nykode therapeutics

INTERIM REPORT

1ST QUARTER 2023

Oslo, Norway, May 12, 2023 – Nykode Therapeutics ASA (OSE: NYKD), a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies, today announced its unaudited financial results for the quarter ended March 31, 2023.

FINANCIAL RESULTS FOR Q1 2023

- Total revenue and other income of USD 3.3 million, compared to USD 1.0 million for the first quarter of 2022.
- Total operating expenses of USD 18.0 million, compared to USD 9.6 million for the first quarter of 2022.
- Net loss of USD 10.4 million, compared to a net loss of USD 6.9 million for the first quarter of 2022.
- Strong cash position of USD 186.2 million as of March 31, 2023.

HIGHLIGHTS FOR Q1 2023

- Nykode announced collaboration with the gynecologic study group GOG Foundation to conduct the planned VB-C-04 trial in advanced cervical cancer.

Highlights after March 31, 2023:

- Nykode announced positive final results from its Phase 2 trial of VB10.16 in combination with PD-L1 inhibitor atezolizumab in advanced cervical cancer.

Michael Engsig, Chief Executive Officer at Nykode, comments:

"Nykode has seen the best possible start to 2023, with the outstanding VB10.16 clinical data in advanced cervical cancer which validates both the product and the entire Nykode technology platform. The unmet medical need in patients with advanced cervical cancer is high. The clinical data show overall median survival of more than 25 months observed in PD-L1 positive patients and brings great hope for the future. Based on the encouraging data, we are now planning a potentially fast path to market with a registrational trial in the U.S. starting during 4Q this year as well as the initiation of a second development program with VB10.16 in head and neck cancer-patients."

KEY FINANCIAL FIGURES

	1st Quarter		Full year
Amounts in USD '000	**2023**	2022	2022
Total revenue and other income	3,306	1,024	9,029
Total operating expenses	17,989	9,647	62,185
Operating profit (loss)	**(14,683)**	**(8,623)**	**(53,156)**
Net profit (loss) for the period	**(10,361)**	**(6,898)**	**(42,743)**
Net cash flow	(20,151)	9,450	(9,285)
Cash and cash equivalents, end of period	186,163	225,681	206,386
Outstanding shares, end of period	295,494,309	289,919,409	294,694,309
Cash and cash equivalents/total assets	91%	89%	93%
Equity ratio	72%	74%	71%
Equity	148,260	188,641	157,018
Total assets	205,272	254,973	221,477
Employees, average	154	114	132
Employees, end of period	158	128	155

R&D UPDATE

Nykode's modular immunotherapy technology platform is versatile and may be adapted to generate immune therapies inducing the desired immune response profile. Hence, Nykode's platform may be applied across a broad range of oncology, infectious disease and autoimmune disorders.

Oncology

VB10.16

VB10.16 is a therapeutic vaccine directed against HPV16+ induced malignancies. The product candidate is wholly owned by Nykode.

- Clinical trial VB-C-02:
  - 3 mg dose, in combination with atezolizumab[1]
  - Cancer indication: HPV16+ advanced, non-resectable cervical cancer
  - Clinical stage: Phase 2
  - Fully enrolled and has reported final efficacy and safety results
  - ClinicalTrials.gov Identifier: NCT04405349
- Clinical trial VB-C-03:
  - 3 mg and 9 mg dose, in combination with pembrolizumab[2]
  - Cancer indication: HPV16+ non-resectable, recurrent or metastatic squamous cell head and neck cancer
  - Clinical stage: Phase 1/2a
  - ClinicalTrials.gov Identifier: TBD
- Clinical trial VB-C-04:
  - VB10.16, in combination with a Check Point Inhibitor (CPI). (Dose of VB10.16 yet to be decided)
  - Cancer indication: HPV16+ recurrent/metastatic cervical cancer and PD-L1 positive tumors
  - Clinical stage: Phase 2 – potentially registrational trial
  - ClinicalTrials.gov Identifier: TBD

Status and highlights

The VB-C-02 trial in cervical cancer patients reported positive final efficacy and safety data after the close of the first quarter. The results showed durable anti-tumor activity with a median overall survival of more than 25 months (median has not yet been reached) and a median progression free survival of 6.3 months in PD-L1+ patients. VB10.16 was safe and well tolerated in combination with atezolizumab. The data announced indicates an enhanced clinical activity over checkpoint inhibitor monotherapy and existing standard of care and supports the next steps for the potentially registrational VB-C-04 trial which focus on PD-L1+ patients with up to one prior line of systemic therapy.

For the overall population, which also includes patients with PD-L1- tumors, the median overall survival was 16.9 months, while the median progression free survival was 4.1 months. The overall response rate (ORR) was 29% in PD-L1+ patients (19% in overall population) and the disease control rate (DCR) was 75% in PD-L1+ (60% in overall population). The duration of response in the overall population was 17.1 months. In PD-L1+ patients with one prior line of systemic treatment, the ORR was 40% and DCR 80% with a median progression free survival of 16.9 months and median overall survival more than 25 months (not reached).

Interestingly, HPV16-specific IFN-g T cell responses were significantly correlated with clinical activity.

For the VB-C-03 trial in head and neck cancer patients, Nykode expects to open the first clinical site during the second quarter 2023.

For the VB-C-04 trial in advanced cervical cancer, Nykode announced a collaboration with gynecologic study group GOG Foundation to conduct the VB-C-04 trial. GOG Foundation is a U.S. based expert group focused on gynecological cancer and has a 50-year history of designing and executing successful clinical trials in cervical cancer in partnerships with the industry. The advice and support from the GOG Foundation will increase the quality and help facilitate the execution of the trial.

[1] Atezolizumab is supplied by Roche. Nykode retains all commercial rights to VB10.16 worldwide.

[2] Pembrolizumab is supplied by Merck. Nykode retains all commercial rights to VB10.16 worldwide.

VB10.NEO

VB10.NEO is an individualized neoantigen cancer vaccine targeting multiple cancer indications. VB10.NEO is exclusively licensed to Genentech, a member of the Roche group.

- Clinical trial VB-N-01:
  - VB10.NEO, 3 mg dose in combination with a CPI
  - Cancer indications: Melanoma, non-small cell lung cancer (NSCLC), clear renal cell carcinoma, urothelial cancer or squamous cell carcinoma of the head and neck (SCCHN)
  - Clinical stage: Phase 1/2a
  - Fully enrolled
  - ClinicalTrials.gov Identifier: NCT03548467
- Clinical trial VB-N-02:
  - VB10.NEO, 3-9 mg dose escalation, in combination with atezolizumab
  - Cancer indications: Locally advanced and metastatic tumors covering more than ten indications
  - Clinical stage: Phase 1b
  - ClinicalTrials.gov Identifier: NCT05018273

Status and highlights

After the close of first quarter 2023, Nykode announced that a poster on the Phase 1/2a clinical trial of VB10.NEO, Nykode's individualized neoantigen cancer vaccine, would be presented at the 2023 American Association for Cancer Research Annual Meeting.

Discovery oncology pipeline

Nykode has seen good progress in its internal discovery-stage off-the-shelf oncology vaccine projects. The discovery oncology vaccine projects aim at targeting different antigens of relevance for multiple cancers. Nykode expects to have nominated a lead vaccine candidate end of year 2023.

Infectious Diseases

Nykode's infectious disease initiative continues to generate data supporting the potential of the platform to generate immune responses, and it is exploring and evaluating a diverse set of pathogens as potential next future clinical vaccine targets.

VB10.COV2

Nykode's focus has been on investigating vaccine candidates which would supplement existing COVID vaccines, including a T cell focused vaccine using Nykode's modular and Antigen Presenting Cell (APC) targeted technology.

- Clinical trial VB-D-01:
  - Open label, dose escalation trial investigating the two vaccine candidates, VB2129 and VB2210
  - Pathogen: SARS-CoV-2
  - Clinical stage: Phase 1/2
  - Fully enrolled
  - ClinicalTrials.gov Identifier: NCT05069623

VB10.2129 (RBD candidate) – 2nd generation vaccine addressing novel variants of concern

VB10.2129 encodes for the receptor-binding domain (RBD) of the spike glycoprotein of SARS-CoV-2 Beta variant of concern, B1.351.

VB10.2210 (T cell candidate) – 3rd generation universal broadly protective T cell vaccine

T cells appear central in maintaining the protection against severe disease and death across current variants of concern. Nykode aims to induce a broad T cell response against validated epitopes from multiple SARS-CoV-2 antigens. The aim is to induce long-lasting protective immunity across all population groups and across current and future variants.

Status and highlights

Nykode has taken the strategic decision not to further pursue the development of its novel COVID vaccine candidates on its own, and instead explore the optimal partnering opportunities.

Autoimmune disorders

Autoimmune disorders are caused by unwanted immunogenicity to self-antigens. Antigen-specific tolerization for the treatment of autoimmune diseases has the potential to suppress autoimmunity without compromising normal immune function.

Nykode's platform is uniquely positioned to induce tolerogenic T cell responses through specific targeting of tolerizing antigen specific cells. Initial preclinical proof-of-concept studies with tolerizing vaccine constructs are encouraging. Nykode has demonstrated the ability to increase antigen specific T regulatory cells and to shift the cytokine balance towards an immune suppressive profile in mice models. Further validation of the concept is ongoing in preclinical models.

The company plans to provide further preclinical data from the tolerance platform during the third quarter of 2023.

4th Module, novel vaccine formats

The 4th module platform allows Nykode to introduce additional new coding regions to the vaccine with the purpose of further boosting or directing the immune responses.

Nykode has demonstrated how the Vaccibody™ molecule can be co-expressed with various immune-modulatory polypeptides. Compared to the Vaccibody molecule alone, the simultaneous expression of selected immune stimulatory cytokines was shown to boost the overall immune response of cancer vaccines and to stimulate an enhanced anti-tumor immune response in preclinical models. Similar, 4th module cytokines have also been demonstrated to boost T cell and antibody responses induced by a SARS-CoV-2 subunit vaccine in preclinical models. An additional 5th and 6th module may be added to even further boost and/or direct the immune responses. Nykode continues to explore the potential of additional immune modulatory polypeptides and combinations of these.

FINANCIAL REVIEW

(Numbers in brackets are for the corresponding period the previous year unless otherwise specified)

Income statement for the first quarter 2023

The first quarter of 2023 showed a net loss of USD 10.4 million compared to a net loss of USD 6.9 million for the same period in 2022.

Total revenue and other income amounted to USD 3.3 million, compared to USD 1.0 million for the same period in 2022. The increase is mainly due to the increased activities related to the R&D services provided over time under the agreements with Genentech and Regeneron.

Total operating expenses amounted to USD 18.0 million, compared to USD 9.6 million for the same period in 2022. Other operating expenses increased from USD 7.9 million in the first quarter of 2022 to USD 10.9 million in the first quarter of 2023, driven by increased operating activities. Employee benefit expenses were USD 6.7 million in the first quarter of 2023 (USD 1.3 million). The increase in employee benefit expenses is due to the increased number of employees and a USD 4.8 million decrease in social security cost accrual related to share-based payments in the first quarter of 2022. This accrual is dependent on the share price as Nykode is required to accrue for the social security cost for all warrants and options that are in-the-money at the balance sheet date. This relates to both the current and the non-current portion. The reduction in the first quarter of 2023 amounted to USD 0.2 million (USD 4.8 million).

Net financial income and expenses was positive USD 2.7 million in the first quarter of 2023 (USD 0.1 million). Finance income and finance expense mainly relate to interest income and movements in foreign currency exchange rates.

The Group recognized tax income of USD 1.6 million in the first quarter of 2023 compared to a tax income of USD 1.7 million in the same period of 2022. The income tax expense is primarily related to movement in deferred tax.

Statement of financial position

Cash and cash equivalents amounted to USD 186.2 million at March 31, 2023 compared to USD 206.4 million at December 31, 2022. The decrease in cash is mainly a result from operating activities.

Total equity amounted to USD 148.3 million at March 31, 2023, compared to USD 157.0 million at December 31, 2022. The change mainly reflects the net loss for the period of USD 10.4 million, the exercise of warrants and recognition of share-based payments.

Trade receivables amounted to USD 0.0 million at March 31, 2023, compared to USD 2.5 million at December 31, 2022.

Trade and other payables amounted to USD 7.3 million at March 31, 2023, compared to USD 10.2 million at December 31, 2022. The decrease is mainly due to a reduction in accounts payable at the end of the quarter compared to year-end.

At March 31, 2023, total contract liability amounted to USD 17.2 million, compared to a contract liability of USD 19.7 million at December 31, 2022. The contract liability is mainly due to timing of invoicing to Genentech as well as recognition of the service component under the Genentech agreement.

Cash flow in the first quarter ending March 31, 2023

Net change in cash and cash equivalents was negative USD 20.2 million in the first quarter of 2023 compared to positive USD 9.5 million for the same period in 2022.

Net cash flow from operating activities was negative USD 20.0 million in the first quarter of 2023 (USD 10.9 million positive). The decrease was primarily driven by a higher loss before tax in the first quarter of 2023, compared to 2022, and the receipt of a USD 20 million milestone payment in the first quarter of 2022.

Cash flow from investing activities was negative USD 0.7 million in the first quarter of 2023 (USD 1.6 million positive). The amounts mainly relate to the purchase of property, plant and equipment.

Cash flow from financing activities was positive USD 0.5 million in the first quarter of 2023 (USD 0.1 million positive). The amounts primarily relate to issuance of equity.

OUTLOOK FOR THE NEXT 12 MONTHS

Expected outlook and upcoming milestones for Nykode's wholly owned programs include:

First patient dosed in the VB-C-03 (VB10.16) dose escalation trial in combination with KEYTRUDA® in patients with squamous cell carcinoma of the head and neck in the first half of 2023.
Initiation of the VB-C-04 trial (VB10.16), a U.S. focused potentially registrational trial in patients with recurrent/metastatic advanced cervical cancer in the fourth quarter of 2023.
Nomination of an additional oncology development candidate for a new internal oncology program in the fourth quarter of 2023.
Updated survival data from the VB-C-02 (VB10.16) Phase 2 trial enrolling patients with advanced cervical cancer planned for the first quarter of 2024.
Updated preclinical data from Nykode's antigen-specific immune tolerance project expected in the third quarter of 2023.

The company is in continuous dialogue with academic and industrial entities and will announce new key collaborations and partnerships if or when they may occur. News flow from the programs under the Genentech and Regeneron agreements is subject to approval by the respective partners.[3]

Disclaimer

This announcement and any materials distributed in connection with this announcement may contain certain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they reflect the company's current expectations and assumptions as to future events and circumstances that may not prove accurate.

A number of material factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

About Nykode

Nykode Therapeutics is a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies for the treatment of cancer and infectious diseases. Nykode's modular vaccine technology specifically targets antigens to Antigen Presenting Cells, which have been shown to induce 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 (HPV)-16 induced malignancies which demonstrated positive interim efficacy and safety results from its Phase 2 trial for the treatment of cervical cancer; and VB10.NEO, an individualized cancer neoantigen vaccine, which is exclusively out-licensed to Genentech, a member of the Roche Group. Additionally, Nykode is conducting a Phase 1/2 trial with next-generation COVID-19 vaccine candidates.

The company's partnerships include Genentech 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 Therapeutics' shares are traded on Oslo Stock Exchange (OSE). The ticker code is NYKD. Further information about Nykode Therapeutics may be found at http://www.nykode.com or you may contact the company at IR@nykode.com

[3] KEYTRUDA® is a registered trademark of Merck Sharp & Dohme LLC, a subsidiary of Merck & Co., Inc., Rahway, NJ, USA.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

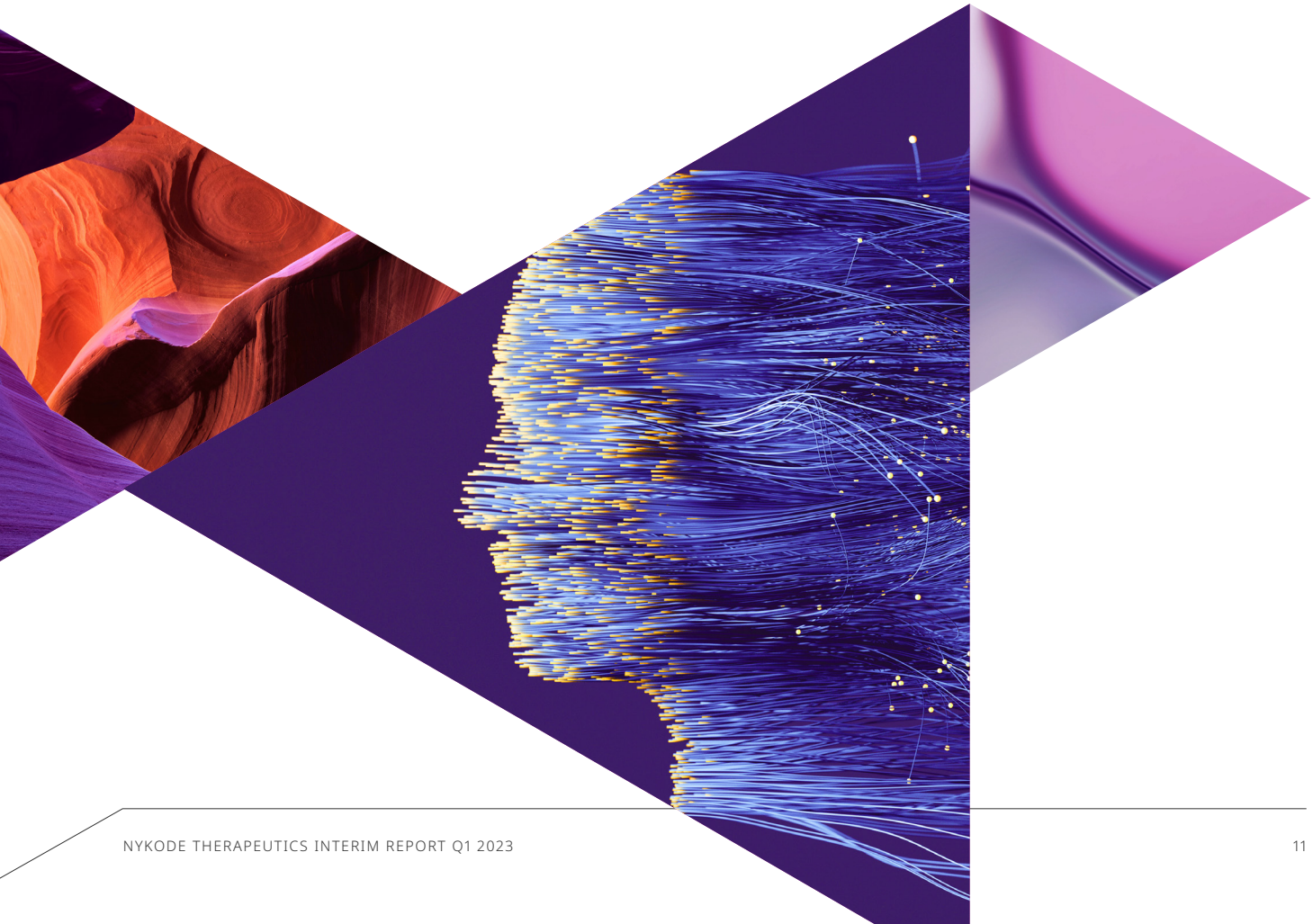
Amounts in USD '000	Notes	**Q1 2023**	Q1 2022
Revenue from contracts with customers	4	3,126	716
Other income	5	181	309
Total revenue and other income		**3,306**	**1,024**
Employee benefit expenses	6.1	6,657	1,288
Other operating expenses	6.2	10,867	7,905
Depreciation		465	454
Operating profit (loss)		**(14,683)**	**(8,623)**
Finance income		3,308	663
Finance costs		618	597
Profit (loss) before tax		**(11,993)**	**(8,557)**
Income tax expense (income)		(1,631)	(1,659)
Profit (loss) for the period		**(10,361)**	**(6,898)**
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Foreign currency translation effects		—	(21)
Total items that may be reclassified to profit or loss		—	(21)
Total other comprehensive income for the period		**—**	**(21)**
Total comprehensive income for the period		**(10,361)**	**(6,919)**
Earnings per share ("EPS"):			
Basic EPS - profit or loss attributable to equity holders		(0.04)	(0.02)
Diluted EPS - profit or loss attributable to equity holders		(0.04)	(0.02)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Amounts in USD '000	Notes	31/03/2023	31/12/2022
ASSETS			
Non-current assets			
Property, plant and equipment		3,734	3,517
Right-of-use assets		6,302	6,009
Intangible assets		29	32
Other long-term receivables	4	47	46
Total non-current assets		**10,112**	**9,604**
Current assets			
Trade receivables		11	2,544
Other receivables		8,986	2,943
Cash and cash equivalents		186,163	206,386
Total current assets		**195,160**	**211,873**
TOTAL ASSETS		**205,272**	**221,477**
EQUITY AND LIABILITIES			
Equity			
Share capital	7	339	338
Share premium		84,145	83,318
Other capital reserves		12,469	11,694
Other components of equity		(3,044)	(3,044)
Retained earnings		54,351	64,712
Total equity		**148,260**	**157,018**
Non-current liabilities			
Non-current lease liabilities		4,335	4,365
Non-current provisions		10	30
Deferred tax liabilities		19,528	21,079
Total non-current liabilities		**23,873**	**25,474**
Current liabilities			
Government grants	5	—	133
Current lease liabilities		1,168	1,147
Trade and other payables		7,293	10,175
Current provisions		7,480	7,714
Current contract liabilities	4	17,198	19,736
Income tax payable		—	80
Total current liabilities		**33,139**	**38,985**
Total liabilities		**57,012**	**64,459**
TOTAL EQUITY AND LIABILITIES		**205,272**	**221,477**

Oslo, May 11, 2023

Martin Nicklasson Chair of the Board	**Anders Tuv** Board Member	**Bernd Robert Seizinger** Board Member
Harald Arnet Board Member	**Birgitte Volck** Board Member	**Christian Åbyholm** Board Member
Anne Whitaker Board Member	**Elaine Sullivan** Board Member	**Michael Thyrring Engsig** CEO



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Amounts in USD '000	Notes	**Q1 2023**	Q1 2022
Cash flows from operating activities			
Profit (loss) before tax		(11,993)	(8,557)
Adjustments to reconcile profit before tax to net cash flows:			
Net financial items		(2,479)	(153)
Depreciation of property, plant and equipment		136	93
Depreciation of Right-of-use assets		329	362
Share-based payment expense		775	1,024
Working capital adjustments:			
Changes in trade receivables and other receivables		(1,303)	21,395
Changes in contract assets and other long-term receivables	4	(1)	1,988
Changes in trade and other payables and other liabilities		(2,543)	(1,236)
Changes in contract liabilities, current provisions and government grants		(2,904)	—
Changes in non-current provisions		(20)	(3,992)
Net cash flows from operating activities		**(20,004)**	**10,923**
Cash flows from investing activities			
Purchase of property, plant and equipment		(692)	(1,597)
Interest received		1	—
Net cash flows from investing activities		**(692)**	**(1,597)**
Cash flow from financing activities			
Proceeds from issuance of equity		828	480
Payments of the principal portion of the lease liability		(238)	(292)
Payments of the interest portion of the lease liability		(46)	(60)
Interest paid		—	(5)
Net cash flows from financing activities		**544**	**124**
Net increase/(decrease) in cash and cash equivalents		**(20,151)**	**9,450**
Cash and cash equivalents at beginning of the year/period		206,386	216,231
Net foreign exchange difference		(72)	1
Cash and cash equivalents, end of period		**186,163**	**225,681**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Amounts in USD '000	Share capital	Share premium	Other capital reserves	Other components of equity	Retained earnings	Total equity
Balance at December 31, 2022	**338**	**83,318**	**11,694**	**(3,044)**	**64,712**	**157,018**
Profit (loss) for the period	—	—	—	—	(10,361)	**(10,361)**
Other comprehensive income	—	—	—	—	—	**—**
Issue of share capital	1	827	—	—	—	**828**
Share based payments (Note 10)	—	—	775	—	—	**775**
Balance at March 31, 2023	**339**	**84,145**	**12,469**	**(3,044)**	**54,351**	**148,260**

Amounts in USD '000	Share capital	Share premium	Other capital reserves	Other components of equity	Retained earnings	Total equity
Balance at December 31, 2021	**333**	**81,526**	**7,863**	**(3,122)**	**107,455**	**194,055**
Profit (loss) for the period	—	—	—	—	(6,898)	**(6,898)**
Other comprehensive income	—	—	—	(21)	—	**(21)**
Issue of share capital	1	480	—	—	—	**481**
Share based payments (Note 10)	**—**	**—**	1,024	—	—	**1,024**
Balance at March 31, 2022	**334**	**82,006**	**8,887**	**(3,143)**	**100,557**	**188,641**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 General Information

The condensed consolidated interim financial statements of Nykode Therapeutics ASA and its subsidiary ("Nykode" or "the Group") for the period ended March 31, 2023 were authorized by the Board of Directors on May 11, 2023. Nykode's shares are traded on the Oslo Stock Exchange, with the ticker symbol NYKD. Nykode Therapeutics ASA 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 novel immunotherapies for the treatment of cancer and infectious diseases. Nykode's modular vaccine technology specifically targets antigens to Antigen Presenting Cells, which have been shown to induce broad, 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 demonstrated positive efficacy and safety results from its Phase 2 trial for the treatment of cervical cancer; and VB10.NEO, an individualized cancer neoantigen vaccine, which is exclusively out licensed to Genentech Inc. ("Genentech"), a member of the Roche Group. Additionally, Nykode is running a Phase 1/2 trial with next-generation COVID-19 vaccine candidates. The Group has collaborations with Genentech 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.

2 Basis of preparation and significant account policies

The condensed consolidated interim financial statements of the Group comprise statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and selected explanatory notes. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union ("EU"). The condensed consolidated interim financial statements are unaudited.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Nykode's annual financial statements as at December 31, 2022. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of Nykode's annual financial statements for the year ended December 31, 2022.The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The interim financial statements are presented in United States dollar (USD) which is also the functional currency of the parent company. Amounts are reported in whole thousands (USD '000) except when otherwise stated. Further, the interim financial statements are prepared based on the going concern assumption.

3 Significant accounting judgements, estimates and assumptions

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.

In preparing the condensed consolidated interim financial statements, the significant judgments, estimates and assumptions made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those applied to Nykode's annual financial statements for the year ended December 31, 2022.

4 Operating segment and Revenue from contracts with customers

The Group is organized as one operating segment.

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

Non-current assets	**31/03/2023**	31/12/2022
Norway	10,075	9,553
Denmark	42	51
Total non-current assets	**10,117**	**9,604**

Revenue from contracts with customers

Revenue from contracts with customers relates to Nykode's delivery of R&D activities to Genentech and Regeneron under the respective agreements.

Revenue from contracts with customers	**Q1 2023**	Q1 2022
Major products and services		
R&D commitments	3,126	715
Total revenue	**3,126**	**715**

Geographical distribution	**Q1 2023**	Q1 2022
United States of America	3,126	715
Total revenue	**3,126**	**715**

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

Timing of revenue recognition	**Q1 2023**	Q1 2022
Goods/services transferred at a point in time	588	193
Services transferred over time	2,538	522
Total revenue	**3,126**	**715**

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

	2023	2022
Within one year	13,039	14,676
More than one year	4,928	10,847
Total	**17,967**	**25,523**

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 agreement with Genentech.

Contract assets/liabilities (-)	**31/03/2023**	31/12/2022
At 1 January	**(19,736)**	**(16,044)**
Transferred to trade receivables		(10,000)
Milestone payment from customer	—	—
Rendering of services in the period	2,538	6,308
Total contract assets/liabilities (-)	**(17,198)**	**(19,736)**

The changes to contract assets/liabilities in the period are related to fulfilling the performance obligation related to the service component under the agreement with Genentech, less the amount transferred to trade receivables.

5 Government grants

Grant from SkatteFUNN

The Group currently has one R&D project approved by SkatteFUNN (a Norwegian government R&D tax incentive program designed to stimulate R&D in Norwegian trade and industry). The project has been approved for the period from 2020 until June 2023. The Group has recognized USD 0.1 million in the first quarter of 2023 (Q1 2022: USD 0.1 million) classified as other income.

The Group had government grant receivables related to SkatteFUNN of USD 0.5 million as at March 31, 2023 and USD 0.5 million as at December 31, 2022.

Grant from the Research Council of Norway

The Group currently has two grants from the Research Council of Norway, programs for user-managed innovation area (BIA). The first 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 March 2024. The second 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 November 2023.

The Group has recognized USD 0.1 million in the first quarter of 2023 (Q1 2022: USD 0.2 million) classified as other income.

The Group had net grant receivables related to grant from the Research Council of Norway of USD 0.1 million as at March 31, 2023 and USD 0.2 million as at December 31, 2022.

6.1 Employee benefit expenses

Due to the decrease in Nykode's share price and the exercise of warrants during the first quarter of 2023, there is a corresponding decrease in the accrual for social security tax related to share-based payments. For the first quarter of 2023 this resulted in a decrease of employee benefit expenses of USD 0.2 million, compared to an decrease of USD 4.8 million in the first quarter of 2022.

6.2 Other operating expenses

Other operating expenses consisted mainly of research and development expenses, consulting fees and legal expenses for the first quarter of 2023 and 2022. Total research and development expenses were USD 13.2 million in the first quarter of 2023 (Q1 2022: USD 7.1 million), recognized as employee benefit expenses, other operating expenses and depreciation in the statement of comprehensive income.

7 Equity and Shareholders

Issued capital and reserves:

Share capital in Nykode Therapeutics ASA	Number of shares authorized and fully paid	Par value per share (NOK)	Share capital (USD '000)
At January 1, 2022	**289,619,409**	**0.01**	**333**
Share capital increase			
February 2, 2022	300,000	0.01	—
At March 31, 2022	289,919,409	0.01	333
Share capital increase			
April 8, 2022	150,000	0.01	—
December 20, 2022	3,834,900	0.01	4
December 22, 2022	790,000	0.01	1
At December 31, 2022	**294,694,309**	**0.01**	**338**
Share capital increase			
February 1, 2023	800,000	0.01	1
At March 31, 2023	**295,494,309**	**0.01**	**339**

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

Nykode's shareholders:

Shareholders in Nykode Therapeutics ASA at March 31, 2023	Total shares	Ownership/ Voting rights
RASMUSSENGRUPPEN AS	30,180,750	10.21%
Datum Opportunity AS	26,000,000	8.80%
Radforsk Investeringsstiftelse	24,057,000	8.14%
Victoria India Fund AS	17,255,175	5.84%
Datum AS	12,060,250	4.08%
Norda ASA	7,996,755	2.71%
Vatne Equity AS	7,400,000	2.50%
Joh Johannson Eiendom AS	6,937,641	2.35%
Om Holding AS	6,519,525	2.21%
Skøien AS	5,577,508	1.89%
Hortulan AS	5,062,604	1.71%
Portia AS	4,500,000	1.52%
Krag Invest AS	4,470,100	1.51%
Alden AS	3,632,500	1.23%
Skips AS Tudor	3,075,000	1.04%
Borgano AS	3,000,000	1.02%
Lani Invest AS	2,399,916	0.81%
Datum Finans AS	2,395,500	0.81%
The Northern Trust Comp, London Br	2,335,274	0.79%
Sarsia Seed AS	2,106,000	0.71%
Other Shareholders	118,532,811	40.11%
Total	**295,494,309**	100.00%

8 Financial instruments

Set out below is an overview of financial assets and liabilities held by the Group as at March 31, 2023 and December 31, 2022:

	Financial instruments at amortized cost	Financial instruments at fair value through profit or loss	Total
As at March 31, 2023			
Assets			
Other long-term receivables	47	—	47
Trade receivables	11	—	11
Other receivables	8,986	—	8,986
Other current financial assets			
Cash and cash equivalents	186,163	—	186,163
Total financial assets	**195,207**	**—**	**195,207**
Liabilities			
Trade and other payables	7,293	—	7,293
Non-current lease liabilities	4,335	—	4,335
Current lease liabilities	1,168	—	1,168
Total financial liabilities	**12,796**	**—**	**12,796**
As at December 31, 2022			
Assets			
Other long-term receivables	46	—	46
Trade receivables	2,544	—	2,544
Other receivables	2,943	—	2,943
Other current financial assets			
Cash and cash equivalents	206,386	—	206,386
Total financial assets	**211,919**	**—**	**211,919**
Liabilities			
Trade and other payables	10,175	—	10,175
Non-current lease liabilities	4,365	—	4,365
Current lease liabilities	1,147	—	1,147
Total financial liabilities	**15,688**	**—**	**15,688**

There are no changes in the classification and measurement of the Group's financial assets and liabilities.

9 Share based payments

The following tables illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the nine months ended:

	2023 WAEP (NOK)	2023 Number
Outstanding options at January 1	**28.52**	**10,511,058**
Options granted	25.72	48,329
Options forfeited	29.92	(214,471)
Options exercised	10.25	(800,000)
Options expired	—	—
Outstanding options at March 31	**29.78**	**9,544,916**

	2022 WAEP (NOK)	2022 Number
Outstanding options at January 1	**18.20**	**13,507,698**
Options granted	34.39	2,639,383
Options forfeited	39.38	(561,123)
Options exercised	3.33	(5,074,900)
Options expired	—	—
Outstanding options at December 31	**28.52**	**10,511,058**

10 Events after the reporting date

There are no events after the balance sheet date.

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