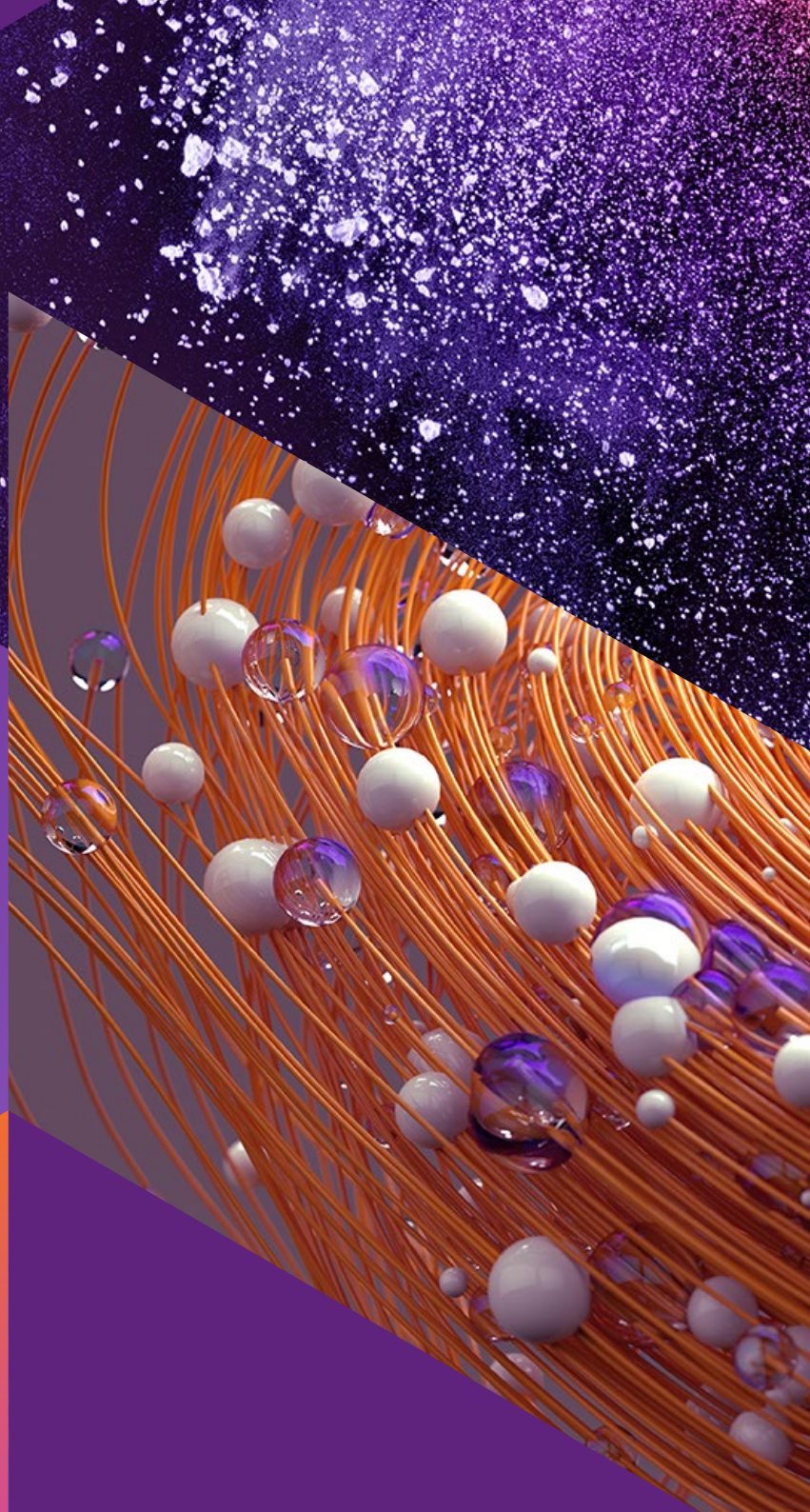
nykode therapeutics

ANNUAL REPORT 2021



CONTENTS

OUR BUSINESS

NYKODE THERAPEUTICS IN BRIEF

Nykode Therapeutics – unlocking the future of medicine

Nykode Therapeutics is a clinical-stage biopharmaceutical platform company dedicated to the discovery and development of novel vaccines and immunotherapies for cancer and infectious diseases. Founded in 2006, Nykode is using its vaccine technology platform to generate therapeutics in disease indications with a significant unmet medical need. The Company is a leader in the rapidly evolving field of next-generation vaccines for cancer and infectious diseases. Nykode currently has four product candidates in clinical development: a vaccine against HPV16-related cervical cancer, an individualized cancer neoantigen vaccine (which is being developed in collaboration with Genentech, a member of the Roche Group), and two next-generation universal SARS-CoV-2 vaccine candidates.

Nykode is headquartered in Oslo, Norway and had 102 employees at the end of 2021. The Company has collaborations with Roche, Genentech and Nektar Therapeutics within oncology, a multi-target collaboration with Regeneron within oncology and infectious diseases, and a collaboration with Adaptive Biotechnologies for COVID-19 T cell vaccine development. Nykode's shares are traded on Euronext Growth (Oslo)*.

Nykode Therapeutics' vaccine technology platform at a glance

Nykode Therapeutics is developing next generation vaccines for clinical use, based on a deep understanding of immunological principles. Nykode's modular Vaccibody™ vaccine technology specifically targets antigens to Antigen Presenting Cells (APC), which are essential for inducing rapid, strong and long-lasting antigen specific immune responses and eliciting efficacious clinical responses.

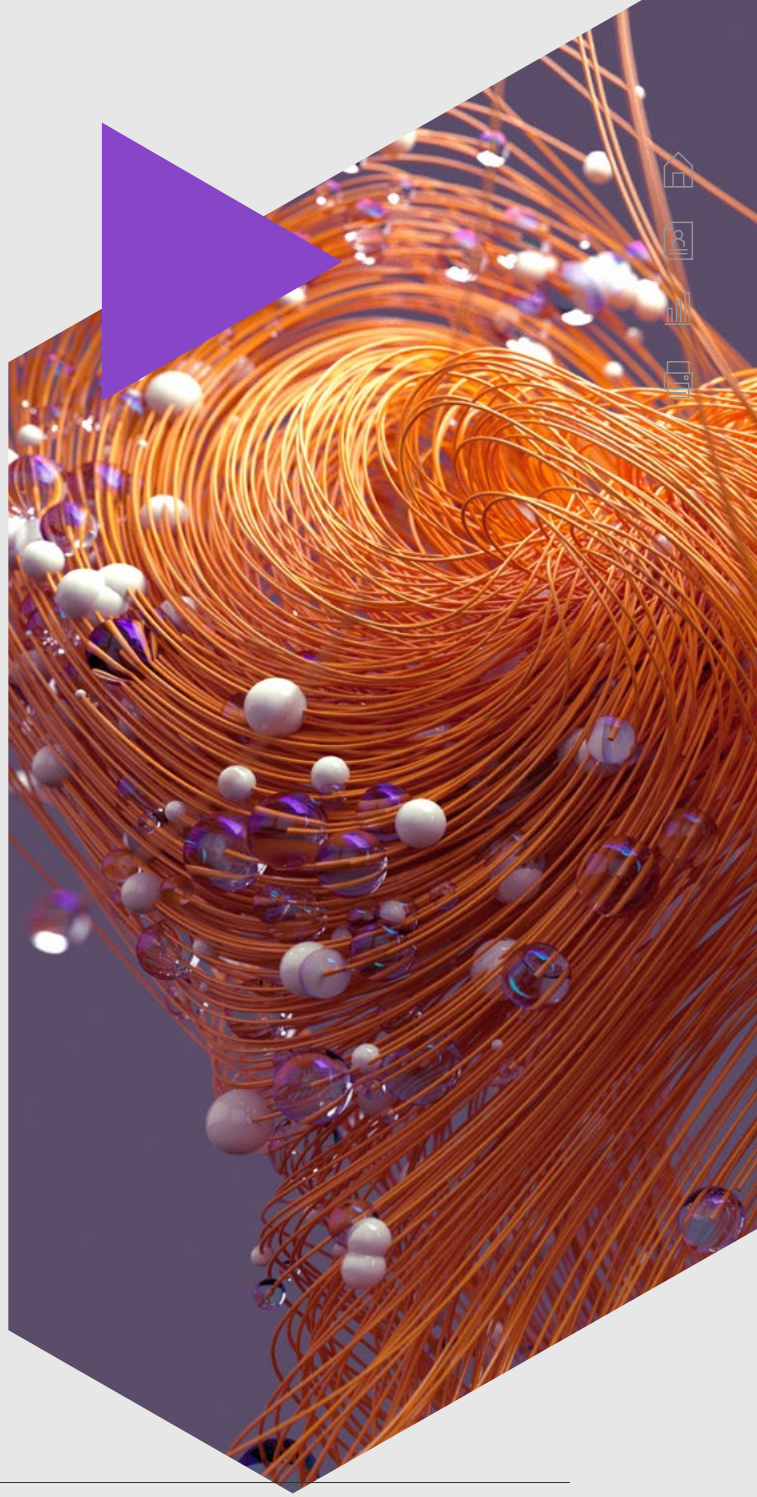
By intelligent design, Nykode's vaccine candidates are designed to induce the desired immune response profile correlating with protection for each specific disease with a given antigen. Hence, the modular Vaccibody vaccine platform has the potential to address many disease areas with a high unmet medical need, such as cancer and infectious diseases.

Nykode Therapeutics' lead products

Nykode Therapeutics' lead product candidates are VB10.16 and VB10.NEO. VB10.16 is a therapeutic cancer vaccine against HPV16-related cancers currently being tested in a Phase II clinical trial. VB10.NEO is an individualized therapeutic cancer neoantigen vaccine currently being evaluated in two clinical trials, Phase Ib and I/IIa, respectively, and exclusively licensed to Genentech. The Company also has two universal COVID-19 vaccine candidates in development that are currently being studied in Phase I clinical trials and designed to broadly address SARS-CoV-2 variants of concern.

For more information, please visit www.nykode.com

* Euronext Growth (Oslo), operated by Oslo Børs ASA, the Oslo Stock Exchange and part of Euronext, the Pan-European exchange group.



LETTER TO OUR SHAREHOLDERS

Dear shareholder,

2021 was another year of significant progress for Nykode Therapeutics.

The launch of our new company name and brand identity in November marked a new chapter in our journey to become a leading immunotherapy company leveraging our unique and highly differentiated technology platform. It is also a visible symbol of a new phase of business opportunities based on collaboration, internationalization, and ambitions of addressing highly unmet medical needs.

We signed two new transformative agreements in 2021. The agreement with Adaptive Biotechnologies was our first in-licensing deal providing access to validated SARS-CoV-2 T cell epitopes for the development of a T cell vaccine. The out-licensing agreement with Regeneron, a multi-target collaboration, provided Nykode with an upfront payment of USD 30 million and an equity investment of USD 20 million. Furthermore, Nykode will be eligible to receive potentially more than USD 875 million in additional milestone payments based on future development and commercial achievements, plus royalties. Like our agreement with Genentech signed in 2020, the agreement with Regeneron further validates the exciting potential of our technology platform and provides us with additional financial resources to continue executing on our project pipeline and hence grow our business.

In 2021, our collaboration with Genentech was focused on the VB10.NEO individualized cancer vaccine project, as we initiated a dose escalation trial in various tumor types. The N-02 clinical trial was Nykode's first-ever opened IND, an important development milestone.

Our VB10.16 clinical development project in Human Papilloma Virus (HPV16) induced cervical cancer progressed well in 2021 despite operational challenges posed by the COVID-19 pandemic. At the same time, we are updating our development strategy and seek to expand the scope of indications to additional HPV16-driven cancer types.

We also made significant progress in the continued efforts to establish infectious diseases as our second therapeutic area. Amongst the major achievements was the advancement of our lead COVID-19 vaccine candidates from early research to clinical development phase in less than a year. Entering 2022, our infectious diseases pipeline comprised of two clinical COVID-19 candidates, two internal research programs, and two collaborative programs with Regeneron.

Michael Engsig
Chief Executive Officer

Martin Nicklasson
Chair of the Board

The launch of our new company name and brand identity in November marked a new chapter in our journey to become a leading immunotherapy company leveraging our unique and highly differentiated technology platform.

Nykode significantly expanded and evolved its organization during 2021. We passed the 100-employee mark (up from 51 at the end of 2020 to 102 by the end of 2021) adding new valuable skills and capabilities with a focus on defining clear roles, responsibilities and procedures across the organization. We expanded our clinical activities and presence into six new countries, including the US, accompanied by a focus on building support functions to secure quality and compliance. We also consolidated our research activities in a new state-of-the-art laboratory at the Oslo Science Park (Forskningsparken), Norway.

In order to access additional pools of talent, Nykode established a subsidiary in Copenhagen, Denmark. In addition, we strengthened our Executive Management team with several senior recruitments, as well as nominated new members to the Board of Directors who hold key industry experience. Since we intend to develop our projects into later clinical phases in the future we will commence recruiting more talent with late-stage development experience.

In 2022, our main business focus includes achieving several important milestones for our key clinical development programs VB10.16, VB10.NEO, and VB10.COV2. We expect to report an interim analysis for our Phase II trial with VB10.16 in advanced cervical cancer.

In addition, we expect further execution and testing of VB10.NEO in various tumor types as well as contributing to the overall Genentech collaboration regarding individualized cancer vaccines. Additional important events include Phase I data readouts for VB10.COV2, our next-generation COVID-19 vaccine candidate covering new SARS-CoV-2 variants in a prophylactic setting. Finally, we look forward to working with Regeneron on different drug targets and, internally, to advance our own internal pipeline and technology projects.

During 2021, we announced that Nykode is exploring a potential listing on the Nasdaq Global Market in the US, and that the Company expects to apply for a transfer of the listing of its shares to the main market on the Oslo Stock Exchange in 2022. These activities continue to be diligently evaluated in the light of current market conditions, the Company's capital market strategy, as well as the best interest of Nykode's shareholders.

Nykode ended 2021 in a strong financial position as total liquidity amounted to USD 228.4 million as per December 31, 2021. This puts us in an excellent position to continue our journey aiming to transform the Company to become a leading immunotherapy company dedicated to the discovery and development of novel medicines utilizing our unique and highly differentiated technology platform.

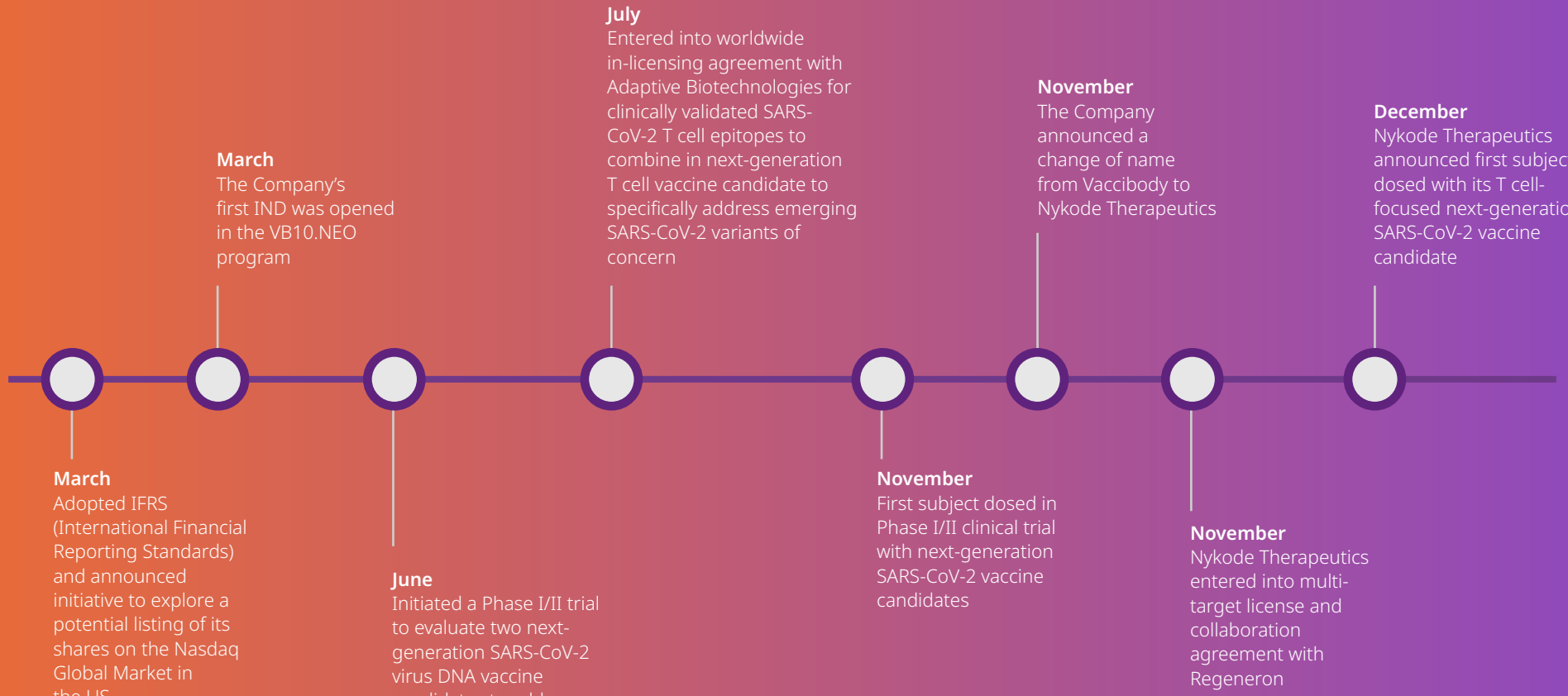
On behalf of the Board of Directors and the Executive Management, we would like to thank all the employees of Nykode for their outstanding contributions during 2021, a very busy and successful year. Further, we are most grateful to our shareholders for their continued support during Nykode's transformative journey. Finally, we wish to thank patients, their families and our investigators for participating in our search to develop new important medicines.

March 31, 2022

Martin Nicklasson
Chair of the Board

Michael Engsig
Chief Executive Officer

2021 HIGHLIGHTS



March
Adopted IFRS (International Financial Reporting Standards) and announced initiative to explore a potential listing of its shares on the Nasdaq Global Market in the US

March
The Company's first IND was opened in the VB10.NEO program

June
Initiated a Phase I/II trial to evaluate two next-generation SARS-CoV-2 virus DNA vaccine candidates to address emerging variants of concern

July
Entered into worldwide in-licensing agreement with Adaptive Biotechnologies for clinically validated SARS-CoV-2 T cell epitopes to combine in next-generation T cell vaccine candidate to specifically address emerging SARS-CoV-2 variants of concern

November
First subject dosed in Phase I/II clinical trial with next-generation SARS-CoV-2 vaccine candidates

November
The Company announced a change of name from Vaccibody to Nykode Therapeutics

November
Nykode Therapeutics entered into multi-target license and collaboration agreement with Regeneron

December
Nykode Therapeutics announced first subject dosed with its T cell-focused next-generation SARS-CoV-2 vaccine candidate

2021 KEY FIGURES

USD 1000	2021	2020
Total revenue and other income	35,766	215,695
Total operating expenses	46,541	37,430
Operating profit (loss)	-10,775	178,265
Net profit (loss) for the year	-9,414	149,774
Net cash flow	32,351	173,957
Cash and cash equivalents, year-end	216,231	183,851
Outstanding shares, year-end	289,619,409	284,785,180
Cash and cash equivalents/ total assets	81%	80%
Equity ratio	73%	78%
Equity	194,055	178,850
Total assets	265,556	230,028
Employees, average	73	33
Employees, year-end	102	51

2022 OUTLOOK AND KEY PRIORITIES

Nykode Therapeutics has developed clear priorities for the year ahead. A detailed overview of the Company's key priorities for 2022 is provided in the table below.

Area	2022 key priorities	Program	Objectives
Oncology	Expand and mature oncology pipeline	VB10.16 and VB10.NEO	• VB C-02 Phase II interim data • Update on VB10.16 development strategy • Preparation for potential Phase III with VB10.16 in cervical cancer and potential expansion into additional indications • Execute on VB N-02 Phase Ib trial and Genentech collaboration* • Execute on Regeneron oncology collaboration*
		Undisclosed internal programs	Update on development strategy
Infectious diseases (ID)	Expand and mature ID pipeline	VB10.COV2	• Key results from VB-D-01 Phase I /II trial with VB10.2210 and VB10.2129 • Execute on Regeneron ID collaboration*
		Undisclosed internal programs	Update on development strategy
Manu-facturing			Update on manufacturing strategy
Technology development	Leverage technology platform within new opportuni-ties		Preclinical data from technology development project to be presented

* Apart from communications on milestones, communications on collaboration projects are controlled by Genentech and Regeneron, respectively.

FINANCIAL REVIEW

IFRS

The financial statements of Nykode Therapeutics for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements of the Company represent the second year of stating financial statements in accordance with IFRS.

Income statement

The net result for the 2021 fiscal year was a net loss of USD 9.4 million compared to a net profit of USD 149.8 million in 2020. In 2020, the Company received a substantial upfront payment from Genentech which to a large extent explains the difference in the net result. In 2021, revenue is mainly due to the upfront payment under the Regeneron agreement announced in November 2021. Furthermore, operating expenses have increased in 2021 compared to previous year driven by the expansion of the organization and the initiation of clinical trials which also explains the difference in net result between 2020 and 2021.

Operating income
Total operating income amounted to USD 35.8 million in 2021 (USD 215.7 million in 2020) and mainly consisted of USD 30.0 million in upfront license income under the Regeneron agreement. In addition, the Company recognized USD 4.0 million according to the development of underlying research activities related to the Genentech agreement and a total of USD 1.8 million in other income, primarily government grants.

Operating expenses
Total operating expenses amounted to USD 46.5 million in 2021 compared to USD 37.4 million in 2020. Employee benefit expenses were USD 16.8 million (USD 16.0 million in 2020). The increase was driven by the expansion of the organization, offset by a decrease in social security costs on share-based payments in 2021 compared to 2020. Other operating expenses increased to USD 29.0 million (USD 21.1 million in 2020), mainly due to increased research and development activities, including the initiation of clinical trials.

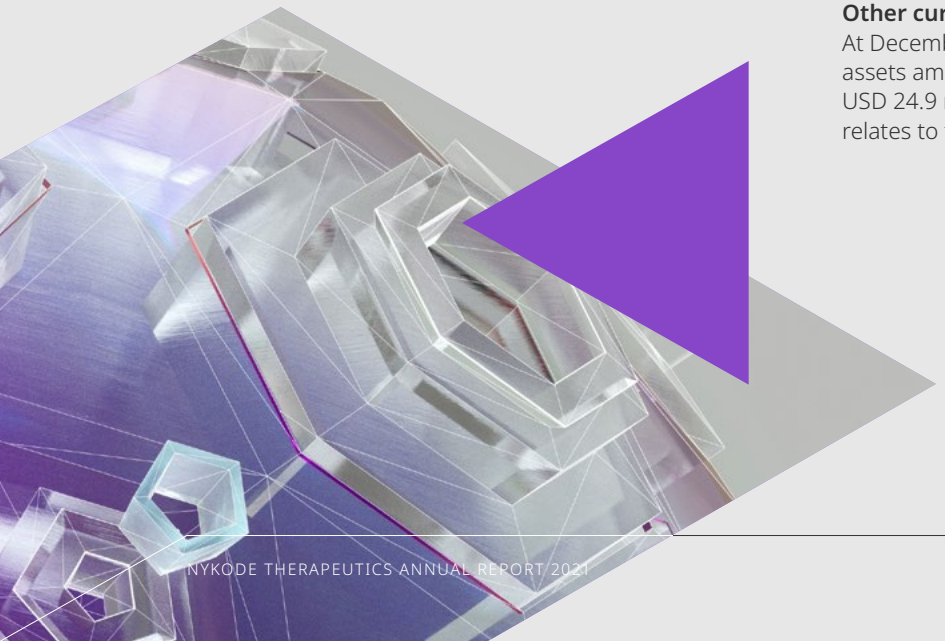
Net financial income and expenses
Net financial income and expenses decreased to a loss of USD 0.3 million in 2021 compared to income of USD 2.6 million in 2020. The decrease was mainly related to increased loss on foreign exchange in 2021.

Income tax expenses
The Company recognized income tax expenses of USD (1.7) million in 2021 compared to USD 31.1 million in 2020. The decrease reflects the profit or loss before tax and that the Group was in a taxable position in 2020, mainly due to the Genentech agreement. Income tax payable was USD 0 million (USD 0 million in 2020), and the tax expense relates to changes in deferred tax.

Statement of financial position

Cash
At December 31, 2021, Nykode Therapeutics had a cash position of USD 216.2 million compared to USD 183.9 million at December 31, 2020. The increase in cash is mainly a result of the agreement with Regeneron in November 2021, and the corresponding upfront payment of USD 30 million and equity investment of USD 20 million as well as the sale of financial instruments of USD 12.4 million.

Equity
At December 31, 2020, total equity amounted to USD 194.1 million, compared to USD 178.9 million at December 31, 2020. The increase is mainly due to the issuance of shares of USD 20 million as agreed in the Regeneron agreement.



Trade receivables
At December 31, 2021, trade receivables amounted to USD 23.8 million, compared to USD 3.8 million at December 31, 2020. The increase is related to the invoicing of a milestone payment of USD 20 million under the Genentech agreement.

Trade and other payables
At December 31, 2021, trade and other payables amounted to USD 8.5 million, compared to USD 9.2 million at December 31, 2020.

Contract assets and contract liabilities
At December 31, 2021, total contract liability amounted to USD 16.0 million, compared to a contract asset of USD 15.0 million at December 31, 2020. The contract liability is mainly due to the invoicing of milestone payments to Genentech as well as recognition of the service component of the Genentech agreement.

Other current financial assets
At December 31, 2021, total other current financial assets amounted to USD 12.2 million compared to USD 24.9 million at December 31, 2020. The decrease relates to the sale of money market funds.

Cash flow

Cash flow from operating activities
Net cash flow from operating activities was USD 1.2 million in 2021, compared to USD 180.3 million in 2020. This was primarily driven by the decrease in profit or loss and partially offset by an increase in working capital.

Cash flow from investing activities
Cash flow from investing activities was USD 10.8 million in 2021, compared to negative USD 6.0 million in 2020. The increase in net cash flow from investing activities was mainly due to a net sale of financial instruments in 2021, compared to a net acquisition in 2020.

Cash flow from financing activities
Cash flow from financing activities was USD 20.4 million in 2021, compared to negative USD 0.3 million in 2020. The difference relates to the issuance of equity in 2020.

Net change in cash and cash equivalents was USD 32.4 million in 2021, including foreign exchange effects, and cash and cash equivalents increased to USD 216.2 million at the end of the year, compared to USD 183.9 million at the end of 2020.

Events after balance sheet date

There have been no significant events after the reporting date, December 31, 2021.

NYKODE THERAPEUTICS' VACCINE TECHNOLOGY PLATFORM

The Vaccibody molecule

Nykode Therapeutics' proprietary, targeted vaccine platform technology centers around the Vaccibody molecule format designed to induce potent, long-lasting and specific immune responses. The specificity of the targeting unit of the Vaccibody molecule determines to which subsets of APC or cell type the antigen is delivered, which can drastically influence the associated immune response.

MIP-1α is the most common targeting unit in Nykode vaccines and is used in several vaccine candidates undergoing clinical development. MIP-1α targeted vaccines have a unique ability to attract and stimulate APC's capable of eliciting rapid, strong and dominant CD8 T cell responses combined with supporting CD4-helper T cell responses. CD8 T cell responses are key to killing tumor cells but are also important for controlling infectious diseases such as SARS-CoV-2. If the antigenic unit is designed for the purpose, MIP-1α targeted vaccines are also capable of inducing strong and diverse antibody responses. The unique ability to induce broad and strong T cell and antibody responses distinguishes Nykode's platform from both conventional vaccines, including non-targeted DNA vaccines, and RNA- and peptide-based vaccines.

Vaccine candidates based on the modular Vaccibody molecule have been well tolerated to date and have the potential to be used in different disease areas, including cancer and infectious diseases and to be combined with other therapeutic modalities such as immune check-point inhibitors

The recombinant Vaccibody molecule consists of three modules:

A

The targeting unit directs the antigens to the immune system's Antigen Presenting Cells (APC). The targeting unit is fully flexible and can be designed to deliver T cell epitopes or antigens specifically to certain subset of APC optimizing the desired effect. This controlled delivery allows for induction of a specific immune response profile that correlates with protection for each specific disease, e.g., antibody, CD4 (Th1/Th2/Th17)- and/or CD8 T cell responses.

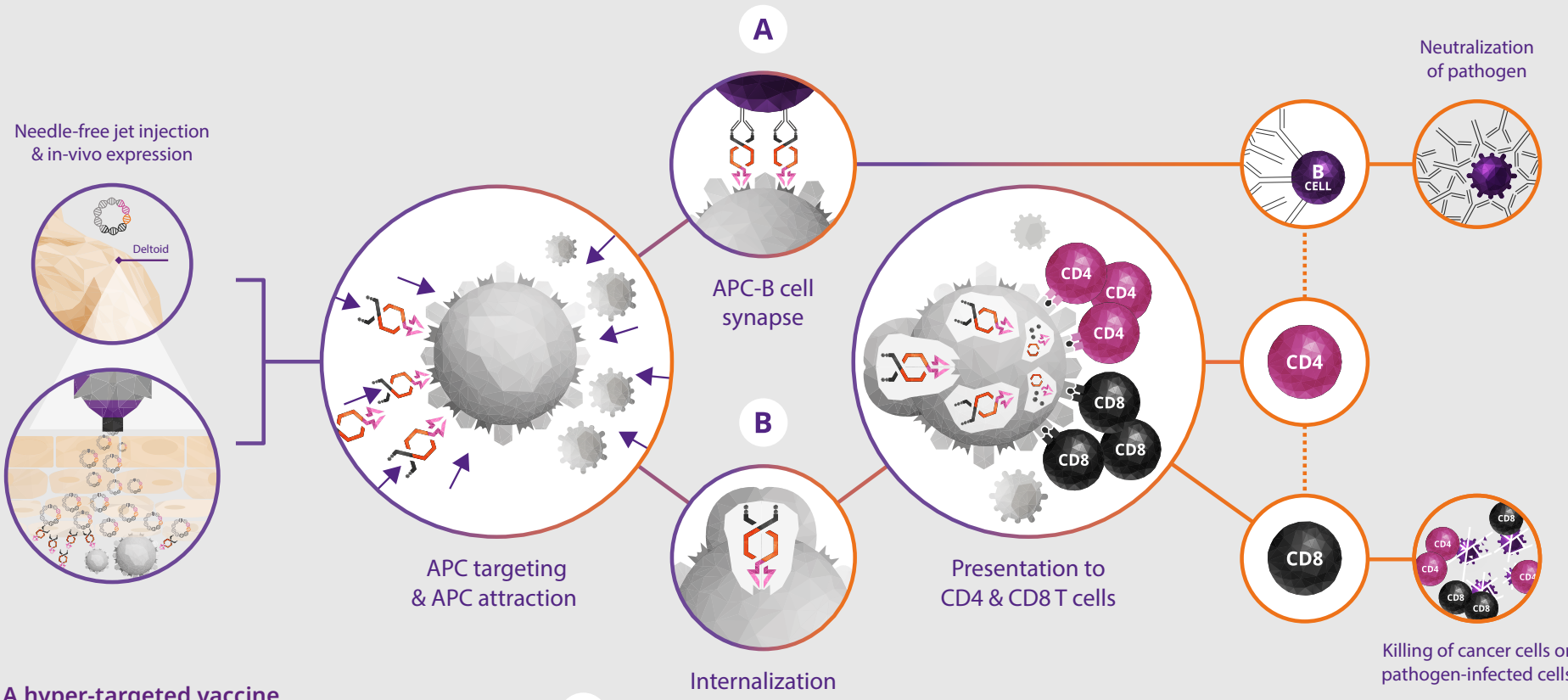
B

The dimerization unit joins the two protein chains into the dimeric Vaccibody format. The dimeric format is designed to facilitate attraction, activation and internalization into the APC by crosslinking receptors on the surface of the APC. The dimerization unit also facilitates the bridging of an APC binding the targeting unit and a B cell binding the antigen through a B cell receptor forming an APC-B cell synapse triggering rapid and strong antibody responses.

C

The antigen unit contains the epitopes and antigens selected, to which a specific immune response is generated. These may be selected to fight a vast range of disease areas, including cancer and infectious diseases. The flexibility of the platform allows for a broad immune response and for inclusion of large globular antigens and multiple sets of T cell epitopes.

Mechanism of action



A hyper-targeted vaccine – mechanism of action

The Vaccibody vaccine is delivered as a DNA plasmid using a needle-free jet injector that injects the plasmids into the muscle cells. Inside the cells, the DNA plasmids provide the information to produce the Vaccibody protein in the same way that cells produce other human proteins. The newly encoded Vaccibody proteins are then secreted from the cells, and target and recruit the APC. Depending on the choice of targeting unit, different subsets of APCs will be targeted and thus the immune response may be skewed towards e.g., humoral (antibodies) or cellular (T cells) or variations thereof:

A

The Vaccibody protein may form an APC-B cell synapse which may lead to rapid and strong B cell activation responsible for mediating the production of antigen-specific antibodies. These antibodies may then neutralize a pathogen such as the SARS-CoV-2 virus.

B

The Vaccibody protein may cross-link two receptors on the APC which provides an activation signal to the APC and induces efficient maturation of the APC. The ligating leads to receptor-mediated internalization and the antigens from the Vaccibody protein are then processed and antigenic epitopes are presented on MHC class I and MHC class II molecules to CD4 and CD8 T cells. This results in an antigen-specific T cell response. In the case of the MIP-1α targeting unit, cross-presentation and thus loading of epitopes on MHC class I and activation of the CD8 killer T cells are particularly effective and these cells are responsible for directly killing the cancer cells or cells infected by a pathogen e.g., a virus with the specific antigen.

ONCOLOGY

Cancer remains the second-leading cause of death in the industrialized world and incidence rates are growing. The cause of cancer is manyfold; genetics, viral infections, environment and lifestyle factors play a role in the evolution of cancer in different parts of the world. Even though there have been important breakthroughs in recent decades, there is still a high unmet need in the treatment of cancer.

Today, there are more than 200 different known cancer types and a growing understanding of a need for personalized treatment approaches, not only between different cancer types, but also within specific tumor types. Traditionally, cancer therapy has consisted of surgery, radiotherapy and chemotherapy as the key approaches. Even though these are still important elements in cancer therapy, the recent decade has shown us the importance of looking into genetic alterations in tumor cells as well as trying to use the immune system, the body's internal ability to fight cancer.

During the last decade, cancer immunotherapy has become one of the key treatment opportunities against several cancer types. However, the therapies available today, checkpoint inhibitors being at the forefront, benefit only 20-30% of cancer patients with durable responses and some cancer types do not respond at all. The need for additional and novel approaches addressing the untapped potential of activating the immune system is still valid. Combining insights into genetic alterations and environmental exposures and activation of the immune system will continue to be an important part of cancer therapy evolution for years to come.

Individualized cancer therapy, with treatment approaches tailored to each patient is expected to be increasingly important in the fight against cancer. Combining individualized approaches with activation of the immune system is an attractive and increasingly emerging approach. Therapeutic cancer vaccines, with their ability to specifically activate the immune system, in particular CD8 killer T cells, and target specific cancer antigens, is one such approach.

HPV-driven cancers

One of the emerging challenges within oncology is virus-induced cancer types, Human Papilloma Virus (HPV) being one of the most prominent. HPV is the cause of 630,000 cases of cancers annually. There are several types of high-risk HPV causing cancers with HPV16 being the predominant one. HPV-induced cervical cancer is the fourth-most common cancer form among women worldwide. Head and neck squamous cell, HNSCC, a cancer in the head and neck, is the sixth most common cancer worldwide. Most of these HNSCC cancer cases are oropharyngeal cancer, and the vast majority are HPV induced. Oropharyngeal cancer is rapidly growing among both women and men in the Western world, particularly in northern Europe and North America.

Even though preventive vaccines are available and cervical cancer screening detects many cervical cancers at an early stage, we know that HPV-induced cancers take decades to develop and there will still be a need for novel treatment approaches against cancers caused by HPV for many years to come.

HPV-driven cancers appear in younger patients and the biology of the tumors differs from what is traditionally seen in many cancer forms. Immune checkpoint inhibitors are an important part of the clinical development landscape in HPV-driven tumors, but despite the advances seen in the treatment of cervical cancer and other HPV-driven cancers, there is still a need to increase the number of responding patients.

Using a therapeutic cancer vaccine targeted specifically towards HPV16-infected cells in tumors represents a novel immunotherapeutic treatment option. By combining the two immunotherapeutic approaches, the checkpoint inhibitors and a therapeutic cancer vaccine, the tumors can be attacked from several angles with the aim of improving patient outcomes.

Individualized cancer therapy

Every patient's tumor is unique and in order to effectively address this challenge, the principle of individualized treatments is emerging quickly as an important part of future cancer therapy options. By focusing on individual characteristics and mutational alterations in each patient's tumor, the future may be focused more on each tumor's uniqueness rather than on tumor types in general.

By evaluating the alterations found in each patient's tumor cells, it is possible to develop an individualized therapeutic cancer vaccine that targets the largest possible number of immunogenic individual patient-tumor specific mutations.

By combining an individualized cancer vaccine with a checkpoint inhibitor, we can harness the potential of the immune system to fight each patient's specific tumor across a broad range of known tumor entities.

INFECTIOUS DISEASES

Infectious diseases
Infectious diseases are a global health problem, and both viral and bacterial infections are among the leading causes of disease and death. A spectrum of infectious diseases, with epidemic, endemic and pandemic outbreaks, divide our global challenges into regional health threats. Even though prophylactic vaccines have been revolutionary in the fight against infectious diseases, there is still a need for new and improved vaccines to be developed.

New infectious diseases are emerging and could lead to future global pandemics. Since COVID-19 was declared a pandemic in 2020, it has spread at a record speed and according to the WHO, there are now more than 400 million confirmed cases and six million deaths worldwide due to COVID-19.

COVID-19
Coronavirus disease 2019 is caused by a virus in the coronavirus family, SARS-CoV-2. Most people infected with SARS-CoV-2 will experience mild to moderate respiratory illness and recover without requiring special treatment. Symptoms of COVID-19 may be fever or chills, cough, shortness of breath or difficulty breathing, fatigue, muscle or body aches, headache, loss of taste or smell, sore throat, congestion or runny nose, nausea or vomiting, and diarrhea. However, serious illness can also develop, including acute respiratory distress syndrome and potential fatal multi-organ failure; and the potential long-term effects on health are unknown. COVID-19 affects patients of all ages, but fatality rates are notably elevated in persons aged >60 years as well as in patients with comorbidities like cardiovascular disease, diabetes, chronic respiratory disease and hypertension.

Vaccines
Vaccines may be either prophylactic or therapeutic. Traditionally most people think of vaccines as a prophylactic measure to prevent illness. By pre-exposing the immune system to a part of a pathogen, the immune system is educated to fight a particular infectious disease and prevent illness in the pre-exposed host. Therapeutic vaccines also expose parts of the pathogen to the immune system but are given to affected patients to stimulate an optimal anti-gen-specific immune response in the patient to help fight the existing disease rather than vaccinating to protect against future disease.

Generally, infectious diseases, including COVID-19, are a significant burden on society. By exploring and expanding the Nykode platform and its ability to elicit different types of rapid onset immune responses, the Company aims to contribute to the global prophylactic and therapeutic vaccine development. In 2021, the Company rapidly moved two different types of SARS-CoV-2 vaccines into clinical development. The first is an antibody inducing vaccine based on the receptor-binding domain of the beta variant of SARS-CoV-2 and the second is a T-cell inducing vaccine containing a broad set of T cell epitopes validated by Adaptive Biotechnologies.

IMMUNE TOLERANCE

Immune tolerance
Immune system disorders cause abnormally low activity or overactivity of the immune system. In cases of immune system overactivity, the body attacks and damages its own tissues (autoimmune diseases) or overreact to harmless substances in the environment (allergic diseases).

Autoimmune diseases are common and affect up to 10% of the total population, with women affected more than men. The standard treatments for auto-immune diseases include immunosuppressive agents and immunomodulatory biologic drugs aimed at blocking inflammatory mediators, including pro-inflammatory cytokines. Common autoimmune diseases include rheumatoid arthritis, systemic lupus erythematosus, inflammatory bowel disease, multiple sclerosis, psoriasis, and type 1 diabetes mellitus.

Allergic diseases including hay fever, food allergies, atopic dermatitis, allergic asthma, and anaphylaxis are prevalent and hay fever alone affects 10-30% of the population worldwide. Treatments for allergic diseases include allergen avoidance, antihistamines, corticoste-roids, allergen immunotherapies, and emergency adrenalin.

Despite progress in existing treatments for auto-immune diseases and allergies, there is a high demand for novel therapies with improved activity and safety.

Tolerizing vaccines
Tolerizing vaccination has the potential to transform the treatment of autoimmune diseases, allergies, and allogeneic transplantation by educating the immune system to become unresponsive to autoantigens and environmental substances. Nykode has an ambition of adding tolerizing vaccines as a third pillar in our disease strategy. Research is ongoing to explore the potential for tolerance induction by modified Vaccibody molecules directed towards tolerance inducing antigen presenting cells.

TWO VACCINE CONCEPTS: THE INDIVIDUALIZED VACCINE AND THE OFF-THE-SHELF VACCINE

The Nykode vaccine may be:

- **Off-the-shelf**: An off-the-shelf (ready-made) vaccine that encodes for antigens shared among a specific patient population, such as the VB10.16 vaccine candidate that targets all HPV16-positive cancers or an infectious disease vaccine candidate such as a COVID-19 vaccine, e.g., Nykode's VB10.2210 universal COVID-19 vaccine candidate.

- **Individualized**: The antigens may be selected from an individual patient. A fully individualized vaccine is produced matching the optimal set of antigens identified in the individual patient's tumor. Nykode's VB10.NEO program is a fully individualized vaccine candidate, targeting the patient's antigens based on tumor-specific antigens.

The off-the-shelf vaccine and its supply

Off-the-shelf vaccines offer a fast, scalable and attractive approach to patient treatment such as cancer treatment and infectious disease vaccines.

Such cancer vaccines target shared antigens which are expressed by tumors across large patient populations. Nykode Therapeutics has built significant experience in off-the-shelf cancer vaccines from its VB10.16 clinical program in precancerous cervical lesions and cervical cancer. Further, Nykode is exploring the commercial potential of VB10.16 for the treatment of additional HPV16-positive cancer indications other than cervical cancer. In addition, the Company is focusing parts of its research efforts on identifying shared cancer antigens and developing additional off-the-shelf cancer vaccines to expand the clinical pipeline in this area over the coming years.

Manufacturing of clinical trial material is of the utmost importance to advance Nykode products into clinical trials. During the pandemic, the importance of security of supply became particularly evident as plasmid DNA (pDNA) is used as starting material for the mRNA COVID-19 vaccines and hence these products were prioritized by the CMOs. To address these strategic matters, Nykode initiated a strategic supply project in early 2021 for which the scope was to analyze and enter into an agreement with a strategic Contract Manufacturing Organization (CMO). In addition, the project aimed to secure future capacity by establishing additional Nykode-controlled manufacturing capacity with sufficient flexibility to support the increasing portfolio of Nykode product candidates entering clinical trials. This work will continue in 2022.

The off-the-shelf vaccine

1. SELECTION OF OPTIMAL COMBINATION ANTIGENS
Nykode in-house immunological expertise and proprietary bio informatics, in addition to external data sets, are used to select the optimal antigens.

2. GENE SYNTHESIS
The vaccine is designed and synthesized.

3. CLONING INTO MASTER PLASMID
The gene construct is cloned into a master plasmid.

4. GENERATION OF MASTER CELL BANK
The master cell bank is generated to be used in manufacturing (at large scale).

5. MANUFACTURING OF BDS
The bulk drug substance is produced through recombinant microbial fermentation.

6. FILL & FINISH
The drug substance is sterilized and filled into vials to form the final drug product for use with a large patient group.

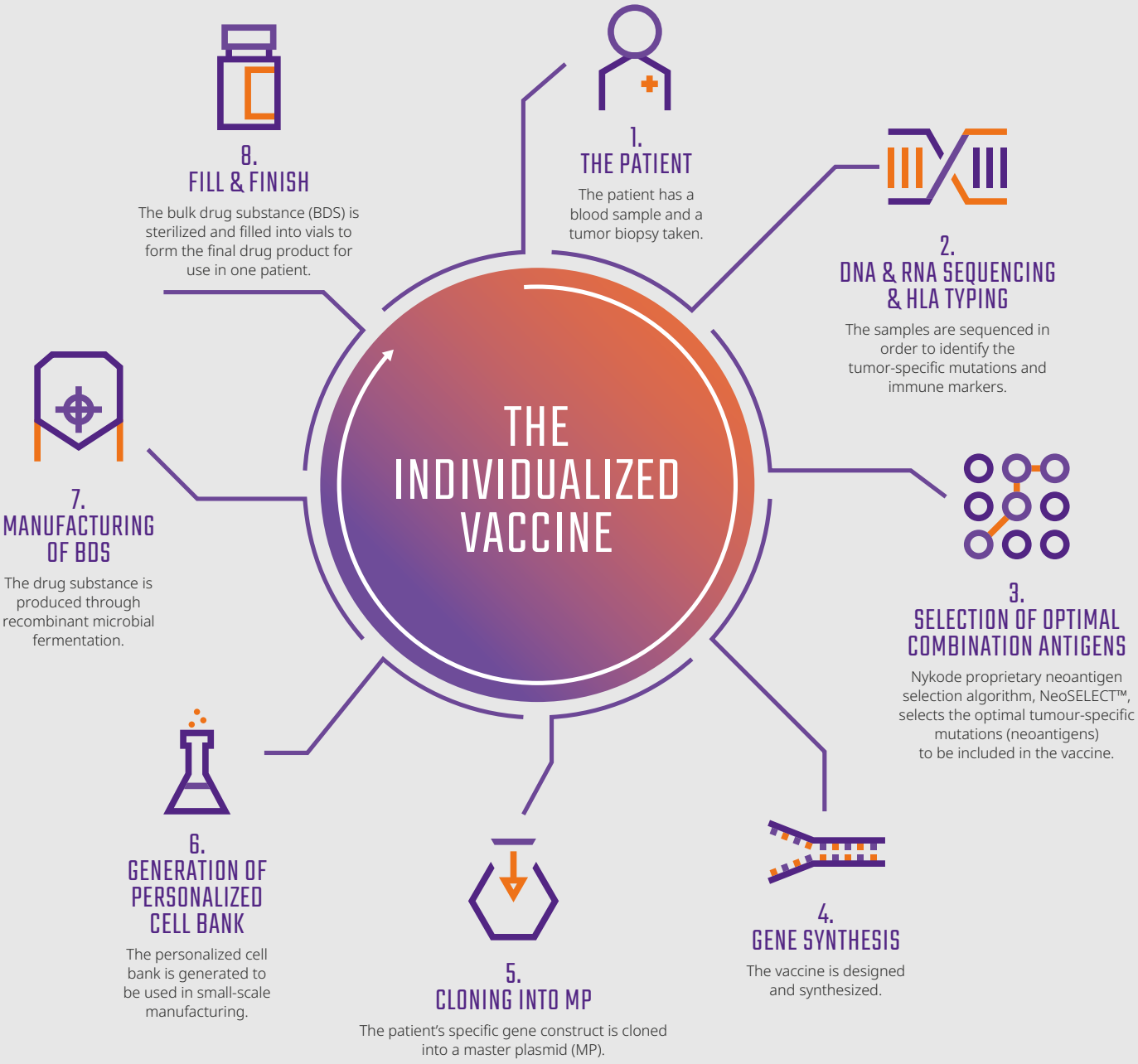
The individualized vaccine and its supply

The process and supply chain to produce an off-the-shelf vaccine has become a standard process in the industry. A fully individualized vaccine on the other hand is a more complex process and requires rapid turnaround time and robust processes across the entire value chain.

Nykode has entered into an exclusive worldwide license and collaboration agreement with Genentech regarding the Company's individualized neoantigen cancer vaccines and in 2021, a Phase Ib trial, VB N-02, with VB10.NEO in combination with atezolizumab in patients with solid tumors was initiated.

The experience from Nykode's VB N-01 clinical trial testing VB10.NEO indicates that Nykode may have a competitive advantage in the manufacturing process as demonstrated in all patients with a sufficient number of neoantigens receiving a successfully manufactured customized vaccine. Nykode has the supply responsibility for the ongoing VB N-02 trial and uses CMOs to produce and supply the drug substance and drug product. Following the VB N-02 trial, Genentech will take over the responsibility (and all costs) for any future manufacturing and supply (and potential further clinical, regulatory and commercialization activities) for VB10.NEO.

The individualized vaccine



PIPELINE

Nykode's technology platform may benefit the lives of patients across several disease areas. The ongoing clinical trials with VB10.NEO, which is exclusively licensed to Genentech, and VB10.16 cover six cancer indications in total, and both product candidates have the potential to cover many additional indications with a high unmet medical need. The VB N-01 trial evaluates the individualized neoantigen vaccine, VB10.NEO, which is being tested in lung, urothelial, melanoma, head & neck and renal cancer. In 2021, Nykode initiated a Phase Ib trial, VB N-02, with VB10.NEO in combination with atezolizumab in solid tumors. The VB C-02 trial is currently evaluating the VB10.16 vaccine, which is being tested in advanced cervical cancer. Nykode is preparing for the initiation of additional clinical trials in 2022 to explore other HPV16 relevant indications.

The platform technology is also being explored within the field of infectious diseases. Nykode has shown promising preclinical data with two different second-generation vaccine candidates, VB10.2129 and VB10.2210, against SARS-CoV-2. Both candidates progressed to clinical Phase I during 2021.

In 2021, Nykode entered into a multi-target license and collaboration agreement with Regeneron to develop innovative vaccines against cancer and infectious diseases. Five different programs are currently in early discovery.

	Program	Indication	Discovery/ Preclinical	Phase 1	Phase 2	Phase 3	Partnerships
Nykode							
Oncology	VB10.16 (off-the-shelf)	HPV16+ cervical cancer					Roche[1]
	Internal (off-the-shelf)	Undisclosed					
Infectious Diseases	VB10.COV2	SARS-CoV-2					Adaptive[2]
	Internal	Undisclosed					
Partnered							
Oncology	VB10.NEO (individualized)	Melanoma, lung, bladder, renal, head and neck					Genentech[3] Nektar[4]
	VB10.NEO (individualized)	Locally advanced and metastatic tumors					Genentech[3]
	Regeneron (programs 1 – 3) (off-the-shelf)	Undisclosed					Regeneron[5]
Infectious Diseases	Regeneron (programs 4 – 5)	Undisclosed					

[1] Roche supplies atezolizumab; [2] Collaboration with Adaptive Biotechnologies on SARS-CoV-2 T cell vaccine; [3] Genentech has an exclusive license to VB10.NEO; [4] Collaboration with Nektar Therapeutics on combining NKTR-214 (bempegaldesleukin) with VB10.NEO in trial arm 5B (SCCHN) of the VB N-01 trial; [5] Collaboration with Regeneron

RESEARCH AND PRECLINICAL DEVELOPMENT

Nykode Therapeutics pursues a two-tiered research strategy:

- Expand and mature the pipeline within oncology and infectious diseases with best-in-class or first-in-class product candidates
- Leverage the Company's technology platform within new opportunities, including new therapeutic areas

Nykode strengthened its core focus on oncology and infectious diseases in 2021 by initiating two new discovery programs and by entering into a license and collaboration agreement with Regeneron covering five additional discovery programs. These discovery programs will harness the power and flexibility of Nykode's technology platform and Nykode's unique know-how of selecting epitopes and designing vaccines to discover and bring forward innovative and highly differentiating vaccine candidates.

In 2021, the Company invested heavily in novel innovations and expanding the technology platform and will continue to do so during 2022. Novel and empowered Vaccibody formats were conceived during 2021 and the Company also took the first steps towards exploring the power of the platform beyond vaccines.

Advanced bioinformatics continues to be a focus area, and in 2021 Nykode developed new tools and algorithms for identifying optimal combinations of antigens and for supporting the design of off-the shelf cancer vaccines, including vaccines against infectious diseases and other indications.

To support the strategic research ambitions, the Company has expanded significantly and restructured the research and preclinical organization to optimize innovation, workflows and cross-functional collaboration and knowledge sharing.

Nykode's patents and know-how are the foundation for creating long-term shareholder value. Nykode has an active patent strategy whereby the Company seeks to protect the IP that it believes is important for its business and for value creation. Nykode has a strong IP portfolio as demonstrated by the collaboration agreements with Adaptive Biotechnologies, Genentech and Regeneron. The IP portfolio is expanding and is expected to grow further as the Company gains novel insights and develops new technologies.

PARTNERSHIPS AND COLLABORATIONS

At Nykode Therapeutics, collaboration is key to our success and our ambition of breaking the boundaries of medicine. We regularly consider potential collaborations with industry and academic groups. The objective is to develop and strengthen the Company's strategic and competitive position and to optimize the utilization of its technology platform in order to offer better treatments to patients.

In July 2021, the Company was granted an exclusive license to Adaptive Biotechnologies' validated SARS-CoV-2 T cell epitopes. Adaptive Biotechnologies is a leader in immune medicine and has identified T cell epitopes from more than 6,500 samples from COVID-19 patients. The T cell epitopes have been incorporated into VB10.2210, Nykode's T cell focused COVID-19 vaccine candidate with which the first subject was dosed in December 2021.

In November 2021, Nykode announced a worldwide, multi-target license and collaboration agreement with Regeneron to develop novel and innovative vaccines against cancer and infectious diseases. According to the agreement, Nykode received an upfront payment of USD 30 million and a USD 20 million equity investment at a 20% premium. Further, the Company may receive potential future milestone payments of more than USD 875 million plus potential royalties.

Nykode Therapeutics' external collaborations and drug combinations include

Company	Collaboration and license type	Nykode program & trial	Indication	Partner compound
Adaptive Biotechnologies	In-license	VB10.COV2 / VB10.2210	T cell focused SARS-CoV-2 vaccine	-
Genentech	Out-license and collaboration	VB10.NEO / VB N-01 / VB N-02	Multiple cancer indications (individualized cancer vaccines)	-
Nektar Therapeutics	Collaboration and product supply	VB10.NEO / VB N-01	Advanced head & neck cancer	Bempegaldesleukin (NKTR-214)
Regeneron	Out-license and collaboration	Preclinical	Oncology and Infectious Diseases (multitarget, off-the-shelf vaccines)	-
Roche	Product supply	VB10.16 / VB C-02	Advanced cervical cancer	Atezolizumab

MANAGEMENT REVIEW

CORPORATE GOVERNANCE

The Board of Directors of Nykode Therapeutics ("the Board") is committed to maintaining good corporate governance standards. Nykode's shares are traded on Euronext Growth (Oslo) and the Company seeks direction from the guidelines and procedures stipulated in the Norwegian Code of Practice for Corporate Governance (issued October 14, 2021 (NCPCG)).

This corporate governance section includes the measures implemented for the efficient management and control of Nykode's operations. The Board and the Executive Management of Nykode are committed to complying with the demands of shareholders and other stakeholders for efficient business operations, while at the same time being committed to running the Company independently.

Business
Nykode is a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies for cancer and infectious diseases.

The Company has established a set of guidelines that lay down the ethical standards for behavior towards colleagues, suppliers, patients, business partners and other relevant stakeholders. The Company has developed anti-corruption guidelines and instructions regarding the handling of waste materials that may impact the environment.

General meetings
The Company's general meetings are open to all shareholders. The chair of the meeting is elected by the shareholders. This is considered sufficient to ensure the independence of the meeting chair. The Company's independent auditors will attend the meeting if deemed necessary for the consideration of items on the agenda.

Nomination Committee
The Nomination Committee is appointed at the Company's general meeting pursuant to Article 8 of the Company's Articles of Association. The Nomination Committee is responsible for recommending candidates to the Board and the remuneration of the board members in accordance with the instructions for the Nomination Committee issued by the Board and sanctioned by the shareholders in general meeting.

The Company established its first Nomination Committee at the Annual General Meeting held on April 10, 2018. The current Nomination Committee consists of three members:

- Harald Arnet (Chair) is CEO of the Datum group, the Company's largest shareholder
- Lars Erik Larsson is employed with RASMUSSEN-GRUPPEN AS, the Company's second-largest shareholder
- Jan Fikkan has international senior management experience from GE Healthcare and Amersham Health, among others

Jan Fikkan was elected at the Annual General Meeting held on May 5, 2021, while Harald Arnet and Lars Erik Larsson were elected at the Extraordinary General Meeting held on November 30, 2021. The term of the committee expires at the date of the Annual General Meeting to be held in 2022. The committee members are considered to be independent of the Board of Directors and the Executive Management.

Board of Directors, composition and independence
Pursuant to Article 7 of the Articles of Association, the Board shall consist of from two to eight members. The current Board consists of eight members, one of whom is female while seven are male.

All board members are elected for terms of one year from one annual general meeting to the next. There have been no changes to the Board since the Extraordinary General Meeting held on December 22, 2021, where Martin Nicklasson was elected as the new Chair of the Board, Anders Tuv was elected as a board member and Trygve Lauvdal stepped down from the Board and continued as an observer to the Board.

The composition of the Board is compliant with the NCPCG, as the majority of its members are independent of the Executive Management and material business contacts, more than two members are independent of the main shareholders, and none of the Company's executive managers serve on the Board.

The work of the Board of Directors
The Board is responsible for providing strategic guidance to the Company and for monitoring the business operations of the Executive Management. At board meetings, which are held every two months, the CEO updates the Board on the operational and financial developments of the Company.

Discussions of matters of material importance in which the Chair of the Board has been personally involved are chaired by another member of the Board.

The Board reviews and evaluates its work annually.

Audit Committee
The Company has established an Audit Committee. Its main duties as per the charter, is to:

- prepare the Board's supervision of the Company's financial reporting process
- monitor the systems for internal control and risk management
- have continuous contact with the Company's auditors regarding the audit of the annual accounts
- review and monitor the independence of the Company's auditors
- pre-approve all audit-related and other significant services provided by the Company's auditors

The Committee shall consist of at least two members of the Board. The committee is chaired by Anders Tuv, and its other members are Martin Nicklasson and Christian Åbyholm.

Remuneration Committee
The Board has appointed a Remuneration Committee, which determines the remuneration policy and general guidelines for incentive remuneration for the Executive Management, as well as proposals on the targets for company-operated performance-related incentive programs. The Remuneration Committee is chaired by Martin Nicklasson and other members are Anders Tuv, Jan Haudemann-Andersen and Lars Lund-Roland.

Research and Development Committee
The Company has established a Research and Development Committee. The purpose of the committee is as per the charter to oversee matters relating to the Company's scientific and technological capabilities and development programs and report to the Board regarding such matters to help facilitate Board oversight of:

- the Company's investment in research and development, product improvements and technology
- the Company's strategy and processes regarding engagement of the scientific community, support of research and clinical studies and development of scientific data generated by the Company's product candidates

The committee also monitors and evaluates significant emerging trends and issues in science and technology relevant to the Company and assists the Board and management in implementing appropriate advisory and thought-leader interactions.

The committee consists of at least two members of the Board. The committee is co-chaired by Bernd Seizinger and Birgitte Volck, and Martin Nicklasson is a third member. Committee meetings are held at regular intervals, mainly in connection with the board meetings.

Going concern
It is, in accordance with section 3-3a of the Norwegian Accounting Act, confirmed that the annual financial statements represent a true and fair view of the Company's financial position at the turn of the year. The Board confirm that the conditions for assuming the Company will continue as a going concern are present, and that these financial statements have been prepared on the basis of this assumption.

Risk management and internal controls
Nykode Therapeutics is continuously focusing on developing and strengthening its internal routines and monitoring the company's compliance with relevant legislation. These include financial controls, quality assurance guidelines relating to clinical trials, IT operations, storage of data and HR.

The Executive Management reports to the Board and the relevant sub-committees on an ongoing basis, ensuring that the Board is consistently updated on important risks and developments related to clinical studies, the financial situation and the Company's strategy.

Remuneration of the Board
The remuneration of the Board consists of an annual fee, based on a recommendation from the Nomination Committee.

The Company has chosen to deviate from the recommendations of the NCPCG regarding warrants and options to the Board because the Company is at the development stage, and due to international industry practice. The table on the right shows the number of shares and warrants/options in the Company held by each board member as of December 31, 2021.

Remuneration of the Executive Management
The Company recognizes the importance of attracting and retaining key employees and executive managers, and the compensation package is regarded as an important tool in this respect. The Company has adopted a share option scheme which aims to align the long-term interests of the Executive Management with those of the shareholders. Under the terms of the share option scheme, options may be granted annually or on an ad-hoc basis, including onboarding grants. Options typically vest over a period of four years and expire after five years. Reference is made to note 4.8 to the financial statements. The remuneration of the Executive Management is based on a recommendation from the Remuneration Committee.

Auditors
The Company's auditors, Deloitte AS, are considered to be independent of Nykode Therapeutics. The auditors provide a statement each year confirming their independence.

The auditors attend the board meeting at which the Board discusses the annual financial statements, accounting principles and other relevant matters. At each year's Annual General Meeting, the Board discloses the fees paid to the auditors.

Board member	Served since	Election period ending	Number of outstanding warrants/ options held	Number of shares held[1]
Martin Nicklasson[2]	2021	AGM in 2022	300,000	12,000
Anders Tuv[3]	2012	AGM in 2022	800,000	-
Einar J. Greve	2020	AGM in 2022	150,000	1,625,000
Jan Haudemann-Andersen	2017	AGM in 2022	-	40,689,050
Lars Lund-Roland[4]	2014	AGM in 2022	-	-
Bernd R. Seizinger	2014	AGM in 2022	-	600,000
Birgitte Volck[5]	2021	AGM in 2022	4,674	-
Christian Åbyholm[6]	2020	AGM in 2022	100,000	2,005,295
Trygve Lauvdal[7]	2020	AGM in 2022	-	-

1 Number of shares and warrants/options owned personally or via a company controlled by the board member as of December 31, 2021
2 Martin Nicklasson was elected as the Chair of the Board of Directors at the EGM on December 22, 2021
3 Anders Tuv represents Radforsk, which held 24,057,000 shares as of December 31, 2021
4 Lars Lund-Roland owns 50% of Elar Consulting AS, which held 500,000 shares through its subsidiary Elar Holding AS as of December 31, 2021
5 Birgitte Volck was elected to the Board of Directors at the AGM on May 5, 2021
6 Christian Åbyholm represents Andenæsgruppen, which held 17,255,175 shares through Victoria India Fund AS and Norda ASA, which held 7,996,755 shares as of December 31, 2021
7 Trygve Lauvdal represents the Rasmussen group, which held a total of 34,030,750,00 shares through RASMUSSENGRUPPEN AS, Portia AS and Cressida AS as of December 31, 2021. Trygve Lauvdal stepped down from the Board of Directors and was elected as Observer to the Board at the EGM on December 22, 2021

CORPORATE SOCIAL RESPONSIBILITY

Employees
The primary focus of Nykode Therapeutics' corporate social responsibility (CSR) efforts is its employees. The Company has no formal policy on CSR but adheres to a set of guidelines in its Code of Conduct regarding employee health and safety, and conduct towards healthcare professionals, vendors and competitors. The COVID-19 pandemic required the Company to reorganize working arrangements, with most staff transitioning to working from home. The context of working from home has increased the focus on the wellbeing of employees, and the Company will maintain this focus by promoting an overall healthy working environment. For Nykode Therapeutics AS, there were no accidents or work-related injuries during the reporting period. The sick-leave rate of absence was 2.9% in 2021.

Environment and climate
Nykode may use hazardous materials in its laboratories and has put in place routines to handle such materials in a way that minimizes the impact on the environment. However, as the Company operates from rented facilities where services for the proper handling and disposal of hazardous materials are readily available and conducts its business in a highly regulated industry, Nykode's potential impact on the environment and climate is viewed as minimal. In other words, the Company does not pollute the environment. As a result, no specific environment and climate policies have been adopted to date. The Company is working to implement an ESG (Environmental, Social and Governance) governance and reporting system.

Business ethics
Nykode, in collaboration with its partners, conducts preclinical experiments in animals as well as clinical trials. The animal experiments are approved by the Norwegian Food Safety Authority (Mattilsynet). Nykode only uses R&D vendors and laboratories that are approved and have documented high standards and expertise in animal research. The clinical trials are performed in accordance with the ethical and scientific principles governing clinical research on human subjects, as set out in the Declaration of Helsinki and the International Conference on Harmonization (ICH) guidelines on Good Clinical Practice. Nykode collaborates with international, competent service providers that specialize in these types of studies and consults with leading experts on trial design to optimize trial conduct.

The Company has a continuous focus and monitoring of its internal routines and the Company's compliance with relevant legislation. These include its handling of personal data and ensuring these are in accordance with the General Data Protection Regulation (GDPR). Nykode is committed to maintaining the highest standards of ethical conduct and will not tolerate the use of bribery or corruption to achieve its business objectives. The Company has established anti-corruption policies according to which all employees must decline any expensive gifts, money, trips or other such offerings from business contacts. The Company is working to apply these guidelines with its suppliers. No incidents of bribery or whistleblowing were reported in 2021.

RISK MANAGEMENT

Research and development
Developing novel pharmaceutical products inherently involves high risk. In research and development, such risks include patent protection, clinical trials and regulatory approvals. Nykode Therapeutics seeks to mitigate risk through appropriate measures. The Company focuses on ensuring sufficient patent protection and works closely with external patent counsels to minimize the risk of patent infringement claims as well as to prepare any patent defense should this be necessary. Nykode's medical department works closely with external regulatory consultants and regulatory agents to develop regulatory strategies and frequently interacts with regulatory agencies. The Company carefully selects its clinical candidates and has a pipeline of candidates and clinical studies in various indications. It designs its clinical studies according to best practice and in compliance with international regulations to minimize risk. Specialized Clinical Research Organizations (CRO) are contracted to help in these efforts. The clinical studies are carried out in collaboration with world-class international partners with solid experience in conducting such studies and are conducted according to all applicable quality standards.

Commercial risk
Commercial risks include the time and costs involved in developing products, market competition, and the ability to attract partners. Nykode has successfully formed partnerships with leading companies in its field including Genentech, Adaptive Biotechnologies and most recently Regeneron with which a worldwide multitarget license and collaboration agreement was undertaken in late 2021. These partners contribute both financially and with R&D expertise, thereby helping to reduce risk.

Market risk
The long-term financial success of the Company requires obtaining marketing authorizations and achieving acceptable reimbursement for its drugs. There can be no assurance that the Company's drugs will obtain cost-effective selling prices or reimbursement rates. The Company's products are subject to approvals from the U.S. Food and Drug Administration (FDA) to market its products in the U.S., and from the European Medicines Agency (EMA) to market its products in Europe, as well as equivalent regulatory authorities in other jurisdictions worldwide to commercialize products in those regions. The Company relies for its future earnings on the timely marketing authorization of its drugs for various indications.

Financial risk
Nykode is exposed to financial risk factors, including risks associated with cash management, the short-term liquidity profile of development programs, liquidity from partnerships and the ability to attract capital from financial markets. The Company has not entered into any hedging agreements to reduce financial risk as of December 31, 2021.

The expected main sources of capital to secure future funding are the capital markets, the license and collaboration agreements with Genentech and Regeneron, potential new collaboration agreements with partners and potential soft funding from grant applications.

The Company is exposed to currency risk as employee expenses are primarily in Norwegian Kroner (NOK) and Danish Kroner (DKK), and much of its operating expenses for the clinical trials are paid in foreign currency, primarily in Euro (EUR). The Company keeps bank deposits in NOK, DKK, GBP, EUR and USD for operational purposes, and to reduce its currency risk. The Company regularly considers its current risk management of foreign exchange rates and will adjust it if deemed appropriate.

Nykode has purchased and maintains a directors and officers liability insurance on behalf of the members of the Board of Directors and the CEO. The insurance also covers any employee acting in a managerial capacity, including controlled subsidiaries.

Human resources
As a highly specialized and scientifically focused company, Nykode relies on its ability to attract and retain talent and expertise. The Company strives to be an attractive employer by offering an inspirational and flexible working environment.

IT-related risk
Nykode uses external assistance from qualified vendors to provide advice on cybersecurity and systems security where relevant. Its IT systems use authentication systems to reduce the risk of unauthorized access into its systems. The Company has appropriate protection from viruses and malware. Nykode has implemented procedures for IT security and data management via its IT vendors. Server back-ups are run automatically at regular intervals.

Risk management and internal controls
See section on corporate governance.

OUR PEOPLE

PEOPLE & ORGANIZATION

Nykode Therapeutics is a company driven by the goal to pioneer and unlock the future of medicine. Being aware of the impact diversity has on financial performance and level of innovation, diversity is naturally a part of our strategic focus and is deeply rooted in our values. Our values are courage, integrity, collaboration, respect and flexibility. These values are a guide to how we work to promote equality in our company.

Nykode welcomes diversity and strives to create an environment of mutual respect which builds trust, safety and wellbeing. We accept everyone's perspective, accept everyone without judgment and show understanding of the importance of each other's jobs. This is also apparent in our project-driven organization, where team members from various backgrounds and expertise join forces to deliver the best possible outcome. The diversity of our company is an integral part of establishing a high-performance company culture.

Nykode's people and organization are essential to the Company's ability to deliver on strategic priorities. Therefore, Nykode aspires to attract, develop, and retain the best people in the biotechnology sector worldwide. Nykode attracts people from broad areas of expertise, including scientist from the field of biotechnology and immunology, as well as skilled business developers. The organization has been growing rapidly during 2021, with 102 employees in Norway and Denmark as of December 31, 2021.

Equality and anti-discrimination
Nykode is committed to ensuring that all of our employee's experience inclusion and equality in their daily working life. We work proactively and systematically to promote equality, prevent discrimination on the basis of gender, pregnancy, leave in connection with childbirth or adoption, care responsibilities, ethnicity, religion, belief, disability, sexual orientation, gender identity, gender expression or combinations of these grounds, and also seek to prevent harassment, sexual harassment and gender-based violence.

The Norwegian Equality and Anti-Discrimination Act Section 26 establishes a duty of activity for employers to promote equality and prevent discrimination. On the background of these rules, Nykode is obliged to issue a statement on the actual status of gender equality in the company and what the Company is doing to comply with the activity duty pursuant to Section 26. Such written statement may be found below.

In the tables below are a presentation of the statistics for the Norwegian part and the Danish part of the business concerning the male/female employees, male/female working part time and in temporary engagements and also the total numbers for Nykode (Norway and Denmark).

The average number of weeks of parental leave in 2021 was 29 weeks for women, and six weeks for men.

Employees by country and employment type

	Norway			Denmark			Group total		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Employees working full time	54	30	84	10	5	15	64	35	99
Employees working part time	1	0	1	0	0	0	1	0	1
Employees on temporary engagements	2	0	2	0	0	0	2	0	2
Total	57 (66%)	30 (34%)	87 (100%)	10 (67%)	5 (33%)	15 (100%)	67 (66%)	35 (34%)	102 (100%)

Gender pay gap in the Norwegian part of Nykode as per December 31, 2021

Gender pay gap	Women	Men	Women's pay in % of men's pay
Total pay gap between women and men	57 employees (66%)	30 employees (34%)	84%
Level 1[1]	4 employees (57%)	3 employees (43%)	Due to GDPR regulations we cannot publish the results in this category
Level 2[2]	4 employees (67%)	2 employees (33%)	Due to GDPR regulations we cannot publish the results in this category
Level 3[3]	17 employees (59%)	12 employees (41%)	108%
Level 4[4]	32 employees (71%)	13 employees (29%)	94%

[1] Included in level 1 are CEO/CoB/President and Head of functions i.e., Chief Officer
[2] Included in level 2 are Department Managers/Director levels
[3] Included in level 3 are Supervisors i.e. Managers/Senior Employees
[4] Included in level 4 are Junior levels i.e. Scientists, advisors, controllers & Assistants, Secretaries, Consultants, Admin, Clerical

Nykode has carried out a pay review in accordance with the requirements under the Norwegian Equality and Anti-Discrimination Act Section 26. The table above provides a presentation of the statistics in anonymized form on the Norwegian part of the business as per December 31, 2021.

Nykode is working in cooperation with the employee representatives in ensuring that "equal pay for equal work and equal pay for work of equal value" is continuously considered in our pay policies and procedures. It is a prerequisite in Norway that the pay policy aligned with definitions in the Equality and Anti-Discrimination Act Section 34. Additionally, it is mandatory to map potential involuntary part-time work. As to the latter, no such incidents were discovered during 2021.

The work related to the duty of activity
Nykode has a global code of conduct which focuses on employees' health and safety. Nykode has established safe whistleblowing procedures, which is mandatory by law in Norway, where employees may report incidents related to e.g., discrimination, sexual harassment or other forms of harassment. All employees are informed of the possibility to report incidents, available in the employee handbook which is posted on the intranet.

Other routines, guidelines and policies which affect equality and diversity may be found in our employee handbook. The employee handbook is digital and easily accessible to all employees. The employee handbook will be updated during 2022 for all countries where Nykode is present and will continue to include measures which contribute to a working environment that maintains and increases diversity and inclusion.

Companies in Norway shall implement the four-step model in the Equality and Anti-Discrimination Act Section 26, second paragraph. During 2022, this model will be fully incorporated in the organization on all discrimination grounds included in Section 26 and in the HR-processes on recruitment, promotion, salary and working condition, development opportunities, accommodation and the opportunity to combine work and family life. The Board will regularly consider the work on gender equality and inclusion. Nykode is a company which continuously develops policies related to recruitment, promotions and other activities with the aim to promote equality. Diversity and inclusion are important parts of our high-performance culture also for 2022 and onwards.

Global statistics on other Key HR indicators per December 31, 2021

	2021	2020
Employees	102	51
Gender diversity, M/F	34% / 66%	33% / 67%
Employee turn over	14%	13%
Gender diversity Board of Directors, M/F	87% / 13%	87% / 13%

BOARD OF DIRECTORS

Martin Nicklasson
(Chair of the Board of Directors)

From 2007 to end 2010, Martin served as President and Chief Executive Officer of Biovitrum AB and Swedish Orphan Biovitrum AB (Sobi). From 1999 to 2007, he held various Executive Vice President positions at AstraZeneca PLC and was a member of that company's senior executive committee. He has held and holds various chair and board member positions in biotech and biopharma companies. Currently, he serves as chair of Zealand Pharma A/S and on the board of Basilea Pharmaceutica Ltd. Martin is a certified pharmacist and holds a Ph.D. in Pharmaceutical Technology from Uppsala University, Sweden.

Anders Tuv

Anders Tuv is Chief Investment Officer of the life science investment company Radforsk, a major shareholder of Nykode Therapeutics, which is focused on immunotherapies and precision medicines. He is an experienced investment and business development professional with broad experience from the life science industry covering management positions, strategy and business development, research collaborations, licensing deals, M&A and IPOs. He holds several chair and non-executive director positions with biotech and medtech companies. He holds a MBE degree from the BI Norwegian Business School.

Einar J. Greve

Einar J. Greve works as a strategic advisor with Cipriano AS. He was previously a partner of Wikborg Rein & Co and a partner of Arctic Securities ASA. He has held and holds various positions as chair and board member of both Norwegian and international listed and unlisted companies. He holds a Master of Law degree (cand.jur.) from the University of Oslo.

Jan Haudemann-Andersen

Jan Haudemann-Andersen is the sole owner of Datum AS, and a major shareholder of Nykode Therapeutics. He has extensive investment experience from private and listed companies in Norway and abroad. He holds a business degree (siviløkonom) from the BI Norwegian Business School.

Lars Lund-Roland

Lars Lund-Roland is a business and management consultant and has a background in pharmaceutical marketing and business. Past employments include managerial and marketing positions with Merck & Co. Inc., MSD Norway and Bringwell AB. He serves as chair of the board of the Norwegian Life Science Cluster, Palion Medical AS and SonoClear. He holds a B.Sc. degree in nursing and a graduate diploma in business and administration (Bedriftsøkonomisk Kandidat) from the BI Norwegian Business School.

Bernd R. Seizinger

Bernd R. Seizinger serves as chair or board member of a number of public and private biotech companies in the US, Canada and Europe, including BioInvent, Oxford BioTherapeutics, Aprea, CryptoMedix and Oncolytics. In addition, he serves on the advisory board of Pureos Ventures (Zurich) and is a senior advisor to Hadean Ventures (Oslo and Stockholm). Prior senior executive positions in big pharma and biotech include CEO, GPC Biotech; VP Oncology and (in parallel) VP, Corporate Alliances, Bristol-Myers Squibb; CEO, and SVP & CSO, Genome Therapeutics Corporation. Moreover, he has held senior faculty positions at Harvard Medical School, Massachusetts General Hospital, and Princeton University. He is a medical doctor and holds a Ph.D. in neurobiology.

Birgitte Volck

Birgitte currently serves as Senior Vice President, Head of Clinical Development and Medical Affairs of Ascendis Pharma A/S (Nasdaq-listed) and as a non-executive director of Soleno Therapeutics Inc. (Nasdaq-listed). Previous senior positions in big pharma and biotech include President, Head of R&D, Avrobio Inc; Head of R&D in Rare Diseases for GlaxoSmithKline; and CMO and SVP of Development at Swedish Orphan Biovitrum AB (Sobi). Her career also includes previous non-executive director positions at Ascendis Pharma, Wilson Therapeutics, TFS International as well as various positions at Amgen Inc., including Executive Development Director of Bone, Neuroscience & Inflammation. Birgitte received her M.D. and Ph.D. degrees from the University of Copenhagen, Denmark.

Christian Åbyholm

Christian Åbyholm is a partner at Andenæs-gruppen, a major shareholder of Nykode Therapeutics, and holds several board positions. His prior professional experience and past employments include M&A, business development and equity research with Norsk Hydro, Aker RGI, Morgan Stanley and Merrill Lynch. He is a CFA charterholder, holds an MBA from IMD and a business degree (siviløkonom) from the Norwegian School of Economics and Business Administration. In addition, he completed the first two years of law school at the University of Oslo.

Trygve Lauvdal
(Observer to the Board)

Trygve Lauvdal is an Investment Director with RASMUSSENGRUPPEN AS, a major shareholder of Nykode Therapeutics. Prior to joining RASMUSSENGRUPPEN AS, he worked as an equity analyst with DNB Markets and as product manager with ABB. He has held several board positions with Norwegian companies. He holds a Ph.D. in Engineering Cybernetics from the Norwegian University of Science and Technology (NTNU).

EXECUTIVE MANAGEMENT

Michael Engsig
Chief Executive Officer

Michael joined Nykode Therapeutics in 2017. He is a broadly anchored pharmaceutical professional with extensive experience, from early-stage drug discovery to late-stage development and product launches in biotech and pharma and across all major geographical areas. His career history includes specialist and managerial roles at Takeda and Nycomed. Michael holds a civil engineering (M.Sc.) degree in chemistry specializing in biotechnology from the Technical University of Denmark, and a Graduate Diploma in Business Administration (HD) in organization and leadership from the Copenhagen Business School.

Agnete B. Fredriksen
Chief Innovation & Strategy Officer

Agnete is co-founder of Nykode and served as its Chief Scientific Officer from 2007-2021, leading our scientific strategy. Her previous employers include Affitech AS and Medinnova AS. She is the author of numerous scientific papers in the field of immunology, immunotherapy and vaccines, and has been awarded several patents in the field of immunotherapy. Agnete holds an M.Sc. and a Ph.D. from the Institute of Immunology, Rikshospitalet Medical Center in Oslo, where she designed and developed the first Vaccibody vaccine molecules. She received the King's Gold Medal of Merit for her Ph.D. thesis describing the Vaccibody molecule. Agnete is a board member of Molecular Partners AG.

Harald Gurvin
Chief Financial Officer

With a long career in the field of finance, Harald joined Nykode in 2021 as CFO. Most recently, he served as CFO at Flex LNG, a company owning and operating LNG carriers and listed on both the New York and Oslo Stock Exchanges. Previously, he was CFO of SFL Corporation Limited, a leading international ship-owning company listed on the New York Stock Exchange. Harald holds an MSc in Shipping, Trade and Finance from CASS Business School and a M.Sc. in Marine Engineering and Naval Architecture from the Norwegian University of Science and Technology.

Mikkel W. Pedersen
Chief Scientific Officer

Mikkel joined Nykode in 2021. He has long-standing experience in drug discovery and development within the areas of oncology, immuno-oncology and infectious diseases. His previous roles include Head of Biologics Drug Design at Servier and CSO of Symphogen, where he also held the positions VP of Antibody Discovery and Research and director of Cancer Biology and Immunology. Before that, Mikkel headed up the receptor tyrosine kinase group at the Department of Radiation Biology at Copenhagen University Hospital. Mikkel holds a Ph.D. from the University of Copenhagen and has authored over 40 peer-reviewed publications.

Mette Husbyn
Chief Technical Officer

Mette joined Nykode in 2017. Her professional experience spans CMC, including drug development through all clinical stages from early research to NDA/MAA filings. This work covers regulatory filings within both the antimicrobial and immune-oncology programs, as well as diagnostic imaging. Mette's career includes roles at Lytix Biopharma, Nycomed Pharma, Amersham Health and GE Healthcare. She holds a Ph.D. in peptide chemistry from the University of Oslo.

Siri Torhaug
Chief Medical Officer

Siri joined Nykode as its CMO in 2020, bringing her broad experience in clinical development and translational research. Furthermore, she has extensive experience in scientific and medical affairs covering relevant tumor areas, R&D and general management of cancer drug development, as well as product launches and life cycle management for several oncology products. Her past career includes roles with Oslo University Hospital (Radiumhospitalet), one of the premier oncology hospitals in Europe, as well as with Novartis and AstraZeneca. Siri is a medical doctor and a certified clinical specialist in oncology.

Elise L. Ramse
Chief Human Resources Officer

Elise joined Nykode in 2021 as its CHRO. She has extensive experience with HR and organizational development in the global pharmaceutical and medtech industry, her prior position being at Novartis in Norway as Head of People & Organization. Elise has since 2019 served as Leader of the Education Committee of The Life Science Cluster at the Oslo Science Park, enabling collaboration and partnerships with several academic organizations (UIO, OsloMet, BI, NMBU), with a focus on designing education programs based on the industry's future need of competencies and innovation capabilities. Elise holds a Bachelor of management from BI Norwegian Business School.

Katrine Husum
Sr. Director, Head of Project and Alliance Management

Katrine joined Nykode in 2020. She has extensive experience with leading global drug development projects of biologics and small molecules. Her work has covered early research to late-stage development in areas including immunology, neurology, dermatology and metabolic diseases. Her past positions include roles at LEO Pharma, Agilent, Takeda and Nycomed. Katrine holds a M.Sc. in Pharmacy from the University of Copenhagen and a Master of Medical Business Strategy from the Copenhagen Business School.

Peter Fatum
Director, Head of QA

Peter Fatum joined Nykode in 2021. He is a senior quality manager with broad experience within quality management across GxPs, covering both investigational and commercial products. He has 25 years of experience from the pharma & medtech industry covering R&D, Product Support and QA/QC. Most recently, he held the role of Head of Global GxP Compliance & Quality Systems in Swedish Orphan Biovitrum AB (Sobi), a global biopharmaceutical company working with rare diseases. Past employments include senior Global QA roles in ALK and Radiometer. He holds a M.Sc. in Chemistry and Environmental Biology from Roskilde University in Denmark.

SHAREHOLDER INFORMATION

Nykode Therapeutics AS, formerly known as Vaccibody AS, is a Norwegian limited liability company ("aksjeselskap") regulated by the Norwegian Private Limited Companies Act ("Lov om aksjeselskaper (aksjeloven)").

While being privately owned, the Company has adopted a provision in its Articles of Association to allow its shares to be freely traded. The acquisition of its shares is not subject to the consent of the Company, and shareholders do not have pre-emptive rights, which is otherwise a default provision of the Norwegian Private Limited Companies Act.

The Company's shares are registered with Verdipapirsentralen (VPS), Norway's central securities depository.

The Company's shares are eligible for trading on the electronic trading platform Euronext Growth (Oslo) under the ticker "NYKD".

At December 31, 2021, two shareholder groups, the Datum group and the Rasmussen group of companies, held more than 10% in aggregate of the shares and/or votes in Nykode. The Datum group is controlled by Jan Haudemann-Andersen, member of Nykode's Board of Directors, and held a total of 14.0% of the shares in Nykode at December 31, 2021 through Datum Opportunity AS, Datum AS, Datum Finans AS and a personal holding. The Rasmussen group held a total of 11.8% of the shares in Nykode at December 31, 2021 through RASMUSSENGRUPPEN AS, Portia AS and Cressida AS.

News releases made by the Company are always released through the Newspoint information system which may be accessed here: https://newsweb.oslobors.no/.

For further information about the Company's shares, reference is made to note 4.5 to the financial statements and to the corporate governance section.

STATEMENT BY THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer have today considered and approved the Annual Report of Nykode Therapeutics AS for the fiscal year January 1 – December 31, 2021.

In our opinion, Nykode Therapeutics' financial statements for 2021 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act.

In our opinion, Nykode Therapeutics' financial statements provide a fair presentation of the assets, liabilities and financial position at December 31, 2021, and of the results of operations and cash flows for the fiscal year January 1 – December 31, 2021.

In our opinion, the Annual Report provides a fair presentation of the developments in the Company's operations and financial circumstances, the results for the year, the overall financial position of Nykode Therapeutics; as well as a description of the most significant risks and elements of uncertainty facing the Company; and meets the requirements of the Norwegian Accounting Act 3-3a with regards to the Board of Directors' Report.

We recommend that the financial statements be adopted at the Annual General Meeting on May 12, 2022.

Oslo, March 31, 2022

Martin Nicklasson
Chair of the Board

Anders Tuv
Board Member

Einar Jørgen Greve
Board Member

Jan Haudemann-Andersen
Board Member

Lars Lund-Roland
Board Member

Bernd Robert Seizinger
Board Member

Birgitte Volck
Board Member

Christian Åbyholm
Board Member

Michael Thyrring Engsig
Chief Executive Officer


FINANCIAL
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group			For the years ended December 31	Parent		
2021	2020	Notes	Amounts in USD '000	Notes	2021	2020
33,963	215,000	2.2	Revenue from contracts with customers	2.2	33,963	215,000
1,803	695	2.3	Other income	2.3	1,803	695
35,766	**215,695**		**Total revenue and other income**		**35,766**	**215,695**
16,846	16,049	2.4	Employee benefit expenses	2.4	14,459	16,049
28,960	21,078	2.5	Other operating expenses	2.5	30,512	21,078
735	303	3.1,3.2	Depreciation	3.1,3.2	711	303
-10,775	**178,265**		**Operating profit or loss**		**-9,916**	**178,265**
4,133	3,815	4.7	Finance income	4.7	4,059	3,815
4,475	1,176	4.7	Finance costs	4.7	4,471	1,176
-11,117	**180,905**		**Profit or loss before tax**		**-10,329**	**180,905**
-1,704	31,130	5.1	Income tax expense	5.1	-1,731	31,130
-9,414	**149,774**		**Profit or loss for the year**		**-8,598**	**149,774**
			Other comprehensive income:			
			Items that subsequently may be reclassified to profit or loss:			
-9	-2,378		Foreign currency translation effects		-	-2,378
-9	-2,378		Total items that may be reclassified to profit or loss		-	-2,378
-9	**-2,378**		**Total other comprehensive income for the year**		**-**	**-2,378**
-9,422	**147,396**		**Total comprehensive income for the year**		**-8,598**	**147,396**
			Earnings per share ("EPS"):			
-0.03	0.54	4.9	Basic EPS - profit or loss attributable to equity holders	4.9	-0.03	0.54
-0.03	0.51	4.9	Diluted EPS - profit or loss attributable to equity holders	4.9	-0.03	0.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Group				Parent		
31.12.2021	31.12.2020	Notes	Amounts in USD '000	Notes	31.12.2021	31.12.2020
			ASSETS			
			Non-current assets			
1,884	131	3.1	Property, plant and equipment	3.1	1,884	131
7,281	277	3.2	Right-of-use assets	3.2	7,180	277
32	32	3.3	Intangible assets	3.3	32	32
501	556	2.10	Other long-term receivables	2.10	490	556
9,698	**996**		**Total non-current assets**		**9,585**	**996**
-	-		Investments in subsidiaries	4.10	941	-
-	**-**		**Total financial non-current assets**		**941**	
			Current assets			
23,750	3,750	2.6	Trade receivables	2.6	23,750	3,750
3,708	1,488	2.6	Other receivables	2.6	4,587	1,488
-	15,000	2.9	Contract assets	2.9	-	15,000
12,169	24,944	4.1,4.4	Other current financial assets	4.1,4.4	12,169	24,944
216,231	183,851	4.6	Cash and cash equivalents	4.6	214,722	183,851
255,858	**229,032**		**Total current assets**		**255,228**	**229,032**
265,556	**230,028**		**TOTAL ASSETS**		**265,754**	**230,028**
			EQUITY AND LIABILITIES			
			Equity			
333	327	4.5	Share capital	4.5	333	327
81,526	60,348		Share premium		81,526	60,348
7,863	4,419		Other capital reserves		7,849	4,419
-3,122	-3,113		Other components of equity		-3,113	-3,113
107,455	116,869		Retained earnings		108,271	116,869
194,055	**178,850**		**Total equity**		**194,866**	**178,850**
			Non-current liabilities			
5,820	8	3.2	Non-current lease liabilities	3.2	5,820	8
4,915	6,859	2.8	Non-current provisions	2.8	4,915	6,859
29,400	31,130	5.1	Deferred tax liabilities	5.1	29,399	31,130
40,134	**37,997**		**Total non-current liabilities**		**40,134**	**37,997**
			Current liabilities			
219	-	2.3	Government grants	2.3	219	-
1,350	276	3.2	Current lease liabilities	3.2	1,250	276
8,494	9,183	2.7	Trade and other payables	2.7	8,008	9,183
5,234	3,722	2.8	Current provisions	2.8	5,232	3,722
16,044	-	2.9	Current contract liabilities	2.9	16,044	-
26	-	5.1	Income tax payable	5.1	-	-
31,367	**13,181**		**Total current liabilities**		**30,754**	**13,181**
71,501	**51,178**		**Total liabilities**		**70,888**	**51,178**
265,556	**230,028**		**TOTAL EQUITY AND LIABILITIES**		**265,754**	**230,028**

CONSOLIDATED STATEMENT OF CASH FLOWS

Group			For the years ended December 31		Parent	
2021	2020	Notes	Cash flows from operating activities (USD '000)	Notes	2021	2020
-11,117	180,905		**Profit or loss before tax**		-10,329	180,905
			Adjustments to reconcile profit before tax to net cash flows:			
84	-6	4.7	Net financial income/expense	4.7	83	-6
85	31	3.1	Depreciation of property, plant and equipment	3.1	85	31
649	273	3.2	Depreciation of Right-of-use assets	3.2	625	273
3,444	2,598	4.8	Share-based payment expense	4.8	2,554	2,598
-	1,830		Net foreign exchange differences		-	1,830
			Working capital adjustments:			
-22,220	-3,911	2.6	Changes in trade receivables and other receivables	2.6	-23,099	-3,911
15,055	-15,552	2.9,2.10	Changes in contract assets and other long-term receivables	2.9,2.10	15,066	-15,552
-656	6,846	2.7	Changes in trade and other payables	2.7	-1,142	6,846
17,776	1,797	2.3,2.8	Changes in contract liabilities, current provisions and government grants	2.3,2.8	17,774	1,797
-1,944	5,455	2.3,2.8	Changes in non-current provisions	2.3,2.8	-1,944	5,455
1,156	**180,266**		**Net cash flows from operating activities**		**-327**	**180,266**
			Cash flows from investing activities (USD '000)			
-872	-99	3.1	Purchase of property, plant and equipment	3.1	-872	-99
-	-	4.10	Acquisitions/investments in subsidiaries	4.10	-66	-
-999	-15,106	4.1	Purchase of Money Market Funds	4.1	-999	-15,106
12,353	9,179	4.1	Proceeds from sale of Money Market Funds	4.1	12,353	9,179
270	6	4.7	Interest received	4.7	270	6
10,753	**-6,020**		**Net cash flows from investing activities**		**10,687**	**-6,021**
			Cash flows from financing activities (USD '000)			
21,184	-	4.5	Proceeds from issuance of equity	4.5	21,184	-
-611	-244	3.2	Payments for the principal portion of the lease liability	3.2	-587	-244
-66	-9	3.2	Payments for the interest portion of the lease liability	3.2	-66	-9
-64	-37	4.7	Interest paid	4.7	-61	-37
20,442	**-290**		**Net cash flows from financing activities**		**20,469**	**-289**
32,351	173,957		**Net increase/(decrease) in cash and cash equivalents**		30,829	173,957
183,851	10,166	4.6	Cash and cash equivalents at beginning of the year/period	4.6	183,851	10,166
30	-272		Net foreign exchange difference		42	-272
216,231	**183,851**		**Cash and cash equivalents, end of year**		**214,722**	**183,851**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group

Amounts in USD '000	Share capital	Share premium	Other capital reserves	Other components of equity	Retained earnings	Total equity
Balance at January 1, 2020	**316**	**59,133**	**1,821**	**-735**	**-32,905**	**27,631**
Profit or loss for the year	-	-	-	-	149,774	149,774
Other comprehensive income	-	-	-	-2,378	-	-2,378
Issue of share capital (Note 4.5)	11	1,215	-	-	-	1,225
Share based payments (Note 4.8)	-	-	2,598	-	-	2,598
Balance at December 31, 2020	**327**	**60,348**	**4,419**	**-3,113**	**116,869**	**178,850**
Profit or loss for the year	-	-	-	-	-9,414	-9,414
Other comprehensive income	-	-	-	-9	-	-9
Issue of share capital (Note 4.5)	6	21,178	-	-	-	21,184
Share based payments (Note 4.8)	-	-	3,444	-	-	3,444
Balance at December 31, 2021	**333**	**81,526**	**7,863**	**-3,122**	**107,455**	**194,055**

Parent

Amounts in USD '000	Share capital	Share premium	Other capital reserves	Other components of equity	Retained earnings	Total equity
Balance at January 1, 2020	**316**	**59,133**	**1,821**	**-735**	**-32,905**	**27,631**
Profit or loss for the year	-	-	-	-	149,774	149,774
Other comprehensive income	-	-	-	-2,378	-	-2,378
Issue of share capital (Note 4.5)	11	1,215	-	-	-	1,225
Share based payments (Note 4.8)	-	-	2,598	-	-	2,598
Balance at December 31, 2020	**327**	**60,348**	**4,419**	**-3,113**	**116,869**	**178,850**
Profit or loss for the year	-	-	-	-	-8,598	-8,598
Other comprehensive income	-	-	-	-	-	-
Issue of share capital (Note 4.5)	6	21,178	-	-	-	21,184
Share based payments (Note 4.8)	-	-	3,430	-	-	3,430
Balance at December 31, 2021	**333**	**81,526**	**7,849**	**-3,113**	**108,271**	**194,866**

1.1 General information

Corporate information
The financial statements of Nykode Therapeutics AS (formerly Vaccibody AS) and its subsidiaries ("Nykode" or "the Group") for the year ended December 31, 2021 were authorized for issue in accordance with a Board resolution on March 31, 2022. Nykode Therapeutics AS ("Parent Company" or "Parent") has shares traded on Euronext Growth (Oslo), with the ticker symbol NYKD. Nykode Therapeutics AS is incorporated and domiciled in Norway, and the address of its registered office is Gaustadalléen 21, 0349 Oslo, Norway.

The Group consists of clinical-stage biopharmaceutical companies, dedicated to the discovery and development of vaccines and novel immunotherapies for the treatment of cancer and infectious diseases. Nykode's modular vaccine technology specifically targets antigens to Antigen Presenting Cells, which are essential for inducing rapid, strong and long-lasting antigen specific immune responses and eliciting efficacious clinical responses. Nykode's lead product candidates are VB10.16, a therapeutic vaccine for the treatment of human papilloma virus 16 induced malignancies which is in Phase II for the treatment of cervical cancer; and VB10.NEO, a cancer neoantigen vaccine, which was studied in a Phase I/IIa trial for the treatment of melanoma, lung-, head and neck, renal-, and bladder cancer and is now exclusively out licensed to Genentech Inc., a member of the Roche Group ("Genentech") and in a Phase Ib trial in combination with atezolizumab for the treatment of locally advanced and metastatic tumors. Additionally, Nykode has initiated a Phase I/II trial in 2021 with its two universal, next-generation COVID-19 vaccine candidates. The Group has collaborations with Roche, Genentech and Nektar Therapeutics within oncology, a multi-target collaboration with Regeneron Pharmaceuticals Inc. ("Regeneron") within oncology and infectious diseases and a collaboration with Adaptive Biotechnologies for COVID-19 T cell vaccine development.

1.2 Basis of preparation

The financial statements of the Group and Parent Company comprise statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and related notes. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU").

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The financial statements are prepared based on the going concern assumption.

Comparative financial information is provided for the preceding period in the statement of comprehensive income, statement of financial position, statement of equity and statement of cash flows.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. See note 4.10 for further information.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Presentation currency and functional currency
The financial statements are presented in US dollars ("USD"), which is the functional currency of the Parent Company. All USD amounts are rounded to the nearest thousand, if nothing else is noted. The financial statements of consolidated foreign subsidiaries whose functional currency is not USD are translated into USD for statement of financial position items at the closing exchange rate at the date of the statement of financial position and for the statement of total comprehensive income at the average rate for the period presented.

1.3 Significant accounting policies

Nykode has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgmental considerations are disclosed in the notes to which the policies relate. Other accounting policies are presented below:

Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgements that may have the most significant effect on the amounts recognized in the financial statements, are summarised below:

Estimates and assumptions:
- Identification of performance obligations (note 2.2)
- Measurement of deferred tax liability (note 5.1)

Nykode based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A detailed description of the significant estimates and assumptions are included in the individual note where applicable.

Accounting judgements:
- Determining the performance obligations under the Genentech Agreement and the Regeneron Agreement (note 2.2)
- Determining whether deferred tax assets should be recognized (note 5.1)

A detailed description of the significant accounting judgements is included in the individual note where applicable.

2.1 Operating segment

ACCOUNTING POLICIES
An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses,
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
c. for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") for segment performance and resource allocation. This is reported as one segment as the nature of the activities are similar across the Group. Nykode has identified the Board of Directors as CODM.

In the table below non-current assets are broken down by geographical areas based on the location of the operations:

Group			Parent	
31.12.2021	**31.12.2020**	**Non-current assets**	**31.12.2021**	**31.12.2020**
9,585	996	Norway	9,585	996
113	-	Denmark	-	-
9,698	**996**	**Total non-current assets**	**9,585**	**996**

Non-current assets for this purpose consist of property, plant and equipment, intangible assets, right-of-use assets and other long-term receivables.

Revenue from the Genentech Agreement and the Regeneron Agreement each amounted to more than 10% of the Groups revenue in 2021.

Group			Parent	
2021	**2020**	**Revenue from contracts with customers**	**2021**	**2020**
3,956	215,000	Revenue from the Genentech Agreement	3,956	215,000
30,007	-	Revenue from the Regeneron Agreement	30,007	-
33,963	**215,000**	**Total revenue from contracts with customers**	**33,963**	**215,000**

2.2 Revenue from contracts with customers

Regeneron Agreement
On November 22, 2021, Nykode entered into a license and collaboration agreement with Regeneron to collaborate together to discover and develop vaccine products through the conduct of various research and early development programs. As a part of the agreement, Nykode has granted to Regeneron a license of intellectual property and will also conduct agreed upon R&D activities and manufacturing services.

Under the terms of the agreement, Nykode has received a USD 30 million upfront payment. Nykode will further be eligible to receive more than USD 875 million in potential milestone payments, in addition to royalties on sales of commercialized collaboration products. Regeneron will reimburse the costs related to the R&D activities and the manufacturing services to be performed by Nykode. Regeneron also made a USD 20 million equity investment at a premium of 20%, as part of the agreement.

Genentech Agreement
On September 29, 2020, Nykode entered into an exclusive worldwide license and collaboration agreement with Genentech, a member of the Roche Group, for the development and commercialization of DNA-based individualized neoantigen vaccines for the treatment of cancers. As part of the Genentech Agreement Nykode has granted to Genentech a license of intellectual property and is also sponsoring agreed upon R&D commitments.

Under the terms of the agreement, Nykode will receive USD 185 million in initial upfront and USD 40 million in near-term payments. In addition, Nykode will be eligible to receive up to a further USD 490 million in potential milestone payments, plus royalties on sales of commercialized products arising from the partnership. USD 200 million was invoiced in 2020 and USD 35 million was invoiced in 2021. Of the USD 35 million invoiced in 2021, USD 20 million relates to payment for reaching a milestone, and USD 15 million was part of the near-term payments. The remaining USD 10 million of near-term payments will be invoiced in 2022.

ACCOUNTING POLICIES
Revenue from contracts with customers is recognized when the control of a good or service is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from sale of licenses
Revenue from sale of licenses relates to the sale of intellectual property under the Regeneron Agreement and the Genentech Agreement. For licenses of intellectual property that are distinct (or represent the predominant item of a combined performance obligation), the Group assesses whether the license provides the customer with a right to access the Nykode IP as it exists throughout the license period ("a right to access") or a right to use the Nykode IP as it exists at the point in time in which the license is granted ("a right to use"). Revenue from licenses that provide the customer with "a right to access" is accounted for over time as the performance occurs. Revenue from licenses with "a right to use" is recognized at the time when the license is granted to the customer and when the customer is able to use and benefit from the license. The license components within the Regeneron Agreement and the Genentech Agreement have been determined to represent a "right of use". The portion of the transaction price allocated to the license component under the agreements is recognized when the customer obtains control over the license, subject to the constraints related to variable consideration, hereunder sales-based royalties below.

Revenue from conduction of R&D services
Revenue from conduction of R&D services relates to the Nykode's delivery of the R&D activities to Genentech and Regeneron in 2021. Revenue from sale of services is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual incurred costs relative to the total expected costs.

Variable consideration
If the consideration in a contract includes a variable amount, Nykode estimates the amount of consideration to which it will be entitled in exchange for transferring the goods and services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Amounts of variable consideration of sale-based royalties promised in the exchange for a license of intellectual property are not included in the transaction price or recognized as revenue until the subsequent sale occurs.

Transaction price
Nykode allocates the total transaction price in proportion to the stand-alone selling price of each promised good or service in a contract. If a stand-alone selling price is not directly observable, Nykode estimates the stand-alone selling price that best depicts the amount of consideration to which the Group expects to be entitled in exchange for transferring the goods or services to the customer.

The transaction price under the Genentech Agreement is allocated to the R&D component based on its stand-alone selling price, which is estimated on a cost plus basis. The remaining amounts have been attributed to the licenses of intellectual property.

The transaction price under the Regeneron Agreement has been allocated to the license of intellectual property. Payment for the R&D activities and the manufacturing services has not been estimated, as the "right to invoice" practical expedient has been applied to recognize revenue from these performance obligations (IFRS15.B16).

The Group considers whether there are other promises in a contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., service type warranties). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and any consideration payable to the customer.

2.2 Revenue from contracts with customers (Continued)

Group			Parent	
2021	**2020**	**Revenue from contracts with customers**	**2021**	**2020**
		Major products and services		
30,000	215,000	License of Nykode IP	30,000	215,000
3,963	-	R&D services	3,963	-
-	-	Other	-	-
33,963	**215,000**	**Total revenue**	**33,963**	**215,000**

Group			Parent	
2021	**2020**	**Geographical distribution**	**2021**	**2020**
-	-	Norway	-	-
33,963	215,000	United States of America	33,963	215,000
-	-	Other	-	-
33,963	**215,000**	**Total revenue**	**33,963**	**215,000**

The revenue information above is based on the locations of the customers.

Group			Parent	
2021	**2020**	**Timing of revenue recognition**	**2021**	**2020**
30,000	215,000	Goods/services transferred at a point in time	30,000	215,000
3,963	-	Services transferred over time	3,963	-
33,963	**215,000**	**Total revenue**	**33,963**	**215,000**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are, as follows:

Group			Parent	
2021	**2020**		**2021**	**2020**
15,197	10,000	Within one year	15,197	10,000
10,847	20,000	More than one year	10,847	20,000
26,044	**30,000**	**Total**	**26,044**	**30,000**

The remaining performance obligations expected to be recognized within one year and in more than one year relates to the R&D commitments under the Genentech Agreement.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant accounting judgements and estimates related to the Regeneron Agreement and the Genentech Agreement are listed below.

Determining the performance obligations

Regeneron Agreement

Based on an overall assessment of the agreement and the nature of the deliverables it has been determined that the license of intellectual property, the R&D activities and the manufacturing services do not significantly modify each other. It has further been assessed that Nykode is not providing a significant service of integrating these deliverables into one combined output. Also, the use of the license is not highly dependent on, or highly interrelated with, the R&D activities or the manufacturing services. In making these assessments, emphasis has been put on the standardized nature of the R&D commitments and the manufacturing services and the fact that a third party Clinical Research Organization or Contract Manufacturing Organization could have provided these services to Regeneron under their supervision.

Genentech Agreement

Based on an overall assessment of the agreement and the nature of the deliverables, it has been determined that the R&D commitments do not significantly modify or customize the license. Further it has been assessed that Nykode is not providing a significant service of integrating the license and the R&D commitments into one combined output. Also, the use of the license is not highly dependent on, or highly interrelated with, the R&D commitments. In making these assessments emphasis has been put on the standardized nature of the R&D commitments and the fact that a third party Clinical Research Organization could have provided the services to Genentech under their supervision.

Estimates of variable consideration

The assessment of amounts included in the transaction price upon inception of a contract is subject to judgement as there may be significant uncertainty related to the total consideration to be paid under the agreement.

Regeneron Agreement

Under the terms of the agreement, Nykode will potentially be eligible to receive more than USD 875 million in additional payments based on future development and commercial achievements. As there is generally a very high inherent risk related to product development within life sciences, no variable amounts have been included in the transaction price related to the Regeneron Agreement.

Genentech Agreement

The agreement contains potential milestone payments of up to USD 515 million. The milestones are related to development, regulatory approvals and commercialization of the products under the agreement. With the exception of an amount of USD 20 million related to the initiation of the R&D commitments, no variable amounts have been included in the transaction price due to the generally high inherent risk related to product development within life sciences.

2.2 Revenue from contracts with customers (Continued)

Contract balances
Contract assets and contract liabilities relate to revenue earned from ongoing services. As such, the balances of these accounts vary and depend on the number of ongoing projects at the end of the year. The Group presents its trade receivables arising from contracts with customers separately from contract assets and contract liabilities. Accounting policies and balances for trade receivables are presented in note 2.6 and contract assets and contract liabilities are presented in note 2.9.

Cost to obtain a contract
Incremental costs of obtaining a contract (i.e., costs that would not have been incurred if the contract had not been obtained) are recognized as an asset if the Group expects to recover them either directly through reimbursement or indirectly through the margin inherent in the contract. Contract costs recognized as an asset are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Nykode's contract cost assets are related to costs for services received in connection with negotiating the Genentech Agreement. Reference is made to note 2.9 for an overview of the Group's contract cost assets.

2.3 Government grants and other income

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

When Nykode receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Other income
Other operating income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Other income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Government grants in the income statement	2021	2020
Grant from SkatteFUNN	564	603
Grant from the Research Council of Norway	1,239	90
Total government grants	**1,803**	**693**

Only grants recognized as income are presented in the table above.

Grants from SkatteFUNN
Nykode currently has two approved projects for SkatteFUNN (a Norwegian government R&D tax incentive program designed to encourage R&D in Norwegian trade and industry). The first R&D project has been approved for the period from 2020 until the end of 2022. The Group recognized USD 0.3 million in 2021 (USD 0.6 million in 2020).

Another R&D project was approved for the period from 2021 until the end of 2023. The Group recognized USD 0.3 million in 2021. No revenue has been recognized for this project in 2020.

Grants from the Research council of Norway
Nykode currently has two grants from the Research Council, programs for user managed innovation area (BIA). The first BIA grant ("Development of a highly efficient and robust manufacturing process for personalized DNA vaccines") amounts to a total of USD 2.7 million and covers the period from January 2020 to July 2022. Nykode has recognized USD 0.3 million in 2021 (USD 0.09 million in 2020), classified as other income.

The second BIA grant ("Second generation COVID-19 vaccine on the Vaccibody platform") amounts to a total of USD 1.7 million and covers the period from January 2021 to December 2022. Nykode has recognized USD 1.0 million in 2021, classified as other income.

2.3 Government grants and other income (Continued)

Government grants in the statement of financial position

Government grants liabilities	2021	2020
At January 1	-	91
Received during the year	498	602
Released to the statement of profit or loss	-287	-693
Currency translation effect	8	-
At December 31	**219**	**-**

Government grants receivables	31.12.2021	31.12.2020
Grant from SkatteFUNN	539	603
Grant from the Research Council of Norway	952	90
Total government grants receivables	**1,491**	**693**

Government grant receivables are included as other receivables in the statement of financial position and included in the specification in note 2.6.

Other income	2021	2020
Government grant income	1,803	693
Other income	-	2
Total other income	**1,803**	**695**

2.4 Employee benefit expenses

ACCOUNTING POLICIES
Employee benefit expenses comprise all types of remuneration to personnel employed by the Group (i.e. not contracted manpower) and are expensed when earned. Ordinary salaries can be both fixed pay and hourly wages and are earned and paid periodically. Holiday pay follows local laws in the jurisdiction the Group operates in. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pensions contributions are earned on a monthly basis. Other employee expenses consist of other benefits such as insurance, telephones and remuneration to the Board of Directors.

Pensions
The Group has a defined contribution pension plan for its employees which satisfies the statutory requirements under the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). For the Group's employees in Denmark, the Group has established a pension scheme which satisfies the requirements under Danish law.

The schemes are defined contribution plans. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Group			Parent	
2021	**2020**	**Employee benefit expenses**	**2021**	**2020**
8,677	4,114	Salaries	7,377	4,114
3,486	1,934	Social security costs	3,485	1,934
812	120	Pension costs	616	120
3,444	2,598	Share-based payment expense	2,554	2,598
-480	7,185	Social security cost on share based payments	-480	7,185
907	98	Other employee expenses	907	98
16,846	**16,049**	**Total employee benefit expenses**	**14,459**	**16,049**
73	33	Average number of full time employees (FTEs)	66	33

At the end of the reporting period, members of the Board and management held shares and warrants/ options in Nykode Therapeutics AS. For information on remuneration to Executive Management and the Board of Directors, including disclosures on shares and warrants/options held, see note 6.1.

2.5 Other operating expenses

ACCOUNTING POLICIES
Other operating expenses are recognized when they occur and represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, employee benefit expenses, depreciation and amortization.

Group			Parent	
2021	**2020**	**Other operating expenses**	**2021**	**2020**
16,300	10,627	Research and development expenses	16,300	10,627
5,019	5,354	Consulting fees	5,018	5,354
3,050	3,075	Legal expenses	3,050	3,075
1,214	130	Audit and accounting fees	1,188	130
665	362	Lease expenses	635	362
262	511	Duty and handling costs	262	511
185	91	Travel expenses	120	91
-	-	Purchase of services from subsidiaries	1,726	-
2,265	929	Other operating expenses	2,213	929
28,960	**21,078**	**Total other operating expenses**	**30,512**	**21,078**

Total research expenses for 2021 was USD 24.2 million (USD 14.1 million for 2020), recognized as employee benefit expenses and other operating expenses in the statement of comprehensive income.

Group			Parent	
2021	**2020**	**Auditor fees**	**2021**	**2020**
819	26	Audit fee	799	26
44	14	Assurance services	44	14
8	-	Tax services	8	-
-	-	Other services	-	-
870	**40**	**Total remuneration to the auditor**	**850**	**40**

Audit fee:
The amounts above are excluding VAT.

2.6 Trade and other receivables

ACCOUNTING POLICIES

Trade and other receivables

The Group's trade receivables consist solely of amounts receivable from revenue from contracts with customers. Trade receivables are generally on terms of 30 to 90 days. Other receivables consist mainly of government grant receivables and prepaid expenses which are expected to be realized or consumed within twelve months after the reporting period.

Trade and other receivables are financial assets initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Trade and other receivables are subject to impairment by recognizing an allowance for expected credit losses.

Expected credit losses

The Group recognizes an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group bases the allowance of its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Policies for expected credit losses are further described in note 4.1.

Group			Parent	
31.12.2021	**31.12.2020**	**Trade receivables**	**31.12.2021**	**31.12.2020**
23,750	3,750	Trade receivables from customers at nominal value	23,750	3,750
-	-	Allowance for expected credit losses	-	-
23,750	**3,750**	**Total trade receivables**	**23,750**	**3,750**

31.12.2021	**31.12.2020**	**Other receivables**	**31.12.2021**	**31.12.2020**
856	370	VAT receivable	827	370
1,491	693	Government grants	1,491	693
1,303	151	Prepaid expenses	1,286	151
58	274	Other	70	274
-	-	Receivables from group companies	913	-
3,708	**1,488**	**Total other receivables**	**4,587**	**1,488**

2021	**2020**	**Allowance for expected credit losses**	**2021**	**2020**
-	-	At January 1	-	-
-	-	Provision for expected credit losses	-	-
-	**-**	**At December 31**	**-**	**-**

The credit risk of financial assets has not increased significantly from initial recognition.

No credit losses allowance are recognized at year end 2021 or 2020.

	Trade receivables				
		Past due but not impaired			
Ageing analysis of trade receivables	**Not due days**	**< 30 days**	**31-60 days**	**> 60 days**	**Total**
Trade receivables at December 31, 2021	23,750	-	-	-	23,750
Trade receivables at December 31, 2020	-	3,750	-	-	3,750

For details regarding the Group's procedures on managing credit risk, reference is made to note 4.3.

2.7 Trade and other payables

ACCOUNTING POLICIES

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables consist of invoices for goods and services where the Group has received the significant risks and rewards of ownership as of December 31. Other payables mainly consist of withholding payroll and social security tax.

Trade and other payables are measured at fair value upon initial recognition and subsequently at amortized cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

Group			Parent	
31.12.2021	**31.12.2020**	**Trade and other payables**	**31.12.2021**	**31.12.2020**
2,746	1,612	Trade payables	2,747	1,612
1,686	1,613	Withholding payroll taxes and social security	1,362	1,613
546	244	Accruals for payroll, bonus and board remuneration	512	244
3,516	5,715	Other accrued expenses	3,387	5,715
8,494	**9,183**	**Total trade and other payables**	**8,008**	**9,183**

For trade and other payables ageing analysis, see note 4.2.

2.8 Provisions

ACCOUNTING POLICIES
Provisions are liabilities with uncertain timing or amount and are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

The Group classifies provisions in the following categories:

- Salary related costs: Contains a provision for accrued holiday pay.
- Social security for share based payments: Contains a provision for the accrued social security on share options and restrictive share units which will be paid when the options are exercised/fully vested.

A provision is made and calculated based on management assumptions at the time the provision is made and is updated as and when new information becomes available. All provisions are reviewed at the end of the financial year.

Other commitments and contingencies
Contingent liabilities are not recognized in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the possibility of an outflow of economic resources is considered remote.

Contingent assets are not recognized in the annual accounts but are disclosed when an inflow of economic benefits is considered probable. The Group has no contingent assets or liabilities that meet the criteria for disclosure.

Other commitments
The Group did not provide guarantees to or on behalf of third parties or related parties. The Group has no other significant commitments to disclose.

Reconciliation of provisions:

Group				Parent		
Salary related costs	Social security for share based payments	Total		Salary related costs	Social security for share based payments	Total
284	**2,953**	**3,237**	**At January 1, 2020**	**284**	**2,953**	**3,237**
443	10,138	10,580	Additional provisions made	443	10,138	10,580
-284	-	-284	Amounts used	-284	-	-284
-	-2,953	-2,953	Unused amounts reversed	-	-2,953	-2,953
443	**10,138**	**10,580**	**At December 31, 2020**	**443**	**10,138**	**10,580**
443	3,279	3,722	Current provisions	443	3,279	3,722
-	6,859	6,859	Non-current provisions	-	6,859	6,859

Salary related costs	Social security for share based payments	Total		Salary related costs	Social security for share based payments	Total
443	**10,138**	**10,580**	**At January 1, 2021**	**443**	**10,138**	**10,580**
812	1,650	2,462	Additional provisions made	809	1,650	2,460
-443	-2,450	-2,893	Amounts used	-443	-2,450	-2,893
-	-	-	Unused amounts reversed	-	-	-
812	**9,338**	**10,149**	**At December 31, 2021**	**809**	**9,338**	**10,147**
812	4,423	5,234	Current provisions	809	4,423	5,232
-	4,915	4,915	Non-current provisions	-	4,915	4,915

2.9 Contract assets and liabilities

ACCOUNTING POLICIES

Contract assets

A contract asset is initially recognized for revenue earned from rendering of services because the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment, similarly to trade receivables as described in 2.6 and 4.1.

Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract asset or contract liability positions are presented on a net basis for each contract.

Contract assets/liabilities (-)

Group			Parent	
2021	**2020**	**Contract assets/liabilities (-)**	**2021**	**2020**
15,000	**-**	**At January 1**	**15,000**	**-**
-	215,000	Additions	-	215,000
-15,000	-200,000	Reclassified to trade receivables	-15,000	-200,000
-20,000	-	Milestone payment from customers	-20,000	-
3,956	-	Rendering of service in the period	3,956	-
-	-	Impairment and write-down for expected credit losses	-	-
-16,044	**15,000**	**Total contract assets/liabilities (-) at December 31**	**-16,044**	**15,000**

Contract assets/liabilities are recognized when fulfilling performance obligations, mainly from the recognition of the service component in the Genentech Agreement where progress is measured over time (See note 2.2). When the consideration becomes unconditional, the contract assets will be reclassified to trade receivables. The main part of the changes to contract assets/liabilities in the period are related to milestone payments received, and reclassification to trade receivables

The Group expects to realize USD 5.2 million of the contract liability in 2022. The contract liability is classified as a short-term liability as it will be realized in the entity's normal operating cycle

2.10 Other long-term receivables

ACCOUNTING POLICIES
Other long-term receivables consist of deposits and contract cost assets which are subject to impairment assessment, similarly to trade and other receivables as described in note 2.6 and 4.1. Other long-term receivables are financial assets initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

Contract cost assets
Nykode recognizes incremental costs of obtaining a contract with a customer as an asset, provided that the costs are expected to be recovered throughout the contract. The costs are amortized on a systematic basis that is consistent with the transfer of the related goods or services to the customer and subsequently re-assessed at the end of each reporting period.

Group			Parent	
31.12.2021	**31.12.2020**	**Other long-term receivables**	**31.12.2021**	**31.12.2020**
23	5	Deposits	12	5
478	551	Contract costs assets	478	551
501	**556**	**Total other long-term receivables**	**490**	**556**

Nykode's contract cost assets are mainly related to sale commissions for the Genentech Agreement.

Group			Parent	
2021	**2020**	**Contract cost assets**	**2021**	**2020**
551	**-**	**At January 1**	**551**	**-**
-	4,500	Cost to obtain a contract recognized in the period	-	4,500
73	3,949	Amortization recognized in the period	73	3,949
-	-	Impairment losses recognized in the period	-	-
478	**551**	**Total contract cost assets at December 31**	**478**	**551**

3.1 Property, plant and equipment

ACCOUNTING POLICIES
Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

No indicators for impairment of property, plant and equipment were identified in the current or prior period.

At December 31, 2021, all fixed assets in the Group are located in the Parent Company. The table below is for both Group and Parent

	Machinery and plant	Fixtures, office machinery etc.	Lab facility	Total
Cost as at January 1, 2020	**94**	**25**	**-**	**119**
Additions	13	86	-	99
Currency translation effects	-8	-8	-	-16
Cost as at December 31, 2020	**99**	**103**	**-**	**202**
Additions	1,014	245	580	1,839
Currency translation effects	-	-	-	-
Cost as at December 31, 2021	**1,113**	**348**	**580**	**2,041**
Depreciation and impairment as at January 1, 2020	**35**	**11**	**-**	**46**
Depreciation for the year	14	17	-	31
Currency translation effects	-4	-2	-	-6
Depreciation and impairment as at December 31, 2020	**45**	**26**	**-**	**71**
Depreciation for the year	45	41	-	86
Currency translation effects	-	-	-	-
Depreciation and impairment as at December 31, 2021	**90**	**67**	**-**	**157**
Net book value:				
At January 1, 2020	**-**	**14**	**-**	**14**
At December 31, 2020	**54**	**77**	**-**	**131**
At December 31, 2021	**1,023**	**281**	**580**	**1,884**
Economic life (years)	3-5	3-5	6	
Depreciation plan		Straight-line method		

3.2 Right-of-use assets and lease liabilities

ACCOUNTING POLICIES
At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- The supplier does not have a substantive right to substitute the asset throughout the period of use
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the contract period

The Group as a lessee
At the commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognizes the lease payments as operating expenses in the statement of comprehensive income.

At transition to IFRS, the Group has applied the practical expedient in IFRS 16.C10 to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Measuring the lease liability
The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:
- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group presents its lease liabilities as separate line items in the statement of financial position. Cash flows related to payments for the principal portion of the lease liability are classified within financing activities.

3.2 Right-of-use assets and lease liabilities (Continued)

ACCOUNTING POLICIES (Continued)

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

The Group presents its right-of-use assets as separate line items in the statement of financial position. Non-cash changes are included in the "Reconciliation of changes in liabilities incurred as a result of financing activities" in Note 4.2

The Group's leased assets

Nykode leases several assets, mainly office facilities and laboratories at Forskningsparken in Oslo, Norway. Nykode also leases office space in Denmark and some office equipment in Norway. Leases of office space generally have lease terms up to six years. The Group also leases some office space and office equipment that are expensed as incurred as they are either considered short term or of low value.

The Group's right-of-use assets recognized in the statement of financial position are presented in the table below:

Group			Right-of-use assets	Parent		
Fixtures, Office machinery etc.	Office buildings	Total		Fixtures, Office machinery etc.	Office buildings	Total
13	**682**	**695**	**Acquisition cost at January 1, 2021**	**13**	**682**	**695**
16	7,613	7,629	Additions of Right-of-use assets	16	7,503	**7,519**
-23	47	24	Adjustment of Right-of-use assets	-23	32	9
6	**8,342**	**8,348**	**Acquisition cost at December 31, 2021**	**6**	**8,217**	**8,223**
2	**416**	**418**	**Depreciation and impairment at January 1, 2021**	**2**	**416**	**418**
4	645	649	Depreciation of right-of-use assets	4	621	625
6	**1,061**	**1,067**	**Depreciation and impairment at December 31, 2021**	**6**	**1,037**	**1,043**
11	**266**	**277**	**Carrying amount at January 1, 2021**	**11**	**266**	**277**
-	**7,281**	**7,281**	**Carrying amount at December 31, 2021**	**-**	**7,180**	**7,180**
1	1 - 6		Remaining lease term or remaining useful life	1	1 - 6	
	Straight-line method		Depreciation plan		Straight-line method	

2021	**2020**		**2021**	**2020**
194	29	Short-term lease expenses	187	29
7	6	Low-value assets lease expenses	7	6
201	**35**	**Total lease expenses in the period**	**194**	**35**

The lease expenses in the period related to short-term leases, low-value assets and variable lease payments are included in other operating expenses in the statement of comprehensive income, and the payments are presented in the Group's operating activities in the statement of cash flows.

3.2 Right-of-use assets and lease liabilities (Continued)

Group			Parent	
31.12.2021	31.12.2020	Undiscounted lease liabilities and maturity of cash outflows	31.12.2021	31.12.2020
1,372	283	Less than one year	1,271	283
1,251	5	One to two years	1,251	5
1,283	4	Two to three years	1,283	4
1,317	-	Three to four years	1,317	-
1,351	-	Four to five years	1,351	-
1,387	-	More than five years	1,387	-
7,961	**292**	**Total undiscounted lease liabilities**	**7,860**	**292**

Group	Changes in the lease liabilities	Parent
285	**At January 1, 2021**	**285**
7,629	New leases recognized during the period	7,519
-611	Cash payments for the principal portion of the lease liability	-587
-66	Cash payments for the interest portion of the lease liability	-66
66	Interest expense on lease liabilities	66
23	Adjustment of lease liabilities	8
-156	Currency translation effects	-155
7,170	**Total lease liabilities at December 31, 2021**	**7,070**
1,350	Current lease liabilities in the statement of financial position	1,250
5,820	Non-current lease liabilities in the statement of financial position	5,820

3.2 Right-of-use assets and lease liabilities (Continued)

Lease commitments not included in the lease liabilities

Inflation adjustments

In addition to the lease liabilities presented above, the Group is committed to pay variable lease payments for its office space, mainly related to future inflation adjustments which is estimated in the initial calculation of lease liabilities. The lease liability and right-of-use asset will be adjusted when the inflation adjustment has a cash flow effect.

Extension and termination options

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the Groups business needs. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Other matters

The Group's leases do not contain provisions or restrictions that impacts the Group's dividend policies or financing possibilities. Further, the Group does not have significant residual value guarantees related to its leases.

3.3 Intangible assets

ACCOUNTING POLICIES
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives are recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Capitalization of internal development costs
Development expenditures on an individual project, which represents new applications/technology, are recognized as an intangible asset when the Group can demonstrate:

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

Other costs are classified as research and are expensed as incurred. These expenses are included in the statement of comprehensive income as other operating expenses and specified in note 2.5.

Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone, such as regulatory approval.

No indicators for impairment of intangible asset were identified in the current or prior period.

	Patents and project rights	Total
Cost as at January 1, 2020	**34**	**34**
Additions	-	-
Currency translation effects	-3	-3
Cost as at December 31, 2020	**32**	**32**
Additions	-	-
Currency translation effects	-	-
Cost as at December 31, 2021	**32**	**32**
Net book value:		
At January 1, 2020	**34**	**34**
At December 31, 2020	**32**	**32**
At December 31, 2021	**32**	**32**

Patents and project rights are assessed as having an indefinite useful life.

4.1 Financial instruments

ACCOUNTING POLICIES
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial instruments
The Group's financial instruments are grouped in the following categories:

Financial Assets
- Financial assets measured subsequently at amortized cost: Includes mainly trade and other receivables, contract assets, contract cost assets and cash and cash equivalents
- Financial assets measured subsequently at fair value through profit or loss: Includes other current financial assets (money market funds) and includes currency derivatives when the fair value is positive.

With the exception of other current financial assets, the Group's financial assets are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortized cost.

Financial Liabilities
- Financial liabilities measured subsequently at amortized cost: Represent the Group's non-interest bearing liabilities such as trade payables, contract liabilities and government grants.
- Financial liabilities measured at fair value through profit or loss: Includes currency derivatives when the fair value is negative.

Initial recognition and subsequent measurement
Financial assets and liabilities at amortized cost
The Group's financial assets and liabilities are initially recognized at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortized cost using the effective interest method (EIR). Gains and losses are recognized in profit or loss upon impairment, when the instruments are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortization is included as finance costs in the statement of comprehensive income.

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss are recognized at fair value 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.

The Group previously used derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group closed out the last derivative contracts during 2019 and did not hold derivative financial instruments at December 31, 2020 or December 31, 2021. The Group does not apply hedge accounting.

Impairment of financial assets
Financial assets measured at amortized cost are considered for impairment by recognizing an allowance for expected credit losses (ECLs). The Group applies a simplified approach in calculating ECLs, where the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.3 for further information related to management of credit risk.

The Group considers a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.1 Financial instruments (Continued)

ACCOUNTING POLICIES (Continued)

Derecognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Group has transferred its rights to receive cash flows from the asset or the Group has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Group's financial instruments are presented in the tables below:

Group

As at December 31, 2021	Notes	Financial instruments at amortized cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other long-term receivables	2.10	501	-	**501**
Trade receivables	2.6	23,750	-	**23,750**
Other receivables	2.6	3,708	-	**3,708**
Contract assets	2.9	-	-	**-**
Other current financial assets				
Money market funds			12,169	**12,169**
Cash and cash equivalents	4.6	216,231	-	**216,231**
Total financial assets		**244,190**	**12,169**	**256,359**
Liabilities				
Government grants	2.3	219	-	**219**
Trade and other payables	2.7	8,494	-	**8,494**
Contract liabilities	2.9	16,044	-	**16,044**
Non-current lease liabilities	3.2	5,820	-	**5,820**
Current lease liabilities	3.2	1,350	-	**1,350**
Total financial liabilities		**31,927**	**-**	**31,927**

Parent

As at December 31, 2021	Notes	Financial instruments at amortized cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other long-term receivables	2.10	490	-	**490**
Trade receivables	2.6	23,750	-	**23,750**
Other receivables	2.6	4,587	-	**4,587**
Contract assets	2.9	-	-	**-**
Other current financial assets				
Money market funds		-	12,169	**12,169**
Cash and cash equivalents	4.6	214,722	-	**214,722**
Total financial assets		**243,549**	**12,169**	**255,718**
Liabilities				
Government grants	2.3	219	-	**219**
Trade and other payables	2.7	8,008	-	**8,008**
Contract liabilities	2.9	16,044	-	**16,044**
Non-current lease liabilities	3.2	5,820	-	**5,820**
Current lease liabilities	3.2	1,250	-	**1,250**
Total financial liabilities		**31,342**	**-**	**31,342**

4.1 Financial instruments (Continued)

Group

As at December 31, 2020	Notes	Financialinstruments at amortized cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other long-term receivables	2.10	556	-	**556**
Trade receivables	2.6	3,750	-	**3,750**
Other receivables	2.6	1,488	-	**1,488**
Contract assets	2.9	15,000	-	**15,000**
Other current financial assets				
Money market funds		-	24,944	**24,944**
Cash and cash equivalents	4.6	183,851	-	**183,851**
Total financial assets		**204,645**	**24,944**	**229,588**
Liabilities				
Government grants	2.3	-	-	**-**
Trade and other payables	2.7	9,183	-	**9,183**
Contract liabilities	2.9	-	-	**-**
Non-current lease liabilities	3.2	8	-	**8**
Current lease liabilities	3.2	276	-	**276**
Total financial liabilities		**9,467**	**-**	**9,467**

Parent

As at December 31, 2020	Notes	Financial instruments at amortized cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other long-term receivables	2.10	556	-	**556**
Trade receivables	2.6	3,750	-	**3,750**
Other receivables	2.6	1,488	-	**1,488**
Contract assets	2.9	15,000	-	**15,000**
Other current financial assets				
Money market funds		-	24,944	**24,944**
Cash and cash equivalents	4.6	183,851	-	**183,851**
Total financial assets		**204,645**	**24,944**	**229,588**
Liabilities				
Government grants	2.3	-	-	**-**
Trade and other payables	2.7	9,183	-	**9,183**
Non-current lease liabilities	3.2	8	-	**8**
Current lease liabilities	3.2	276	-	**276**
Total financial liabilities		**9,467**	**-**	**9,467**

There are no changes in classification and measurement for the Group's financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.7.

4.2 Ageing of financial liabilities

Contractual undiscounted cash flows from financial liabilities are presented below:

Group

As at December 31, 2021	1-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Financial liabilities							
Trade and other payables	8,494	-	-	-	-	-	8,494
Non-current lease liabilities	-	1,251	1,283	1,317	1,351	1,387	6,589
Current lease liabilities	1,372	-	-	-	-	-	1,372
Total financial liabilities	**9,866**	**1,251**	**1,283**	**1,317**	**1,351**	**1,387**	**16,455**

Parent

As at December 31, 2021	1-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Financial liabilities							
Trade and other payables	8,008	-	-	-	-	-	8,008
Non-current lease liabilities	-	1,251	1,283	1,317	1,351	1,387	6,589
Current lease liabilities	1,271	-	-	-	-	-	1,271
Total financial liabilities	**9,279**	**1,251**	**1,283**	**1,317**	**1,351**	**1,387**	**15,868**

Group

As at December 31, 2020	1-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Financial liabilities							
Trade and other payables	9,183	-	-	-	-	-	9,183
Non-current lease liabilities	-	-	-	-	-	-	-
Current lease liabilities	-	-	-	-	-	-	-
Total financial liabilities	**9,183**	**-**	**-**	**-**	**-**	**-**	**9,183**

Parent

As at December 31, 2020	1-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Financial liabilities							
Trade and other payables	9,183	-	-	-	-	-	9,183
Non-current lease liabilities	-	-	-	-	-	-	-
Current lease liabilities	-	-	-	-	-	-	-
Total financial liabilities	**9,183**	**-**	**-**	**-**	**-**	**-**	**9,183**

4.2 Ageing of financial liabilities (Continued)

Reconciliation of changes in liabilities incurred as a result of financing activities:

Group		Non-cash changes			
2021	January 1	Cash flow effect	New leases	Foreign exchange movement	Other changes	December 31
Non-current lease liabilities	8	-229	6,176	-152	17	5,820
Current lease liabilities	276	-382	1,453	-5	8	1,350
Total liabilities from financing	**284**	**-611**	**7,629**	**-157**	**25**	**7,170**

Parent		Non-cash changes			
2021	January 1	Cash flow effect	New leases	Foreign exchange movement	Other changes	December 31
Non-current lease liabilities	8	-229	6,176	-152	17	5,820
Current lease liabilities	276	-358	1,343	-2	-9	1,250
Total liabilities from financing	**284**	**-587**	**7,519**	**-154**	**8**	**7,070**

Group		Non-cash changes			
2020	January 1	Cash flow effect	New leases	Foreign exchange movement	Other changes	December 31
Non-current lease liabilities	33	-199	169	-4	9	8
Current lease liabilities	57	-53	276	-4	-	276
Total liabilities from financing	**90**	**-252**	**446**	**-7**	**9**	**284**

Parent		Non-cash changes			
2020	January 1	Cash flow effect	New leases	Foreign exchange movement	Other changes	December 31
Non-current lease liabilities	33	-199	169	-4	9	8
Current lease liabilities	57	-53	276	-4	-	276
Total liabilities from financing	**90**	**-252**	**446**	**-7**	**9**	**284**

4.3 Financial risk management

Overview
The Group's principal financial liabilities, comprise lease liabilities, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include other current financial assets, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Group seeks to minimize potential adverse effects of such risks through sound business practice, risk management and hedging.

Risk management is carried out by Group management under policies approved by the Board. The Board reviews and agrees policies for managing each of these risks, which are summarized below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include other current financial assets, cash and cash and cash equivalents, lease liabilities and trade and other payables.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has a limited exposure to the risk of changes in market interest rates for its financial liabilities as it has no interest bearing debt. The fair value of other current financial assets comprised of money mark funds are dependent on market interest rates. Nykode does not hedge interest risk exposure with the use of financial instruments at the current time, but may may enter into contracts to offset some of the risk depending on the future expected interest rates.

Interest rate sensitivity
The sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax, is illustrated below. In calculating the sensitivity analyses, the Group assumes that the sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective financial risks.

Interest rate sensitivity	Increase / decrease in basis points	Effect on profit before tax	Effect on equity
December 31, 2021	+/- 50	1,142	1,142
December 31, 2020	+/- 50	1,044	1,044

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (income and expenses denominated in a foreign currency). The Group's income is denominated in USD while operating expenses are mainly denominated in USD, EUR and NOK. The Group's assets and liabilities at the end of the reporting period are mainly denominated in USD with some exposure to NOK (other current financial assets and cash and cash equivalents) and EUR (cash and cash equivalents). The Group does not hedge currency exposure with the use of financial instruments at the current time, but monitors the net exposure over time.

Foreign currency sensitivity
The following table illustrates the sensitivity for a hypothetical increase or decrease in the foreign exchange rates in the period, holding all other variables constant:

Foreign currency sensitivity	Date	Change in FX rate	Effect on profit before tax	Effect on equity
Increase / decrease in NOK/USD	31.12.2021	+/- 10%	5,191	5,191
Increase / decrease in EUR/USD	31.12.2021	+/- 10%	1,494	1,494
Increase / decrease in NOK/USD	31.12.2020	+/- 10%	6,207	6,207
Increase / decrease in EUR/USD	31.12.2020	+/- 10%	1,515	1,515

4.3 Financial risk management (Continued)

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss.

The Group is exposed to credit risk related to trade and other receivables, other long-term receivables, contract assets, cash and cash equivalents and other current financial assets. However, the credit risk is assessed to be low as the counterparty to these assets are mainly Genentech and Nordea (the Group's bank) whose credit risks are very low.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds by monitoring its working capital and securing sufficient funding.

The Group's objective is to secure funding for its working capital, including mainly the research and development of vaccines. The Group has a significant balance of cash and cash equivalents and the liquidity risk is assessed as low. An overview of the maturity profile of the Group's financial liabilities with corresponding cash flow effect is presented in note 4.2.

4.4 Fair value measurement

ACCOUNTING POLICIES
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value disclosures
Management has assessed that the fair values of cash and short-term deposits, trade and other receivables, contract assets and contract liabilities, government grants and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and the current risk free interest rates.

Fair value of financial assets and liabilities
Money market funds
The money market funds are measured at quoted prices in an active market at the balance sheet date.

4.4 Fair value measurement (Continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of The Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Group

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities and assets disclosed at fair value						
Assets						
Other current financial assets (Note 4.1)						
Money market funds	31.12.2021	12,169	12,169	X		
Total other current financial assets	**31.12.2021**	**12,169**	**12,169**			
Other current financial assets (Note 4.1)						
Money market funds	31.12.2020	24,944	24,944		X	
Total other current financial assets	**31.12.2020**	**24,944**	**24,944**			

Parent

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities and assets disclosed at fair value						
Assets						
Other current financial assets (Note 4.1)						
Money market funds	31.12.2021	12,169	12,169	X		
Total other current financial assets	**31.12.2021**	**12,169**	**12,169**			
Other current financial assets (Note 4.1)						
Money market funds	31.12.2020	24,944	24,944		X	
Total other current financial assets	**31.12.2020**	**24,944**	**24,944**			

Based on information identified during 2021, the Group has transferred the money market funds from level 2 to level 1. There were no changes in the Group's valuation process, valuation techniques and types of inputs used in the fair value measurements during the period.

4.5 Equity and shareholders

Capital management
The Group's goal is to secure its shareholders a best possible long term return on capital employed, measured as the aggregate of dividends and appreciation of the share value.

Nykode manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or issue debt. Nykode monitors its capital using an equity ratio, which is 'total equity' divided by 'total assets'.

Group			Parent	
31.12.2021	**31.12.2020**		**31.12.2021**	**31.12.2020**
194,055	178,850	Equity	194,866	178,850
265,556	230,028	Total assets	265,754	230,028
73 %	**78 %**	**Equity ratio**	**73 %**	**78 %**

ACCOUNTING POLICIES
Costs related to equity transactions
Transaction costs are deducted from equity, net of associated income tax.

Distribution to shareholders
Nykode recognizes a liability to make distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of Nykode. As per the corporate laws of Norway, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

No distributions were made to shareholders in the current or prior period.

Issued capital and reserves:

Share capital in Nykode Therapeutics AS	Number of shares authorized and fully paid	Par value per share (NOK)	Financial Position (USD '000)
At January 1, 2020	**54,973,080**	**0.05**	**316**
Share capital increase			
January 17, 2020	824,596	0.05	5
March 4, 2020	554,000	0.05	3
April 1, 2020	206,660	0.05	1
Share split 1:5 - 14 July 2020	226,233,344	0.01	-
September 9, 2020	750,000	0.01	1
September 16, 2020	86,000	0.01	-
October 21, 2020	910,000	0.01	1
December 29, 2020	247,500	0.01	-
At December 31, 2020	**284,785,180**	**0.01**	**327**
Share capital increase			
March 17, 2021	828,665	0.01	1
May 10, 2021	530,000	0.01	1
June 29, 2021	400,000	0.01	-
September 7, 2021	467,864	0.01	1
October 28, 2021	170,001	0.01	0
November 1, 2021	66,000	0.01	0
December 7, 2021	2,255,034	0.01	2
December 10, 2021	116,665	0.01	0
At December 31, 2021	**289,619,409**	**0.01**	**333**

The share capital increase registered at December 7, 2021 is related to the agreement with Regeneron. Under the terms of the agreement, Regeneron made a USD 20 million equity investment at a premium of 20%.

All other share capital increases in the periods are related to the exercise of warrants and options, see additional information in note 4.8.

All shares are ordinary and have the same voting rights and rights to dividends.

Reconciliation of the Group's equity is presented in the statement of changes in equity.

4.5 Equity and shareholders (Continued)

Nykode Therapeutics' shareholders:

At December 31, 2021	Total shares	Ownership/ Voting rights
RASMUSSENGRUPPEN AS	28,180,750	9.7 %
Datum Opportunity AS	26,000,000	9.0 %
Radforsk Investeringsstiftelse	24,057,000	8.3 %
Victoria India Fund AS	17,255,175	6.0 %
Datum AS	12,060,250	4.2 %
DNB NOR Bank ASA	9,721,509	3.4 %
Skøien AS	9,485,000	3.3 %
Om Holding AS	8,144,004	2.8 %
Norda ASA	7,996,755	2.8 %
Vatne Equity AS	7,712,500	2.7 %
Joh Johannson Eiendom AS	5,363,425	1.9 %
DNB Markets Aksjehandel/-analyse	4,696,500	1.6 %
Portia AS	4,500,000	1.6 %
Krag Invest AS	4,470,100	1.5 %
Hortulan AS	4,010,000	1.4 %
Alden AS	3,345,000	1.2 %
Skips AS Tudor	3,075,000	1.1 %
Borgano AS	3,000,000	1.0 %
Lani Invest AS	2,700,000	0.9 %
Skandinaviska Enskilda Banken Ab	2,500,000	0.9 %
Other shareholders	101,346,441	35.0 %
Total	**289,619,409**	**100 %**

At December 31, 2020	Total shares	Ownership/ Voting rights
Datum AS	32,505,000	11.4 %
RASMUSSENGRUPPEN AS	27,957,500	9.8 %
Radforsk	24,057,000	8.4 %
AS Tanja	11,450,000	4.0 %
Skøien AS	9,950,001	3.5 %
DNB Markets Aksjehandel/-analyse	8,999,991	3.2 %
OM Holding AS	8,144,004	2.9 %
Norda ASA	7,996,755	2.8 %
Vatne Equity AS	7,812,500	2.7 %
Christiania Skibs AS	6,304,250	2.2 %
Joh Johannson Eiendom AS	5,363,425	1.9 %
Datum Invest AS	5,000,000	1.8 %
Portia AS	4,500,000	1.6 %
Adrian AS	4,470,100	1.6 %
Alden AS	3,125,315	1.1 %
Skibs AS Tudor	3,125,000	1.1 %
Verdipapirfondet Norge Selektiv	3,043,490	1.1 %
Borgano AS	3,000,000	1.1 %
Hortulan AS	3,000,000	1.1 %
Norron Sicav - Target Fund	2,918,320	1.0 %
Other shareholders	102,062,529	35.8 %
Total	**284,785,180**	**100 %**

Shares held by Executive Management or the Board of Directors at the end of the reporting periods are summarized in note 6.1.

4.6 Cash and cash equivalents

ACCOUNTING POLICIES
Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes which may not be used for other purposes.

Group			Parent	
31.12.2021	**31.12.2020**	**Cash and cash equivalents**	**31.12.2021**	**31.12.2020**
215,759	183,376	Bank deposits, unrestricted	214,250	183,376
472	475	Bank deposits, restricted	472	475
216,231	**183,851**	**Total cash and cash equivalents**	**214,722**	**183,851**

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

4.7 Financial income and costs

ACCOUNTING POLICIES
Interest income and interest expenses are calculated using the effective interest method.

Foreign currency gains or losses are reported as gain or loss on foreign exchange within in finance income or finance costs, except for translation effects from functional currency to presentation currency which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 4.1.

Interest expense on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognized in the statement of financial position, for further disclosures see note 3.2.

2021	2020	Finance income	2021	2020
3,720	3,544	Gain on foreign exchange	3,646	3,544
270	198	Interest income	270	198
115	66	Fair value gain on other current financial assets	115	66
27	7	Other finance income	27	7
4,133	**3,815**	**Total finance income**	**4,059**	**3,815**

2021	2020	Finance costs	2021	2020
4,345	911	Loss on foreign exchange	4,345	911
64	37	Interest expenses	61	37
66	9	Interest expense on lease liabilities	64	9
1	219	Other finance costs	1	219
-	-	Fair value loss on other current financial assets	-	-
4,475	**1,176**	**Total finance costs**	**4,471**	**1,176**

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on overdue payables, measured and classified at amortized cost in the statement of financial position.

Other finance income and other finance costs are mostly related to realized gains and losses on money market funds.

Fair value gain- and fair value loss on other current financial assets is related to change in market value of money market funds.

4.8 Share based payments

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

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (the Black-Scholes-Merton Model).

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 4.9).

Cash-settled transactions
A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using an appropriate valuation model (the Black-Scholes-Merton Model). The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Transactions where the Group has a choice of settlement in equity or in cash
Where the Group has choice of settlement, the accounting treatment is binary – in other words the whole transaction is treated either as cash-settled or as equity-settled, depending on whether or not the entity has a present obligation to settle in cash.

IFRS 2 requires a transaction to be treated as a liability (and accounted for using the rules for cash-settled transactions) if:

- the choice of settlement has no commercial substance (for example, because the entity is legally prohibited from issuing shares);
- the entity has a past practice or stated policy of settling in cash; or
- the entity generally settles in cash whenever the counterparty asks for cash settlement.

4.8 Share based payments (Continued)

Warrant and share option plan - Description
Nykode Therapeutics AS has historically issued both warrants and options (hereafter referred to as "options") to the Board of Directors, management and key employees of the Group under option agreements. In December 2020, the Board of Directors approved the 2020 share option rules (the "2020 Rules") for employees of the Group. The options give the holder the right to purchase Nykode Therapeutics AS` stock at a specific price. The options have generally been granted in tranches that vest over 0-3 years, with grants under the 2020 Rules vesting over 4 years, subject to employment in the Group.

The options can be exercised on average 4-5 years after the grant date. The Group accounts for the options as equity-settled transactions, measured by applying the Black-Scholes-Merton option-pricing model for European options ("BSM"). Options held by members of the Board of Directors and management at the end of the reporting period are summarized in note 6.1.

The fair value of the options was determined at the grant dates and expensed over the vesting period. For the Group, USD 3.4 million was expensed as employee benefit expenses in the period (USD 2.6 million in 2020). USD 2.6 million was expensed as employment benefit expenses in the period for the Parent Company (USD 2.6 million in 2020). The expected future social security tax on share-based payments are recorded as a liability and disclosed in note 2.8.

Movements during the year
The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021 WAEP (NOK)	2021 Number	2020 WAEP (NOK)	2020 Number
Outstanding options 1 January	8.52	14,381,430	3.78	20,207,350
Options granted	79.68	1,705,463	23.86	2,750,000
Options forfeited	-	-	2.83	-2,069,120
Options exercised*	4.89	-2,579,195	2.07	-6,506,800
Options expired	-	-	-	-
Outstanding options 31 December	**18.20**	**13,507,698**	**8.52**	**14,381,430**
Exercisable at December 31	6.24	8,108,896	3.19	7,581,425

* The weighted average share price at the date of exercise of these options was NOK 79.4 in 2021, and NOK 27.9 in 2020.
The weighted average remaining contractual life for the options outstanding as at December 31, 2021 was 2.00 years (2020: 2.33 years).
The weighted average fair value of options granted during the year was NOK 30.40 (2020: NOK 10.22).

Overview of outstanding options at December 31, 2021:

	Exercise price (NOK)	Number of outstanding options	Weighted Average remaining contractual life	Number of options exercisable
	0,01	4,674	3.35	-
	0,34	884,000	0.97	884,000
	0,50	276,000	0.97	276,000
	0,53	164,000	0.97	164,000
	2,50	2,910,900	1.04	2,910,900
	4,00	790,000	1.00	790,000
	7,00	133,335	2.00	-
	8,80	2,910,000	2.00	1,910,000
	9,40	1,250,000	2.00	415,000
	12,20	400,000	2.00	-
	18,00	650,000	0.76	325,000
	25,20	500,000	3.42	166,665
	30,50	500,000	3.59	166,665
	37,50	434,000	3.67	100,666
	64,70	24,380	4.59	-
	65,89	26,867	4.84	-
	69,58	177,000	4.09	-
	70,78	45,000	4.79	-
	72,82	80,000	4.67	-
	75,05	47,542	4.75	-
	76,77	800,000	4.34	-
	81,14	200,000	4.42	-
	100,00	300,000	3.25	-
Total outstanding options		**13,507,698**		**8,108,896**

Overview of outstanding options at December 31, 2020:

	Exercise price (NOK)	Number of outstanding options	Weighted Average remaining contractual life	Number of options exercisable
	0,34	884,000	1.97	884,000
	0,50	276,000	1.97	276,000
	0,53	164,000	1.97	164,000
	0,65	330,000	0.37	330,000
	2,50	4,033,764	1.32	3,633,764
	4,00	1,275,001	2.00	1,141,666
	7,00	392,000	2.00	125,330
	8,00	116,665	1.00	116,665
	8,80	2,910,000	3.00	910,000
	9,40	1,250,000	3.00	-
	12,20	600,000	3.00	-
	18,00	650,000	1.25	-
	25,20	500,000	4.42	-
	30,50	500,000	4.59	-
	37,50	500,000	4.67	-
Total outstanding options		**14,381,430**		**7,581,425**

4.8 Share based payments (Continued)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the options, volatility and dividend yield and making assumptions about them. Due to limited historical data and liquidity these assumptions include significant estimates by management.

Assumptions used to determine fair value of option grants:
The following table lists the inputs to the model used for the plans for the years ended December 31, 2021 and 2020, respectively:

	2021	2020
Weighted average fair values at the measurement date (NOK)	30.48	10.22
Dividend yield (%)	0 %	0 %
Expected volatility (%)	56.6 %	56.6 %
Risk–free interest rate (%)	0.86 %	0.71 %
Expected life of share options (years)	3.41	2.64
Weighted average share price (NOK)	77.45	26.22
Weighted average exercise price (NOK)	79.90	23.86
Model used	**BSM**	**BSM**

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

4.9 Earnings per share

ACCOUNTING POLICIES
Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

Group	2021	2020
Profit or loss attributable to ordinary equity holders - for basic EPS	-9,413,566	149,774,076
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution*	-9,413,566	149,774,076
Weighted average number of ordinary shares - for basic EPS	286,344,833	279,643,165
Weighted average number of ordinary shares adjusted for the effect of dilution	300,074,311	296,145,297
Basic EPS - profit or loss attributable to equity holders of the Group	**-0.03**	**0.54**
Diluted EPS - profit or loss attributable to equity holders of the Group*	**-0.03**	**0,51**

Parent	2021	2020
Profit or loss attributable to ordinary equity holders - for basic EPS	-8,597,828	149,774,076
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution*	-8,597,828	149,774,076
Weighted average number of ordinary shares - for basic EPS	286,344,833	279,643,165
Weighted average number of ordinary shares adjusted for the effect of dilution	300,074,311	296,145,297
Basic EPS - profit or loss attributable to equity holders of the Parent Company	**-0.03**	**0.54**
Diluted EPS - profit or loss attributable to equity holders of the Parent Company*	**-0.03**	**0.51**

The weighted average number of ordinary shares includes the effect of the 1:5 share split for shares issued for no consideration on July 14, 2020 as if it occurred at January 1, 2019 according to IAS 33.28. This is to ensure that the earnings per share for the periods presented are comparable.

*For 2021 the ordinary shares are not adjusted for the effect of dilution as the effect of including the additional shares is antidilutive.

4.10 Investment in Subsidiaries

The following subsidiaries have been included in the financial statements:

Subsidiaries as of December 31, 2021	Established year	Location	Share ownership	Voting Rights
Nykode Therapeutics Denmark A/S	2021	Denmark	100 %	100 %

All intellectual property (IP) is owned by Nykode Therapeutics AS. Nykode Therapeutics AS is the ultimate parent company of the Group. All subsidiaries invoice Nykode Therapeutics AS according to the Group's transfer pricing policy.

Investments in subsidiaries are accounted for at cost

5.1 Taxes

ACCOUNTING POLICIES

Current income tax

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity (OCI) and not in the statement of profit or loss.

Deferred tax

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has USD 25.9 million as at December 31, 2021 (USD 31.7 million as at December 31, 2020) of tax losses carried forward. Tax losses carried forward for the Parent Company are USD 25.9 million in 2021 (USD 31.7 million in 2020). These losses relate to historical losses in the Parent Company. The tax loss carried forward from Norwegian entities may be offset against future taxable income and will not expire.

In 2018 and 2019 the tax loss carried forward was not recognized in the balance sheet as the Parent Company had determined that it had no basis for recognizing the deferred tax assets on the tax losses carried forward.

5.1 Taxes (Continued)

Group

Current income tax expense:	2021	2020
Income tax payable	26	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-1,730	31,130
Currency effects		-
Total income tax expense	**-1,704**	**31,130**

Deferred tax relates to the following:	31.12.2021	31.12.2020
Property, plant and equipment	325	13
Other current assets	193,858	187,320
Other liabilities	-35,265	-14,094
Losses carried forward	-25,916	-31,737
Unused tax losses for which no deferred tax asset	-	-
Currency effects	647	-
Basis for deferred tax	**133,648**	**141,502**
Deferred tax liabilities in the statement of financial position	**29,400**	**31,130**

Reconciliation of income tax expense	2021	2020
Profit or loss before tax	**-11,117**	**180,905**
Tax expense 22% (Norwegian tax rate)	-2,446	39,799
Permanent differences*	605	447
Currency effects	136	-767
Effect of not recognizing deferred tax assets	-	-8,348
Recognized income tax expense	**-1,704**	**31,130**

Parent

Current income tax expense:	2021	2020
Income tax payable	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-1,731	31,130
Total income tax expense	**-1,731**	**31,130**

Deferred tax relates to the following:	31.12.2021	31.12.2020
Property, plant and equipment	325	13
Other current assets	193,856	187,320
Other liabilities	-35,265	-14,094
Losses carried forward	-25,916	-31,737
Unused tax losses for which no deferred tax asset	-	-
Currency effects	633	-
Basis for deferred tax	**133,633**	**141,502**
Deferred tax liabilities in the statement of financial position	**29,399**	**31,130**

The Parent Company's operations are subject to income tax in Norway. The statutory income tax rate is 22% for both periods.

A reconciliation of the differences between the theoretical tax expense under the rate applicable in Norway and the actual tax expense is as follows:

Reconciliation of income tax expense	2021	2020
Profit or loss before tax	**-10,329**	**180,905**
Tax expense 22% (Norwegian tax rate)	-2,272	39,799
Permanent differences*	401	447
Currency effects	139	-767
Effect of not recognizing deferred tax assets	-	-8,348
Recognized income tax expense	**-1,731**	**31,130**

* The permanent differences are related to other non-deductible costs less SkatteFUNN.

6.1 Remuneration to Executive Management and the Board of Directors

Remuneration to the Board of Directors
Remuneration for the members of the Board of Directors is determined by the Annual General Meeting (AGM). The remuneration is not linked to the Group's performance but reflects the Board of Director's responsibilities, expertise, time and commitment.

The Board members also receive compensation for their services through options. The conditions for these grants and the terms and assumptions are disclosed in note 4.8. The Board members holdings of options are summarized further below.

Remuneration to Executive Management
The Board of Directors of Nykode Therapeutics AS determines the principles applicable to the Group's policy for compensation to the executive management team. The Board of Directors is directly responsible for determining the CEO's salary and other benefits. The Group's executive management team includes the Chief Executive Officer ("CEO"), the Chief Innovation & Strategy Officer ("CISO"), the Chief Financial Officer ("CFO"), the Chief Scientific Officer ("CSO"), the Chief Technical Officer ("CTO"), the Chief Medical Officer ("CMO") the Chief Human Resources Officer ("CHRO"), the Head of Project and Alliance Management and the Head of QA.

Principles for determining salary
The main principle for determining salary for each executive management member has been a fixed annual salary with the addition of benefits in kind such as telephone, insurance and internet subscription subscription. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

Pension
All executive management are members of the defined contribution pension scheme.

Share option plan
Members of the executive management team have been granted share options under Nykode's share option plans, described in note 4.8. The share options held by the executive management team is summarized further below.

Bonus
The CEO has a compensation package which includes an annual bonus payment of up to 25% of fixed annual salary. The bonus is determined by the Board of Directors, based on an assessment of achievements.

Severance Arrangements
If the CEO is terminated by the Board of Directors, he is entitled to severance pay of 8 months in addition to the ordinary notice period of 3 months.

For other members of the executive management team, there will be an individual assessment of severance packages that are reasonable in relation to responsibility and seniority and the reason for the termination of the employment.

Loans and guarantees
No loans have been granted and no guarantees have been issued to the executive management or any member of the Board of Directors.

6.1 Remuneration to Executive Management and the Board (Continued)

Remuneration to Executive Management for the year ended December 31, 2021:

Name	Title	Salary	Bonus	Pension	Other compensation	Total remuneration
Michael Engsig	CEO	330	158	20	59	567
Other Management		1,290	275	116	134	1,815
Total		**1,620**	**433**	**136**	**193**	**2,382**

Remuneration to Executive Management for the year ended December 31, 2020:

Name	Title	Salary	Bonus	Pension	Other compensation	Total remuneration
Michael Engsig	CEO	280	111	20	13	424
Other Management		638	169	44	63	914
Total		**918**	**280**	**64**	**76**	**1,338**

Remuneration to the Board of Directors:

Name	Title	2021	2020
Martin Nicklasson	Chairman of the Board	2	-
Anders Tuv	Former Chairman of the Board	82	99
Lars Lund-Roland	Board member	33	11
Bernd Robert Seizinger	Board member	53	18
Jan Haudemann-Andersen	Board member	33	11
Christian Åbyholm	Board member	33	3
Einar Jørgen Greve	Board member	33	3
Birgitte Volck	Board member	29	-
Trygve Lauvdal	Observer to the Board and former board member	32	-
Tom Edward Pike	Former Chairman of the Board	-	26
Susanne Stuffers	Former board member	18	11
Ingrid Alfheim	Former board member	-	11
Erlend Petter Skagseth	Former board member	-	11
Total compensation to Board of Directors		**348**	**204**

6.1 Remuneration to Executive Management and the Board (Continued)

Shares held by the Board of Directors:

Name	Title	31.12.2021	31.12.2020
Martin Nicklasson	Chairman of the Board	12,000	-
Anders Tuv	Former Chairman of the Board	-	-
Lars Lund-Roland	Board member	-	-
Bernd Robert Seizinger	Board member	600,000	600,000
Jan Haudemann-Andersen*	Board member	40,689,050	40,133,800
Christian Åbyholm	Board member	2,005,295	1,982,970
Einar Jørgen Greve	Board member	1,625,000	1,625,000
Birgitte Volck	Board member	-	-
Trygve Lauvdal	Observer to the Board and former board member	-	-
Susanne Stuffers	Former board member	60,000	60,000
Total		**44,991,345**	**44,401,770**

*40,455,750 of the shares are held through Datum Opportunity AS, Datum AS and Datum Finans AS.

Warrants and options held by Executive Management:

Name	Title	31.12.2021	31.12.2020
Michael Engsig	CEO	2,910,000	2,910,000
Agnete B. Fredriksen	CISO	3,834,900	4,164,900
Harald Gurvin	CFO	800,000	-
Mikkel W. Pedersen	CSO	200,000	-
Mette Husbyn	CTO	790,000	1,190,000
Siri Torhaug	CMO	1,250,000	1,250,000
Elise L. Ramse	CHRO	45,000	-
Katrine Husum	Senior director, Head of Project and Alliance Management	100,000	-
Peter Fatum	Director, Head of QA	47,542	-
Total		**9,977,442**	**9,514,900**

Warrants and options held by the Board of Directors:

Name	Title	31.12.2021	31.12.2020
Martin Nicklasson	Chairman of the Board	300,000	-
Anders Tuv	Former Chairman of the Board	800,000	800,000
Lars Lund-Roland	Board member	-	-
Bernd Robert Seizinger	Board member	-	-
Jan Haudemann-Andersen	Board member	-	-
Christian Åbyholm	Board member	100,000	100,000
Einar Jørgen Greve	Board member	150,000	150,000
Birgitte Volck	Board member	4,674	-
Trygve Lauvdal	Observer to the Board and former board member	-	-
Susanne Stuffers	Former board member	-	116,665
Erlend Petter Skagseth	Former board member	-	400,000
Total		**1,354,674**	**1,566,665**

6.2 Related party transactions

Related parties are major shareholders, members of the Board of Directors and Executive Management in the Group. Note 4.5 provides information on the major shareholders. Significant agreements and remuneration paid to Executive Management and the Board of Directors for the current and prior period is presented in note 6.1. All transactions with related parties are based on the principle of arm's length.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period:

Related party transactions in 2021	Executive Management	Board Member	Other Shareholders	Total
Payments to related parties	2,382	348	-	2,730

The payments to related parties consist of salary, bonus, pension, other compensation and board remuneration paid to Executive management and Board members. The Executive management and the Board members also held shares and options in the Parent Company at the end of the period as presented in note 6.1.

In 2021, the Parent Company has purchased services from subsidiaries for USD 1.7 million (2020: 0). During 2021, Nykode has also purchased services from Cipriano AS for USD 0.1 million (2020: 0). Cipriano AS is a company wholly owned by one of the Bord members.

Related party transactions in 2020	Executive Management	Board Member	Other Shareholders	Total
Payments to related parties	1,338	204	-	1,542

The payments to related parties consist of salary, bonus, pension, other compensation and board remuneration paid to Executive management and Board members. The Executive management and the Board members also held shares and options in the Parent Company at the end of the period as presented in note 6.1.

The Group had no related party balances at December 31, 2021 or December 31, 2020.

6.3 Events after the reporting period

ACCOUNTING POLICIES
If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognizes in the Group's financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Adjusting events
There have been no significant adjusting events subsequent to the reporting date.

Non-adjusting events
There have been no significant non-adjusting events subsequent to the reporting date.

7.1 Changes in IFRS and new standards

Standards issued but not yet effective
New or amended standards and interpretations which are effective for annual periods beginning on or after January 1, 2022 and which the Group believes are relevant and may impact the Group's financial statements and/or disclosures are discussed below. The Group has not early adopted any standards or amendments that have been issued, but are not yet effective.

Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond June 20, 2021
In May 2020, the IASB issued COVID-19-Related Rent Concessions - Amendment to IFRS 16 Leases. The Board amended the standard to provide an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, on March 31, 2021 the IASB extended the period of application of the practical expedient to June 30, 2022.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions described in IFRS 16 paragraph 46B are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before June 30, 2021 and increased lease payments that extend beyond June 30, 2021)
- There is no substantive change to other terms and conditions of the lease

The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

The amendments are not expected to have a significant impact on the Group's financial statements.

Amendments to IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors
The changes to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. In the amended standard, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments further explain how entities use measurement techniques and inputs to develop accounting estimates and states that these can include estimation and valuation techniques.

The amended standard further clarifies that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. Also, the amendments emphasize that a change in an accounting estimate that results from new information or new development is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior periods

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Group has not early implemented the amendments. The amendments are not expected to significantly impact the consolidated financial statements of the Group.

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Nykode Therapeutics AS, which comprise:

- The financial statements of the parent company Nykode Therapeutics AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Nykode Therapeutics AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:
- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Other Information
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

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

Based on our knowledge obtained in the audit, it is our opinion that 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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Oslo, 31 March 2022
Deloitte AS

Reidar Ludvigsen
State Authorized Public Accountant

This document is signed electronically.

CORPORATE INFORMATION

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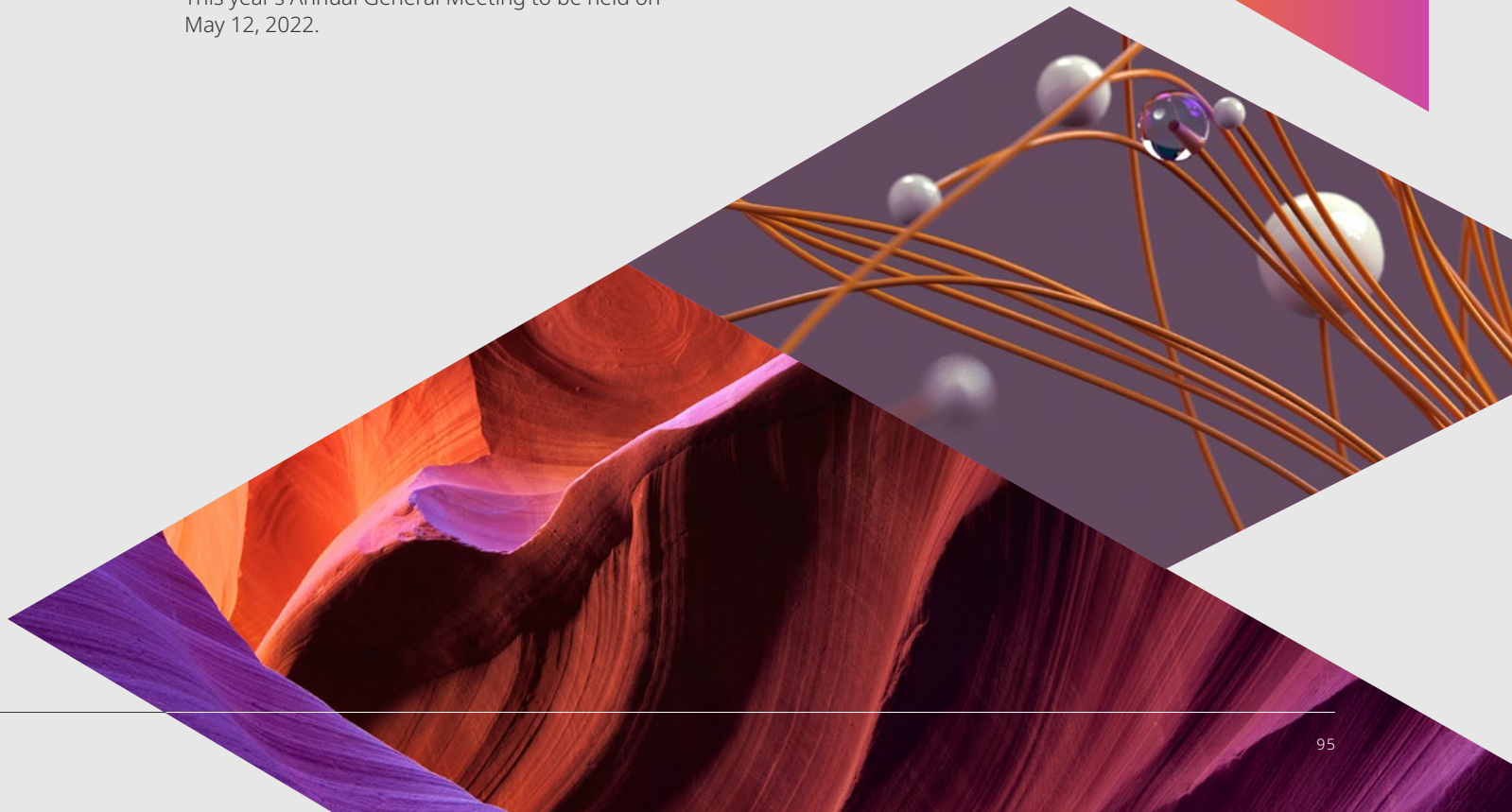
Annual General Meeting
This year's Annual General Meeting to be held on May 12, 2022.



GLOSSARY

Antigen
An antigen is a molecule recognized by the immune system. "Non-self" antigens are identified as intruders and attacked by the immune system.

APC
Antigen Presenting Cells (APC) are part of the immune system and are cells that display antigens on their surfaces and present them to T cells.

B cell
Immune cells, also known as B lymphocytes, are responsible for mediating the production of antigen-specific antibodies.

CD4+ T cells
Immune cells able to activate and help other immune cells by releasing signaling molecules, thereby orchestrating an optimal immune response, also known as helper T cells.

CD8+ T cells
Immune cells able to kill cancer or virus-i-nfected cells, also known as cytotoxic or killer T cells.

Checkpoint inhibitor
Checkpoint inhibitors, also known as immune checkpoint inhibitors, is a type of drug that activates the immune system to fight cancer. The drug prevents the "off" signal, which then enables the immune system to become activated.

CMC
Chemistry, Manufacturing and Controls.

DNA
Deoxyribonucleic acid (DNA) is the hereditary material found in every cell and is unique for each individual. DNA consists of genes that encode for proteins.

DNA vaccine
Vaccines are made to induce an immune response to an antigen, to boost the immune system. When the antigen is delivered as a DNA molecule (plasmid), it is called a DNA vaccine.

COVID-19
Coronavirus disease 2019, COVID-19, is a contagious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The first known case was identified in December 2019. The disease has since spread worldwide, leading to pandemic.

Epitope
An epitope is the part of an antigen that is recognized by the immune system, specifically by antibodies, B cells, or T cells. For example, the epitope is the specific piece of the antigen to which a T cell binds.

HPV
Human papillomavirus. There are several strains, and HPV16 is the strain most associated with cancer.

HSIL
High-grade squamous intraepithelial lesions of the cervix. This corresponds to cervical intraepithelial neoplasia grade 2/3 (CIN 2/3).

Immuno-oncology
Cancer immunotherapy, also called immuno-oncology, is a type of cancer treatment that helps the immune system fight cancer.

Individualized vaccine
On-demand vaccine designed and manufactured specifically for each individual patient.

IP
Intellectual property such as patents and know-how.

MIP-1α
A chemokine that attracts APC and ensures binding to receptors on the surface of APC. It is used as a targeting module in Vaccibody vaccines.

Mutation
A change or alteration that occurs in the DNA. Mutations may lead to cancer, and these mutations may be identified and recognized by the immune system.

Neoantigen
Novel tumor-specific antigens derived from somatic gene mutations in cancer cells that are solely expressed on a patient's tumor. These mutations may be regarded as truly foreign by the immune system.

NKTR-214
NKTR-214, or bempegaldesleukin, is an immunotherapeutic drug in clinical development by Nektar Therapeutics.

Off-the-shelf vaccine
Vaccine that can be manufactured, stored and may be used to treat large patient groups.

Plasmid
A small DNA molecule carrying genes that can be expressed as proteins within a host cell.

Prophylactic vaccines
Prophylactic vaccines are vaccines that may prevent disease before it occurs, whereas therapeutic vaccines are administered after an individual has already been affected by the disease or infection.

R&D
Research and development.

RNA
Ribonucleic acid (RNA) is a polymeric molecule essential in various biological roles in coding, decoding, regulation and expression of genes. All of the RNA in a natural cell is made by DNA transcription.

SARS-CoV-2
SARS-CoV-2, severe acute respiratory syndrome coronavirus 2, is the virus that causes COVID-19. See also COVID-19.

T cell
Immune cells of key importance to the immune system recognizing and fighting specific pathogens or cancer antigens. See also CD4+ T cells and CD8+ T cells.

Vaccibody™ technology platform
A proprietary vaccine delivery platform intended to make more efficacious vaccines by targeting the antigen to APC.

VB10.16
Nykode Therapeutics' off-the-shelf drug candidate targeting HPV16-induced malignancies such as cervical cancer.

VB10.COV2
Nykode Therapeutics' COVID-19 vaccine program. It covers two vaccine candidates: VB10.2210, a T cell focused candidate designed to induce broadly protective T cell responses; and VB10.2129, a RBD vaccine candidate tailored to generate RBD-specific antibody and T cell immunity.

VB10.NEO
A Vaccibody individualized drug candidate where each vaccine is designed based on each patient's cancer-specific gene alterations (mutations). VB10.NEO is exclusively licensed to Genentech.

VB10.2129
A COVID-19 vaccine candidate encoding the receptor-binding domain (RBD) derived from the B1.351 (Beta) variant of concern of SARS-CoV-2. The aim is to generate RBD-specific antibody and T cell immunity.

VB10.2210
A T cell-focused COVID-19 vaccine candidate, encoding multiple validated immunodominant, conserved T-cell epitopes spanning multiple antigens across the SARS-CoV-2 genome. The aim is to induce broadly protective T cell responses.

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