In pre-clinical studies we have demonstrated that re-establishment of tumors was not possible after LTX-315 treatment followed by surgery. The NeoLIPA study offers an opportunity to demonstrate whether combining LTX-315 with standard of care in the neoadjuvant setting could improve clinical outcomes for early-stage melanoma patients.

In December 2023, the clinical trial application for the NeoLIPA trial was submitted. The study is planned to start H1 2024 marking a significant step forward in advancing this innovative approach to melanoma treatment. In addition to the excellent opportunity to expand into this additional patient population, Lytix's financial responsibility for this trial is mainly limited to drug supply, which is supportive of the robust financial controls that have been implemented in 2023.

**ATLAS-IT-04 trial (LTX-315 in combination with adoptive T-cell therapy in advanced soft tissue sarcoma)**

The ATLAS-IT-04 trial was an open label, Phase II trial assessing the effect of LTX-315 when used in combination with Adoptive Cell Therapy (ACT) in patients with progressive metastatic soft tissue sarcoma that had failed standard treatment (Completed study).

The ATLAS-IT-04 trial included intra-tumoral injections of LTX-315 ahead of surgical removal of tumor lesions, followed by in vitro expansion of T cells isolated from the resected tumor lesion. In a second step, the expanded T cells were infused back to the patients. Six heavily pretreated patients were included in the trial and treated with LTX-315, of which four patients proceeded to adoptive T-cell therapy. The treatment was safe, and the best overall clinical response was stabilization of the disease for 208 days. The immune response data from the trial demonstrated that the treatment induces tumor specific T cells in blood, providing proof of concept that LTX-315 generates an immune response that targets the tumor.

This Phase II study also proofs that it is feasible to combine LTX-315 and adoptive T-cell therapy and confirms that LTX-315 can induce tumor specific immune responses resulting in stabilization of the disease in pre-treated sarcoma patients with otherwise progressive disease.

The encouraging results from the ATLAS-IT-04 study were published December 2023 in OncoImmunology, a high-profile, open access journal covering tumor immunology and immunotherapy.

**LTX-401**

LTX-401 is a novel small molecule designed for local treatment of deep-seated tumors and it shares same mode of action with the peptide LTX-315.

Lytix' next-generation oncolytic molecule, LTX-401, has shown superior activity in "hard to treat" cancer models, including liver cancer. In experimental cancer models LTX-401 has demonstrated a commercial potential for deep-seated tumors such as primary liver cancer and colorectal cancer that has spread to the liver as well as several additional major cancer indications located in other internal organs. In addition to demonstrating promising anticancer efficacy, a preclinical safety program required for entering human clinical trials has been completed concluding that LTX-401 has a favorable safety profile. LTX-401 is currently being prepared for a Phase I study and we

are in dialog with clinical oncology experts to map the optimal way forward and to select cancer indications that are commercially attractive.

### Intellectual property (IP) rights

To further strengthen the patent protection for Lytix's technology and extend patent life, two Patent Corporation Treaty (PCT) applications were filed December 2023.

### Business

At the annual general meeting in April 2023, Dr Marie Roskrow was elected as Chair of the Board of Directors. Dr Marie Roskrow is a senior executive with vast international experience in life sciences and investment banking. She holds a medical degree and a PhD in Immunology and serves as the Chair of several international biotechnology companies.

In May 2023, Øystein Rekdal, PhD, was invited by the New York Academy of Sciences to discuss how tumor-directed strategies enable superior immune-stimulation of 'cold' non-infiltrated tumors, in a joint presentation with Lorenzo Galluzzi, PhD, Weill Cornell Medicine, at the 'Frontiers in Cancer Immunotherapy 2023' conference, which took place in New York. In his presentation, Rekdal focused on the efficacy data achieved in human clinical trials performed with LTX-315 and how oncolytic molecules can address the challenge represented by the modest activity of immune checkpoint inhibitors (ICIs) in patients with immunologically 'cold' tumors.

During the period, Lytix was also invited to give plenary lectures at the Immuno UK 2023 Conference and at Next-Gen Immuno-Oncology Conference, both in London, presenting our novel technology platform.

In October, the Research Council of Norway approved Lytix's application for up to NOK 14.3m (US$1.3m) of non-dilutive financial support from the 'SkatteFUNN' R&D tax incentive scheme for a project in respect of its lead program: 'Intratumoral LTX-315 in advanced melanoma'. The approval gives Lytix the right to claim tax deductions for relevant and documentable costs related to research and development activities in the approved project for the period 2023 to 2025.

## Financial review

### Accounting policies

The financial statements of Lytix Biopharma AS (Lytix Biopharma or the Company) is prepared in accordance with IFRS® Accounting Standards as endorsed by the European Union (EU) (IFRS Accounting Standards) and Norwegian authorities and effective as of 31 December 2023.

### Profit and loss

Revenue from our licensing partner Verrica. This revenue is for sale of LTX 315 for use in Verrica's development program.

Revenue for 2023 amounted to NOK 3.9 million (NOK 11.0 million for 2022). For 2023, this revenue is for sale of LTX-315 for use in Verrica's development program. In 2022, the revenue from sale of LTX-315 to Verrica was NOK 1.4 million. In 2022 Lytix also received a milestone payment of NOK 9.6 million triggered by the first patient being dosed with LTX-315 in Verrica's Phase II study.

Payroll and related expenses for 2023 came in at NOK 24.3 million (NOK 20.3 million). The increase in personnel expenses is mainly explained by increased share-based payment expense and slight increase in number of people

employed. Since then, Lytix has initiated several cost cutting initiatives, resulting in the company extended its cash runway through H1 2024.

Depreciation and amortization expenses was stable at NOK 1.0 million compared to NOK 0.9 for 2022. The majority is depreciation of leased assets.

Direct R&D expenses amounted to NOK 63.2 million for 2023 (NOK 45.6 million). The increase is mainly explained by the higher activity in the ATLAS-IT-05 in 2023. The trial was expanded to six new sites in three different European countries. In 2023 Lytix completed the recruitment of patients in this study.

Other expenses increased to NOK 12.3 million compared with NOK 9.8 million for 2022. The increase reflects increased activity level within clinical development and supporting activities.

Loss from operations for 2023 amounted to NOK 96.8 million compared to NOK 65.7 million for 2022.

Net financial items amount to NOK 8.9 for 2023 compared to NOK 9.6 for 2022. This income arise from interest income, foreign exchange gains and fair value gains on short term financial assets.

**Cash flow**

Cash generated from operations amounted to negative NOK 96.0 million for 2023 compared to negative NOK 52.6 million for 2022.

Cash flow from investing activities was positive with NOK 29.7 million compared to negative NOK 49.4 million for 2022. In Q3 2022, Lytix placed NOK 50 million in a liquidity fund explaining the negative cash flow from investing activities. In 2023, Lytix realized a part of the investment in the liquidity fund.

Cash flow from financing activities was negative NOK 0.9 million in 2023 compared to negative NOK 0.7 million for 2022. The majority of the cash flow for both periods is linked to leasing payments.

**Statement of financial position / balance sheet**

At the end of 2023, cash plus short-term financial investments were NOK 50.5 million, compared to NOK 145.2 million as of 31 December 2022. Trade and other receivables by end of 2023 increased to NOK 12.8 million, from NOK 6.7 million by the end of 2021.

As of December 31, 2023, Lytix had total assets of NOK 63.8 million, compared to NOK 153.3 million by the end of 2022.

Total equity amounted to NOK 51.3 million by end of 2023, decreased from NOK 135.0 million by the end of 2022. The equity ratio amounted to 80.3 percent by the end of 2023 compared to 88.1 percent by the end of 2022.

Total liabilities amounted to NOK 12.5 million by the end of 2023, compared to NOK 18.2 million by end of 2022.

**Allocation of the 2023 result**

The Company’s annual result amounted to a loss of NOK 87.9 million. The Board of Directors proposed that the loss is transferred from Share Premium Reserve.

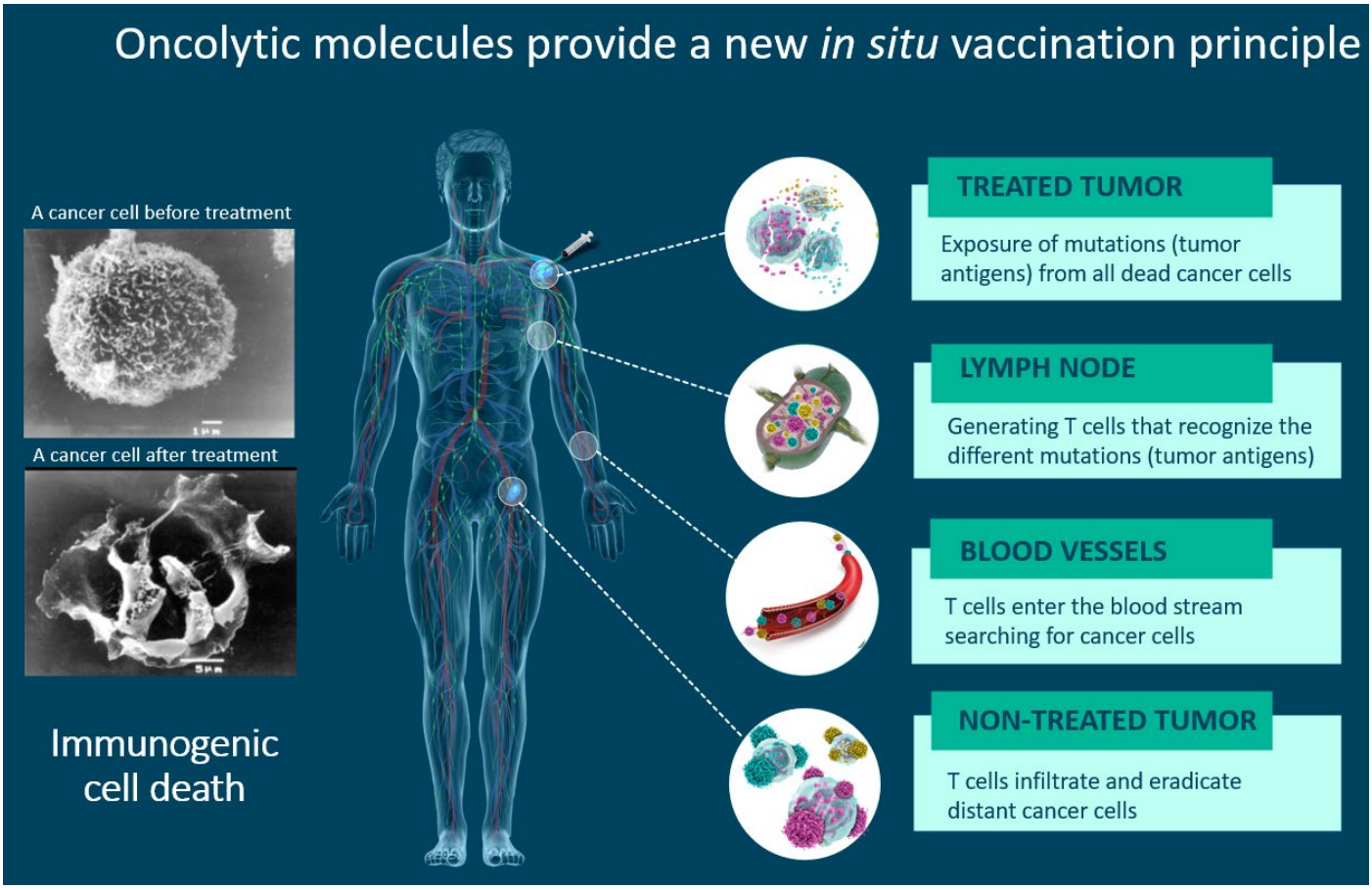
## Platform technology

Lytix' technology platform is based on solid preclinical and clinical research and originates from UiT, The Arctic University of Norway, Tromsø. The company has successfully generated several highly active oncolytic molecules from naturally occurring host defense peptides. These have the potential to address the main challenge to deal efficiently with cancer; the heterogeneity of the tumor, enabling the cancerous cells to escape various targeting therapies.

**Generating a systemic and lasting anti-tumor immunity**
Oncolytic molecules work by inducing immunogenic cell death of cancerous cells and by activating antigen presenting cells to generate tumor specific T cells. When these molecules are injected straight into the tumor environment, they potentiate the patient's immune system. Lytix' approach represents an alternative and unique treatment approach to cancer vaccination. So far, data has demonstrated that Lytix' molecules can generate a systemic and lasting anti-tumor immunity.

Lytix' oncolytic molecules kill cancer cells in a unique way resulting in an efficient release of tumor neoantigens (mutated proteins) and immune activating molecules. This process results in the activation of the patient's own killer T cells which will enter into circulation and search for and kill cancer cells.

The oncolytic molecules are also ideal for combination with other types of immune therapies where the lack of immune cells in the patients' tumors is one of the major hurdles for these therapies to be effective.




In a GlobalData survey [1], physicians ranked tumor heterogeneity as the most challenging aspect of optimizing IO therapy. Tumor heterogeneity introduces significant challenges in cancer therapy and is the main cause of treatment failure, drug resistance, relapse and recurrence.

[1] Source: GlobalData High-Prescriber Survey (December 2020)

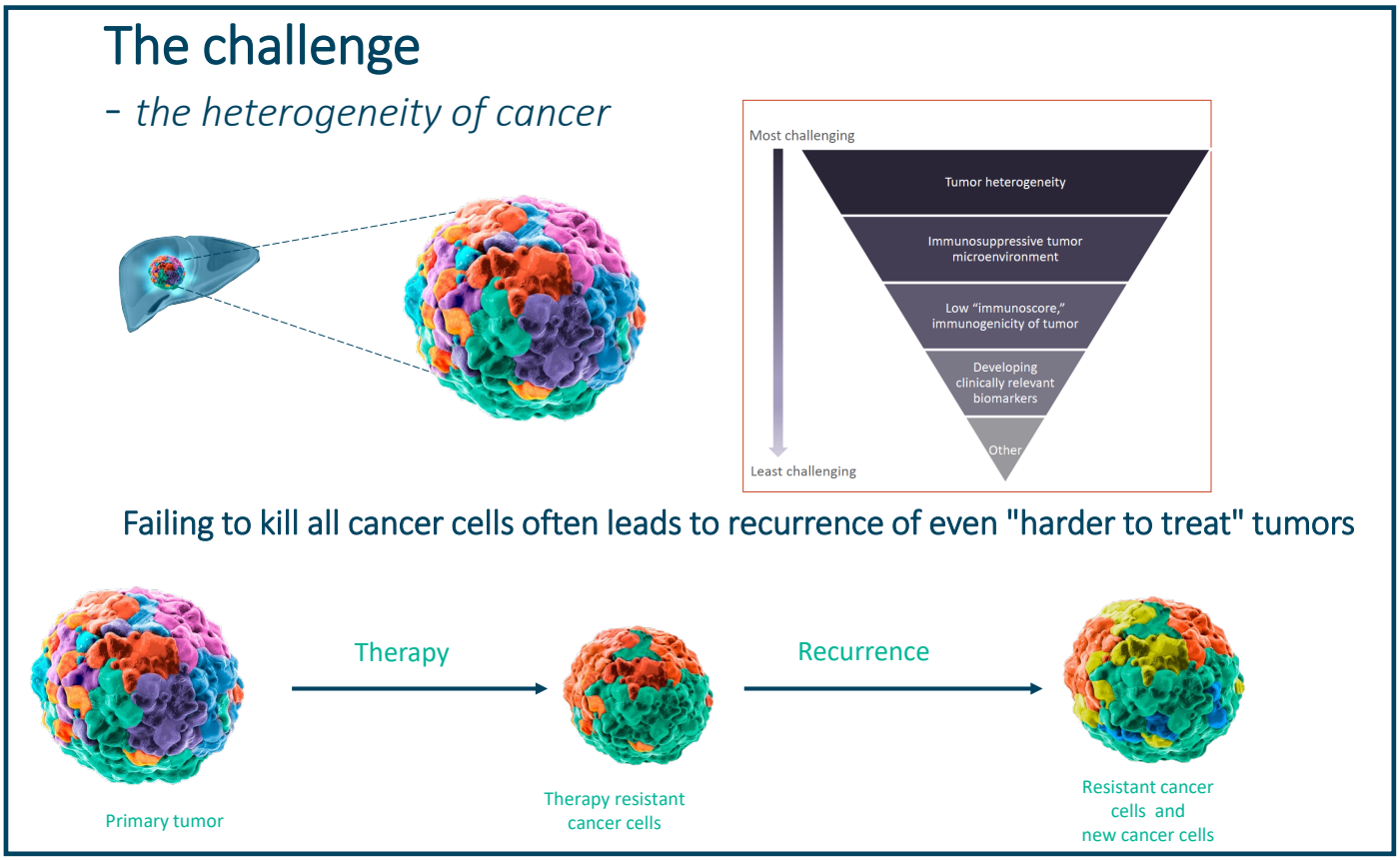



***Illustration:*** *Tumor heterogeneity is the major driver of resistance to all forms of cancer therapy, including immunotherapy.*

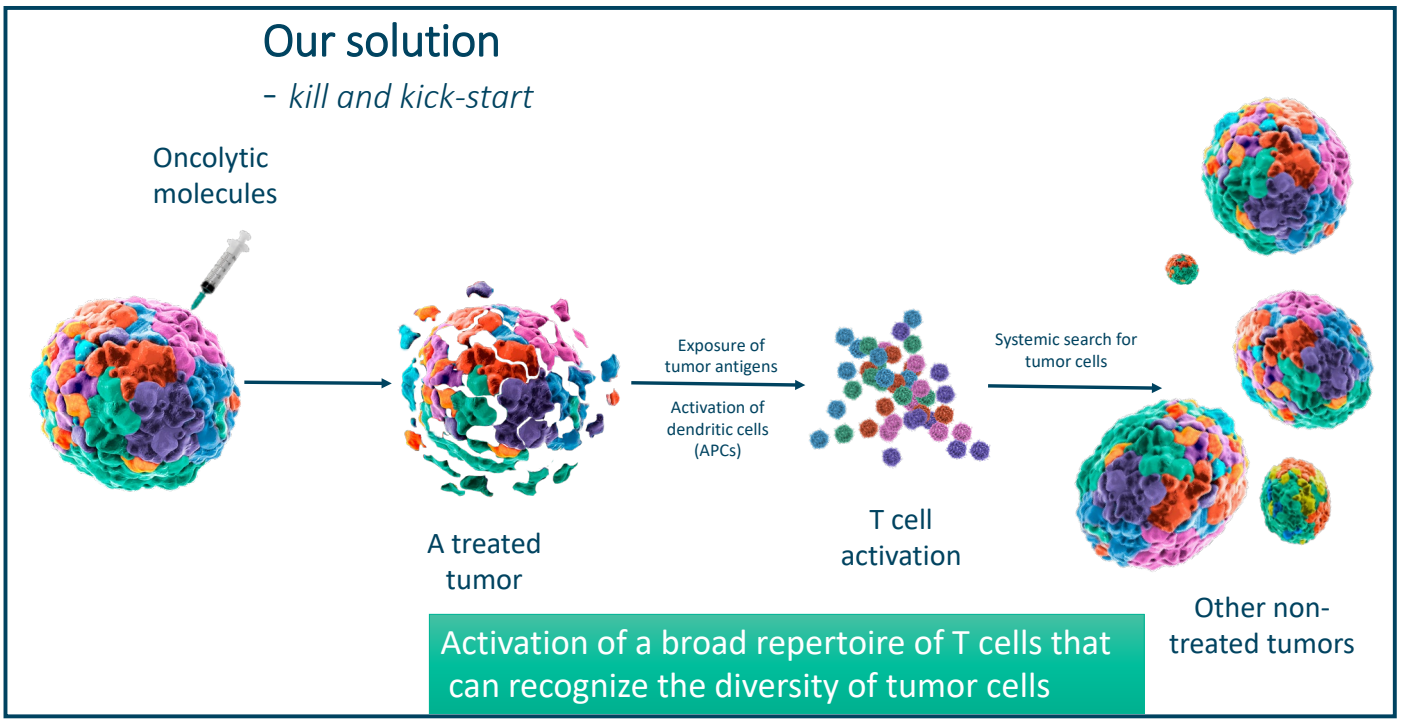



***Illustration:*** *Lytix's oncolytic molecules uniquely address heterogeneity by being able to recognize and target the different cancer subclones in a heterogenous tumor, including both drug sensitive and resistant cancer cells.*

Oncology is the largest pharmaceutical market by revenue. Oncology therapeutics represented USD 184 billion in sales in 2021 (~20% of global pharmaceutical sales) [2]. To capture a larger market share, parallel development across multiple indications, increases the value of an individual asset and makes deal-making more likely. Unmet need remains high, and the market is expected to reach $269 billion by 2025 [3]. The key driver behind this future growth is

[2] Source: IQVIA Research, 2023
[3] Source: IQVIA Research, 2023

expected to be immuno-oncology combination therapies. Lytix' oncolytic molecules are synergistic and complementary to other immuno-oncology therapies with the potential to create new treatment paradigms.

By addressing the main challenge across a wide section of cancer indications as well as being able to combine with many other immuno-oncology therapies, Lytix' oncolytic molecules have the potential to claim a unique position within immuno-oncology, creating significant patient impact as well as value for Lytix.

## Product candidates and portfolio

Lytix Biopharma's unique in situ vaccination technology platform offers a whole range of product opportunities and has the capacity to improve the lives of patients across many cancer types.

The developmental program is progressing the oncolytic molecules both as monotherapy, as a combination partner with checkpoint inhibitors and as an adjunct to cell therapy.

LTX-315 is currently being evaluated in two different Phase II trials, both as monotherapy and as combination therapy with the checkpoint inhibitor pembrolizumab.

Lytix' ATLAS-IT-05 clinical trial with LTX-315 was initiated at the MD Anderson Cancer Centre in the US and recently expanded to six sites in Europe. It is planned to include 20 patients with metastatic melanoma, a patient population with a significant unmet medical need.

LTX-401 is a second-generation candidate drug; it is a small molecule and thus can be administered at higher doses than LTX-315 and used for the treatment of tumors seated deep in the body. The next step is to evaluate LTX-401 in a Phase I human clinical trial.

| Product candidate | Combination partner | Population | Discovery | Preclinical | Phase I | Phase II | Phase III |
|---|---|---|---|---|---|---|---|
| LTX-315 | **ATLAS-IT-05** Pembroluzimab (Keytruda®) | Melanoma patients progressed on checkpoint inhibitors | | | | | |
| | **Verrica Pharmaceuticals** Monotherapy | Basal cell carcinoma | | | | | |
| | **ATLAS-IT-06** NeoLIPA | Neoadjuvant resectable melanoma patients | | | | | |
| | **ATLAS-IT-04** Adoptive T-cell therapy | Advanced soft tissue sarcoma | | | COMPLETED | | |
| LTX-401 | Monotherapy | Solid tumors (deep seated lesions) | | | | | |
| Undisclosed chemistry | | Solid tumors | | | | | |
| A unique technology platform | **Oncolytic molcules inspired by nature** Based on the concepts of naturally occuring host defense peptides, scientifically improved for cancer therapy | | | **_In situ_ vaccination platform** Candidate drugs to be directly injected into solid tumors priming the immune system for potent activation | | | |

## Product candidates

**LTX-315**

LTX-315, the lead candidate of Lytix is a 9 amino acid peptide developed from bovine lactoferricin. It is a first-in-class oncolytic molecule that is developed for intratumoral injections. Preclinical studies have demonstrated that treatment of solid tumors with LTX-315 results in growth inhibition, complete regression, and long-lasting tumor specific immune protection. These studies also demonstrate that the treatment results in a significant increase of the number of tumor-infiltrating T cells in the tumor micro-environment (Sveinbjørnsson, B et al. 2017).

LTX-315 has undergone a comprehensive Phase I clinical trial in heavily pretreated patients. In this clinical trial, one of the key features of LTX-315 treatment, to promote T-cell infiltration into tumors, was evident in the cancer patients. LTX-315 was shown to be a potent drug with the ability to also create systemic effects based on local injection of tumors. LTX-315 was either given as monotherapy or in combination with a checkpoint inhibitor to patients with transdermal accessible tumors. The trial has shown that LTX-315 has an acceptable safety profile without any added safety concerns when given in combination with a checkpoint inhibitor. The scientific foundation has been laid to claim that LTX-315 is clinically active and contributes to immune-mediated anticancer activity (Spicer et al. 2018/Spicer et al. 2021). Based on the data from the Phase I clinical trial, the dosing regimen of LTX-315 has been assessed and optimized for the ATLAS-IT-05 study.

LTX-315´s ability to induce T-cell infiltration into tumors can be further exploited in adoptive cell therapy. This kind of therapy implies the isolation of T cells from the tumor, expansion in the laboratory and transfer back to the patient to improve the immune response against the tumor. The ATLAS-IT-04 study at Herlev Hospital in Denmark was set up to evaluate the potential of LTX-315 to enhance the number of T cells prior to isolation and expansion of the T cells to billions. The T cells were then given back to the patient. In this study LTX-315 is administered in combination with adoptive T-cell therapy in advanced soft tissue sarcoma patients. During the study an extensive immune profile was measured to characterize the immune status and nature of immune response together with monitoring clinical response.  The results were published in OncoImmunology December 2023.

**LTX-401**

LTX-401 is a small molecule that has a potential as treatment of deep-seated tumors such as hepatocellular carcinoma (liver cancer) and liver metastases. In several experimental models, LTX-401 induces complete regression after intratumoral injection with a subsequent development of systemic immune protection. LTX-401 has shown increased efficacy when combined with checkpoint inhibitors and has demonstrated significant effects in experimental liver cancer models. The non-clinical development is completed, and the asset is currently being prepared for a Phase I clinical trial.

**Undisclosed**

Lytix is pursuing several new opportunities, all of them based on the in-situ vaccination technology platform that delivered LTX-315 and LTX-401. Further information on these will be provided as they advance from early stage of development.

## Partnerships

**Verrica Pharmaceuticals Inc.**

Verrica is a Nasdaq-listed dermatology therapeutics company developing medications for skin diseases requiring medical interventions, and it is headquartered in West Chester, Pennsylvania. In August 2020, Lytix announced that

it entered into a license agreement providing Verrica with a world-wide license to develop and commercialize LTX-315 for all malignant and pre-malignant dermatological indications (skin cancer). Lytix maintains all rights to the use of LTX-315 in patients with metastatic melanoma and metastatic Merkel cell carcinoma. Verrica will assume responsibility for manufacturing of the LTX-315 drug product, while Lytix retains responsibility for manufacturing of the active pharmaceutical ingredient (API). Under the license agreement, Lytix may receive aggregate payments of up to USD 111m upon achievements of certain clinical, regulatory and sales milestones as well as tiered royalty payments in the double-digit teens.

Verrica intends to focus initially on basal cell and squamous cell carcinoma as the lead indications for development for LTX-315, and in November Verrica got an US IND approval to initiate a Phase II clinical trial in basal cell carcinoma. The first patient was recruited to the study and treated with LTX-315 in April 2022. All 80 patients have been recruited and according to Verrica, top-line data will be presented mid-2024.

The American Cancer Society has estimated that about 5.4 million basal cell carcinoma (BCC) and squamous cell carcinomas (SCC) are diagnosed in the US annually. With about 80% of these skin cancers being BCC there is a significant potential for new treatment options.

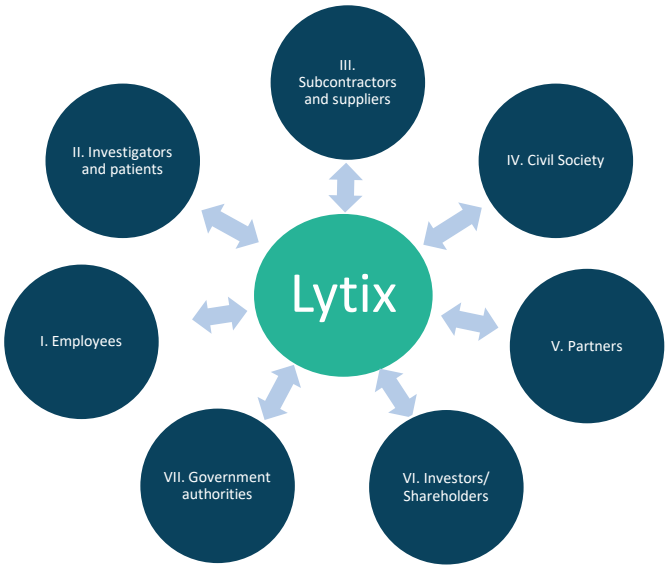
## Environment, social and corporate governance (ESG)

ESG reporting is the disclosure of environmental, social, and corporate governance impacts. It enables Lytix to be more transparent about the risks and opportunities it faces.

This report covers sustainability topics that are of importance to Lytix and the company's stakeholders.

Lytix is in regular contact with stakeholder groups and strives for an active stakeholder dialogue. Consequently, the company will update the stakeholder dialogue and materiality assessment as applicable in future ESG reports.

### Lytix' stakeholders




I. **Employees** Lytix' employees are directly affected by the company's internal policies and activities, and directly affect the company through their performance and actions. We are proud of our employees who are at the core of our services and who shape our values-based culture. We are committed to providing a workplace where our people's health and safety is of paramount importance.

II. **Investigators/Patients** Lytix' customers consist of oncologists, hospitals, clinics and the cancer patients they treat. Customers are directly affected by the quality and safety of Lytix' products, and we are committed to conducting our business in a way that best protects them. We aim to be a trusted partner through providing tailored information to all healthcare professionals and their patients, with compassion for each and every one of them.

III. **Subcontractors/Suppliers** Managing supply chain risks, impacts, and capturing opportunities for sustainable value creation is complex. However, the fundamental steps are common across all companies and organizations: understanding, planning and implementing. Learning from outcomes is essential in order to deepen and broaden the value of a Supply Chain strategy. Suppliers directly affect the company through the quality and pricing of their products and services, and Lytix carefully considers whether or not to enter into contracts with every new supplier.

IV. **Civil society** Local communities are indirectly socially, environmentally and economically affected by Lytix' activities in terms of job creation, contribution to local value creation and environmental impact. We want to have a positive impact on the communities in which we operate.

V. **Partners** Lytix' partners are directly affected by Lytix' activities and the quality and safety of Lytix' products. Lytix is in return directly affected by the partners performance and actions.

VI. **Investors/Shareholders** Lytix' investors and owners are primary stakeholders and directly affect the company's priorities and strategic direction. Lytix' economic and business performance may affect the priorities of investors and shareholders.

VII. **Government authorities** Government and regulatory authorities affect the company's operating conditions directly and indirectly through laws and regulations.

While we continue to grow, adapt and improve to meet the challenges and embrace the opportunities that our stakeholders face, our values remain at the core of how we do business.

As our ESG program develops so too does our focus, away from a mostly compliance driven approach to one that is led by organizational strategy and stakeholder views.

## Lytix' materiality assessment

The ESG materiality assessment is a tool used to identify and prioritize ESG issues that are the most critical to a company. The materiality assessment presented below is designed to identify and understand the relative importance of specific ESG topics to Lytix. This involves looking at a variety of factors from two different vantage points: importance to business success and importance to stakeholders.

Based on stakeholder input and priorities, as well as an assessment of the company's business impact, the materiality of each suggested ESG topic was considered.

The results are presented in the materiality matrix below, with topics considered material for Lytix in the upper right section.

Through the materiality assessment Lytix has identified ESG topics that are important to follow up on, based on business relevance and stakeholder interest. These ESG topics are presented in the list below:

**Environment**

1. Environment and climate impact
    - Climate change – Greenhouse gas emissions (GHG)
    - Natural capital - deforestation, biodiversity, water
    - Pollution and waste

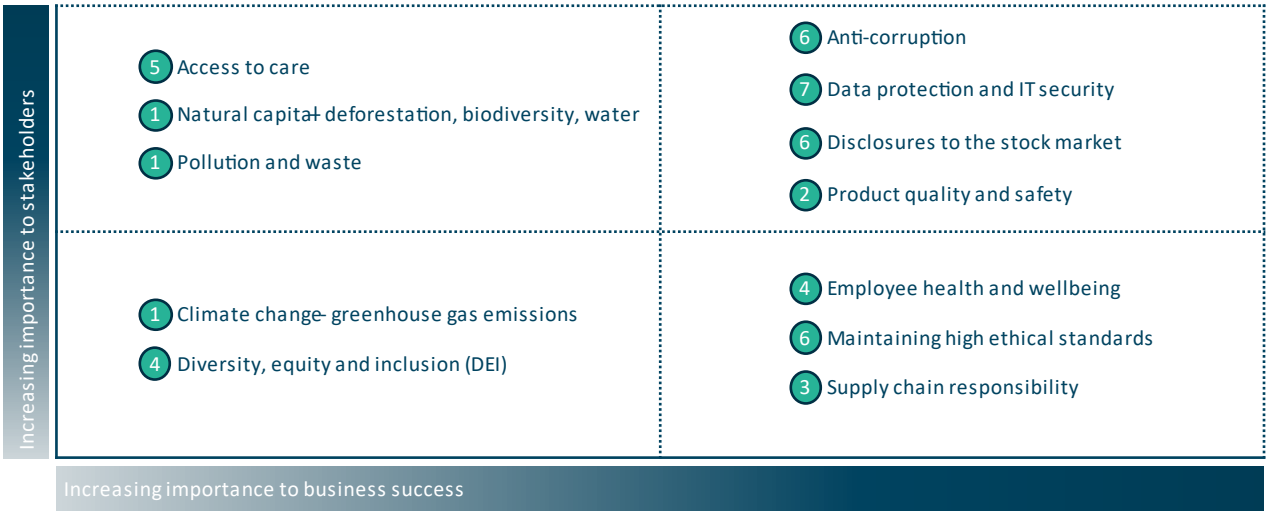
**Social**

2. Product quality and safety
3. Supply chain responsibility
4. Human rights and human capital
    - Employee health and wellbeing
    - Diversity and inclusion
5. Access to care

**Governance**

6. Business ethics and transparency
    - Anti-corruption
    - Maintaining high ethical standards
    - Disclosures to the stock market
7. Data protection and IT security

## Materiality matrix




**ENVIRONMENT**

**Environment and climate impact**

Lytix strives to minimize its environmental footprint. The environmental footprint stems mainly from the resources consumed in office spaces as well as indirect business activities such as travel and supply chain operations. As such, Lytix' operations have a limited impact on the external environment with regards to direct pollution and emissions, as production and distribution activities are outsourced. Nonetheless, we acknowledge that our subcontractors – and their emissions – are part of our supply chain and, hence, indirect emissions. We acknowledge to be part of a major industry with a significant footprint in total. Even the most innovative and advanced modern pharmaceuticals often have key ingredients sourced from the natural world. We are highly aware that the massive loss of biodiversity is a threat to medical innovations and potential treatments that are yet to be discovered. Alongside the climate crisis, we are facing a nature crisis. Many critical ecosystems, such as tropical rainforests, are under threat. As a response, the pharmaceutical industry must engage in the protection of the natural web that provides us with irreplaceable ecosystem services such as key medical ingredients.

## SOCIAL

### Product quality and safety

To guarantee the highest possible levels of health and safety for patients, Lytix is committed to guarantee product quality and safety throughout its supply chain.

During the research phase, specific clinical studies are carried out to ensure the efficacy and safety of the products and confirm the absence of any possible dangerous side effects. Furthermore, the results of these studies are assessed by regulatory bodies in Europe and in the US.

Within the supply chain, Lytix' suppliers are selected according to stringent criteria and are periodically audited to confirm compliance with the applicable quality and regulatory standards required.

All medicinal products are produced in accordance with Good Manufacturing Practices (GMPs). Lytix does not have its own production facilities, and therefore use third parties for production. All third-party production facilities used by Lytix are subject to periodic audits, verifying the existence of the necessary regulatory authorizations required and ascertaining that all manufacturing and control activities are conducted in compliance with the highest quality standards.

All personnel engaged in GxP, product quality and safety monitoring procedures receive training at least once a year on topics related to GxP. All personnel receive periodic updates on the various procedures, with particular reference to procedures regarding deviations, complaints and safety reporting.

### Benefit to society – access to care

Social impact and benefits to society is the cornerstone of Lytix' mission, with the aim of improving the lives of patients around the globe through novel cancer treatment. This is in line with the overall goal of the recently implemented UN Mission on Cancer which has been formulated as: "By 2030, more than 3 million lives saved, living longer and better". Our work will contribute to achieving the UN Sustainable Development Goal ("SDG") 3: "Ensure healthy lives and promote well-being for all at all ages" and fits into Target 3.4 by reducing the number of deaths due to cancer by providing products for effective treatment. Our projects are now benefitting patients as they have the possibility to be included in the clinical program and get access to new innovative treatment several years before the treatment becomes available on the market.

### Health, safety and wellbeing

The health, safety and wellbeing of our employees is of great importance for Lytix, and we strive to promote a culture that supports a sustainable work-life balance. During 2023, the company had 15 employees (constituting 12.5 man-years) including contracted personnel. The Board considers that the working environment in the company is good, and no special measures have been implemented in this regard. The employees have not suffered any accidents or injuries in connection with their work. Absence due to illness was all short term and less than 2.4%, which is a slight increase from the previous year.

Externally, the biotech industry and regulatory authorities demand high standards for safeguarding patients during clinical trials. We follow all regulatory requirements related to conduct of clinical trials including the Helsinki declaration, ICH guidelines on good clinical practice and all applicable laws, regulations, directives, and guidance documents. These requirements are further addressed in our partner selection processes.

Animal studies are performed with the highest standards of animal welfare and is subject to European Directive No. 2010/63/UE. All studies are conducted in accordance with national legislation, under national approval and by the CRO`s internal Committee on Animal Research and Ethics. General procedures for animal care and housing are in accordance with applicable Laboratory Animal Care recommendations.

Lytix has established a quality management system consisting of a Quality manual, SOPs and forms to be in compliance with Norwegian, European and US health authorities' rules and regulations for drug manufacturing, clinical trials, drug safety and quality and to safeguard the patients. The GLP standard for laboratory practice, GMP

standard for drug manufacture, GDP standard for drug distribution and GCP standard for clinical trials are embedded in our quality system.

**Diversity, equity, and inclusion (DEI)**

Lytix aims to be a workplace providing equal opportunities for all. We consider employee diversity to be a competitive advantage, and in order to attract and retain the best talent, we do our outmost to ensure fair and equal employment practices.

The company has traditionally recruited from environments where women and men are relatively equally represented. In terms of gender balance within the company, women constitute 50% of the Board members and 17% of the senior management team. The company promotes a productive working environment, have zero tolerance for disrespectful behavior, and is an equal opportunity employer. Discrimination in hiring, compensation, training, promotion, termination, or retirement based on ethnic and national origin, religion, sex, or other distinguishing characteristics is not acceptable.

**Whistleblowing**

Employees are encouraged to report any sort of misconduct within the company, which can be violations of statutory provision, internal provision, or ethical norms. Lytix recognizes that whistleblowing is of value to the firm, as it offers an opportunity to remedy misconduct. Lytix ensures that employees reporting misconduct are entitled to protection against reprisals, and matters may be reported anonymously to the organization's whistleblower contact, through the established whistleblowing e-mail, or alternatively to immediate supervisor or a member of the management team.

## GOVERNANCE

**Corporate governance**

Lytix considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to equity. To secure strong and sustainable corporate governance, it is important that the Company ensure good business practices, reliable financial reporting, and an environment of compliance with legislation and regulations. The "Code of Conduct" sets the frame for business ethics and compliance. The Company's Board of Directors actively adheres to good corporate governance standards as described in the "Rules of Procedures of the Board of Directors" (the "Board policy") within the framework of "Norwegian Code of Practice for Corporate Governance".

Lytix has established an "Insider policy" in light of the laws and regulations surrounding the trading of shares listed on Euronext Growth and an "Information Policy" to ensure a continuous, good quality, internal and external information giving in accordance with the Euronext Growth requirements.

**Anti-corruption**

We have a zero tolerance for corruption. Corruption in the procurement of drugs and medical equipment drives up costs and can lead to sub-standard or harmful products. In addition to this, corruption have a disproportionate impact on the most vulnerable in society, increasing cost and reducing access to vital health services. As a standard, we conduct all our business activities in a transparent and open matter, and hold all employees, business partners and stakeholders to the same high ethical standard.

**Supply chain responsibility**

We see it as our ethical responsibility to ensure that the entire value chain relating to our products satisfies our requirements for sustainability and corporate social responsibility.

We aim to work with business partners (subcontractors and suppliers) during the development of our products and execution of pre-clinical and clinical trials that demonstrate the same high standards of responsible business conduct and ethical values as our own. We exercise caution in the selection process, always following Lytix' evaluation and sourcing procedures.

As part of the evaluation, Lytix obtain confirmation that the subcontractor or supplier have adequate systems or policies in place ensuring compliance with applicable laws relating to ethical and responsible standards of behavior, including, without limitation, those dealing with human rights, labor, environmental protection, sustainable development and bribery and corruption in accordance with the principles in the United Nations Global Compact.

When establishing new contracts, we encourage subcontractors and suppliers to confirm their compliance with the principles in the UN Global Compact.

**Data protection and IT security**

The EU personal data protection framework as laid out in Directive (EU) 2016/680 and Regulation (EU) 2016/679 came into force in 2018. As a biotech company within the healthcare space, Lytix and/or our subcontractors and suppliers may need to store personal data as part of the business. Our GDPR compliance policy, was created to ensure that Lytix process and safeguard personal data in line with the Regulation ("the GDPR"). It describes how we plan to stay compliant on an ongoing basis, with policies and procedures for particularly relevant areas of our business. Lytix has contracted a Data Protective Officer (DPO) as set out in Articles 37 to 39 of the EU Data Protection Regulation (GDPR) to oversee and to be transparent on how personal data is processed, the privacy notice appears on Lytix' homepage. Privacy statements are also included in the e-mail signature for all employees. Data Processing Agreements are established between Lytix as data controller and any data processor as required.

Lytix has outsourced the IT infrastructure and support to an external vendor. The IT solution is cloud-based with firewall and virus protection provided by the vendor. A feature in Outlook enables employees to report suspicious e-mails easily. Local secure access to the exchange is via password protected log-on. The information security platform is based on international standards ISAE3402 and ISEA3000 which is audited annually by PwC. All employees are responsible for storing documents securely and locking their computer when unauthorized people have access.

**ESG going forward**

As a small actor in the biotech landscape, we acknowledge that we are still in the starting phase of enhancing and reporting sustainability activities and aim to strengthen our efforts in the future. As a first step, we have completed a materiality assessment based on stakeholder inclusiveness, with the goal of identifying the most prominent environmental, social and governance (ESG) matters for the company.

Going forward, Lytix further has the ambition to report annually on ESG topics that are identified in the materiality assessment. Goals will be fixed by material topic, achievements and gaps will be tracked and documented, helping us understand our successes as well as areas that require more attention. The Euronext guidelines for ESG reporting will be observed. The ESG reporting will be reviewed and approved by the Board of Directors.

Building strong relationships and creating trust amongst our stakeholders is essential for Lytix' success. To do so, creating platforms for dialogue between the parties and including them in the materiality assessment is vital.

## The types and location of the business

Lytix Biopharma AS is a clinical stage biotech company, located in Oslo, Norway, developing novel cancer immunotherapies, an area within cancer therapy that is aimed at activating the patient's immune system to fight cancer. The company's technology is based on pioneering research in "host defense peptides" – nature's first line of defense towards foreign pathogens.

Lytix Biopharma's lead product, LTX-315, is a first-in-class oncolytic molecule representing a new and superior in situ therapeutic vaccination principle to boost anti-cancer immunity, with the potential to be the ideal combination partner with other types of immunotherapies. LTX-315 target cancer cells and disintegrate their cell membranes, causing immunogenic cell death and release of a patient's tumor specific antigens. This mode of action allows cytotoxic T cells to recognize, infiltrate, and attack cancer cells.

The Company was listed on Euronext Growth in Oslo in June 2021, following a private placement covered by investors such as PBM Capital, an US based, healthcare-focused investment firm.

## PERSONNEL AND ORGANIZATION

Lytix' senior management team at year-end consists of Øystein Rekdal as Chief Executive Officer, Baldur Sveinbjørnsson as Chief Scientific Officer, Gjest Breistein as Chief Financial Officer, Graeme Currie as Chief Development Officer, Gry Stensrud as Chief Technical Officer and Stephen Worsley as Chief Business Officer

Lytix has its registered address in Oslo, Norway. The Company is a limited liability company incorporated and domiciled in Norway. The Company rents office in Oslo.

## RESEARCH AND DEVELOPMENT ACTIVITIES

Expenditure on research and development activities is recognized as an expense in the period in which it is incurred. Internal research and development expenses related to the company's development of products are recognized in the income statement in the year incurred unless it meets the asset recognition criteria Intangible Assets. An internally generated asset arising from the research and development phase of an R&D project is recognized if, and only if, all the following has been demonstrated:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial, and other resources to complete the development and use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria are not met until the time when marketing authorization is obtained from relevant regulatory authorities. The company has currently no development expenditure that qualifies for recognition as an intangible asset.

## FINANCIAL RISKS

Lytix is a clinical stage biotech company which is accumulating financial losses. Operating losses are expected to continue during the development phases of the company's products, and other than potential development milestone payments from the licensing agreement with Verrica, potentially cash generating operations are not expected until one or more of the company's products are commercialized.

The company has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects financial income. Lytix is on a regular basis transacting in various currencies other than the functional currency (NOK). This implies that the company is exposed to currency fluctuations. Transactions related to the ATLAS-IT-05 study are mainly denominated in USD, and Lytix has consequently placed a part of its cash position in

USD to hedge part of the foreign currency risk. The credit risk is limited as revenues are minimal exclusive of public grants and sales of drug supply to partners.

The company controls its cash flow from both long- and short-term perspectives through rolling cash forecasts. The company has no loan agreements involving covenants or other financial instruments or requirements.

Funding of ongoing operations is, and will be for some time, depending on external sources, mainly equity contributions. There is an inherent risk around future financing of the company, depending upon the company's own performance and on the financial market conditions. Acceptable sources of funding may not be available when needed or may not be available on acceptable terms. The company's ability to obtain capital or financing will depend in part upon prevailing market conditions as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory terms.

## NON-FINANCIAL RISKS

Lytix' activity is development of pharmaceutical medications. Research and development up to approved registration is subject to considerable risk and is a capital-intensive process. Lytix' candidates for cancer medications and technology platform are dependent on research and development and goes through several stages before commercialization and risk of failure is generally inherent throughout the process.

### Technology risk

The company's product candidates are still at an early stage and the preclinical and clinical studies may not prove to be successful. Furthermore, the product candidates are dependent on continued research and development which may be delayed and/or incur higher costs than currently expected.

### Competitive technology

Immunotherapy and other cancer therapeutics industries are in general highly competitive and dynamic, and as such a high-risk business. Lytix operates in this global and highly competitive industry sector and is subject to the rapid and substantial technological change. Competitive cancer treatments, either within immunotherapy or within the broader space of oncology, may affect Lytix' ability to commence and complete clinical trials, as well as the opportunity to apply for marketing authorization, and may influence future sales if marketing authorization is obtained.

### Market risks

The financial success of the company will require beneficiary partner agreements as well as obtaining market access and reimbursement/pricing at attractive levels. There can be no guarantee that the company's product(s) will meet these requirements. The company will need approvals from the European Medicines Agency (EMA) to market products in Europe and from the U.S. Food and Drug Administration (FDA) to market its products in the US, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialize in those regions.

## D&O INSURANCE

Lytix has entered a Directors' and Officers' Liability Insurance which covers past, present, or future individual member of the board of directors and/or executive board or similar executive body of the group as well as any past, present, or future officer, de facto director, shadow director or employee of the group who is capable of incurring personal managerial liability. The insurance covers NOK 20 million per claim and in the aggregate for the policy, world-wide including USA and Canada.

## GOING CONCERN

These financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company's ability to continue as a going concern depends on its ability to obtain additional equity financing. The Company has funded its operations primarily by shares issuances. While the Company has been successful in raising sufficient funding in the past, there can be no assurance it will be able to do so in the future.

The capital increase completed in April 2024 with gross proceeds of NOK 50 million ensures that Lytix has available financial resources sufficient for planned activities throughout 2024.

The Board of Directors states that the annual accounts represent a true and fair view of the Company's financial position at the turn of the year. According to the Norwegian Accounting Act §3-3 (a), the Board of Directors confirmed that the financial statements have been prepared under the assumption of going concern and that the grounds for this assumption exist.

## POST-BALANCE SHEET EVENTS

On April 9th, 2024, the Company announced the contemplated launch of a partially guaranteed share offering (the "Offering") of between 9,541,973 and 10,509,802 new shares (the "Offer Shares") in the Company, each with a nominal value of NOK 0.10, at a subscription price of NOK 5.24 per Offer Share.

The Offering was completed. The extraordinary general meeting that took place on 25 April 2024 (the "EGM") resolved to issue a total of 9,541,984 Offer Shares, raising gross proceeds of NOK 50 million.

## SHARE INFORMATION

As of December 31, 2023, there were 40,068,319 ordinary shares outstanding. The company has one class of shares, and all shares carry equal voting rights.

The company had more than 1,094 shareholders on December 31, 2023.

## BOARD OF DIRECTORS OF LYTIX BIOPHARMA AS

The composition of the Board of Directors is at year-end as follows: Marie Roskrow (Chair), Brynjar Forbergskog, Evelina Vågesjö, Jayson Rieger, Kjetil Hestdal and Marie-Louise Fjällskog.

All board members are independent of the Company's executive personnel and material business at year-end. Brynjar Forbergskog controls a significant number of shares in the company through Hifo Invest AS and Saturn Invest AS. Jayson Rieger serves as Managing Partner in PBM Capital, an US healthcare-focused investment firm. PBM Capital has invested in Lytix through the affiliate company PBM LYT Holdings, LLC.

The Board of Directors held 11 board meetings during the fiscal year 2023.

## OUTLOOK

Lytix is strategically positioned to advance and develop its clinical stage assets. With a strong industry interest in the technology that can address the major challenge in current cancer therapy, Lytix is confident in its ability to attract partners and investors to expand and accelerate the development of LTX-315 and LTX-401 in the coming years.

The Company looks forward to the top-line data from Verrica's completed Phase II study in basal cell carcinoma expected to be announced mid-2024. LTX-315 could potentially represent a non-surgical alternative to surgery for patients suffering from BCC, which is the most common type of cancer with a large commercial market potential.

Patient enrollment for ATLAS-IT-05 has reached completion, and we are continuing to see positive results in a patient population that has previously failed to respond to two or more lines of immunotherapies in addition to PD(L)-1 therapy. Recent clinical findings from this trial are highly encouraging, and the Company look forward to following these patients for longer and the support these data will provide for future studies, including neoadjuvant and in patients earlier in their treatment journey.

Furthermore, Lytix is enthusiastic about commencing a neoadjuvant study with LTX-315 in melanoma patients with resectable tumors, in collaboration with the University Hospital in Oslo, Radiumhospitalet in the first half of 2024. This study will assess the potential of LTX-315 combined with a standard of care treatment (pembrolizumab) in patients with earlier stage cancer. Such patients typically possess healthier immune systems and have undergone fewer rounds of prior treatments, making them more likely to respond optimally to Lytix's innovative technology.

As LTX-315 progresses through clinical trials, both internally and in collaborations across Europe and the USA, more data is expected during 2024 and 2025. Positive outcomes from these studies could pave the way for new partnerships in late-stage development and commercialization.

However, it's important to note that the realization of these plans hinges upon the company securing additional funding. Financially, the Company has runway that will see it through 2024 and into 2025. The Company continue to regularly assess the financial position to ensure that it has the necessary funds to support new and future activities. Lytix remains actively engaged in exploring strategic partnerships and alternative financing avenues to support its ambitious development agenda.

Oslo, April 29, 2024

The Board of Directors and the Chief Executive Officer of Lytix Biopharma AS

| | | |
|---|---|---|
| **Marie Roskrow**<br>Chairperson of the Board | **Brynjar Forbergskog**<br>Board Member | **Evelina Vågesjö**<br>Board Member |
| **Jayson Rieger**<br>Board Member | **Kjetil Hestdal**<br>Board Member | **Marie-Louise Fjällskog**<br>Board Member |
| **Øystein Rekdal**<br>Chief Executive Officer | | |

# Financial statements

## STATEMENT OF COMPREHENSIVE INCOME

| *Amounts in NOK thousands* | *Notes* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Revenue | *1,2* | 3,991 | 11,031 | 19,307 |
| Other operating income | | - | - | 187 |
| **Total operating income** | | **3,991** | **11,031** | **19,495** |
| Payroll and related expenses | *3,4,5* | (24,344) | (20,326) | (30,371) |
| Depreciation and amortization expenses | *6,7* | (962) | (919) | (453) |
| Direct R&D expenses | *3* | (63,167) | (45,608) | (23,740) |
| Other expenses | *3,8,9* | (12,303) | (9,843) | (12 916) |
| **Total operating expenses** | | **(100,776)** | **(76,697)** | **(67,480)** |
| **Loss from operations** | | **(96,785)** | **(65,666)** | **(47,985)** |
| Financial income | *10* | 8,945 | 9,835 | 144 |
| Financial expenses | *10,7* | (58) | (238) | (238) |
| **Net financial items** | | **8,887** | **9,597** | (94) |
| **Loss before tax** | | **(87,897)** | **(56,069)** | **(48,079)** |
| **Tax expense** | *11* | - | - | - |
| **Loss for the period** | | **(87,897)** | **(56,069)** | **(48,079)** |
| **Net other comprehensive income (loss), net of tax** | | | | |
| Items that may be reclassified to profit and loss in subsequent periods | | - | - | - |
| Items that will not be reclassified to profit and loss in subsequent periods | | - | - | - |
| **Total comprehensive income (loss) for the period** | | **(87,897)** | **(56,069)** | **(48,079)** |
| **Earnings (loss) per share** | | | | |
| Basic and diluted earnings (loss) per share | *12* | (2.19) | (1.41) | (1.45) |

# STATEMENT OF FINANCIAL POSITION

| *Amounts in NOK thousands* | *Notes* | **31.12.2023** | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *6* | 110 | 124 | - | - |
| Right-of-use assets | *7* | 438 | 1,251 | 2,140 | - |
| **Total non-current assets** | | **548** | **1,375** | **2,140** | **-** |
| **Current assets** | | | | | |
| Other receivables | *14* | 12,777 | 6,735 | 5,680 | 4,168 |
| Short-term financial investments | *15,16* | 23,183 | 50,606 | - | - |
| Cash and cash equivalents | *16,17* | 27,365 | 94,552 | 197,282 | 28,450 |
| **Total current assets** | | **63,326** | **151,893** | **202,962** | **32,617** |
| **Total assets** | | **63,874** | **153,269** | **205,102** | **32,617** |
| **Shareholder's equity and liabilities** | | | | | |
| **Issued capital and reserves** | | | | | |
| Share capital | *18* | 4,007 | 4,007 | 3,874 | 2,623 |
| Share premium reserve | *18* | 47,312 | 131,027 | 185,720 | 17,266 |
| **Total equity** | | **51,319** | **135,034** | **189,593** | **19,889** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Lease liabilities | *7,16* | 41 | 476 | 1,344 | - |
| **Total non-current liabilities** | | **41** | **476** | **1,344** | **-** |
| **Current liabilities** | | | | | |
| Trade payables | *16,19* | 3,572 | 6,997 | 1,476 | 3,284 |
| Other current liabilities | *19* | 8,492 | 9,894 | 11,862 | 9,444 |
| Lease liabilities | *7,16,19* | 451 | 868 | 827 | - |
| **Total current liabilities** | | **12,514** | **17,759** | **14,165** | **12,728** |
| **Total liabilities** | | **12,555** | **18,235** | **15,509** | **12,728** |
| **Total equity and liabilities** | | **63,874** | **153,269** | **205,102** | **32,617** |

# STATEMENT OF CASH FLOWS

| *Amounts in NOK thousands* | *Notes* | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit (loss) before income tax | | (87,897) | (56,069) | (48,079) |
| **Adjustments for:** | | | | |
| Depreciation of property, plant and equipment | *6* | 62 | 30 | - |
| Depreciation of right-of-use assets | *7* | 900 | 889 | 453 |
| Interest income/(expense), net | *10* | (2,348) | (1,351) | (134) |
| Share-based payment expense | *4,5* | 4,183 | 1,376 | 4,055 |
| Increased/decreased in trade and other receivables | *14* | (6,042) | (1,055) | (1,513) |
| Increased/decreased in trade and other payables | *19* | (4,828) | 3,553 | 610 |
| **Cash generated from operations** | | **(95,969)** | **(52,626)** | **(44,607)** |
| Income tax paid | *11* | - | - | - |
| **Net cash flows from operations** | | **(95,696)** | **(52,626** | **(44,607)** |
| **Investing activities** | | | | |
| Investment in tangible assets | *6* | (49) | (154) | - |
| Interests received | *10* | 2,351 | 1,406 | 138 |
| Investment in other short-term investments | *15* | 27,423 | (50,606) | - |
| **Net cash from/(used in) financing activities** | | **29,725** | **(49,355)** | **138** |
| **Financing activities** | | | | |
| Interests paid | *10* | (3) | (55) | (4) |
| Proceeds from share issue | *18* | - | 133 | 225,214 |
| Transaction cost | *18* | - | - | (11,486) |
| Payment of principal portion of lease liabilities | *7* | (940) | (827) | (423) |
| **Net cash from/(used in) financing activities** | | **(943)** | **(749)** | **213,302** |
| Net increase in cash and cash equivalents | | (67,187) | (102,730) | 168,832 |
| Cash and cash equivalents at the beginning of the period | | 94,552 | 197,282 | 28,450 |
| **Cash and cash equivalents at the end of the period** | *17* | **27,365** | **94,552** | **197,282** |

## STATEMENT OF CHANGES IN EQUITY

| *Amounts in NOK thousands* | Share capital | Share premium reserve | Other equity | Total equity |
|---|---|---|---|---|
| **Balance as at January 1, 2021** | **2,623** | **17,266** | **-** | **19,889** |
| Loss for the period | - | - | (48,079) | **(48,079)** |
| Net other comprehensive income/(loss) | - | - | - | **0** |
| **Other comprehensive income/(loss) for the period** | **-** | **-** | **(48,079)** | **(48,079)** |
| Capital increase 10.06.2021 | 323 | 57,891 | - | **58,214** |
| Capital increase 11.06.2021 | 928 | 166,072 | - | **167,000** |
| Transaction cost | - | (11,486) | - | **(11,486)** |
| Share based payment | - | 4,055 | - | **4,055** |
| Reclassification of accumulated losses | - | (48,079) | 48,079 | |
| **Total contribution by and distributions to owners** | **1,251** | **168,453** | **48,079** | **217,783** |
| **Balance as at December 31, 2021** | **3,874** | **185,720** | **-** | **189,593** |
| Loss for the period | - | - | (56 069) | **(56 069)** |
| Net other comprehensive income/(loss) | - | - | - | **-** |
| **Other comprehensive income/(loss) for the period** | - | **-** | **(56 069)** | **(56 069)** |
| Capital increase 20.04.2022 | 133 | - | - | **133** |
| Share based payment | - | 1,376 | - | **1,376** |
| Reclassification of accumulated losses | - | (56,069) | 56,069 | **-** |
| **Total contribution by and distributions to owners** | **133** | **(54,693)** | **56,069** | **1,509** |
| **Balance as at December 31, 2022** | **4,007** | **131,027** | **-** | **135,034** |
| Loss for the period | - | - | (87,897) | (87,897) |
| Net other comprehensive income/(loss) | - | - | - | - |
| **Other comprehensive income/(loss) for the period** | - | **-** | **(87,897)** | **(87,897)** |
| Share based payment | - | 4,183 | - | **4,183** |
| Reclassification of accumulated losses | - | (87,897) | 87,897 | **-** |
| **Total contribution by and distributions to owners** | **-** | **(83,714)** | **87,897** | **4,183** |
| **Balance as at December 31, 2023** | **4,007** | **47,312** | **-** | **51,319** |

Oslo, April 29, 2024

The Board of Directors and the Chief Executive Officer of Lytix Biopharma AS

**Marie Roskrow**
Chairperson of the Board

**Brynjar Forbergskog**
Board Member

**Evelina Vågesjö**
Board Member

**Jayson Rieger**
Board Member

**Kjetil Hestdal**
Board Member

**Marie-Louise Fjällskog**
Board Member

**Øystein Rekdal**
Chief Executive Officer

# Notes to the financial statements

**REPORTING ENTITY**

Lytix Biopharma AS is a Phase II clinical stage drug development company with more than 20 years of preclinical and clinical research. The company's shares are listed on Euronext Growth.

Lytix has, in collaboration with world leading cancer research centers, developed a proprietary in situ vaccination technology platform providing a new class of drug candidates for the treatment of cancer. The treatment is aiming for activating the patient's own immune system to fight the cancer.

The address of the registered office is Sandakerveien 138, 0484 Oslo, Norway

**BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of Lytix Biopharma AS (Lytix Biopharma or the Company) is prepared in accordance with IFRS Accounting Standards as endorsed by the European Union (EU) (IFRS Accounting Standards) and Norwegian authorities and effective as of 31 December 2023. Lytix Biopharma also provides the additional disclosures as specified under the Norwegian Accounting Act (Regnskapsloven).

The financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ.

The principal accounting policies applied in the preparation of these financial statements are set out bellow. The policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are presented in NOK, which is also the Company's functional currency. Amounts are rounded to the nearest thousand unless otherwise stated.

For all periods up to and including the year ended 31 December 2022, Lytix Biopharma AS has prepared its financial statements in accordance with generally accepted accounting principles in Norway (NGAAP). These financial statements of the Company for the year ended 31 December 2021, will be the first annual financial statements that comply with IFRS Accounting Standards as endorsed by the EU. In the financial statements, the term "Norwegian GAAP" or "NGAAP" refers to Norwegian GAAP in use before the adoption of IFRS Accounting Standards. Subject to certain transition elections and exceptions, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS Accounting Standardsstatement of financial position on 1 January 2021 throughout all periods presented, as if these policies had always been in effect. Note 20 discloses the impact of the transition to IFRS Accounting Standardson the Company reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended 31 December 2022 prepared under Norwegian GAAP.

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in accordance with the recognition- and measurement criteria in accordance with the IFRS Accounting Standardsrequires the use of estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in the following notes, and are the following:

- Revenue recognition (see note 1)
- Deferred tax asset (see note 11)
- Share-based payments (see note 5)

**REVENUE FROM CONTRACTS WITH CUSTOMERS**

Lytix ordinary activities mainly consist in the research and development activities leading patented intellectual property that can be licensed to third parties, and also to sell the Active Pharmaceutical Ingredient (API) to its licensing partners. The Company has applied the five-step model to account for revenue arising from contracts with customers. The Company currently has revenue agreements with only one customer.

The Company's main revenue streams are as follows:

- Licensing its drug candidate LTX-315 to Verrica Pharmaceuticals Inc, where the performance obligation was to grant exclusive rights for certain field of application of LTX-315, which was satisfied at the point in time the license such rights were granted at. Revenue is recognized for the transaction price which during the development stage of a product containing LTX-315, consists of variable payments based on milestones reached. Variable consideration is considered to be constrained because it is highly dependent on factors outside the control of the Company. Therefore, the Company will only recognize revenue when relevant milestones have been reached by the Verrica, which is the point when uncertainty about a milestone payment is resolved, and therefore it is highly certain no reversal of the revenue will occur. The Company is also entitled to royalty revenue during the commercialization phase of a product containing LTX-315, which will be recognized the subsequent sale occurs.

- Sale of API to Verrica, recognized as revenue when the transfer of control over the goods is transferred to the customer, which typically is based on the incoterms and right to payment for the goods.

Management have assessed the sale of API and the licensing agreement to be distinct and separately identifiable products.

**FOREIGN CURRENCY**

Transactions entered by the Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

**STATEMENTS OF COMPREHENSIVE INCOME**

Lytix Biopharma has elected to present the result for the period and other comprehensive income in one statement of comprehensive income. Further, Lytix Biopharma presents an analysis of expenses based on their nature as a common analysis of expenses through Lytix Biopharma's value chain. Lytix Biopharma has elected to present a sub-total 'Loss from operations'.

**CLASSIFICATION AND ASSESSMENT OF BALANCE SHEET ITEMS**

Items in the statement of financial position are classified as current when they are expected to be realized or settled within 12 months after the reporting date.

**STATEMENTS OF CASH FLOWS**

Lytix Biopharma uses the indirect method to present cash flows from operating activities. Interest received is included in cash flow from investing activities. Proceeds from owners and principal payment of lease liabilities are included in cash flows from financing activities.

**CASH AND CASH EQUIVALENTS**

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents include cash, bank deposits, and other short-term deposits which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from original maturity.

**PROPERTY, PLANT AND EQUIPMENT**

Items of property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs. Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of the asset. If significant individual parts of the assets have different useful lives, they are recognized and depreciated separately. Depreciation commences when the assets are ready for their intended use. The estimated useful lives of the assets are as follows:

- Office equipment 3 years
- Furniture and fittings 3 years

**INTANGIBLE ASSETS**

Expenses for other intangible assets are reflected in the balance sheet providing a future financial benefit relating to the development of an identifiable intangible asset can be identified and the cost can be measured reliably. Otherwise, such expenditure is expensed as and when incurred. Refer to section Research and development for further information. Capitalized development costs are amortized linearly over the asset's expected useful life.

**RESEARCH AND DEVELOPMENT**

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Internal development costs related to the Company's development of products are recognized in the income statement in the year incurred unless it meets the asset recognition criteria Intangible Assets. An internally generated asset arising from the development phase of an R&D project is recognized if, and only if, all the following has been demonstrated:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial, and other resources to complete the development and use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria are not met until the time when marketing authorization is obtained from relevant regulatory authorities. The Company has currently no development expenditure that qualifies for recognition as an intangible asset.

**TRADE RECEIVABLES**

Trade receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made based on individual assessments of the individual receivables.

**FINANCIAL INSTRUMENTS**

Financial instruments are recognized when Lytix becomes a party to the contractual terms of the instrument. Financial assets and liabilities are classified based on the nature and purpose of the instruments.

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, and thereby subsequently measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income (OCI). Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. Lytix has classified its investments in short-term financial investments at fair value through profit or loss.

*Financial assets at amortized cost*

This category is the most relevant to the Company. The Company measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is either derecognized, modified or impaired. Lytix's financial assets classified as amortized cost includes trade and other receivables.

*Impairment of financial assets*

The Company assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The Company also considers forward-looking information to determine whether financial assets should be written down.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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.

Lytix's financial liabilities include accounts and other payables.

*Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Lytix only has financial liabilities measured at amortized cost.

**SHARE CAPITAL**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

**DEFINED CONTRIBUTION PLAN**

With a defined contribution plan the Company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognized as payroll expenses.

**OTHER LONG-TERM SERVICE BENEFITS**

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

**SHARE-BASED PAYMENTS**

Where equity settled share-options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss over the vesting period. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. If all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss is charged with the fair value of goods and services received.

**EARNINGS PER SHARE**

Earnings per share are calculated on the basis of the profit or loss for the year after tax but excluding other comprehensive items. The result is divided by a time weighted average number of outstanding shares over the year. The diluted earnings per share is calculated by adjusting the time weighted average number of outstanding shares by the number of employee share options that can be exercised.

**LEASED ASSETS**

In order to determine whether an agreement is a lease agreement or contains a lease element, the substance of the agreement is assessed. Each individual rental component in the contract is recognized as a lease separately from non-lease components in the contract. At the time of commencement of a lease, a lease liability and a corresponding right of use asset are recognized for all leases.

Lytix has chosen the exemption to not capitalize leases with a short duration (lease period of 12 months or less); or whose underlying assets is considered to be of low value when new. For these leases, the lease payments are recognized as other operating expenses in the income statement when they occur. This includes cancellable short-term leases.

See Note 16 for information on right-of-use assets and lease liabilities recognized by the Company.

**Right-of-use-asset**

The company recognizes right-of-use asset 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 recognized, initial direct cost 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 during the term of the lease.

The company applies IAS 36 Impairments to determine whether the right-of-use asset has been impaired and to recognize any impairment losses.

**Lease liabilities**

The lease obligation is classified as an interest-bearing liability in the financial statements. Lease liabilities at the time of commencement are calculated as the present value of future lease payments.

The lease term is the non-terminable term of the lease, in addition to periods covered by an option, either to extend or terminate the lease if it is reasonably certain that the company will exercise the option.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest rate on the lease liability, reducing the carrying amount to reflect the lease payments made and re-measuring the carrying amount to reflect any revaluations or changes to the lease, or to reflect adjustments in the lease payments as a result of adjustments in the indices or

rates. The liability has been calculated with a discount rate corresponding to the marginal borrowing rate for each class of underlying asset and adjusted for the agreements remaining lease term.

**TAX**

Income tax expense represents the sum of taxes currently payable and deferred tax.

Deferred taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for taxable temporary differences and deferred tax assets arising from deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Currently, no deferred tax asset has been recognized in the financial statements of the Company.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

**GOVERNMENT GRANTS**

Government grants are recognized when there is reasonable assurance that the conditions attached to the contribution will be achieved. The grant is recognized in the income statement in the same period as the related expense and is presented as a deduction in the related expense.

Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the Profit and loss statement for Lytix Biopharma AS.

**PROVISIONS**

The Company has recognized provisions for liabilities of uncertain timing or amount. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

**RELATED PARTY TRANSACTIONS**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

**GOING CONCERN**

These financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company's ability to continue as a going concern depends on its ability to obtain additional equity financing. The Company has funded its operations primarily by shares issuances. While the Company has been successful in raising sufficient funding in the past, there can be no assurance it will be able to do so in the future.

The capital increase completed in April 2024 ensures that Lytix has available financial resources sufficient for all planned activities, in the next twelve months as of December 31, 2023. The Board of Directors therefore continues to adopt the going concern basis in preparing the Company's financial statements.

**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 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts; IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Company's financial statements.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's financial statements.

**International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12**

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

## NOTE 1 REVENUE

The following table presents the disaggregation of the Company's revenue from contracts with customers:

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Revenue** | | | |
| Licensing of LTX-315 | - | 9,622 | 19,290 |
| Sale of API LTX-315 | 3,991 | 1,409 | - |
| Other revenue | - | - | 17 |
| **Total Revenue** | **3,991** | **11,031** | **19,307** |

**2023:**

The production and sale of API (LTX-315) to its licensee, Verrica Pharmaceuticals, generated a revenue of USD 4.0 million compared to USD 1.4 million for 20202.

**2022:**

The second development milestone related to the licensing agreement with Verrica Pharmaceuticals was triggered in April 2022 when the first patient was dosed in Verrica's phase II study. This achievement released a milestone payment of USD 1.0 million to Lytix.

**2021:**

The first development milestone related to the licensing agreement with Verrica Pharmaceuticals was triggered in January 2021 when the US Food and Drug Administration approved Lytix' Investigational New Drug (IND) application. This achievement released a milestone payment of USD 2.25 million to Lytix.

## NOTE 2 SEGMENTS

Lytix' primary business is to develop proprietary intellectual property of drug candidates for out-licensing, and the production and sale of API (LTX-315) to its licensees. Operating segments are components of the Company that the chief operating decision maker of the Company ('CODM') regularly reviews to assess performance and allocate resources. The CODM for the Company is considered to be the Board of Directors collectively, which reviews the Company's performance as a whole, and therefore only one operating segment is identified.

The geographical distribution of sales by the client's place of incorporation is the following:

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Geographical distribution** | | | |
| Norway | - | - | 17 |
| US | 3,991 | 11,031 | 19,290 |
| **Total operating income** | **3,991** | **11,031** | **19,307** |

All non-current assets (other than financial instruments) are located in Norway. The client has had only one client for the 2023, 2022 and 2021 reporting periods.

Note 1 includes a disaggregation of revenue by the main products and services provided by the Company.

## NOTE 3 GOVERNMENT GRANTS

Government grants are recognized in profit or loss as deduction on Salary, Direct R&D expenses and Other operating expenses with the following amounts:

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Government grants** | | | |
| Tax refund (across all R&D activities) | 4,750 | 4,742 | 4,069 |
| The Norwegian Research Council (BIA grant) | - | 0 | 2,263 |
| Oslo Regional Research Fund (RRF) | 1,500 | 1,500 | - |
| **Total government grants received** | **6,250** | **6,242** | **6,332** |

| *Amounts in NOK thousands* | **2023** | **2022** | 2021 |
|---|---|---|---|
| **Costs deducted** | | | |
| Payroll and related expenses | 1,067 | 806 | 1,234 |
| Direct R&D expenses | 5,156 | 5,366 | 5,077 |
| Other operating expenses | 27 | 71 | 20 |
| **Total costs deducted** | **6,250** | **6,242** | **6,332** |

In October 2023, the Research Council of Norway approved Lytix's application for up to NOK 14.3m of non-dilutive financial support over a three-year period from the 'SkatteFUNN' R&D tax incentive scheme for a project in respect of its lead program: 'Intratumoral LTX 315 in advanced melanoma'.

The tax refund (SkatteFUNN) R&D tax incentive scheme is a government program designed to stimulate research and development (R&D) in Norwegian trade and industry. Approved projects may receive a tax deduction of up to 19 percent of the eligible costs related to R&D activity. All costs must be associated with the approved project.

In February 2022 Lytix announced that it has been awarded a NOK 3 million grant from Oslo Regional Research Fund (Regionalt Forskningsfond Oslo) for 2022 and 2023 supporting the development of the oncolytic molecule LTX-401.

## NOTE 4 PAYROLL AND RELATED EXPENSES

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Payroll and related expenses, including directors, comprise** | | | |
| Salaries and bonus | 16,267 | 15,814 | 24,381 |
| Defined contribution pension cost | 1,262 | 820 | 789 |
| Share-based payment expense | 4,183 | 1,376 | 4,055 |
| Social security contributions | 3,015 | 1,597 | 1,864 |
| Other personnel costs | 683 | 1,526 | 517 |
| Government grants | (1,067) | (806) | (1,234) |
| **Total payroll and related expenses** | **24,344** | **20,326** | **30,371** |

The number of man-years employed during the year:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Number of man-years employed | 10 | 9 | 9 |

The number comprises only regular employees on payroll.

In 2021 Lytix paid an extraordinary and non-recurring bonus payment which was linked to the IND approval in January 2021 and the following milestone payment from Verrica Pharmaceuticals due to this approval.

**Defined contribution pension scheme**

Lytix Biopharma AS is required to have a pension scheme in accordance with the Norwegian law of mandatory occupational pension. The company's defined contribution pension scheme fulfils the requirements of the law.

**Bonus scheme**

Lytix has implemented a bonus system covering all employees. The company recognizes a liability and an expense for bonuses based on a short-term incentive plan for employees linked to achievement of corporate objectives determined by the Board.

*MANAGEMENT REMUNERATION 2023*

| Amounts in NOK thousands | Short-term employee benefits | Other benefits[3] | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Board remuneration | Total |
|---|---|---|---|---|---|---|---|---|
| **Management team:** | | | | | | | | |
| Øystein Rekdal, CEO[1] | 3,466 | - | 127 | 9 | - | 1,163 | - | **4,765** |
| Other key management personnel | 5,567 | 5,115 | 212 | 27 | - | 1,663 | - | **12,584** |
| **Total key management personnel compensation** | **9,033** | **5,115** | **339** | **36** | **-** | **2,827** | **-** | **17,350** |
| **Board members (non-executive):** | | | | | | | | |
| Gert W. Munthe, Chairperson[2)] | - | - | - | - | - | - | 360 | **360** |
| Marie Roskrow, Chairperson[2)] | - | - | - | - | - | 91 | - | **91** |
| Marie-Louise Fjällskog, member | - | - | - | - | - | 91 | 240 | **331** |
| Brynjar Forbergskog, member | - | - | - | - | - | 91 | 240 | **331** |
| Kjetil Hestdal, member | - | - | - | - | - | 91 | 240 | **331** |
| Jayson Rieger, member | - | - | - | - | - | 91 | 240 | **331** |
| Evelina Vågesjö, member | - | - | - | - | - | 91 | 240 | **331** |
| **Total board remuneration** | **-** | **-** | **-** | **-** | **-** | **544** | **1,560** | **2,104** |

[1)] Salary in this table include both fixed salary and bonus. Øystein Rekdal's fixed salary is NOK 3.26 million. Management and employees of the company are entitled to an annual bonus based on the achievement of important milestones for the company and for the individual employee. The maximum of such bonus is for the CEO up to 50% of annual base salary.

[2)] At the Annual General Meeting in April 2023, Marie Roskrow was appointed as new Chairperson.

[3)] Other benefits include remuneration to two members of the management team who are not hired as employees but hired as consultants.

*MANAGEMENT REMUNERATION 2022*

| Amounts in NOK thousands | Short-term employee benefits | Other benefits[2] | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Board remuneration | Total |
|---|---|---|---|---|---|---|---|---|
| **Management team:** | | | | | | | | |
| Øystein Rekdal, CEO[1] | 3,970 | - | 130 | 9 | - | 250 | - | **4,359** |
| Other key management personnel | 5,910 | 3,151 | 203 | 29 | - | 638 | - | **9,931** |
| **Total key management personnel compensation** | **9,880** | **3,151** | **333** | **38** | **-** | **888** | **-** | **14,290** |
| **Board members (non-executive):** | | | | | | | | |
| Gert W. Munthe, Chairperson | - | - | - | - | - | - | 360 | **360** |
| Marie-Louise Fjällskog, member | - | - | - | - | - | - | 240 | **240** |
| Brynjar Forbergskog, member | - | - | - | - | - | - | 240 | **240** |
| Kjetil Hestdal, member | - | - | - | - | - | - | 240 | **240** |
| Jayson Rieger, member | - | - | - | - | - | - | 240 | **240** |
| Evelina Vågesjö, member | - | - | - | - | - | - | 240 | **240** |
| **Total board remuneration** | **-** | **-** | **-** | **-** | **-** | **-** | **1,560** | **1,560** |

[1)] Salary in this table include both fixed salary and bonus. Øystein Rekdal's fixed salary is NOK 3.1 million. Management and employees of the company are entitled to an annual bonus based on the achievement of important milestones for the company and for the individual employee. The maximum of such bonus is for the CEO up to 50% of annual base salary.

[2)] Other benefits include remuneration to two members of the management team who are not hired as employees but hired as consultants.

*MANAGEMENT REMUNERATION 2021*

| Amounts in NOK thousands | Short-term employee benefits | Other benefits[3] | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Board remuneration | Total |
|---|---|---|---|---|---|---|---|---|
| **Management team:** | | | | | | | | |
| Øystein Rekdal, CEO[1] | 7,429 | - | 124 | 10 | - | 653 | - | **8,216** |
| Other key management personnel | 8,269 | 925 | 241 | 38 | - | 2,459 | 30 | **11,962** |
| **Total key management personnel compensation** | **15,689** | **925** | **365** | **48** | **-** | **3,112** | **30** | **20,178** |
| **Board members (non-executive):** | | | | | | | | |
| Gert W. Munthe, Chairperson[2] | - | - | - | - | - | - | 150 | **150** |
| Marie-Louise Fjällskog, member | - | - | - | - | - | - | - | **-** |
| Brynjar Forbergskog, member | - | - | - | - | - | - | - | **-** |
| Kjetil Hestdal, member | - | - | - | - | - | - | - | **-** |
| Jayson Rieger, member | - | - | - | - | - | - | - | **-** |
| Evelina Vågesjö, member | - | - | - | - | - | - | - | **-** |
| Debasish F. Roychowdhury, former member | - | - | - | - | - | - | 200 | **200** |
| Per Erik Sørensen, former member | - | - | - | - | - | - | 200 | **200** |
| **Total board remuneration** | **-** | **-** | **-** | **-** | **-** | **-** | **550** | **550** |

[1] Øystein Rekdal's fixed salary is NOK 3.1 million. In 2021 he received an extraordinary and non-recurring bonus linked to the milestone payment from Verrica Pharmaceutical which was a result of the approval of Lytix' IND in January 2021. Management and employees of the company are entitled to an annual bonus based on the achievement of important milestones for the Company and for the individual employee. The maximum of such bonus is for the CEO up to 50% of annual base salary. There have been no such bonus payments for 2021.

[2] Reference is made to the comment regarding remuneration to Mr. Munthe for 2020. The remaining NOK 150 thousand of related to the consultancy assignment was invoiced in 2021.

[3] Other benefits include remuneration to two members of the management team who are not hired as employees but hired as consultants.

No loans or guarantees have been given to any members of the management, the Board of Directors, or other corporate bodies.

Besides the stock option programs and the fee paid to North Murray AS described above, no additional remuneration has been given for services outside the normal functions as a manager or non-executive director besides what is stated above.

**Benefits upon termination**

The CEO has a notice period of 6 months. If the employment is terminated by the Company, the CEO shall receive a severance pay equivalent to 100% of his ordinary fixed salary for 6 months after the expiry of the notice period.

| Amounts in NOK thousands | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Shares controlled by the management team and board members** | | | |
| **Management team:** | | | |
| Øystein Rekdal, CEO | 139,963 | 139,963 | 126,963 |
| Gjest Breistein, CFO | 11,112 | 11,112 | 11,112 |
| Baldur Sveinbjørnsson, CSO | 4,280 | 4,280 | 4,280 |
| Gry Stensrud, CTO | 5,000 | 5,000 | 5,000 |
| **Former member of management team:** | | | |
| Jørund Sollid, ex CBO (through Partner & Sollid AS) | - | - | 2,000 |
| **Board members (non-executive):** | | | |
| Gert W. Munthe, Chair until April 2023 (through North Murray AS) | 516,814 | 2,968,878 | 2,810,359 |
| Brynjar Forbergskog (through Hifo Invest AS and Saturn Invest AS) | 1,111,110 | 1,111,110 | 1,111,110 |
| **No. of shares controlled by the management team and board members** | **1,788,279** | **4,240,343** | **4,070,824** |

As of December 31, 2023, the Company operates one equity-settled share-based remuneration scheme for employees, management, the Board and other key personnel. See note 5.

| 2023 | Opening balance | Granted | Lapsed/ Forfeited | Ending balance |
|---|---|---|---|---|
| **Options held by the management team** | | | | |
| Gert W. Munthe, former Chair | 300,000 | | | 300,000 |
| Marie Roskrow, Chair | - | 60,000 | - | 60,000 |
| Marie-Louise Fjällskog, member | - | 60,000 | - | 60,000 |
| Brynjar Forbergskog, member | - | 60,000 | - | 60,000 |
| Kjetil Hestdal, member | - | 60,000 | - | 60,000 |
| Jayson Rieger, member | - | 60,000 | - | 60,000 |
| Evelina Vågesjö, member | - | 60,000 | - | 60,000 |
| **No. of options owned by board members** | **300,000** | **360,000** | - | **660,000** |
| Øystein Rekdal, CEO | 1,403,516 | - | - | 1,403,516 |
| Baldur Sveinbjørnsson, CSO | 493,407 | - | - | 493,407 |
| Gjest Breistein, CFO | 329,271 | - | - | 329,271 |
| Gry Stensrud, CTO | 263,703 | - | - | 263,703 |
| Stephen Worsley, CBO | 300,000 | - | - | 300,000 |
| Graeme Currie, CDO | 50,000 | | | 50,000 |
| **No. of options owned by the management** | **2,839,897** | **-** | **-** | **2,839,897** |

| 2022 | Opening balance | Granted | Lapsed/ Forfeited | Ending balance |
|---|---|---|---|---|
| **Options held by the management team** | | | | |
| Gert W. Munthe, Chairperson | 300,000 | - | - | 300,000 |
| **No. of options owned by board members** | **300,000** | **-** | - | **300,000** |
| Øystein Rekdal, CEO | 983,516 | 420,000 | - | 1,403,516 |
| Baldur Sveinbjørnsson, CSO | 393,407 | 100,000 | - | 493,407 |
| Gjest Breistein, CFO | 262,271 | 67,000 | - | 329,271 |
| Jørund Sollid, former CBO | 196,703 | - | (196,703) | - |
| Gry Stensrud, CTO | 196,703 | 67,000 | - | 263,703 |
| Stephen Worsley, CBO | 0 | 300,000 | - | 300,000 |
| Graeme Currie, CDO | - | 50,000 | - | 50,000 |
| **No. of options owned by the management** | **2,032,600** | **1,004,000** | **(196,703)** | **2,839,897** |

| 2021 | Opening balance | Granted | Lapsed/ Forfeited | Ending balance |
|---|---|---|---|---|
| **Options held by the management team** | | | | |
| Gert W. Munthe, Chairperson | 300,000 | - | - | 300,000 |
| **No. of options owned by board members** | **300,000** | **-** | - | **300,000** |
| Øystein Rekdal, CEO | 983,516 | - | - | 983,516 |
| Baldur Sveinbjørnsson, CSO | 393,407 | - | - | 393,407 |
| Gjest Breistein, CFO | 262,271 | - | - | 262,271 |
| Jørund Sollid, CBO | 196,703 | - | - | 196,703 |
| Gry Stensrud, CTO | | 196,703 | - | 196,703 |
| **No. of options owned by the management** | **1,835,897** | **196,703** | **-** | **2,032,600** |

## NOTE 5 SHARE OPTION PROGRAMS

Since 2013 Lytix has established several share-based incentive programs for the Company's management, employees and consultants to the Company, under which the entity receives services from employees as consideration for equity instruments in Lytix Biopharma AS. The incentive programs consist of share options. In September 2020, all employees were awarded share options in the new option program E replacing all existing option programs for the employees. By year-end 2021 Lytix has the following active share-based incentive programs: E, F, Chairman, Strategic advisors (1) and Strategic Advisors (2). In 2020, all options granted under program B and D were replaced by new options in program E. Program B and D are therefore cancelled.

| | Program E | Chairperson | Strategic advisors (1) | Strategic advisors (2) | Sum |
|---|---|---|---|---|---|
| **No of options in program** | **4,006,832** | **600,000** | **467,220** | **125,119** | **5,199,171** |
| No of options allocated to employees, management, chairpersons, and advisors | 3,686,601 | 600,000 | 467,220 | 125,119 | 4,878,940 |
| ***Remaining options (can be allocated to individuals)*** | ***320,231*** | ***0*** | ***0*** | ***0*** | ***320,231*** |

*Incentive Program E: Option program for employees, management, the Board and other key personnel*

In 2019 the annual general meeting established the incentive program E. The purpose of establishing this option program was to provide the employees, management, the board and other key persons with a better incentive than through the existing incentive programs, and which is better adapted to the company's financial position and the commercial considerations more broadly. This program replaced the existing programs at the time.

In consequence of the completion of the private placement and national placement, the annual general meeting 2021 resolved to increase the size of the program such that the total number of share options which can be granted corresponds to 10% of the total number of issued shares in the company. The exercise price, terms and allocation shall be decided by the board of directors.

On April 18, 2023, the Annual General Meeting resolved to grant 360,000 share options under the incentive program E. The options are granted without consideration and each option will upon exercise give the right to acquire one share in the company. The exercise price of each option is NOK 7.30, which equals to the closing share price of the company on Euronext Growth Oslo, the day prior to grant of the options. Vesting of options is subject to the option holder being qualified to be part of the Company's long term incentive program at each vesting date. All options will expire and lapse if not exercised within five years from the date of grant.

The Options will vest gradually pursuant to specific vesting schedules: 90,000 Options will vest 12 months after the date of grant, while the remaining 270,000 Options will vest with 1/36 on the last day of the 36 following months.

On June 21, 2023, the Board resolved to grant 100,000 share options under incentive program E. The options are granted without consideration and each option will upon exercise give the right to acquire one share in the company. The exercise price of each option is NOK 7.85, which equals to the closing share price of the company on Euronext Growth Oslo, the day prior to grant of the options. Vesting of options is subject to the option holder being qualified to be part of the Company's long term incentive program at each vesting date. All options will expire and lapse if not exercised within five years from the date of grant.

The Options will vest gradually pursuant to specific vesting schedules: 25,000 Options will vest on 31 March 2024 and 75,000 Options will vest with 1/36 on the last day of the 36 following months.

As of December 31, 2023, a total of 3,686,601 share options were allotted to certain specific individuals through share option agreements. A total of 1,305,333 of the options granted is subject to a vesting period.

*Incentive Program Chairman*

On April 24, 2018, the Board of Directors of the Company decided to allot 600,000 share options to the new chairman of the board, Espen Johnsen ("Incentive Program Chairman"). The expiry date for program Chairman was May 1, 2023. On December 2, 2019, Espen Johnsen resigned as chairman. At the same time, the number of options was reduced to 300,000 and the terms of the options were revised. The new expiry date for program Chairman is May 1, 2025. New Chairman Gert W. Munthe was granted 300,000 options on similar terms. None of the outstanding options as of December 31, 2023, are subject to vesting.

*Incentive Program Strategic advisors (1)*

On June 12, 2019, the Board of Directors of the Company decided to implement a share option program of 467,220 share options ("Incentive Program Strategic advisors") to certain strategic advisors. The expiry date for program Strategic advisors is June 6, 2025. The options are subject to quarterly vesting over two years.

*Incentive Program Strategic advisors (2)*

At the annual general meeting 2021 it was resolved to issue 125,119 new options to certain strategic advisors. The expiry date for the new options is June 6, 2025. The exercise price is NOK 18 which is the same as the share price used in the private placement and national placement approved at the same annual general meeting. The new options are subject to quarterly vesting over two years.

In all programs, the Eligible participant must comply with the following terms during the vesting period and up to the date for the actual and complete execution of the option rights:

i. The Eligible participant shall not directly or indirectly by any means be involved in a business which might be in competition with the Company's business at any time unless prior, written acceptance is obtained from the Company.
ii. The Eligible participant shall not directly or indirectly be involved in any activities related to or targeted towards the Company's customers, business partners or employees unless prior, written acceptance is obtained from the Company or is ordinary conduct of the Employee's defined Position.

| | **Program E** | | **Chairman** | | **Strategic advisors (1)** | |
|---|---|---|---|---|---|---|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| **Outstanding as of January 1, 2021** | **12.0** | **2,032,601** | **12.0** | **600,000** | **12.0** | **467,220** |
| Granted during the period | 12.0 | 196,703 | | | | |
| Forfeited during the period | | | | | | |
| Exercised during the period | | | | | | |
| Lapsed during the period | | | | | | |
| **Outstanding as of December 31, 2021** | **12.0** | **2,229,304** | **12.0** | **600,000** | **12.0** | **467,220** |
| Outstanding options vested by December 31, 2021 | | 1,763,773 | | 600,000 | | 467,220 |
| **Outstanding as of January 1, 2022** | **12.0** | **2,229,304** | **12.0** | **600,000** | **12.0** | **467,220** |
| Granted during the period | 8.50 | 1,194,000 | | | | |
| Forfeited during the period | 12.0 | (196,703) | | | | |
| Exercised during the period | | | | | | |
| Lapsed during the period | | | | | | |
| **Outstanding as of December 31, 2022** | **10.70** | **3,226,601** | **12.0** | **600,000** | **12.0** | **467,220** |
| Outstanding options vested by December 31, 2022 | | 1,966,920 | | 600,000 | | 467,220 |

| | Program E | | Chairman | | Strategic advisors (1) | |
|---|---|---|---|---|---|---|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| **Outstanding as of January 1, 2023** | **10.70** | **3,226,601** | **12.0** | **600,000** | **12.0** | **467,220** |
| Granted during the period | 7.42 | 460,000 | | | | |
| Forfeited during the period | | | | | | |
| Exercised during the period | | | | | | |
| Lapsed during the period | | | | | | |
| **Outstanding as of December 31, 2023** | **10.29** | **3,686,601** | **12.0** | **600,000** | **12.0** | **467,220** |
| Outstanding options vested by December 31, 2023 | | 2,381,268 | | 600,000 | | 467,220 |

| | Strategic advisors (2) | |
|---|---|---|
| | Weighted average exercise price | Number of options |
| **Outstanding at January 1, 2021** | **-** | **-** |
| Granted during the period | 18.0 | 125,119 |
| Forfeited during the period* | | |
| Exercised during the period | | |
| Lapsed during the period | | |
| **Outstanding at December 31, 2020** | **18.0** | **125,119** |
| Outstanding options vested by December 31, 2021 | | 46,920 |
| | | |
| **Outstanding on January 1, 2022** | 18.0 | 125,119 |
| Granted during the period | | |
| Forfeited during the period* | | |
| Exercised during the period | | |
| Lapsed during the period | | |
| **Outstanding at December 31, 2022** | **18.0** | **125,119** |
| Outstanding options vested by December 31, 2022 | | 109,479 |
| | | |
| **Outstanding on January 1, 2023** | 18.0 | 125,119 |
| Granted during the period | | |
| Forfeited during the period* | | |
| Exercised during the period | | |
| Lapsed during the period | | |
| **Outstanding at December 31, 2023** | **18.0** | **125,119** |
| Outstanding options vested by December 31, 2023 | | 125,119 |

The following information is relevant in the determination of the fair value of options granted under the equity-settled share-based option agreement operated by the Company:

| Equity settled | Program E | Program E | Program E | Program E |
|---|---|---|---|---|
| Expiration date | | 14.12.2027 | 18.04.2028 | 21.06.2028 |
| Option pricing model used | Black & Scholes | Black & Scholes | Black & Scholes | Black & Scholes |
| Weighted average share price at grant date (NOK) | 12.0 | 8.50 | 6.55 | 7.85 |
| Exercise price (NOK) | 12.0 | 8.50 | 7.30 | 7.85 |
| Expected volatility | 57.4% | 66.3% | 68.0% | 66.0% |
| Expected dividend growth rate | 0 | 0 | 0 | 0 |
| Risk-free interest rate | 0.31% | 2.73% | 3.13% | 3.62% |

| Equity settled | Chairman | Strategic advisors (1) | Strategic advisors (2) |
|---|---|---|---|
| Expiration date | 01.05.2025 | 06.06.2025 | 06.06.2025 |
| Option pricing model used | Black & Scholes | Black & Scholes | Black & Scholes |
| Weighted average share price at grant date (NOK) | 12.0 | 12.0 | 18.0 |
| Exercise price (NOK) | 12.0 | 12.0 | 18.0 |
| Expected volatility | 58.4% | 58.4% | 57.4% |
| Expected dividend growth rate | 0 | 0 | 0 |
| Risk-free interest rate | 1.3% | 1.2% | 1.18% |

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of comparable companies.

The share-based remuneration expense comprises:

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| Equity settled schemes | 4,183 | 1,376 | 4,055 |
| **Total remuneration expense** | **4,183** | **1,376** | **4,055** |

## NOTE 6 PROPERTY, PLANT AND EQUIPMENT

| *Amounts in NOK thousands* | *Machinery and equipment* | **Total 2023** |
|---|---|---|
| Carrying amount January 1, 2023 | 124 | 124 |
| Additions | 49 | 49 |
| Depreciation | (62) | (62) |
| **Carrying value December 31, 2023** | **110** | **110** |
| **As of January 1, 2023** | | |
| Acquisition cost | 154 | 154 |
| Accumulated depreciation and write-downs | 30 | 30 |
| **Carrying amount January 1, 2023** | **124** | **124** |

| *Amounts in NOK thousands* | *Machinery and equipment* | **Total 2023** |
|---|---|---|
| **As of December 31, 2023** | | |
| Acquisition cost | 203 | 203 |
| Accumulated depreciation and write-downs | (92) | (92) |
| **Carrying amount December 31, 2023** | **110** | **110** |

| *Amounts in NOK thousands* | *Machinery and equipment* | **Total 2022** | *Machinery and equipment* | **Total 2021** |
|---|---|---|---|---|
| Carrying amount January 1, 2022/2021 | - | **-** | - | - |
| Additions | 154 | **154** | - | - |
| Depreciation | (30) | **(30)** | - | - |
| **Carrying value December 31, 2022/2021** | **124** | **124** | **-** | **-** |
| | | | | |
| **As of January 1, 2022/2021** | | | | |
| Acquisition cost | - | **-** | - | - |
| Accumulated depreciation and write-downs | - | **-** | - | - |
| **Carrying amount January 1, 2022/2021** | - | **-** | - | - |
| | | | | |
| **As of December 31, 2022/2021** | | | | |
| Acquisition cost | 154 | **154** | - | - |
| Accumulated depreciation and write-downs | (30) | **(30)** | - | - |
| **Carrying amount December 31, 2022/2021** | **124** | **124** | - | - |

## NOTE 7 LEASES

| **Right-of-use assets** | **Office space** | **Total** |
|---|---|---|
| **Acquisition cost** | | |
| 1 January 2021 | - | - |
| Additions | 2,593 | 2,593 |
| Disposals | - | - |
| **31 December 2021** | **2,593** | **2,593** |
| | | |
| Additions | - | - |
| Disposals | - | - |
| **31 December 2022** | **2,593** | **2,593** |
| | | |
| Additions | 87 | 87 |
| Disposals | - | - |
| **31 December 2023** | **2,680** | **2,680** |
| | | |
| **Depreciation and write-downs** | | |
| 1 January 2021 | - | - |
| Depreciation for the year | (453) | (453) |
| Accumulated depreciation on disposals for the year | - | - |
| **31 December 2021** | **(453)** | **(453)** |

| | | |
|---|---|---|
| Depreciation for the year | (889) | (889) |
| Accumulated depreciation on disposals for the year | | |
| **31 December 2022** | **(1,342)** | **(1,342)** |
| | | |
| Depreciation for the year | (900) | (900) |
| Accumulated depreciation on disposals for the year | | |
| **31 December 2023** | **(2,242)** | **(2,242)** |
| | | |
| **Carrying amount** | | |
| Acquisition cost | 2,593 | 2,593 |
| Depreciation and write-downs | (453) | (453) |
| **31 December 2021** | **2,140** | **2,140** |
| | | |
| Acquisition cost | 2,593 | 2,593 |
| Depreciation and write-downs | (1,342) | (1,342) |
| **31 December 2022** | **1,251** | **1,251** |
| | | |
| Acquisition cost | 2,680 | 2,680 |
| Depreciation and write-downs | (2,242) | (2,242) |
| **31 December 2023** | **(438)** | **(438)** |

| **Contractual maturities** | **2023** | 2022 | 2021 |
|---|---|---|---|
| Less than 1 year | 451 | 868 | 827 |
| 1-3 years | 41 | 476 | 1,344 |
| 4-5 years | | - | - |
| More than 5 years | | - | - |
| **Total contractual cash-flows** | **491** | **1,344** | **2,171** |

| **Lease liability** | **2023** | 2022 | 2021 |
|---|---|---|---|
| 1 January | 1,344 | 2,171 | - |
| Additions | 87 | - | 2,593 |
| Interest expense | 53 | 91 | 62 |
| Lease payments | (993) | (918) | (485) |
| **31 December** | **491** | **1,344** | **2,171** |
| | | | |
| Current | 451 | 868 | 827 |
| Non-current | 41 | 476 | 1,344 |
| **Total lease liability** | **491** | **1,344** | **2,171** |

Leases held by the Company do not contain any restrictions on the Company's dividend policy or financing.

**Recognition exemptions used**

Leases whose underlying asset is considered of low value and lease contracts with a lease term of 12 months or less at commencement are not recognized as right-of-use assets and lease liabilities. The lease costs of such contracts were as follows:

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 | 1.1.2021 |
|---|---|---|---|---|
| Leases with a lease term of 12 months or less | - | - | 650 | - |
| Leases of low value | 21 | 88 | 74 | - |
| **Total leases of short-term or low value** | **21** | **88** | **724** | **-** |

Total cash outflow for leases in 2023 was NOK 1,061 thousand (2022: NOK 1,006 thousand, 2021: NOK 888 thousand).

## NOTE 8 TRANSACTIONS WITH RELATED PARTIES

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| North Murray AS (Chairman of the Board Gert W. Munthe) | - | - | 150 |

Transactions with related parties consist of invoiced fee for consultancy services.

## NOTE 9 SPECIFICATION OF AUDITOR'S FEE

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Specification of the auditor's fee** | | | |
| Statutory audit | 419 | 279 | 328 |
| Other non-assurance services | 195 | - | 35 |
| Tax consultant services | - | 36 | 55 |
| **Total auditor's fee** | **614** | **315** | **418** |

VAT is not included in the fees specified above.
Auditor's fee related to listing process in 2021 is included in statutory audit.

Auditor's fee is included in 'other operating expenses in the statement of comprehensive income.

## NOTE 10 FINANCE INCOME AND EXPENSES

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Financial income** | | | |
| Interest income | 2,351 | 1,406 | 138 |
| Foreign exchange gains | 4,008 | 7,723 | - |
| Other financial income | 2,586 | 706 | 6 |
| **Total financial income** | **8,945** | **9,835** | **144** |

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Financial expenses** | | | |
| Interest expenses | (3) | (55) | (4) |
| Interest expenses on lease liabilities | (53) | (91) | (62) |
| Foreign exchange losses | - | - | (172) |
| Other financial expenses | (2) | (91) | - |
| **Total financial expenses** | **(58)** | **(238)** | **(238)** |

## NOTE 11 TAX

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| **Current tax** | | | |
| Tax payable | - | - | - |
| Correction of previous years current income taxes | - | - | - |
| **Deferred tax** | | | |
| Changes in deferred tax | - | - | - |
| Changes in tax rate | - | - | - |
| **Tax expense** | **-** | **-** | **-** |

| *Amounts in NOK thousands* | **2023** | 2022 | 2021 |
|---|---|---|---|
| Pre-tax profit | 87,897 | (56,069) | (48,079) |
| **Income taxes at 22%** | **(19,337)** | **(12,335)** | **(10,577)** |
| Changes in unrecognized deferred tax asset | 20,040 | 13,212 | 13,367 |
| Non-deductible expenses | (702) | (877) | (2,789) |
| **Tax expense** | **-** | **-** | **-** |

From January 1, 2020, the tax rate in Norway is 22 %. There is no effect in this year's tax expense because deferred tax from tax losses carried forward is not recognized. Deferred tax relates to the following:

| | **Balance sheet** | | | **Change** | | |
|---|---|---|---|---|---|---|
| Amounts in NOK thousands | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| **Deferred tax assets** | | | | | | |
| Property, plant and equipment | 20 | 17 | 21 | 3 | (4) | (5) |
| Right of use asset | 12 | 20 | 7 | 12 | 14 | 7 |
| | 197 | | | 197 | | |
| Net tax on losses carried forward | 194,215 | 174,386 | 161,184 | 19,829 | 13,202 | 13,365 |
| **Deferred tax assets** | **194,443** | **174,424** | **161,212** | **20,040** | **13,212** | **13,367** |
| Net deferred tax assets | 194,443 | 174,424 | 161,212 | 20,040 | 13,212 | 13,367 |
| Net deferred tax assets not recognized | (194,443) | (174,424) | (161,212) | (20,040) | (13,212) | (13,367) |
| **Net recognized deferred tax assets** | **-** | **-** | **-** | | **-** | **-** |

Deferred tax assets on losses carried forward, in total NOK 194 million as of December 31, 2023 (2022: NOK 174 million and 2021: NOK 161 million), have not been recognized because it is not probable that taxable profits will be available against which deductible temporary differences can be utilized.

The Company has a total tax loss carried forward of NOK 883 million as of December 31, 2023 (2022: NOK 793 million and 2021: NOK 733 million) which has no due date.

## NOTE 12 EARNINGS PER SHARE

Earnings per share are calculated on the basis of the profit or loss for the year after tax, excluding other comprehensive items. The result is divided by a time weighted average number of outstanding shares over the year. The diluted earnings per share is calculated by adjusting the time weighted average number of outstanding shares by the number of employee share options that can be exercised. As the company is currently loss-making an increase in the average number of shares would have anti-dilutive effect.

| Amounts in NOK | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Loss for the year | | (87,897,451) | (56,069,000) | (48,079,000) |
| Average number of outstanding shares during the year | 18 | 40,068,319 | 39,667,706 | 33 194 650 |
| **Basic and diluted earnings per share (NOK)** | | **(2.19)** | **(1.41)** | **(1.45)** |

## NOTE 13 INTANGIBLE ASSETS

The company has no intangible assets as all ongoing projects have been classified as research.

## NOTE 14 OTHER RECEIVABLES

| *Amounts in NOK thousands* | 31.12.2023 | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| **Other receivables** | | | | |
| Governmental grants | 5,500 | 5,500 | 4,824 | 3,168 |
| VAT | 354 | 498 | 309 | 463 |
| Prepayments | 655 | 737 | 548 | 536 |
| Other receivables | 6,268 | - | - | - |
| **Total other receivables** | **12,777** | **6,735** | **5,680** | **4,168** |

## NOTE 15 SHORT-TERM FINANCIAL INVESTMENTS

| *Amounts in NOK thousands* | 31.12.2023 | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| **Short-term financial investments** | | | | |
| Arctic Return | 23,183 | 50,606 | - | - |
| **Short-term financial investments** | **23,183** | **50,606** | **-** | **-** |

In accordance with internal policies, NOK 50 million in excess liquidity was in 2022 placed in a short-term liquidity fund, Arctic Return, managed by Arctic Asset Management AS. See note 19 on classification and fair value hierarchy.

## NOTE 16 FINANCIAL INSTRUMENTS AND RISKS

### Classification of financial instruments

| Financial assets | 2023 | 2022 | 2021 | 1.1.2021 |
|---|---|---|---|---|
| **Financial assets measured at fair value through profit or loss:** | | | | |
| Short-term financial investments | 23,183 | 50,606 | - | - |
| **Financial assets measured at amortized cost:** | | | | |
| Cash and cash equivalents | 27,365 | 94,552 | 197,282 | 28,450 |
| **Total financial assets** | **50,549** | **145,158** | **197,282** | **28,450** |

| Financial liabilities | 2023 | 2022 | 2021 | 1.1.2021 |
|---|---|---|---|---|
| **Financial liabilities measured at amortized cost:** | | | | |
| Lease liabilities | | | | |
| Current | 451 | 868 | 827 | - |
| Non-current | 41 | 476 | 1,344 | - |
| Trade payables | 3,572 | 6,997 | 1,476 | - |
| **Total financial liabilities** | **4,063** | **8,341** | **3,647** | **-** |

The fair-value of short-term financial investments is considered 'level 2' in the fair value hierarchy. Of the assets not measured at fair value, the carrying amounts approximate their fair value.

**Operational and market risks**

**Financial risk**

Lytix is a pure research and development company which means that the company is accumulating financial losses. Operating losses are expected to continue during the development phases of the company's products, and other than potential development milestone payments from the licensing agreement with Verrica, potentially cash generating operations are not expected until one or more of the company's products are commercialized.

*Interest rate risk*

The company has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects financial income. As the company has no interest-bearing debt, no sensitivity analysis is performed on the development of interest rates.

The Company has invested its excess liquidity in a short-term liquidity fund managed by Arctic Asset Management AS. The fund invests in investment grade bonds or money market instruments with a duration between 3 and 6 months. The value in the money market instrument is primarily influenced by the changes in the interest rate levels in the market (see note 14).

*Exchange rate risk*

Currency risk is limited to fluctuations in currencies relating to partners and vendors abroad.

As the company has only a limited foreign currency exposure at opening balance sheet date and at year-end 2021, 2022 and 2023, no sensitivity analysis is performed on the development of foreign currency exchange rates.

The company does not hedge its foreign currency exposures using derivatives.

*Credit risk*

The credit risk is limited as receivables are minimal exclusive of public grants. The short-term investments are invested with low risk in a fund investing in investment grade bonds or money market instruments. Therefore, no provisions have been made as a consequence of the minimal credit risks held by the Company.

*Liquidity risk*

Funding of ongoing operations is, and will be for some time, depending on external sources, mainly equity contributions. There is an inherent risk around future financing of the company, depending upon the company's own performance and on the financial market conditions. Acceptable sources of funding may not be available when needed or may not be available on acceptable terms.

The company's ability to obtain capital or financing will depend in part upon prevailing market conditions as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory terms.

The company controls its cash flow from both long- and short-term perspectives through rolling cash forecasts. The company has no loan agreements involving covenants or other financial instruments or requirements.

**Non-financial risks**

Lytix' activity is development of pharmaceutical medications. Research and development up to approved registration is subject to considerable risk and is a capital-intensive process. Lytix' candidates for cancer medications and technology platform are dependent on research and development and goes through several stages before commercialization and risk of failure is generally inherent throughout the process.

*Technology risk*

The company's product candidates are still at an early stage and the preclinical and clinical studies may not prove to be successful. Furthermore, the product candidates are dependent on continued research and development which may be delayed and/or incur higher costs than currently expected.

*Competitive technology*

Immunotherapy and other cancer therapeutics industries are in general highly competitive and dynamic, and as such a high-risk business. Lytix operates in this global and highly competitive industry sector and is subject to the rapid and substantial technological change. Competitive cancer treatments, either within immunotherapy or within the broader space of oncology, may affect Lytix' ability to commence and complete clinical trials, as well as the opportunity to apply for marketing authorization, and may influence future sales if marketing authorization is obtained.

*Market risks*

The financial success of the company will require beneficiary partner agreements as well as obtaining market access and reimbursement/ pricing at attractive levels. There can be no guarantee that the company's product(s) will meet these requirements. The company will need approvals from the European Medicines Agency (EMA) to market products in Europe and from the U.S. Food and Drug Administration (FDA) to market its products in the US, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialize in those regions.

**Capital management: Objectives, policies and processes**

The company's objective when managing capital is to:

- safeguard the ability of the Company to continue as a going concern and to provide future returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

## NOTE 17 CASH AND CASH EQUIVALENTS

| *Amounts in NOK thousands* | **31.12.2023** | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Employee withholding tax – restricted cash | 1,571 | 1,373 | 1,411 | 1,299 |
| Variable rate bank accounts | 25,794 | 93,179 | 195,871 | 27,150 |
| **Total cash and cash equivalents** | **27,365** | **94,552** | **197,282** | **28,450** |

At year-end 2022 and 2023, the Company holds short term financial investments that mature in less than 6 months, that do not meet the definition of cash equivalents and are therefore presented as 'short-term financial investments'.

## NOTE 18 SHARE CAPITAL AND SHAREHOLDER INFORMATION

Share capital on December 31, 2023, is NOK 4,006,831.9 (December 31, 2022: 4,006,831.9 and December 31, 2021: NOK 3,873,901.3), being 40,068,319 ordinary shares at a nominal value of NOK 0.1. All shares carry equal voting rights.

| | **31.12.2023** | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| Ordinary shares at 1 January | 40,068,319 | 38,739,013 | 26,227,120 | 22,893,784 |
| Capital increase March 16, 2020 [1)] | - | - | - | 2,916,667 |
| Capital increase April 16, 2020 [2)] | - | - | - | 416,669 |
| Capital increase June 10, 2021 [3)] | - | - | 3,234,116 | - |
| Capital increase June 11, 2021 [4)] | - | - | 9,277,777 | - |
| Capital increase April 04, 2022 [5)] | - | 1,329,306 | - | - |
| **Ordinary shares per December 31** | **40,068,319** | **40,068,319** | **38,739,013** | **26,227,120** |

[1)] In February 2020, 2,916,667 shares were subscribed for in a private placement among existing shareholders at a share price of NOK 12 for total gross proceeds of NOK 35 million. The share issue was approved by the board of directors in the meeting held on February 18, 2020 under the existing authorization from the General Meeting dated June 12, 2019. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises on March 16, 2020.

[2)] In March 2020, 416,669 shares were subscribed for in a private placement among existing shareholders at a share price of NOK 12 for total gross proceeds of NOK 5 million. The share issue was approved by the board of directors in the meeting held on March 17, 2020 under the existing authorization from the General Meeting dated June 12, 2019. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises on April 16, 2020.

[3)] In May 2021, 3,234,116 shares were subscribed for in a national placement among existing shareholders and selected potential investors at a share price of NOK 18 for total gross proceeds of NOK 58 million. The share issue was approved by the Annual General Meeting held on June 7, 2021. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises on June 10, 2021.

[4)] In June 2021, 9,277,777 shares were subscribed for in a private placement among existing shareholders and selected potential investors at a share price of NOK 18 for total gross proceeds of NOK 167 million. The issuance of 9,277,777 new shares in the private placement was completed by the General Meeting issuing 9,000,000 new shares at the Annual General Meeting held June 7, 2021, and by the board of directors issuing 277,777 new shares at the meeting held on June 8, 2021, under the authorization from the General Meeting dated June 7, 2021. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises on June 11, 2021.

PBM LYT Holdings, LLC ("PBM LYT"), an affiliate of PBM Capital Group, LLC ("PBM"), pre-committed for NOK 42.5 million in the private placement conditional upon the company issuing to PBM LYT a number of warrants equal to 56.3 per cent of the number of shares subscribed for by PBM LYT in the private placement. Lytix issued 1,329,306 warrants to PBM. Each warrant has a duration of 12 months and shall give the right upon exercise to subscribe for one share in the company at a subscription price of NOK 0.10 any time after the date falling 90 days after the company's first trading day on Euronext Growth. The decision to offer PBM LYT to subscribe for warrants was based on the belief that the precommitment by PBM LYT in the private placement, was very important for the successful completion of the private placement, and thus the financing of the company's activities. Further, the company held the opinion that PBM LYT, as a shareholder in the company, would provide additional value to the company given their broad contact network in the United States. On March 15, 2022, Lytix announced that 1,329,306 warrants giving rights to 1,329,306 shares have been exercised by PBM. Refer to Statement of changes in equity for how the issued warrants are presented in the financial statements. The fair value of the warrant issue was kNOK 23,795. Under previous GAAP, the transaction costs of the issued warrants (equaling to the fair value of the issued warrants) has been presented net as a deduction of the capital increase on June 11 2021.

[5)] On March 15, 2022, Lytix announced that PBM LYT, an affiliate of PBM Capital Group, LLC, exercised 1,329,306 warrants giving rights to 1,329,306 shares. Reference is made to the warrants issued by the Company's General

Meeting on June 7, 2021, with a subscription price per share of NOK 0.1 and with an expiry date of June 6, 2022. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises on April 20, 2022.

| No. | Shareholder | No. of shares | Percentage share of total no. of shares |
|---|---|---|---|
| 1 | Citibank, N.A. | 3 690 417 | 9.2 % |
| 2 | JAKOB HATTELAND HOLDING AS | 3 000 000 | 7.5 % |
| 3 | WAATVIKA AS | 1 860 764 | 4.6 % |
| 4 | TAJ HOLDING AS | 1 834 702 | 4.6 % |
| 5 | LYR INVEST AS | 1 770 925 | 4.4 % |
| 6 | BRØDRENE KARLSEN HOLDING AS | 1 709 274 | 4.3 % |
| 7 | CARE HOLDING AS | 1 208 080 | 3.0 % |
| 8 | YNNI INVEST AS | 1 202 049 | 3.0 % |
| 9 | PER STRAND EIENDOM AS | 1 024 128 | 2.6 % |
| 10 | LTH INVEST AS | 801 366 | 2.0 % |
| 11 | PICASSO AS | 695 753 | 1.7 % |
| 12 | Skandinaviska Enskilda Banken AB | 669 115 | 1.7 % |
| 13 | LYSNES INVEST AS | 615 654 | 1.5 % |
| 14 | KVASSHØGDI AS | 604 727 | 1.5 % |
| 15 | BELVEDERE AS | 569 591 | 1.4 % |
| 16 | NORINNOVA INVEST AS | 557 510 | 1.4 % |
| 17 | HIFO INVEST AS | 555 555 | 1.4 % |
| 18 | SATURN INVEST AS | 555 555 | 1.4 % |
| 19 | NORTH MURRAY AS | 516 814 | 1.3 % |
| 20 | JAHATT AS | 500 000 | 1.2 % |
| | **Total number of shares for top 20 shareholders** | **23 941 979** | **59.8 %** |
| | **Total number of shares for the other shareholders** | **16 126 340** | **40.2 %** |
| | **Total number of shares** | **40 068 319** | **100.0%** |

## NOTE 19 CURRENT LIABILITIES

| *Amounts in NOK thousands* | **31.12.2023** | 31.12.2022 | 31.12.2021 | 1.1.2021 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade payables | 3,572 | 6,997 | 1,476 | 3,284 |
| Accrual for annual leave | 1,812 | 1,723 | 1,421 | 1,063 |
| Other accruals | 571 | 389 | 2,351 | 3,570 |
| Tax and social security payments | 1,364 | 950 | 2,026 | 2,845 |
| Lease liabilities | 451 | 868 | 827 | - |
| Other payables | 4,745 | 6,832 | 6,064 | 1,966 |
| **Total current liabilities** | **12,514** | **17,759** | **14,165** | **12,728** |

## NOTE 20 FIRST TIME ADOPTION OF IFRS ACCOUNTING STANDARDS

The financial statements for the year ended 31 December 2023 are the first Lytix Biopharma has prepared in accordance with IFRS Accounting Standards. As such Lytix Biopharma has prepared financial statements that comply with IFRS Accounting Standards, applicable as of 31 December 2023, together with the comparative period data for the two years ended 31 December 2022 and 31 December 2021. In preparing the financial statements, Lytix Biopharma's opening balance sheet was prepared as of 1 January 2021, Lytix Biopharma's date of transition to IFRS Accounting Standards. This note explains the principal adjustments made by Lytix Biopharma AS in restating its NGAAP financial statements, including the balance sheet as of 1 January 2021, 31 December 2021 and 31 December 2022 as well as the income statement for the two years ended 31 December 2021 and 31 December 2022.

**Exemptions applied**

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. Lytix Biopharma has applied the mandatory exception in IFRS 1.B1, and the optional exemption for leases in accordance with IFRS 1.D9D1.

**Identified IFRS adjustments**

An analysis of the differences between NGAAP and IFRS Accounting Standards has been prepared, and their following GAAP-difference has been identified.

- Leasing
- Revenue from licensing
- Government grants
- Net FX gains and losses

The GAAP-differences identified have no effect on the 2021 IFRS Accounting Standards opening balance, only on the income statements for 2021 and 2022 and financial positions at yesar end 31 December 2021 and 2022.

**2021 identified IFRS adjustments**

*Leasing*

Lytix Biopharma AS has lease contracts for office space and equipment. There are no lease contracts due in more than 12 months as of date of transition 1 January 2021. As such, these contracts are exempt from the lease calculations under IFRS 16, and the optional exemption for first-time adopters in accordance with IFRS 1. Leased equipment is of low value and are exempt from the lease calculations. Therefore, there are no GAAP-difference at commencement date 1 January 2021. However, on 21 June 2021, Lytix Biopharma entered into a new 3-year lease contract for new office space and equipment. The lease contract is classified as a lease under IFRS 16, and a lease liability of kNOK 2,593 has been recognized, together with a Right of Use asset of kNOK 2,593. At year-end 31 December 2021, the lease liability is kNOK 2,171 and Right of Use asset is kNOK 2,140. In the income statement depreciations of kNOK 453 and interest expense of kNOK 62 has been recognized. Principal payment of kNOK 423 has been recognized in the cash flow statements for 2021.

*Revenue from licensing*

In August 2020, Lytix entered into an agreement with Verrica, providing the latter exclusive rights for the development and commercialization of products containing LTX-315 in the Territory. LTX-315 was in an early stage of the development. Lytix compensation for the Licensing Agreement consists of a series of milestone payments, together with royalties on sales of the products containing LTX-315. The first milestone was triggered in January 2021 when the U.S. Food and Drug Administration approved Lytix' Investigational New Drug (IND) application, releasing a payment of USD 2.25 million (kNOK 19,290) to Lytix. Under NGAAP the payment was classified as "Other operating income". Under IFRS Accounting Standards, the licensing contract with Verrica is considered to be a contract with a customer. Therefore, the licensing payment has been reclassified from "Other operating income" to "Revenue". The reclassification has no impact on the IFRS Accounting Standards opening balance 1 January 2021, or the financial position at year end 31 December 2021. There are no tax effects or cash flow effects from this reclassification.

*Government grants*

Under previous GAAP, Lytix Biopharma AS recognized government grants in the statement of profit or loss as "Other operating income". For 2021 Lytix recognized kNOK 6,332 in government grants as "Other operating income". This is an acceptable approach under both NGAAP and IFRS Accounting Standards (IAS 20). An alternative is to recognize government grants in the statement of profit or loss as a deduction in the related expense. As industry practice among listed Biotech companies is the latter alternative, Lytix has decided to re-classify government grants from "Other operating income" to a deduction in the related expense (i.e., Payroll and related expenses, Direct R&D expenses and Other operating expenses). The re-classification entails a reduction in Other operating income and reduction in Payroll and related expenses (kNOK 1,234), Direct R&D expenses (kNOK 5,077) and Other operating expenses (kNOK 20). The reclassification has a net effect of zero and does not lead to a change in profit/(loss) for the period.

*Net FX gains and losses*

Under previous GAAP, Lytix Biopharma AS recognized FX gain and losses gross as both "Financial income" and "Financial expense". Under IFRS Accounting Standards, FX gains and losses shall be presented net. Therefore, in the Income statement for 2021, a reclassification of FX gain of kNOK 248 has been reclassified from "Financial income" to "Financial expense" to present the FX effects net. The reclassification has a net effect of zero and does not lead to a change in profit/loss for the period.

*Interest received and interest paid*

Under previous GAAP, Lytix Bipharma AS treated interest received and interest paid as operating cash flows. Under IFRS Accounting Standards, interest received shall be presented as investing cash flow and interest paid shall be presented as a financing cash flow. Therefore, in the Cash Flow statement for 2021 interest received (kNOK 138) is presented as investing cash flow, and interest paid (kNOK 4) is presented as financing cash flow. The reclassification has a net effect of zero and does not lead to a change in profit/loss for the period.

**INCOME STATEMENT EFFECTS 2021**

| *Amounts in NOK thousands* | **2021 NGAAP** | **Revenue from licensing** | **Net FX gain/loss** | **Gov. grant** | **IFRS 16** | **2021 IFRS Accounting Standards** |
|---|---|---|---|---|---|---|
| Revenue | 17 | 19,290 | | | | 19,307 |
| Other operating income | 25,810 | (19,290) | | (6,332) | | 187 |
| **Total operating income** | **25,827** | **-** | **-** | **(6,332)** | **-** | **19,495** |
| Payroll and related expenses | (31,605) | | | 1,234 | | (30,371) |
| Depreciation and amortization expenses | - | | | | (453) | (453) |
| Direct R&D expenses | (28,817) | | | 5,077 | | (23,740) |
| Other expenses | (13,421) | | | 20 | 485 | (12 916) |
| **Total operating expenses** | **(73,844)** | **-** | **-** | **6,332** | **(32)** | **(67,480)** |
| **Loss from operations** | **(48,017)** | **-** | **-** | **-** | **(32)** | **(47,985)** |
| Financial expenses | (424) | | 248 | | (62) | (238) |
| Financial income | 392 | | (248) | | | 144 |
| **Net financial items** | **(32)** | **-** | **-** | **-** | **(62)** | **(94)** |
| **Loss before tax** | **(48,049)** | **-** | **-** | **-** | **(30)** | **(48,079)** |
| **Tax expense** | | | | | - | - |
| **Loss for the period** | **(48,049)** | **-** | **-** | **-** | **(30)** | **(48,079)** |

## BALANCE SHEET EFFECTS 31 DECEMBER 2021

| *Amounts in NOK thousands* | NGGAP 31.12.2021 | IFRS 16 | IFRS Accounting Standards 31.12.2021 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | - | | - |
| Right-of-use assets | - | 2,140 | 2,140 |
| **Total non-current assets** | **-** | **2,140** | **2,140** |
| | | | |
| **Current assets** | | | |
| Other receivables | 5,680 | | 5,680 |
| Short-term financial investments | - | | - |
| Cash and cash equivalents | 197,282 | | 197,282 |
| **Total current assets** | **202,962** | **-** | **202,962** |
| | | | |
| **Total assets** | **202,962** | **2,140** | **205,102** |
| | | | |
| **Shareholder's equity and liabilities** | | | |
| **Issued capital and reserves** | | | |
| Share capital | 3,874 | | 3,874 |
| Share premium reserve | 185,750 | (30) | 185,720 |
| **Total equity** | **189,624** | **(30)** | **189,593** |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | - | 1,344 | 1,344 |
| **Total non-current liabilities** | **-** | **1,344** | **1,344** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 1,476 | | 1,476 |
| Other current liabilities | 11,862 | | 11,862 |
| Lease liabilities | - | 827 | 827 |
| **Total current liabilities** | **13,338** | **827** | **14,165** |
| | | | |
| **Total liabilities** | **13,338** | **2,140** | **15,509** |
| | | | |
| **Total equity and liabilities** | **202,962** | **2,140** | **205,102** |

**CASH FLOW STATEMENT EFFECTS 2021**

| *Amounts in NOK thousands* | 2021 NGAAP | Change of principle | IFRS 16 | 2021 IFRS Accounting Standards |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit (loss) before income tax | (48,049) | | (30) | (48,079) |
| **Adjustments for:** | | | | |
| Depreciation of property, plant and equipment | - | | | - |
| Depreciation of right-of-use assets | - | | 453 | 453 |
| Interest income/(expense), net | - | (134) | | (134) |
| Share-based payment expense | 4,055 | | | 4,055 |
| Increased/decreased in trade and other receivables | (1,513) | | | (1,513) |
| Increased/decreased in trade and other payables | 610 | | | 610 |
| **Cash generated from operations** | **(44,896)** | **(134)** | **423** | **(44,607)** |
| Income tax paid | - | | | - |
| **Net cash flows from operations** | **(44,896)** | **(134)** | **423** | **(44,607)** |
| **Investing activities** | | | | |
| Investment in tangible assets | - | | | - |
| Interests received | - | 138 | | 138 |
| Investment in other short-term investments | - | | | - |
| **Net cash from/(used in) financing activities** | **-** | **138** | **-** | **138** |
| **Financing activities** | | | | |
| Interests paid | - | (4) | | (4) |
| Proceeds from share issue | 225,214 | | | 225,214 |
| Transaction cost | (11,486) | | | (11,486) |
| Payment of principal portion of lease liabilities | - | | (423) | (423) |
| **Net cash from/(used in) financing activities** | **213,728** | **(4)** | **(423)** | **213,302** |
| Net increase in cash and cash equivalents | 168,832 | - | - | 168,832 |
| Cash and cash equivalents at the beginning of the period | 28,450 | - | - | 28,450 |
| **Cash and cash equivalents at the end of the period** | **197,282** | **-** | **-** | **197,282** |

**2022 identified IFRS adjustments**

*Leasing*

Lytix Biopharma AS has lease contracts for office space and equipment. On 21 June 2021, Lytix Biopharma entered into a new 3-year lease contract for new office space and equipment. The lease contract is classified as a lease under IFRS 16. At year-end 31 December 2022, the lease liability is kNOK 1,344 and Right of Use asset is kNOK 1,251. In the income statement depreciations of kNOK 889 and interest expense of kNOK 91 has been recognized. Principal payment of kNOK 827 has been recognized in the cash flow statements for 2022.

*Revenue from licensing*

As mentioned above, Lytix entered into an agreement with Verrica in august 2020. The second milestone was triggered in April 2022 when the first patient were dosed in Verrica Pharmaceuticals Inc.'s Phase II study evaluating LTX-315 for the treatment of basal cell carcinoma (skin cancer). This triggers a USD 1 million (kNOK 9,622) milestone payment to Lytix in accordance with the licensing agreement between the parties. Under NGAAP the payment was classified as

"Other operating income". Under IFRS Accounting Standards, the licensing contract with Verrica is considered to be a contract with a customer. Therefore, the licensing payment has been reclassified from "Other operating income" to "Revenue". The reclassification has no impact on the financial position at year end 31 December 2022. There are no tax effects or cash flow effects from this reclassification.

*Government grants*

Under previous GAAP, Lytix Biopharma AS recognized government grants in the statement of profit or loss as "Other operating income". For 2022 Lytix recognized kNOK 6,242 in government grants as "Other operating income". This is an acceptable approach under both NGAAP and IFRS Accounting Standards (IAS 20). An alternative is to recognize government grants in the statement of profit or loss as a deduction in the related expense. As industry practice among listed Biotech companies is the latter alternative, Lytix has decided to re-classify government grants from "Other operating income" to a deduction in the related expense (i.e., Payroll and related expenses, Direct R&D expenses and Other operating expenses). The re-classification entails a reduction in Other operating income and reduction in Payroll and related expenses (kNOK 806), Direct R&D expenses (kNOK 5,366) and Other operating expenses (kNOK 71). The re-classification has a net effect of zero and does not lead to a change in profit/(loss) for the period.

*Net FX gains and losses*

Under previous GAAP, Lytix Biopharma AS recognized FX gain and losses gross as both "Financial income" and "Financial expense". Under IFRS Accounting Standards, FX gains and losses shall be presented net. Therefore, in the Income statement for 2022, a reclassification of FX gain of kNOK 11,067 has been reclassified from "Financial expenses" to "Financial income" to present the FX effects net. The reclassification has a net effect of zero and does not lead to a change in profit/loss for the period.

*Interest received and interest paid*

Under previous GAAP, Lytix Bipharma AS treated interest received and interest paid as operating cash flows. Under IFRS Accounting Standards, interest received shall be presented as investing cash flow and interest paid shall be presented as a financing cash flow. Therefore, in the Cash Flow statement for 2022 interest received (kNOK 1,406) is presented as investing cash flow, and interest paid (kNOK 55) is presented as financing cash flow. The reclassification has a net effect of zero and does not lead to a change in profit/loss for the period.

**INCOME STATEMENT EFFECTS 2022**

| *Amounts in NOK thousands* | **2022 NGAAP** | **Revenue from licensing** | **Net FX gain/loss** | **Gov. grant** | **IFRS 16** | **2022 IFRS Accounting Standards** |
|---|---|---|---|---|---|---|
| Revenue | 1,409 | 9,622 | | | | 11,031 |
| Other operating income | 15,864 | (9,622) | | (6,242) | | - |
| **Total operating income** | **17,273** | **-** | **-** | **-** | **-** | **11,031** |
| Payroll and related expenses | (21,133) | | | 806 | | (20,326) |
| Depreciation and amortization expenses | (30) | | | | (889) | (919) |
| Direct R&D expenses | (50,974) | | | 5,366 | | (45,608) |
| Other expenses | (10,832) | | | 71 | 918 | (9,843) |
| **Total operating expenses** | **(82,968)** | **-** | **-** | **6,242** | **29** | **(76,697)** |
| **Loss from operations** | **(65,695)** | **-** | **-** | **-** | **29** | **(65,666)** |
| Financial expenses | (11,213) | | 11,067 | | (91) | (238) |
| Financial income | 20,902 | | (11,067) | | | 9,835 |
| **Net financial items** | **9,689** | **-** | **-** | **-** | **(91)** | **9,597** |
| **Loss before tax** | **(56,006)** | **-** | **-** | **-** | **(62)** | **(56,069)** |
| **Tax expense** | - | | | | | - |
| **Loss for the period** | **(56,006)** | **-** | **-** | **-** | **(62)** | **(56,069)** |

## BALANCE SHEET EFFECTS 31 DECEMBER 2022

| *Amounts in NOK thousands* | NGGAP 31.12.2022 | IFRS 16 | IFRS Accounting Standards 31.12.2022 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 124 | | 124 |
| Right-of-use assets | - | 1,251 | 1,251 |
| **Total non-current assets** | **124** | **1,251** | **1,375** |
| | | | |
| **Current assets** | | | |
| Other receivables | 6,735 | | 6,735 |
| Short-term financial investments | 50,606 | | 50,606 |
| Cash and cash equivalents | 94,552 | | 94,552 |
| **Total current assets** | **151,893** | **-** | **151,893** |
| | | | |
| **Total assets** | **152,017** | **1,251** | **153,269** |
| | | | |
| **Shareholder's equity and liabilities** | | | |
| **Issued capital and reserves** | | | |
| Share capital | 4,007 | - | 4,007 |
| Share premium reserve | 131,119 | (93) | 131,27 |
| **Total equity** | **135,126** | **(93)** | **135,034** |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | - | 476 | 476 |
| **Total non-current liabilities** | **-** | **476** | **476** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 6,997 | | 6,997 |
| Other current liabilities | 9,894 | | 9,894 |
| Lease liabilities | | 868 | 868 |
| **Total current liabilities** | **16,891** | **868** | **17,759** |
| | | | |
| **Total liabilities** | **16,891** | **1,344** | **18,235** |
| | | | |
| **Total equity and liabilities** | **152,017** | **1,251** | **153,269** |

**CASH FLOW STATEMENT EFFECTS 2022**

| *Amounts in NOK thousands* | 2022 NGAAP | Change of principle | IFRS 16 | 2022 IFRS Accounting Standards |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit (loss) before income tax | (56,006) | | (62) | (56,069) |
| **Adjustments for:** | | | | |
| Depreciation of property, plant and equipment | 30 | | | 30 |
| Depreciation of right-of-use assets | - | | 889 | 889 |
| Interest income/(expense), net | - | (1,351) | | (1,351) |
| Share-based payment expense | 1,376 | | | 1,376 |
| Increased/decreased in trade and other receivables | (1,055) | | | (1,055) |
| Increased/decreased in trade and other payables | 3,553 | | | 3,553 |
| **Cash generated from operations** | **(52,102)** | **(1,351)** | **827** | **(52,626)** |
| Income tax paid | - | | | - |
| **Net cash flows from operations** | **(52,102)** | **(1,351)** | **827** | **(52,626** |
| **Investing activities** | | | | |
| Investment in tangible assets | (154) | | | (154) |
| Interests received | - | 1,406 | | 1,406 |
| Investment in other short-term investments | (50,606) | | | (50,606) |
| **Net cash from/(used in) financing activities** | **(50,761)** | **1,406** | **-** | **(49,355)** |
| **Financing activities** | | | | |
| Interests paid | - | (55) | | (55) |
| Proceeds from share issue | 133 | | | 133 |
| Transaction cost | - | | | - |
| Payment of principal portion of lease liabilities | - | | (827) | (827) |
| **Net cash from/(used in) financing activities** | **133** | **(55)** | **(827)** | **(749)** |
| Net increase in cash and cash equivalents | (102,730) | | | (102,730) |
| Cash and cash equivalents at the beginning of the period | 197,282 | | | 197,282 |
| **Cash and cash equivalents at the end of the period** | **94,552** | **-** | **-** | **94,552** |

## NOTE 21 EVENTS AFTER THE REPORT DATE

On April 9th, 2024, the Company announced the contemplated launch of a partially guaranteed share offering (the "Offering") of between 9,541,973 and 10,509,802 new shares (the "Offer Shares") in the Company, each with a nominal value of NOK 0.10, at a subscription price of NOK 5.24 per Offer Share.

The Offering was completed. The extraordinary general meeting that took place on 25 April 2024 (the "EGM") resolved to issue a total of 9,541,984 Offer Shares, raising gross proceeds of NOK 50 million.

The cash position in combination with proceeds from the Offering will fund the planned activities to throughout 2024 on a going concern basis.

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Medlemmer av Den norske Revisorforening

# INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Lytix Biopharma AS

## Opinion

We have audited the financial statements of Lytix Biopharma AS (the Company), which comprise the balance sheet as at 31 December 2023, statement of comprehensive income, 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 legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and 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 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 the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

## Responsibilities of management for the financial statements

Management is responsible for the preparation of the 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.

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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.

Tromsø, 29 April 2024
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Monica Sørensen
State Authorised Public Accountant (Norway)