

Board of directors' report 2021

Operational review

PARTNERSHIPS

LTX-315 development in partnership with Verrica

In November 2021, the U.S. Food and Drug Administration (FDA) accepted Verrica's Investigational New Drug Application ("IND") for LTX-315 for the treatment of basal cell carcinoma. The collaboration with Verrica constitutes an essential part of Lytix' business strategy for LTX-315, and the FDA approval for the initiation of Verrica's Phase II study in basal cell carcinoma (BCC) adds extensive value to our development program. Verrica opened its Phase II trial of LTX-315 in the first quarter of 2022, and the study is expected to deliver a comprehensive amount of additional data in support for the therapeutic activity of LTX-315. The initiation of the study will trigger a milestone payment to Lytix.

With the Phase II study lined up to recruit patients from Q1 2022, Verrica has shown dedication to bring this novel immunotherapy forward to the clinic as a potential new non-surgical treatment for skin cancer. LTX-315 could be a remarkably innovative approach to treatment of skin cancer and represents a new paradigm beyond invasive surgery as the preferred treatment of BCC. (www.clinicaltrials.gov) NCT05188729

RESEARCH AND DEVELOPMENT

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

Based on the data from our Phase I/II study that was published in Clinical Cancer Research in May 2021, Lytix opened a Phase II clinical trial in the US in July 2021. In this clinical trial, LTX-315 will be evaluated in combination with the immune checkpoint inhibitor pembrolizumab (Keytruda®). Results from our Phase I/II study indicate that the combination of LTX-315 and pembrolizumab may work better than pembrolizumab alone. The aim of ATLAS-IT-05 is to document LTX-315's ability to enhance the number of cancer patients responding to checkpoint inhibitors.

The first patient started treatment at MD Anderson Cancer Center (MD Anderson), Texas, in December 2021. Treatment of the first patient marked an important milestone for Lytix along the path to demonstrate that Lytix' unique technology offers a solution to today's cancer treatment challenges, through activation of the body's own immune system.

The clinical trial is a multicenter study with MD Anderson as the first site and Mount Sinai Hospital as the second one. Due to the

COVID-19 pandemic's effect on number of patients available for clinical trials and the extremely competitive landscape, the company is identifying additional sites in the US and Europe with expertise within the field of intratumoral treatment which will open in 2022.

MD Anderson is one of the world's leading cancer hospitals, and the hospital where Nobel Prize winner Dr. Jim Allison works as a professor and chair of the department of immunology. Dr. Allison holds a position on Lytix' advisory board and regularly advice the company on clinical development strategies.

Enrolled patients will receive intratumoral treatment with LTX-315 in combination with systemic pembrolizumab therapy. More information about the trial is available at www.clinicaltrials.gov. (NCT04796194).

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

Lytix is currently finalizing a clinical trial at Herlev Hospital, Denmark, to assess the safety and efficacy of intratumoral administration of LTX-315 in combination with adoptive T-cell therapy in patients with advanced soft tissue sarcoma. The aim of this study is to reveal whether LTX-315's unique mechanism of action generates T cells that specifically recognize and kill the patient's tumor. Generation of such tumor antigen specific T cells will provide strong evidence of LTX-315's mode of action and strengthen its clinical potential.

Six patients have received LTX-315 treatment. Enrollment has been completed. Results are planned to be presented at an international cancer congress later this year. (www.clinicaltrials.gov) NCT03725605.

Key data presented at the Society for Immunotherapy of Cancer (SITC) 2021

In November 2021, encouraging preclinical data from a study in triple negative breast cancer (TNBC) were presented at the Society for Immunotherapy of Cancer's 36th Annual Meeting (SITC 2021). The study was a collaborative research effort between Lytix and the excellent research groups of Drs. Lorenzo Galluzzi and Sandra Demaria at Weill Cornell Medicine in New York.

Among the different subtypes of breast cancer, TNBC is the most difficult to treat. The TNBC model that was used is resistant to

checkpoint inhibitors and has several characteristics that resemble human TNBC.

An encouraging finding was that LTX-315 provided protection against metastatic lesions in the lungs when injected into breast tumors. Evenly important, this effect of LTX-315 was further improved when combined with checkpoint inhibitors. These results are congruent with and complementary to the findings documented in breast cancer patients, where tumors in the lung were reduced following LTX-315 treatment in breast lesions. The experimental analysis also gave further insight into how LTX-315 stimulates the immune system to control breast cancer progression.

These findings provide scientific rationale for the potential to combine LTX-315 with the different checkpoint inhibitors.

The detailed data presented at SITC can be reviewed in a scientific article in a leading journal within the cancer immunology field.¹

Intellectual property (IP) rights

Three new patents were granted in 2021, two in the US and one in the EU. These patents are important milestones in the company's Intellectual Property (IP) strategy and further strengthens our business case, as securing IP rights is critical for the protection of Lytix' technology platform and the long-term value generation of the company. The EU patent covers the use of LTX-315 in combination with a chemotherapeutic agent. The two new patents in the US covers the use of LTX-315 in combination with a chemotherapeutic agent and with the checkpoint inhibitor ipilimumab.

LTX-401

LTX-401 is a next-generation oncolytic molecule for targeting deep-seated lesions such as liver cancer. This candidate drug expands the application of our *in situ* vaccination technology to several additional major cancer indications. LTX-401 is currently going through a preclinical program at Aptuit in Italy for assessment of all requirements needed for starting human clinical trials. The program is expected to finish in the first half of 2022. Favorable safety data received so far confirms the suitability of LTX-401 injections in deep-seated lesions. Lytix will in 2022 prepare for a Phase I study.

LTX-122

LTX-122 is in a veterinary development program as part of the strategic partnership with Aurelius Biotherapeutics, an US-based veterinary company. Aurelius aims to use LTX-122 together with their own adoptive T-cell transfer technology to develop a treatment for B-cell lymphoma in dogs.

An overview of Lytix' pipeline is presented on page 10.

BUSINESS

On June 7, 2021, Lytix' annual general meeting approved the new composition of the board of directors. The new members are:

Marie-Louise Fjällskog, MD, PhD

Senior Life Science Executive with a long track-record within Clinical Research and business within Immunology and Oncology. Currently serves as Chief Medical Officer at Faron Pharmaceuticals Ltd, Turku, Finland and as a board Member of Biovica International AB, Sweden. Prior to Faron, she served as Chief Medical Officer at Sensei Biotherapeutics (SNSE), a Nasdaq listed immuno-oncology company. Marie-Louise also holds a position as Associate professor (docent) in Oncology, affiliated to Uppsala University.

Evelina Vågesjö, PhD and MBA

Co-founder and CEO of Ilya Pharma AB, a company developing next-generation immunotherapies based on cutting edge medical research in immunophysiology and applied microbiology. Received numerous awards within Science and Innovation, one of the winners of Innovators under 35 Europe from MIT Technology Review 2019.

Kjetil Hestdal, MD, PhD

More than 20 years of entrepreneurship bringing patented products from early stage to launches and commercialization as well as transforming a company from R&D focused to commercial focused. Has led listed companies with broad international investor relation activities – former CEO of Photocure.

Jayson Rieger, PhD and MBA

Jayson Rieger has about 15 years' experience in cross-functional scientific and business leadership roles spanning business, research operations, drug discovery and product development in the life science. He presently serves as Managing Partner in PBM Capital and supports new investment evaluation, deal sourcing and provides business and technical support for portfolio companies. Rieger obtained his PhD in Chemistry from the University of Virginia, has an MBA from the Darden Business School, and earned his B.A. from Rollins College.

Brynjar Forbergskog

Brynjar Forbergskog is the CEO of his privately owned investment company, in addition to being a board member of several companies. From 1989 to 2019 he was the CFO (1989–2005) and CEO (2005–2019) of Torghatten ASA. During Forbergskog's tenure as CFO/CEO, Torghatten ASA grew from being a small locally based provider of transport services into being of the Nordics' largest provider of transport services, with more than 7,000 employees and an annual turnover of more than NOK 11 billion. Prior to joining Torghatten ASA, Brynjar Forbergskog was an external auditor.

¹ Yamakazi et al, 2021, *OncoImmunology*

Gert W. Munthe leads the board of directors as chair. Per Erik Sørensen and Debashish Roychowdhury did not extend their board assignments. Lytix would like to thank Sørensen and Roychowdhury for their valuable contribution as board members.

Management and External Advisors

On March 1, 2021, Lytix announced that Gry Stensrud will join the management team and commence as the company's CTO. Dr. Stensrud has more than 20 years expertise from research, development, clinical trials, manufacturing and distribution of medicinal products and medical devices as well as extensive management experience and former experience in developing a biotech company. Prior to joining Lytix, Dr. Stensrud was Vice

President Technical Development & Operations at Photocure. Dr. Stensrud has as well held different positions within R&D and QA at GE Healthcare.

Graeme Currie has been hired as a consultant CDO to lead Lytix' clinical program. Dr. Currie has over 30 years of drug development experience in both pharmaceutical and biotechnology companies, having held senior leadership roles at Dynavax, Regeneron Pharmaceuticals, Sepracor Inc., PDL Biopharma and Gilead Sciences. Most recently, he was Chief Development Officer of Tolerion Inc. Dr. Currie has successfully led drug development programs and has held key roles in the development of 8 approved drugs.

Financial review

In June 2021, Lytix successfully completed a private placement and national placement, raising gross proceeds of approximately NOK 225 million, through the allocation of 12,511,893 new shares at a subscription price of NOK 18 per share. The private placement and national placement attracted strong interest from existing shareholders and new investors, both in Norway, Sweden, and the US.

After the successful completion of the private placement and national placement, Lytix was admitted to trading on Euronext Growth Oslo. The first day of trading on Euronext Growth was June 14, 2021.

ACCOUNTING POLICIES

The financial statements for Lytix have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

PROFIT AND LOSS

Total operating income for 2021 amounted to NOK 25.8 million (NOK 6.7 million for 2020). Operating income in the period was mainly related to a milestone payment of NOK 19.3 million following the license agreement with Verrica Pharmaceuticals Inc., entered in August 2020 for skin cancer diseases. Going forward, the license agreement includes potential development and sales milestone payments of up to USD 111 million as well as royalty payments once Verrica successfully commercializes LTX-315 in dermatologic oncology indications. The milestone payment in the first half of 2021 was related to Lytix' approved IND application by the U.S. FDA. Other income for 2021 includes governmental grants of NOK 6.3 million (NOK 4.1 million).

Personnel expenses for 2021 came in at NOK 31.6 million (NOK 23.4 million). The increased personnel expenses are explained by increase in FTE's and an extraordinary and non-recurring bonus payment following the IND approval.

Direct R&D expenses amounted to NOK 28.8 million for 2021 (NOK 16.0 million). Direct R&D expenses for 2021 were related to increased activities in connection to the ongoing ATLAS-IT-05 trial in the US, the ATLAS-IT-04 trial in Denmark as well as the progression of the preclinical development of LTX-401.

Other operating expenses increased to NOK 13.4 million (NOK 9.6 million). The increase in other operating expenses is related to the share issue and subsequent admission to trading on Euronext Growth in June 2021.

Loss from operations for 2021 amounted to NOK 48.0 million compared to NOK 42.4 million for 2020.

CASH FLOW

Cash flow from operating activities amounted to negative NOK 44.9 million for 2021 compared to negative NOK 24.3 million for 2020. Cash flow from financing activities amounted to NOK 213.7 million for 2021 compared to NOK 40.0 million for 2020. The positive cash flow is explained by the proceeds from the private placement and national placement in June 2021. Cash and cash equivalents at the end of the reporting period amounted to NOK 197.3 million compared to NOK 28.5 million as of December 31, 2020.

STATEMENT OF FINANCIAL POSITION / BALANCE SHEET

On June 14, 2021, the company was admitted to trading on Euronext Growth in Oslo. The admission followed the successful completion of a private placement and a national placement together raising NOK 225 million in new equity. Cash and cash equivalents on December 31, 2021, were NOK 197.3 million compared to NOK 28.5 million on December 31, 2020.

As of December 31, 2021, Lytix had total assets of NOK 203.0 million, compared to NOK 32.6 million by the end of 2020. Trade and other receivables by end of 2021 increased to NOK 5.7 million, from NOK 4.2 million by the end of 2020.

Shareholders' equity amounted to NOK 189.6 million, an increase from NOK 19.9 million in 2020. The equity ratio amounted to 93.43 percent compared to 60.98 percent in 2020.

Total current liabilities amounted to NOK 13.3 million compared to NOK 12.7 million by the end of 2020.

ALLOCATION OF THE 2021 RESULT

The company's annual result amounted to a loss of NOK 48.0 million. The board of directors proposed that the loss is transferred from Share Premium Reserve.

Platform technology

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

When Lytix' improved molecules are injected into solid tumors, they activate the patient's own immune system and enable killer T cells to recognize and eliminate cancer cells. As a part of this process, *in situ* vaccination results in an efficient release of tumor neo-antigens (mutated proteins) and immune activating molecules.

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

In a GlobalData survey², physicians ranked tumor heterogeneity as the most challenging aspect of optimizing IO therapy. Tumor heterogeneity introduces significant challenges in cancer therapy and is the main cause of treatment failure, drug resistance, relapse and recurrence. Lytix' oncolytic molecules uniquely address heterogeneity by being able to recognize and target the different cancer subclones in a heterogeneous tumor, including both drug sensitive and resistant cancer cells.

Oncology is the largest pharmaceutical market by revenue.

IN SITU VACCINATION

– delivering immunotherapy straight into the tumor

In situ vaccination stimulates a patient's immune system by injecting drugs with the ability to kill cancer cells straight into the tumor environment. Lytix Biopharma has applied this approach with its first-in-class oncolytic molecules, representing an alternative and unique approach to cancer vaccination. Importantly, this approach generates an immune response against a broad antigen repertoire without pre-identifying the antigens, which in turn can save considerable costs and valuable time.

ONCOLYTIC MOLECULES

- Act as *in situ* vaccine and harness the tumor as source of antigens
 - Induce immunogenic cell death of tumor cells
 - Activate antigen presenting cells to generate tumor specific T cells
- Generate systemic and lasting anti-tumor immunity
- Induce a switch from an immuno-suppressive environment towards an immuno-stimulatory environment enriched for activated cytotoxic cells

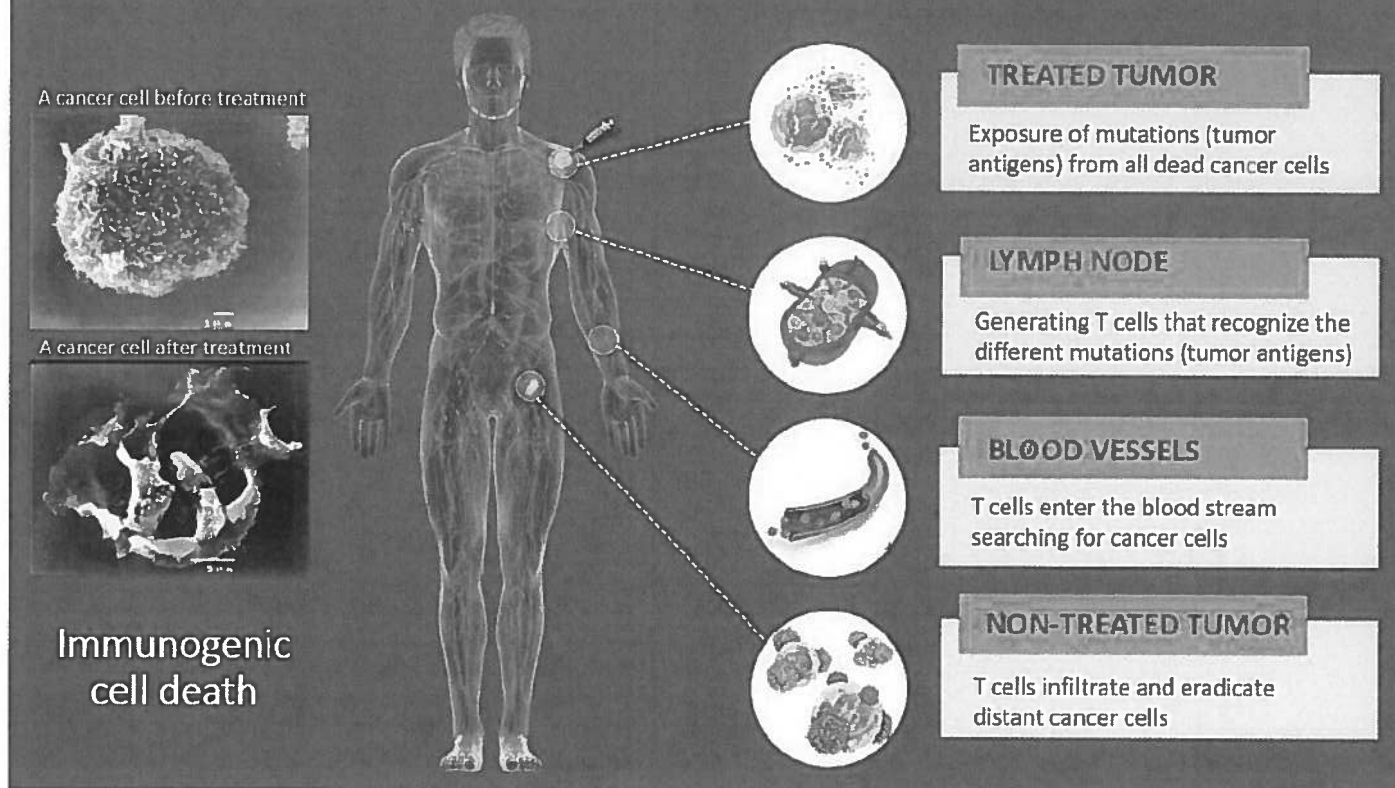
Oncology therapeutics represented \$143 billion in sales in 2019 (~20% of global pharmaceutical sales)³. To capture a larger market share, parallel development across multiple indications, increases the value of an individual asset and makes deal-making more likely. Unmet need remains high, and the market is expected to reach \$250 billion by 2024⁴. The key driver behind this future growth is expected to be immuno-oncology combination therapies. Lytix' oncolytic molecules are synergistic and complementary to other immuno-oncology therapies with the potential to create new treatment paradigms.

2 Source: GlobalData High-Prescriber Survey (December 2020)

3 Source: McKinsey analysis of EvaluatePharma (July 2020)

4 Source: McKinsey analysis of EvaluatePharma (July 2020)

Oncolytic molecules provide a new *in situ* vaccination principle



By addressing the main challenge across a wide section of cancer indications as well as being able to combine with many other immuno-oncology therapies, Lytx' oncolytic molecules have the

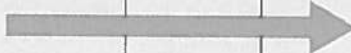









potential to claim a unique position within immuno-oncology, creating significant patient impact.

Pipeline

LTX-315 is now being evaluated in three different Phase II trials, both as monotherapy and as combination therapy with checkpoint inhibitors and as adjunct to cell therapy.

LTX-401 is a second-generation candidate drug developed for treatment of tumors seated deep in the body. LTX-401 is in pre-clinical stage.

LTX-122 is in a veterinary development program as part of the strategic partnership with Aurelius Biotherapeutics.

Product candidate	Combination partner	Population	Preclinical	Phase I	Phase II	Phase III	Collaborations
LTX-315	Atlas-IT-05 Pembrolizumab (Keytruda®)	Patient progressed on checkpoint inhibitors					  
	N/A (monotherapy) (Verrica Pharmaceuticals)	Basal cell carcinoma					
	Atlas-IT-04 Adoptive T-cell therapy	Advanced soft tissue sarcoma					
LTX-401	Monotherapy	Live cancer					 
LTX-122	Adoptive T-cell therapy	Dog lymphoma					
A unique technology platform	Inspired by nature Baed on the scientific concepts of naturally occuring host defense proteins, scientifically improved for cancer therapy.			In situ vaccination platform Candidate drugs to be directly injected into solid tumors priming the Immune system for potent activation.			

Product candidates

LTX-315

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

The preclinical findings conveying the rationale for therapeutic use of LTX-315 in humans have been confirmed in clinical trials. LTX-315 has undergone a comprehensive Phase I clinical trial in heavily pretreated patients. In this clinical trial, one of the key features of LTX-315 treatment, to promote T-cell infiltration into tumors, was evident in the cancer patients. LTX-315 was shown to be a potent drug with the ability to also create systemic effects based on local injection of tumors. In this trial, LTX-315 was either given as monotherapy or in combination with a checkpoint inhibitor to patients with transdermally accessible tumors. The trial has shown that LTX-315 has an acceptable safety profile without any added safety concerns when given in combination with a checkpoint inhibitor. The scientific foundation has been laid to claim that LTX-315 is clinically active and contributes to

immune-mediated anticancer activity (Spicer et al. 2018/Spicer et al. 2021). Based on the data from the Phase I clinical trial, the dosing regimen of LTX-315 has been assessed and optimized for the ATLAS-IT-05 study.

LTX-315's ability to induce T-cell infiltration into tumors can be further exploited in adoptive cell therapy. This kind of therapy implies the isolation of T cells from the tumor, expansion in the laboratory and transfer back to the patient to improve the immune response against the tumor. The ATLAS-IT-04 study at Herlev Hospital in Denmark was set up to evaluate the potential of LTX-315 to enhance the number of T cells prior to isolation and expansion of the T cells to billions. The T cells were then given back to the patient. In this study LTX-315 is administered in combination with adoptive T-cell therapy in advanced soft tissue sarcoma patients. During the study an extensive immune profile was measured to characterize the immune status and nature of immune response together with monitoring clinical response. The study is now finalized, and the results are under preparation for a presentation later in 2022.

LTX-401

LTX-401 is a small molecule that has a potential as treatment of deep-seated tumors such as hepatocellular carcinoma (liver

cancer) and liver metastases. In several experimental models, LTX-401 induces complete regression after intratumoral injection with a subsequent development of systemic immune protection. LTX-401 has shown increased efficacy when combined with checkpoint inhibitors and has demonstrated significant effects in experimental liver cancer models. LTX-401 is now progressing through a preclinical program preparing for a first clinical study.

LTX-122

LTX-122 is an oncolytic peptide that consists of 12 naturally occurring amino acids. In preclinical research the peptide proved to have high activity and selectivity against B-cell lymphoma.

Partnerships

VERRICA PHARMACEUTICALS INC

Verrica is a Nasdaq-listed dermatology therapeutics company developing medications for skin diseases requiring medical interventions, and it is headquartered in West Chester, Pennsylvania. In August 2020, Lytix announced that it entered into a license agreement providing Verrica with a world-wide license to develop and commercialize LTX-315 for all malignant and pre-malignant dermatological indications (skin cancer). Lytix maintains all rights to the use of LTX-315 in patients with metastatic melanoma and metastatic Merkel cell carcinoma. Verrica will assume responsibility for manufacturing of the LTX-315 drug product, while Lytix retains responsibility for manufacturing of the active pharmaceutical ingredient (API). Under the license agreement, Lytix may receive aggregate payments of up to USD 111 million upon achievements of certain clinical, regulatory and sales milestones as well as tiered royalty payments in the double-digit teens.

The partnership with Verrica progressed according to plan and resulted in a milestone payment of NOK 19.3 million in first half of 2021, further described under the financial review.

Verrica intends to focus initially on basal cell and squamous cell carcinoma as the lead indications for development for LTX-315,

In a lymphoma mouse model intratumoral administration resulted in full regression and protective immunity. The peptide was developed in a collaboration between Lytix and The Arctic University of Norway. Lytix has entered a license agreement with UiT that grants Lytix rights to further develop and commercialize LTX-122.

NEW OPPORTUNITIES

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

and in November Verrica got an US IND approval to initiate a Phase II clinical trial in basal cell carcinoma. The American Cancer Society has estimated that about 5.4 million basal cell carcinoma (BCC) and squamous cell carcinomas (SCC) are diagnosed in the US annually. With about 80% of these skin cancers being BCC there is a significant potential for new treatment options.

AURELIUS BIOTHERAPEUTICS LLC

In March 2021, Lytix announced it had entered a strategic partnership with Aurelius Biotherapeutics where Aurelius will investigate and develop LTX-122 for the veterinary medicine market. The partnership is arranged with an option period where Aurelius has initiated further feasibility studies on LTX-122 together with their own technology, which is based on adoptive T-cell transfer to treat dog lymphoma.

LTX-122 has been developed in a collaboration with The Arctic University of Norway. Lytix has an exclusive license agreement with UiT to further develop and commercialize LTX-122.

Environment, social and corporate governance (ESG)

SUSTAINABILITY

Environment

Lytix strives to minimize its environmental footprint. The environmental footprint stems mainly from the resources consumed in office spaces as well as indirect business activities such as travel and supply chain operations. As such, Lytix' operations have a limited impact on the external environment with regards to direct pollution and emissions, as production and distribution

activities are outsourced. Nonetheless, we acknowledge that our subcontractors – and their emissions – are part of our supply chain and, hence, indirect emissions. We acknowledge to be part of a major industry with a significant footprint in total. Even the most innovative and advanced modern pharmaceuticals often have key ingredients sourced from the natural world. We are highly aware that the massive loss of biodiversity is a threat to

medical innovations and potential treatments that are yet to be discovered. Alongside the climate crisis, we are facing a nature crisis. Many critical ecosystems, such as tropical rainforests, are under threat. As a response, the pharmaceutical industry must engage in the protection of the natural web that provides us with irreplaceable ecosystem services such as key medical ingredients.

SOCIAL

Benefit to society

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

Health, safety and wellbeing

The health, safety and wellbeing of our employees is of great importance for Lytix, and we strive to promote a culture that supports a sustainable work-life balance. During 2021, the company had 12 employees (constituting 9.5 man-years) including contracted personnel. The board considers that the working environment in the company is good, and no special measures have been implemented in this regard. The employees have not suffered any accidents or injuries in connection with their work. Despite unprecedented times during the COVID-19 pandemic, absence due to illness was all short term and less than 1%, which is in line with the previous year.

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

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

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

Diversity, equity, and inclusion (DEI)

Lytix aims to be a workplace providing equal opportunities for all. We consider employee diversity to be a competitive advantage, and in order to attract and retain the best talent, we do our utmost to ensure fair and equal employment practices. The company has traditionally recruited from environments where women and men are relatively equally represented. In terms of gender balance within the company, women constitute 33% of the Board members and 20% of the senior management team. The company promotes a productive working environment, have zero tolerance for disrespectful behavior, and is an equal opportunity employer. Discrimination in hiring, compensation, training, promotion, termination, or retirement based on ethnic and national origin, religion, sex, or other distinguishing characteristics is not acceptable.

Whistleblowing

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

GOVERNANCE

Corporate governance

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

Lytix has established an "Insider policy" in light of the laws and regulations surrounding the the admission to trading on Euronext Growth and an "Information Policy" to ensure a continuous,

good quality, internal and external information giving in accordance with the Euronext Growth requirements.

Extending Ethical and responsible business to subcontractors and suppliers

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

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

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

Anti-corruption

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

Data protection and IT security

The EU personal data protection framework as laid out in Directive (EU) 2016/680 and Regulation (EU) 2016/679 came into force in 2018. As a biotech company within the healthcare space, Lytix and/or our subcontractors and suppliers may need to store personal data as part of the business. Our GDPR compliance policy, was created to ensure that Lytix process and safeguard personal data in line with the Regulation ("the GDPR"). It describes how we plan to stay compliant on an ongoing basis, with policies and procedures for particularly relevant areas of

our business. Lytix has appointed a dedicated personal data coordinator. To be transparent on how personal data is processed, the privacy notice appears on Lytix' homepage. Privacy statements are also included in the e-mail signature for all employees. Data Processing Agreements are established between Lytix as data controller and any data processor as required.

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

ESG GOING FORWARD

As a small actor in the biotech landscape, we acknowledge that we are still in the starting phase of enhancing and reporting sustainability activities and aim to strengthen our efforts in 2022. As a first step, our ambition is to conduct a materiality assessment based on stakeholder inclusiveness, with the goal of identifying the most prominent environmental, social and governance (ESG) matters for the company.

Lytix further commits to report annually on ESG topics that are identified in the materiality assessment. Goals will be fixed by material topic, achievements and gaps will be tracked and documented, helping us understand our successes as well as areas that require more attention. To ensure that our efforts for a sustainable operation are documented in a reliable and accessible manner, we plan to report by following the Global Reporting Initiative (GRI) Standards Core option as recommended by Oslo Stock Exchange/Euronext. The Euronext guidelines for ESG reporting will be observed. The ESG reporting will be reviewed and approved by the Board of Directors.

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

LYTIX BIOPHARMA'S STAKEHOLDERS:



Employees



Investors and shareholders



Government authorities



Subcontractors and suppliers



Investigators and patients



Civil society

The type and location of the business

Lytix Biopharma AS is a clinical stage biotech company, located in Oslo, Norway, developing novel cancer immunotherapies, an area within cancer therapy that is aimed at activating the patient's immune system to fight cancer. The company's technology is based on pioneering research in "host defense peptides" – nature's first line of defense towards foreign pathogens. Lytix' strategy involves generating solid Phase II results for this class of cancer drugs and collaborating with partners for further development and commercialization. The company considers retaining commercial rights in selected geographical areas and considers strategic partnerships, at any point in time if appropriate and in the best interest of Lytix.

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

PERSONNEL AND ORGANIZATION

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

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

RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

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

FINANCIAL RISKS

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

The company has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects financial income. Currency risk is limited to fluctuations in currencies relating to partners and vendors abroad. The credit risk is limited as revenues are minimal exclusive of public grants.

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

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

NON-FINANCIAL RISKS

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

Technology risk

The company's product candidates are still at an early stage and the preclinical and clinical studies may not prove to be successful. Furthermore, the product candidates are dependent on con-

tinued research and development which may be delayed and/or incur higher costs than currently expected.

Competitive technology

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

Market risks

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

D&O INSURANCE

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

GOING CONCERN

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

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

The private placement and national placement completed in June 2021 with net proceeds of NOK 213 million ensures that

Lytix has available financial resources sufficient for all planned activities, in the next twelve months as of December 31, 2021.

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

POST-BALANCE SHEET EVENTS

In fiscal year 2021, the company has been dealing with the consequences of the COVID-19 virus. Government measures to curb the virus have affected economic activity. The company considers this to be an event after the balance sheet date that does not provide any further information about the actual situation on the balance sheet date. Several measures have been taken to limit the effects of the COVID-19 virus, such as safety and health measures for all employees (such as social distancing and working from home). Lytix will continue to follow government policies and advice while doing its best to continue operations in the best possible and safest way without compromising the health of company staff members. These measures are reason for the board of directors to rely on the sustainable continuation of the business activities so that the financial statements are prepared on a going concern basis.

Post period at the start of April 2022, Lytix Biopharma announced that Verrica Pharmaceuticals has dosed the first patient as part of its Phase II study evaluating LTX-315 for the treatment of basal cell carcinoma (skin cancer). This triggered a UDS 1 million milestone payment to Lytix in accordance with the licensing agreement.

SHARE INFORMATION

As of December 31, 2021, there were 38,739,013 ordinary shares outstanding, up from 26,227,120 shares at year end 2020, following the private placement and national placement completed in June 2021.

The company has one class of shares, and all shares carry equal voting rights.

The company had more than 750 shareholders on December 31, 2021.

BOARD OF DIRECTORS OF LYTIX BIOPHARMA AS

The composition of the board of directors is at year-end as follows: Gert Wilhelm Munthe (Chair), Brynjar Forbergskog, Evelina Vågesjö, Jayson Rieger, Kjetil Hestdal and Marie-Louise Fjällskog.

All directors are independent of the company's executive personnel and material business at year-end. Gert W. Munthe controls a significant number of shares in the company through

North Murray AS. Brynjar Forbergskog controls a significant number of shares in the company through Hifo Invest AS and Saturn Invest AS. Jayson Rieger serves as Managing Partner in PBM Capital, an US healthcare-focused investment firm. PBM Capital has invested in Lytix through the affiliate company PBM LYT Holdings, LLC.

The board of directors held 12 board meetings during the fiscal year 2021.

OUTLOOK

Lytix' lead product, LTX-315, is a first-in-class oncolytic molecule representing a new and superior *in situ* therapeutic vaccination principle to boost anti-cancer immunity. LTX-315 has the potential to be the ideal combination partner with other types of immunotherapies. In 2022, the clinical efficacy of LTX-315 will

be studied in two different Phase II clinical development programs, one sponsored by Lytix and the other sponsored by Verica. These programs have the potential to form a strong foundation to create and deliver significant value for shareholders.

In parallel, Lytix is expanding its pipeline by continuing the development of the follow-up drug candidate, LTX-401, for deeper seated lesions. The focus is to complete the preclinical phase and prepare for a Phase I/II clinical trial. Further expansion of the pipeline is ongoing by undisclosed investigation of oncolytic molecules. If the ongoing preclinical and clinical development of Lytix' drug candidates demonstrate clinical benefit to cancer patients, the commercial potential and clinical use could be very high.

Oslo April 6, 2022

The board of directors and the chief executive officer of Lytix Biopharma AS

Gert W. Munthe
Chair of the board

Brynjar Forbergskog
Director

Evelina Vågesjö
Director

Jayson Rieger
Director

Kjetil Hestdal
Director

Marie-Louise Fjällskog
Director

Øystein Rekdal
Chief executive officer