2021

Annual Report

EXACTTX

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Our Vision

EXACT Therapeutics ("EXACT-Tx") (Euronext Growth: EXTX) is a clinical stage biopharmaceutical company with a mission to enhance the therapeutic efficacy of medicines through ultrasound-mediated drug delivery.

EXACT-Tx's Acoustic Cluster Therapy (ACT®) is a proprietary formulation of microclusters (PS101) activated by ultrasound for enhanced drug targeting deployed in multiple indications. ACT® has the potential to significantly improve the targeted delivery of drugs while also enhancing their therapeutic outcome.

Chair's Statement

As the COVID-19 pandemic continued in 2021, creating massive societal, economic and healthcare challenges, EXACT-Tx took careful steps to protect our people and ensure operational continuity where possible. Throughout, we kept focus on the interests of our healthcare partners, stakeholders and shareholders.

The pandemic significantly impacted our clinical efforts, with patient recruitment for the ACTIVATE study in the UK being badly affected. The clinical study will resume once the UK's Medicines and Healthcare products Regulatory Agency (MHRA) has reviewed and approved the protocol amendments (including the additional documentation focusing on the ultrasound system used in the study). This first part of the trial involves the treatment of patients with liver metastases of colorectal cancer origin. So far, there have been seven patients enrolled in the study with five patients' data evaluable to date for dose limiting toxicity. A number of valuable and encouraging insights have been gained from this first cohort of treated patients.

On the preclinical side, we forged ahead with our scientific colleagues at NTNU (Trondheim, Norway) and ICR (Institute of Cancer Research, London, UK), and explored the use of ACT® within other therapeutic segments. Through this work, we were able to see signs of preclinical evidence to support the therapeutic use of ACT® to help prime the Tumour Micro-Environment (TME) and enhance the delivery of CNS therapies across the blood brain barrier (BBB). So many drugs remain ineffective, not because they do not work but rather because of the limited amount of drug that is able to reach its target. This is very true within the space

of Immuno-oncology (IO) where the microenvironment in solid tumours can represent a significant barrier to successful immunotherapy. Similarly, the BBB acts as a natural barrier to protect the brain from harmful invasion and is a potent adversary to drug therapy. It is the chief contributor of the high attrition rate of Central Nervous System (CNS) drugs (98%) failing in clinical development. These represent significant unmet medical needs and further evaluation is underway by the team and collaborators.

With the goal of strengthening the interests of patients, stakeholders and shareholders, EXACT-Tx has significantly strengthened both its expertise and management. Guided by a strong Executive team and Board with new leaders, we are paving the way for a bright future. In December 2021, the Board was strengthened by the appointment of Anders Wold, former President and CEO of GE Healthcare Clinical Care Solutions. Anders brings a wealth of experience from the global healthcare industry and has a proven ability to successfully build businesses from start to global leadership and in competitive fast-moving markets.

As I write this in Q2 2022, the Board was delighted in March to announce the appointment of Dr Per Walday as Chief Executive Officer (CEO). Per spent almost two decades with Nycomed Imaging and GE Healthcare based in Norway where, as Global Head of Project Management, he was responsible for all the development programmes of new pharmaceutical products. These included the basic research and development (R&D) efforts and history of the core technology behind ACT®. With intimate knowledge of ultrasound and more recently, through his work as CEO of PCI Biotech (OSE:PCIB), Per has experience covering research through to the global commercialisation of therapeutics and medical devices in the field of oncology.

Meanwhile, the state-of-the-art ultrasound laboratory in Oslo was completed in early 2021, enabling a broad range of in-house research and development related to our technology and ongoing projects. The R&D team have a strong background covering our technology, from microbubbles and ultrasound to regulatory work, from renowned centres both within academia and industry, recently expanded with the addition of Ragnar Bendiksen from the Norwegian ultrasound company Medistim ASA.

Even as the healthcare landscape continues to change, we are strengthening our foothold as one of the front runners within the field of therapeutic ultrasound globally. Important strides are being made within this field and with a first-in-class ultrasound microbubble technology platform, based on a unique biomechanical approach and its strengthened team, EXACT-Tx is well positioned to lead the field of ultrasound-mediated therapeutic enhancement.

EXACT-Tx remains focused on addressing the challenges and opportunities associated with bringing an entirely novel technology to the clinic, and ensuring its delivery to doctors and patients across indications. In 2021, we further strengthened our patent portfolio, and three new patents were filed. The main composition of matter patent was further granted in two key geographies (Japan and Europe). We continually look to optimise our technology so that it can be made available across

indications and geographies: innovation is at the heart of our strategy with a strong focus on ease of use. The collaboration with GE Healthcare is an example of this, which was signed in early 2021 for the development of the second-generation ultrasound transducer, and which progressed well throughout the year. We aim to have this new transducer available for the next phase of clinical development, to enable us to more readily guide the user for optimal enhancement of therapeutic delivery.

All of these efforts make us confident that we can continue in 2022 to strengthen our unique position as we make progress towards our ambition to be one of the world's most trusted healthcare partners in the field of ultrasound-mediated therapeutic enhancement. We have taken steps to enhance our scientific and operating capabilities. They will enable us to address the medical and economic challenges of a rapidly ageing global population, as well as improve our ability to develop an important healthcare solution and make it available to as many patients as possible around the world. We are confident that our strategy of using science-based innovation to deliver better health outcomes for patients will reinforce our unique position and increase shareholder value in the long-term.

On behalf of the Board of Directors, I would like to extend my appreciation to the Management Team, Stakeholders and Shareholders for their continued support as we move forward with our plans and realise our mission to enhance the therapeutic efficacy of medicines through the use of ultrasound-mediated drug delivery, for patients across multiple diseases.

Dr. Masha Strømme
Chair of the Board of Directors

Highlights 2021

- ACTIVATE Phase I clinical trial started well but unfortunately patient recruitment continued to be adversely affected by COVID-19 during 2021. So far, there have been seven patients enrolled in the study, with five patients' data evaluable to date for dose limiting toxicity. A number of valuable and encouraging insights have been gained from this first cohort of treated patients.
- Allowance of patent application in Europe for ACT® in December 2021 and Japanese patent office granted ACT® patent in May 2021.
- Awarded NOK 7.4 million in research and innovation grants from the Norwegian Research Council (NRC) in December 2021.
- Strengthened Senior Management Team and Board:
  - Appointment of Dr Hilary McElwaine-Johnn as Chief Medical Officer, Dominic Moreland as Chief Financial Officer
  - Co-Founder Andy Healey appointed as Chief Scientific Officer
  - Anders Wold, former President and CEO of GE Healthcare Clinical Care Solutions appointed as Board Member
- An Abstract of the ACTIVATE Phase 1 trial was presented at *The ASCO 2021 Annual Meeting in May 2021* by Professor Udai Banerji, NIHR Professor of Molecular Cancer Pharmacology at The Institute of Cancer Research and Honorary Consultant in Medical Oncology, The Royal Marsden NHS Foundation Trust.
- Publication in ***The Journal of Controlled Release[1] in September 2021***, in collaboration with the Norwegian University of Science and Technology (NTNU) of preclinical data demonstrating that ACT® safely and temporarily increased the permeability of the blood brain barrier (BBB).
- Development of the bespoke multi-indication probe in partnership with GE Healthcare was initiated in January 2021 and is progressing well.
- Established state-of-the-art R&D facility in Oslo, Norway in January 2021 with significant in-house capabilities regarding ultrasound characterisation and validation.
- The Company has focused cash expenditure on its strategic business priorities, namely the development of the quality management system, GCP framework, multi-indication probe, pre-clinical work and the resumption of clinical trials that will add to regulatory clinical packages.

Post Period Highlights

- Dr Per Walday appointed as Chief Executive Officer in March 2022.
- Ragnar Bendicksen appointed as Vice President of Technology in April 2022.

[1] doi.org/10.1016/j.jconrel.2021.07.019

Operational and Clinical Review

EXACT Therapeutics AS (EXACT-Tx), is a clinical-stage precision health company developing a proprietary ultrasound-mediated drug delivery platform Acoustic Cluster Therapy (ACT®) for use across multiple diseases.

ACT® for Ultrasound-mediated drug enhancement

ACT® is a formulation consisting of microbubbles and microdroplets that are activated through the application of ultrasound with the consequent increase in targeted delivery of a co-administered therapeutic agent.

ACT® is supported by a strong and broad preclinical package, demonstrating therapeutic enhancement in multiple oncology models (pancreatic, breast, colon, prostate) as well as controlled blood brain barrier (BBB) opening. The restrictive nature of the BBB prevents efficient treatment of many brain diseases. Focused ultrasound in combination with microbubbles has been shown to safely and transiently increase BBB permeability.

Currently, ACT® is being evaluated in the ACTIVATE Phase I clinical trial in patients with metastatic colorectal cancer at the Royal Marsden Hospital in London with further clinical trial sites to be added in 2022.

The mainstay of late-stage metastatic cancer treatments is using different types of chemotherapy, although the patients are often very frail and do not tolerate the treatment well. Efficient treatment of locally advanced cancer with technologies such as EXACT-Tx's ACT®, which is designed to enhance the efficacy of chemotherapy where it is most needed, will potentially increase the likelihood of resectability or enable lower dosing with greater tolerability. This will bring crucial new treatment options to patients.

ACTIVATE Phase I study

Initiated in London in September 2019, ACTIVATE is the first in-human open label, single arm study, aiming to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of ACT®, with standard of care chemotherapy in patients with liver metastases from colorectal cancer (parts 1 and 2) and pancreatic cancer (part 2).

In 2021, the ACTIVATE Phase I study at the Royal Marsden Hospital/Institute of Cancer Research in London was adversely impacted by the Covid-19 pandemic. In May 2021, EXACT-Tx announced plans to file a protocol amendment with the

UK MHRA. The MHRA issued a response to EXACT-Tx requiring an additional submission and approval of documentation regarding the protocol amendment. The Company expects that meeting this requirement, which is specifically focused on the ultrasound system, will have a moderate impact on the timing of new patient recruitment. Following protocol amendment approval, the Company plans to resume patient enrolment during Q4 2022.

A number of valuable and encouraging insights have already been gained from this first cohort of treated patients particularly with respect to the application of ultrasound. To date seven patients have been enrolled in the study, with five patients' data evaluable.

In May 2021, an abstract ***(Abstract: TPS3145)*** describing the background and methodology of EXACT-Tx's ACTIVATE Phase I clinical trial was published at the *2021 ASCO Annual Meeting*. This followed a presentation by EXACT-Tx's Principal Investigator Dr Uday Banerji from the Royal Marsden, at the *ESMO Targeted Anticancer Therapies (TAT) Virtual Congress 2021*, held in March 2021. The presentation focused on the background and rationale of ACT®, preclinical study data and the ACTIVATE Phase I study evaluation.

All patients in ACTIVATE are treated with FOLFOX/FOLFIRI chemotherapy regimens that are co-administered with ACT®. The first part of this study is evaluating two doses of PS101, 20µL/kg and 40µL/kg in a 3+3 design with the selected dose progressing to part two of the study. Part two will enrol up to 30 additional patients, with expansion into new centres also planned.

Additional patient recruitment into the study in Newcastle will be through Newcastle University Hospital's clinical trial unit led by renowned oncology specialist Prof Ruth Plummer.

Patents - securing EXACT-Tx's mission to enhance the therapeutic outcome of the standard of care across drug classes for the benefit of patients across diseases

In December 2021, EXACT-Tx announced that allowability had been found for its ACT® patent application in Europe (publication no. EP3049117). Patent claims cover EXACT-Tx's unique microbubble/microdroplet formulation (PS101) and its use, co-administered with a range of pharmaceutical agents for ultrasound-mediated drug targeting. This followed a patent granted for Japan in May 2021, and for China in November 2019.

This core patent family represents the foundation of EXACT-Tx's dynamic Intellectual Property (IP) strategy, which encompasses the use of ACT® with a variety of therapeutics across a multitude of indications.

R&D & Collaborations

In early 2021, the Company established a state-of-the-art ultrasound laboratory in Oslo, Norway, enabling a broad range of in-house research and development related to our technology and ongoing projects, including ultrasound characterisation and validation work. The R&D team have a strong background covering our technology, from microbubbles and ultrasound to regulatory work, from renowned centres both within academia and industry, lately expanded with Ragnar Bendiksen from the Norwegian ultrasound company Medistim ASA, who joined as Vice President of Technology.

The ongoing collaboration with GE Healthcare (GE) continues to be productive from both a manufacturing and technology perspective. The next-generation probe project initiated in January 2021 remains on track to deliver a multi-functional transducer with associated tracking software facilitating the application of dual frequency ultrasound as part of the ACT® procedure. The relationship with GE for the supply of ACT® is under contract until July 2025, and will underpin the ongoing clinical development conducted by EXACT-Tx.

The collaborations with academic partners forged ahead in 2021 with significant strides across the BBB and stromal microcapillaries of solid tumours in preclinical settings.

In a joint publication with Trondheim-based Norwegian University of Science and Technology (NTNU), in ***The Journal of Controlled Release[2] in September 2021***, ACT® was shown to enhance the delivery of co-administered agents across the BBB with the agents reaching more than 100um from the capillary wall from which it was extravasated with no damage to the treated tissue. These compounds included macromolecules and clinically relevant nanoparticles to the brain and the results confirm the potential for ACT® in the treatment of brain diseases.

Further research for exploring the use of ACT® with Immune-oncology (IO) agents continues. The project's primary objective is to provide preclinical proof-of-concept of a therapeutic combination approach using ACT® with IO agents, mainly monoclonal antibodies, for the treatment of solid tumours. This research work is done in collaboration with NTNU and includes international partners such as the Institute of Cancer Research at the Royal Marsden Hospital in London, UK.

Corporate update

The Company's ultrasound expertise has been significantly strengthened with the appointments of Dr Per Walday as the new Chief Executive Officer (CEO) in March 2022, the return of Andy Healey (co-Founder and CSO) in November 2021, as well as the appointment of Anders Wold to the Board of Directors in December 2021 (former President and CEO of GE Healthcare Clinical Care Solutions). Together, they have decades of experience in medical ultrasound, contributing to making Norway a global leader in the field. Their expertise covers both the pharmaceutical ultrasound (contrast agent from Nycomed/GEHC) from which PS101 was born, as

[2] doi.org/10.1016/j.jconrel.2021.07.019

well as the hardware (ultrasound console and probe from Vingmed/GE Healthcare), both being intrinsic parts of ACT®.

The Company will benefit tremendously from this expertise as it looks to expand the applicability of ACT® across drug classes and indications in 2022 and the years ahead, and forge a pathway towards regulatory approval and commercialisation.

The team continues to strengthen governance and internal processes to provide a strong platform to evaluate the exciting potential of ACT® in oncology and other therapeutic segments.

Finally, EXACT-Tx received approval of NOK 7.4 million in research and innovation grants from the Norwegian Research Council (NRC) in December 2021. The funding will support the Company's work with its partner GE Healthcare for the development of a next-generation, bespoke, dual-frequency transducer (ultrasound probe), on which work started in January 2021, and a precision navigation system to help guide the ACT® procedure for targeted drug delivery in patients to allow real-time monitoring by medical professionals in the clinical setting.

Outlook

EXACT-Tx is focused on reaching clinical proof of concept with its existing cash position. Focus remains on driving progress in clinical development of PS101, the ACT® programme in oncology with a view to defining optimal clinical and regulatory pathways towards approval as we develop state-of-the art ultrasound probes and software cross-compatible with existing ultrasound hardware installations in parallel. Additionally, the Company will continue to seek specific, early, proof-of-concept data for ACT® in other indications to define its longer-term objectives as the pipeline expands in future years, and the breadth of applicability and value of ACT® across indications and modalities is crystallised.

Company History and Technology

EXACT-Tx (previously Phoenix Solutions AS) is a clinical stage Norwegian biotech company spun out of GE Healthcare in 2012, currently developing a technology platform for enhanced drug targeting – Acoustic Cluster Therapy (ACT®).

EXACT-Tx's mission is to enhance the therapeutic efficacy of medicines and make precision health a tangible reality for everyone. To do so, the Company is dedicated to harnessing the power of ultrasound in precision therapeutic targeting across a multitude of therapeutic areas and product classes. The Company aims to extend and enrich patient lives through targeted ACT® therapeutic enhancement.

The platform is designed to get the drug where it needs to go in an optimised manner with minimal risk attached to it. Essentially, the aim of the platform is to allow more drug to penetrate even further through the extracellular matrix, and faster to where it is needed.

Ultrasound is well established in the medical environment, including in developing countries, and ACT® is positioned as an add-on without negatively affecting or interfering with therapeutic treatment.

Currently in clinical development in oncology due to cancer's disease burden and unmet need, ACT® overcomes one of the most fundamental challenges in treating solid tumours, namely the difficulty of getting enough drug into the tumour tissue.

Whilst the initial focus is on enhancing chemotherapy, ACT® will be further evaluated for use in Immuno-oncology and other therapeutic areas including central nervous system (CNS) conditions and infectious diseases.

If successful, ACT® has the potential to deliver a compelling value proposition to clinicians, patients, payers, healthcare systems and investors. The ACT® platform has the potential to be disease and drug agnostic and is being developed for use with clinically-approved diagnostic ultrasound scanners that are commonly found in hospitals and clinics worldwide.

Despite recent advances in therapeutics, the management of many cancers remains challenging due to suboptimal penetration of systemically administered anti-cancer agents, such as mainstay chemotherapies, targeted small molecules and antibodies.

EXACT-Tx is located in Oslo, Norway, with an Oxford-based, UK, subsidiary having been established in 2020. Research and development of ACT® has been conducted in collaboration with leading institutions in oncology R&D including the Institute for Cancer Research (ICR)/Royal Marsden Hospital in London, UK, the Translational

Genomics Research Institute in Phoenix, Arizona, US (TGen) and the Norwegian University of Science and Technology in Trondheim, Norway (NTNU). The Company has close collaboration ties with GE Healthcare including manufacturing of the ACT® formulation (PS101) and ultrasound probe development.

ACT® – a unique and valuable approach leveraging ultrasound for augmented targeting of therapy in cancers and other diseases

The therapeutic management of almost all medical conditions is often hindered by the lack of targeting of the therapeutic agent to the desired site of action. This often results in suboptimal outcomes as well as 'off-target' side effects. This is most evident in the management of cancer, where the effectiveness of chemotherapy is limited by systemic toxicity resulting in poor outcomes. Studies have demonstrated that only a small proportion (<5%) of systemically administered therapeutics (reference: *Valkenberg KC Nature Rev Clinical Oncol 2018, 6:366-381*) reach the target site of pathology with consequent poor outcomes across a number of malignancies, such as pancreatic cancer where 5-year survival remains low. Consequently, a challenge that is as old as the pharmaceutical industry itself is how to enhance therapeutic targeting and thereby improve patient outcomes whilst limiting 'off-target' side effects.

Cancer is the second leading cause of death globally and is responsible for about 10 million deaths per year. Globally, about 1 in 6 deaths is due to cancer, placing significant burdens on healthcare systems. The prevalence of cancer is expected to continue to rise due to the global ageing population and despite significant improvements in therapeutic options, the global mortality and morbidity from cancer are significant.

It is estimated that 2020 global sales of solid tumour oncology therapeutics were US$122 billion. Solid tumour oncology therapeutic sales are anticipated to increase at a robust 8.5% CAGR, faster than the growth rate of the overall pharmaceutical market, with global sales reaching US$199 billion in 2026 (source, MarketWatch). Due to these dynamics, solid tumour oncology attracts significant interest as well as funding from pharmaceutical companies due to both the current unmet medical need and large patient populations.

Given the level of unmet need, regulators such as the US Food and Drug Administration (FDA), have demonstrated flexibility in rapid evaluations of urgently needed therapies on the back of early efficacy signals to maximise the potential benefit to patients. This has created an ideal environment for novel treatment strategies that have the potential to transform the current treatment paradigm.

In particular, there has been growing interest in precision medicine strategies with the advent of targeted therapies, immunotherapies and therapies associated with predictive biomarkers, which are increasingly becoming the standard of care in many cancers. These therapies can achieve unprecedented responses by identifying patient populations with specific genes and/or proteins that are hallmarks of a

particular cancer and selectively targeting them. However, despite the success of these therapies, challenges remain due to the fact that only a certain proportion of patients respond to treatment, acquired treatment resistance and inevitable disease progression for most patients.

Against this backdrop, a precision medicine strategy that is minimally invasive and both drug and disease agnostic is highly attractive as it could offer a much higher proportion of patients access to treatment and improved therapeutic outcomes. There has been significant interest in recent years in utilising ultrasound and microbubbles to drive targeted therapeutic amplification. Microbubbles and ultrasound have been used for decades in a diagnostic setting with an excellent safety profile based on the inert nature of the formulations available. Furthermore, the near ubiquitous availability of ultrasound systems in healthcare settings worldwide provides a strong foundation for the future potential and adoption of ultrasound for therapeutics.

ACT® is performed in the following stages:

1. Intravenously administered clusters of microbubbles and microdroplets are activated by the application of ultrasound resulting in the formation of large bubbles that transiently lodge in capillaries in direct contact with the capillary wall.
2. A second low-frequency ultrasound is then used to preferentially oscillate the large bubbles which in turn exert biomechanical forces in the microvasculature.
3. This results in opening of the capillary wall and increased extravasation and distribution of the co-administered therapeutic agent at the target site.

This approach is attractive as the microbubble and microdroplet formulation accompanied by ultrasound can be administered alongside standard of care therapeutics with no modification in formulation required. Early clinical trial data from a pilot study in pancreatic cancer suggests that ultrasound-mediated therapeutic amplification could be a valuable treatment approach with indications of improved outcomes and adherence to chemotherapy.

Our Approach

ACT® was developed following initial work conducted at GE Healthcare as part of a program to develop a new ultrasound contrast agent. EXACT-Tx was then formed with the objective to build on this initial work and develop an innovative and effective therapeutic targeting platform using microbubbles and ultrasound. Despite the interest within the ultrasound community in the therapeutic application of microbubbles, currently available contrast agents have a number of limitations, not least of which is the size of the microbubbles. Given the biomechanical mode of action that underpins ACT®, the size of the microbubbles in the vasculature is the most important determinant of efficacy and something that is precisely controlled with the technology.

Acoustic Cluster Therapy® (ACT®)

ACT® comprises three components:

1. A proprietary intravenous cluster formulation of stabilised microbubbles (perfluorobutane) and microdroplets (perfluoromethylcyclopentane), called PS101, that are biologically inert and metabolised fairly rapidly and excreted (exhaled) within hours through the lungs.
2. Standard of care therapeutics, for example intravenous chemotherapeutic regimes that are administered alongside PS101, in accordance with the respective product labels.
3. Standard ultrasound, using a bespoke dual-frequency probe, that is applied to the target site following administration of PS101 and the therapeutic agent.

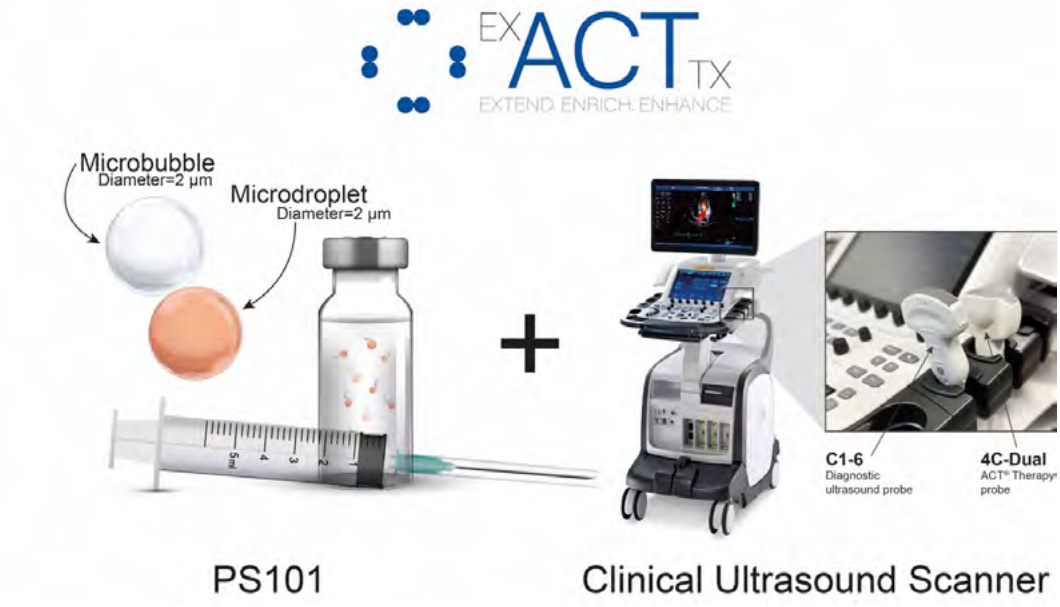


Figure 1: Acoustic Cluster Therapy® includes the use of PS101 + standard ultrasound.

The proprietary microbubble and microdroplet cluster formulation (PS101) has been specifically designed and optimised to be free flowing through the vasculature. Upon activation by ultrasound, they expand to form large microbubbles that are temporarily trapped and lodge for several minutes in the next capillary bed they flow into. Application of further ultrasound drives the bubbles into oscillation, focusing the ultrasound energy to the capillary vessels and thereby exert potent biomechanical forces to drive extravasation of the co-administered chemotherapeutic agent at the target tissue.

To achieve this, the microdroplet undergoes a liquid to gas phase shift upon exposure to high frequency ultrasound (>1MHz). This insonation creates relatively large microbubbles (~20-30µm diameter) that temporarily block capillaries and lodge in the microvasculature in the target tissue. Once generated, the microbubble is then stimulated through the application of low frequency ultrasound (~0.5MHz) causing the bubble to oscillate with consequent biomechanical effects including creation of compression forces, shear waves and a valveless pump effect. This opens up the vasculature wall, allowing greater diffusion of the co-administered therapeutic at the target site, into the underlying tissues with restored perfusion in the surrounding microvasculature and disturbance in the extracellular matrix (ECM). The larger microbubbles expand and contract rapidly in a stable and controllable manner using US FDA and International Electrotechnical Commission approved safe diagnostic ultrasound levels.

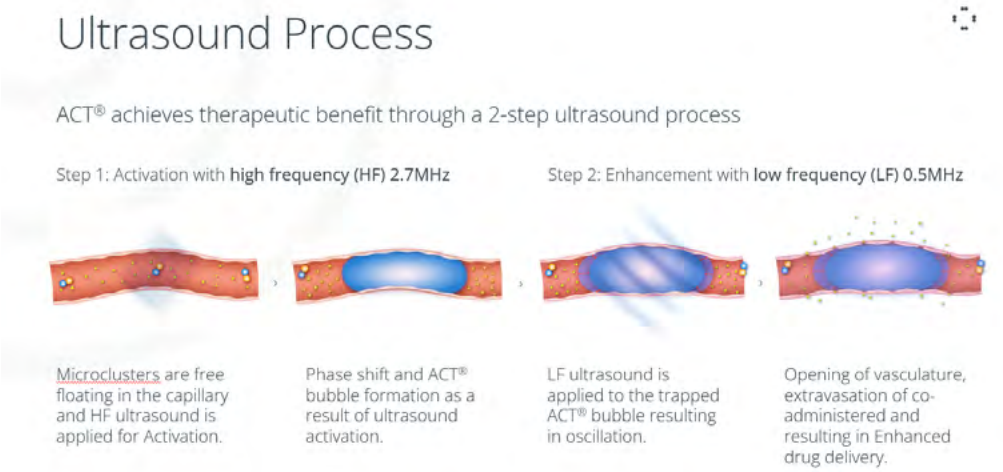


Figure 2a: ACT® mechanism of action (US: ultrasound)

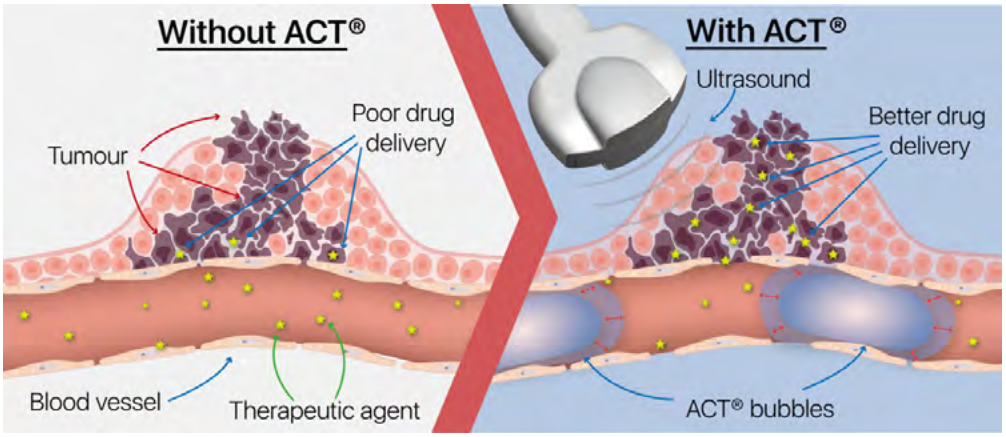


Figure 2b: ACT® mechanism of action

Key differentiation of ACT®:

- ACT® has a biomechanical mode of action to increase the uptake of co-administered drugs from blood vessels into the surrounding (cancer) tissue, without damaging the cells within the capillary walls; unlike sonoporation, ACT® does not create holes in the epithelial cell membranes of the capillary wall.
- With ACT®, the drug can reach 100 microns which is 10 layers of cells away from capillary with an ongoing pump effect that lasts for minutes.
- Reproducible and significant uptake through targeted delivery into tumours and across the blood brain barrier (BBB).
- A very strong toxicology package: including most recently, in relation to BBB opening where no extravasation of red blood cells was observed throughout the ACT® procedure in a preclinical rodent model.
- Uses a bespoke dual frequency transducer with a standard ultrasound scanner to activate and enhance the clusters at the target tumour site. Compatible with existing ultrasound systems widely available in clinics/hospitals worldwide.
- No drug reformulation required.
- ACT® relies on ultrasound settings well within safe and approved ranges.
- State of the art navigation system in development to ensure ACT® is delivered accurately at a targeted site.

Offers potentially major benefits and opportunities in oncology

- Preclinical evidence: indicates that ACT® overcomes one of the most fundamental challenges in treating solid tumours, namely the difficulty of getting enough drug from the circulation into the tumour tissue.
- Significant unmet medical need – solid tumours account for 80% of all cancers.
- Supported by a strong and broad preclinical package demonstrating therapeutic enhancement in multiple oncology models (pancreatic, breast, prostate) as well as BBB penetration.

The simplicity of application of ACT® and its minimally invasive approach are important considerations with respect to workflow integration, adoption and differentiation. The ease of intravenous administration of the ACT® formulation is similar to the co-administered chemotherapy, whilst the compatibility of the platform with existing ultrasound scanners will further facilitate rapid uptake in both the hospital and office/out-patient settings. The co-administration of known and established chemotherapeutic agents and the application of ultrasound energy levels well within safe and approved ranges will provide additional reassurance to clinicians and patients.

Finally, the minimal infrastructure requirements, essentially a bespoke ultrasound probe, should allow rapid and widespread adoption, whilst competitor offerings may require significant investments in either scanner technology or other significant hardware.

In summary ACT® has the potential:

- to increase the efficacy and risk-benefit profile of co-administered drugs
- to be applicable for a multitude of localised pathologies
- to be agnostic of product class
- to be compatible with state-of-the-art ultrasound scanners

Figure 3: The ACT® platform technology

The ACT® platform technology has been evaluated in a number of preclinical murine cancer models which demonstrated a remarkably consistent and profound impact on endpoints of tumour progression and growth. These studies were conducted with a range of leading academic partners including the Institute for Cancer Research (ICR)/Royal Marsden Hospital in London, UK, the Translational Genomics Research Institute in Phoenix, Arizona, US (TGen) and the Norwegian University of Science and Technology in Trondheim, Norway (NTNU). Compelling preclinical data in models of pancreatic, prostate, breast and colon cancer provided the foundation to proceed into Phase I clinical development. The Company is aiming to complete the Phase I ACTIVATE study in metastatic colorectal cancer and pancreatic cancer to add to dosing, tolerability, safety and PK/PD databases and will be targeting initiation of a further follow-on Phase I clinical study in solid tumours.

Table1:

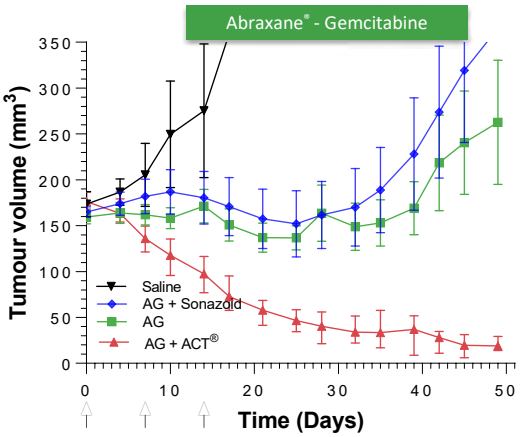
Range of published preclinical data across a range of *in vivo* models and drugs

Disease model (mice)	Drug co-administered	Preclinical outcome	Ref
Pancreatic cancer	Abraxane®-Gemcitabine	**90%** reduction in growth at day 50 50% vs 11% complete response	1
Pancreatic cancer	Onivyde™	**87%** reduction in growth at day 50 50% vs 11% complete response	1
Prostate cancer	Abraxane®	**100%** complete remission at 60 days vs 0% Abraxane alone	2
Breast cancer	Doxil®	**63%** complete response at 175 days vs 10% drug alone	3
Colon cancer	Irinotecan	**>70%** reduction in growth at day 27. 22% vs 7% complete response at day 120	4

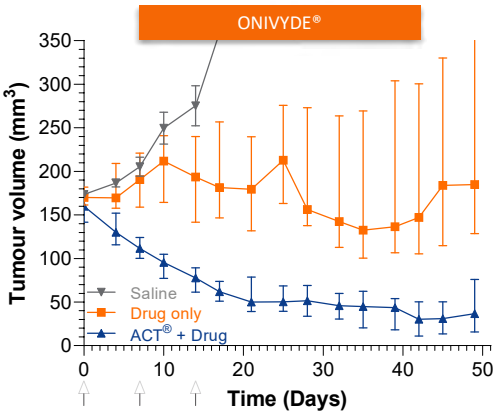
All studies showed significant benefit in disease response and tumour regression/inhibition vs. drug alone. Reduction in growth calculated vs drug alone group at end of study or at last time point where drug alone mice survived.

- *1) Ng S, Mol. Cancer Ther. 2019;18 (12 Suppl): Abstract nr A099*
- 2) A. van Wamel et al. / Journal of Controlled Release 236 (2016) 15–21
- *3)* Bush N, Healey A, Shah A, Box G, Kirkin V, Eccles S, Sontum PC, Kotopoulis S, Kvåle S, van Wamel A, Davies CdL and Bamber J (2020) Theranostic Attributes of Acoustic Cluster Therapy and Its Use for Enhancing the Effectiveness of Liposomal Doxorubicin Treatment of Human Triple Negative Breast Cancer in Mice. Front. Pharmacol. 11:75. doi: 10.3389/fphar.2020.00075
- *4). Bush N, Healey A, Shah A, Box G, Kirkin V, Kotopoulis S, Kvåle S, Sontum PC and Bamber J (2019) Therapeutic Dose Response of Acoustic Cluster Therapy in Combination With Irinotecan for the Treatment of Human Colon Cancer in Mice. Front. Pharmacol. 10:1299. doi: 10.3389/fphar.2019.01299*

Pancreatic cancer PDX mouse model demonstrates significant tumour volume reduction (85-90%) when ACT® co-administered with SoC therapy



PDAC PDX s.c. mouse model treated with 15 mg/kg Abraxane® + 60 mg/kg gemcitabine i.p. ± ACT® (N=9-10).



PDAC PDX s.c. mouse model treated with 15 mg/kg Onivyd® i.v. ± ACT® (n=9-10).

Drug/Combination	Complete Response Rate
Abraxane-Gemcitabine	11%
Abraxane-Gemcitabine + ACT®	**50%**
Onyvide	11%
Onyvide + ACT®	**50%**

Figure 3:

These studies combined ACT® with a number of different types of chemotherapeutic agents including small molecules and nanoparticles suggesting that this treatment approach has the potential to be drug and disease agnostic. Although the initial focus of the Company remains in oncology, additional exploration of the potential in other therapeutic areas is planned.

In an oncology setting, it is anticipated that application of ACT® in combination with standard of care chemotherapy will enhance the impact of the chemotherapy on tumour regression thereby improving clinically relevant outcomes for patients.

Strong preclinical data on ACT® were recently published in Science Direct[2] which demonstrated that ACT® safely and temporarily increased the permeability of the BBB in animal models as well as increased the penetration and accumulation of

[2] doi.org/10.1016/j.jconrel.2021.07.019

co-administered compounds including nanoparticles with no treatment related tissue damage observed. The BBB remains a formidable challenge to the delivery of drugs into the brain. The published preclinical data demonstrate that ACT® could be a potential strategy to overcome this obstacle and promote efficient and specific crossing through BBB of therapeutically relevant agents, addressing a huge unmet medical need and further demonstrating the power of the ACT® platform.

Pipeline Overview

In order to further explore the platform potential of ACT® a number of preclinical studies are planned, investigating the impact of ACT® co-administered with monoclonal antibodies/immunotherapy in an oncology setting, as well as wider therapeutic areas including infectious diseases and CNS.

Alongside the therapeutic development of the platform, technology plays an important role in ACT®, specifically through the application of dual frequency ultrasound. A bespoke probe was developed in collaboration with GE Healthcare for deployment in the Phase I ACTIVATE study with further iterations planned to accommodate more indications, both within oncology and beyond.

Financial Review

Figures in brackets show the same period in 2020 unless stated otherwise.

Accounting policies
The Group financial statements of EXACT-Tx have been prepared in accordance with international accounting standard IFRS. The parent company Exact Therapeutics AS listed on Euronext Growth Oslo prepares its financial accounts in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Financial results

Operating expenses
Total operating expenses for 2021 for the Group amounted to NOK 59.2 million (NOK 34.7 million) and NOK 60.6 million (NOK 34.7 million) for the parent company. The significant item driving the rise in costs between 2021 and 2020 has been the ultrasound probe development project programme with GE which began in January 2021.

Employee expenses were NOK 18.0 million (NOK 14.1 million) for the Group and NOK 8.2 million (NOK 15.1 million) for the parent company. Payroll expenses increased in 2021 compared to 2020 due to increased headcount as part of the planned organisational build and increase in capability but this was partly offset by a lower share option charge to the income statement . Non cash share option costs required by IFRS2 and charged to the profit and loss account were NOK 4.2 million (NOK 7.8 million) for the Group and NOK 4.2 million (NOK 7.8 million) for the parent company.

Other operating costs for the full year 2021 were NOK 39.4 million (NOK 19.5 million) and NOK 51.1 million (NOK 18.9 million) for the parent company with the growth being driven by costs associated with the ultrasound probe development project with GE.

The Group has recognised government grants for a total of NOK 8.9 million (NOK 7.3 million) for the full year 2021. Government grants are recognised as a cost reduction in the profit and loss. Employee benefit and other operating expenses have been reduced for both the Group and the parent company by these total amounts as a result of these government grants.

The comprehensive loss for the Group in 2021 was NOK 58.6 million (NOK 33.2 million) and NOK 59.8 million (NOK 34.8 million) for the parent company.

Financial position
Total assets for the Group as of 31 December, 2021 were NOK 117.6 million (NOK 170.2 million as at 31 December, 2020) and NOK 115.6 million (NOK 170.4 million as at 31 December, 2020) for the parent company.

Total Group liabilities were NOK 11.9 million (NOK 10.6 million as at 31 December, 2020) and NOK 11.3 (NOK 10.9 million as at 31 December, 2020) for the parent company.

Total Group equity as of December 2021 was NOK 105.7 million (NOK 159.7 million as at 31 December, 2020) and NOK 104.3 million for the parent company (NOK 159.5 million as at 31 December, 2020) which corresponds to an equity ratio of 90% (94%) for the Group and 90% (92%) for the parent company.

Cash flow

Net cash outflow from operating activities was NOK 55.1 million for the Group (NOK 26.0 million).

Cash and cash equivalents reduced to NOK 82.9 million for the Group at the end of the 2021 financial year (a decrease of NOK 56.3 million from the NOK 139.2 million held at the end of 2020 financial year).

In addition to cash in hand the Group and parent company also held an investment bond with DNB valued at NOK 20.8 million as 31 December, 2021 (NOK 20.5 million as at 31 December, 2020).

Remuneration Report 2021

Remuneration of the Board of Directors

The remuneration of the Board of Directors is determined by the shareholders at the EXACT Therapeutics AS' (EXACT-Tx or the Company) Annual General Meeting (AGM) based on a proposal from the Nomination Committee.

The remuneration of the Board of Directors reflects:

- The Board of Directors' responsibility and expertise
- The complexity of the Company and its business
- The time spent and the level of activity performed in the Board of Directors and any Board Committees in which the members of the Board participate.

Further details of the full remuneration and benefits of each Board Member can be found in Note 7.1 to the financial accounts.

Board of Directors

Executive Board Chair
Dr Masha Strømme
D.Phil (Rhodes Scholar, Oxford, Neuroscience and Genetics)
Investor and Advisor with 20+ years' experience in the life sciences sector. Healthcare business angel. Previously Morgan Stanley and Altium Cap (UK).

Board Vice Chair
Sir William Castell
LVO FMedSci
Former: CEO of GE Healthcare and Vice Chair of the General Electric Company, CEO Amersham plc, Director BP plc and Chairman of the Wellcome Trust.

Board Director

Dr Aitana Peire *PhD (Evolutionary Genetics)*

Aitana Peire is an Investment Manager of Canica's Future of Health assets. She has previously worked at Venture Valuation, Kepler-Chevreux, Stratas Partners and CarVal Investors. She is a Board member at Ultimovacs ASA, Cercare Medical A/S and Hubro Therapeutics AS.

Board Director

Dr Jean-Claude Provost *MD (Clinical Pharmacology)*

Managing Partner at Theranostics Consulting. Interim Chief Medical Officer at Lantheus. Former Global Head of Imaging R&D at GE Healthcare Pharmaceutical Diagnostics. 25+ years' experience from Clinical Research and R&D management (including Pfizer, Bayer and Merck-Serono). Former; co-founder of SMO-CLINICA SAS, CEO of CCBR A/S, the division of Clinical Research Centres at Synarc-CCBR Inc, SVP of Imaging Services & General Manager Europe at Synarc Inc, President & CEO of IôDP. Member of the Board of Directors of the Centre for Probe Development and Commercialisation (CPDC).

Board Director

Dr Jean-Michel Cosséry

MBA, PhD, Pharm D

Senior Healthcare Executive - Research, Marketing and Commercial roles within Med-Tech and Pharmaceuticals (inc. GE Healthcare and Eli-Lilly).
He is also a non-Executive with Malin Corporation plc, Diurnal Group plc and Eracal Therapeutics Ag

Board Director

Anders Wold *BSc, MBA*

Anders Wold was until recently Business Development and Strategic Advisor to the GE Healthcare President and CEO. He was until Spring 2021 the President & CEO for GE Healthcare's Global Clinical Care Solution business unit with USD 5 billion in sales and over 5,000 employees. The business unit includes Diagnostic Ultrasound, Patient Monitoring, Anesthesia, Ventilation, Diagnostic Cardiology, Maternal Infant Care, Digital Solutions & Service. In his 38 years in the Ultrasound industry Mr Wold built a world leading team with a fast innovation and product release platform launching more than 20 new products every year in the global Med Tech market. He took GE Healthcare CCS business to a clear leadership position, made it highly profitable, and created new growth markets in this industry.

Board Director

Ann-Tove Kongsnes *MBA*

Ann-Tove Kongsnes has over her career gained extensive experience from investments, development, M&A, IPO's and exits of technology companies. Before this, she worked 7 years in international marketing, serving as Director of Marketing and Operations. Ann-Tove has broad boardroom experience, and currently serves on the boards of Investinor's portfolio companies, poLight ASA (listed on Euronext Stock Exchange), Numascale AS, Vitux AS, Spinchip Diagnostics AS and Exact Therapeutics AS (listed on Euronext Growth). She is also Chair of the Nomination Committee in Novelda AS and a member of the Nomination Committee in Bergenbio ASA (listed Oslo Stock Exchange). She holds an MSc in Economics and Business Administration from Bodø University College (HiB) and has completed the Advanced Program in Corporate Finance at Norwegian School of Economics (NHH).

Management Team

CMO
Dr Hilary McElwaine-Johnn
A highly experienced Chief Medical Officer, graduate of Imperial College and St Mary's Hospital Medical School, London, Member of the Royal College of Physicians and Faculty of Pharmaceutical Medicine. 25+ years of drug development experience including PowderMed, PsiOxus Therapeutics and Karus Therapeutics.

CFO
Dominic Moreland
A finance professional with extensive experience in the healthcare sector with Baxter, Genzyme and Autolus. Finance lead for the Autolus IPO and MBO of Genzyme clinical homecare division. Qualified as a UK FCA and a graduate of the LSE.

CSO
Dr Andrew Healey
20+ years' experience from pharma R&D; Nycomed Imaging/Amersham Health/GE Healthcare, last ten as Sr. Scientist (GE). Inventor in 10+ patents within diagnostics and cancer therapeutics. Co-founder of EXACT Therapeutics AS.

COO
Dr Svein Kvåle
25+ years' experience from pharma R&D; Nycomed Imaging/Amersham Health/GE Healthcare, last ten as Sr. Scientist (GE). Inventor in 10+ patents within diagnostics and cancer therapeutics protecting 5 commercial products. Co-founder of EXACT Therapeutics AS.

Corporate Governance Report 2021

EXACT-Tx considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital. In order to secure strong and sustainable corporate governance, it is important that EXACT-Tx ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations.

Principles for Corporate Governance

The Company's shares are listed on Euronext Growth Oslo, and thus not subject to the requirement to prepare an annual statement of its principles and practices for corporate governance. However, the Company endorses the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board, most recently revised on 17 October, 2018 (the "Code") and therefore seeks to comply with the principles set out in the Code. As compliance with the Code is based on the "comply or explain" principle, the Company therefore also includes a corporate governance report in its Annual Report, based on the same principles.

Implementation and reporting of corporate governance

EXACT-Tx has governance documents setting out principles for how its business should be conducted. References to more specific policies are included in this corporate governance report where relevant. The Company's governance regime is approved by the Board of Directors.

EXACT-Tx believes that good corporate governance involves openness, independence, equal treatment, control and management and will lead to trustful cooperation between all stakeholders and parties involved in the Company, the shareholders, the Board of Directors and Executive Management, employees, customers, suppliers, public authorities and society in general.

Business

The operations of the Company and its subsidiary are in compliance with the business objective set forth in the Company's Articles of Association, which reads as follows:

The Company's purpose is drug development and other services and products that naturally coincide with this, including participating in other companies with similar activities, buying and selling shares, or otherwise making themselves interested in other undertakings as well as the purchase, sale and rental of real estate.

Equal treatment of shareholders

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in General Meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

The shares of the Company are freely negotiable, and the Company's Articles of Association do not place any restrictions on the negotiability of shares.

General Meetings

The General Meeting is open to all shareholders, and EXACT-Tx encourages all shareholders to participate and exercise their rights in connection with the Company's General Meetings.

The Chair of the General Meeting is elected by the shareholders.

The Board Chair and the CEO will be present at General Meetings, together with representatives of the Board. Representatives of the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as the auditor, should be present at General Meetings where matters of relevance for such committees or persons are on the agenda.

Minutes from the General Meetings will be published in accordance with the stock exchange regulations.

The Company's General Meeting elects the members and the Chair of the Nomination Committee for a period of one year and determines their remuneration.

Board Composition and independence

Pursuant to the Articles of Association section 6, the Company's Board of Directors shall consist of 5-7 directors. As at 31 December, 2021, the Board of Directors consisted of 7 members, of which 3 were women including the Executive Chair:

Dr Masha StrØmme (Executive Chair)
Sir William Castell (Vice-Chair)
Ann-Tove Kongsnes
Anders Wold
Dr Aitana Peire
Dr Jean-Michel Cosséry
Dr Jean Claude Provost

The composition of the Board of Directors is in compliance with the independence requirements of the Norwegian Code of Practice for Corporate Governance, (the "Corporate Governance Code").

The Work of the Board of Directors

General

The Board of Directors is responsible for the management of the Company, including providing strategic guidance, the appointment of Chief Executive Officer (CEO), convening and preparing for General Meetings and supervising the daily management and the activities of the Company.

The CEO is responsible for keeping the Board of Directors informed and provides regular reports to the Board of Directors about the Company's activities, position, financial and operational developments.

Audit Committee

The Board of Directors has established an Audit Committee which is a sub-committee of the Board of Directors. Its main duties are to assess the Company's financial reporting and systems for internal control. The Audit Committee also supports the Board in the administration and exercise of its responsibility for supervision in accordance with applicable rules and legislations.

Remuneration Committee

The Board of Directors has established a Remuneration Committee as a preparatory and advisory committee for the Board of Directors in recommending remuneration of the Company's Executive Management.

Annual evaluations

The Board of Directors and the Chair undergo an annual performance evaluation for the previous year. This evaluation includes the composition of the Board of Directors and the manner in which its members function, both individually, and as a group, in relation to the objectives set out for its work. The report is made available to the Nomination Committee.

Risk management and internal control

The Board of Directors of EXACT-Tx is responsible for ensuring that the Company has sound and appropriate risk management and internal control systems in accordance with the regulations that apply to its business activities.

The Company has implemented a comprehensive set of relevant corporate manuals and procedures, which provide detailed descriptions of procedures covering all aspects of managing its operations, including the development of clinical data and financial performance. The procedures and manuals are continuously revised to reflect best practice derived from experience or adopted through regulations.

Remuneration of the Board of Directors

The remuneration of the Board of Directors is determined by the shareholders

at the Annual General Meeting of the Company based on the proposal from the Nomination Committee. The level of the remuneration is based on remuneration of Board members for comparable companies and reflects the Board of Directors' responsibility, expertise, the complexity of the Company, as well as time spent and the level of activity in both the Board of Directors' meetings and any Board Committees.

Remuneration of Executive Personnel
The main principles for EXACT-Tx's executive remuneration policy are that Management should be offered terms that are competitive when salary, benefits, bonus and pension plans are seen as a whole. The salary and remuneration of the CEO is determined by the Board of Directors in a Board Meeting based on the proposal from the Remuneration Committee.

The Company has a share option scheme for employees, which is linked to the Company's long-term performance in generating shareholder value. Details regarding the programme are available in Note 4.8 to the financial accounts in the Annual Report for 2021.

Auditor
The Company's auditor is Ernst & Young and is regarded as independent in relation to EXACT-Tx. The Board of Directors receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The Board of Directors will disclose the remuneration paid to the auditor to the shareholders at the Annual General Meeting, including a breakdown of the fee paid for audit work and fees paid for other specific assignments, if any.

The auditor will participate at the Annual General Meeting.

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

Environmental, social and governance (ESG)
Our vision is to improve and save lives and thereby create value for patients, society, and shareholders through our work in discovering and developing a novel platform technology to improve targeted delivery of medicines to treat a variety of diseases, including cancers. The potential to co-administer ACT® with standard of care (and often generic) medicines to improve outcomes for patients contributes to the sustainability of existing therapeutics.

ESG is therefore important to us as it is the foundation of our activities and directly linked to our long-term success. Our key stakeholders include our patients and their families, our employees, investors, regulators, suppliers and other business

partners, such as research organisations and academic institutions. We have mapped the topics of greatest strategic importance which include clinical trial conduct, employee engagement and wellbeing and business ethics.

The ESG analysis provided a basis for determining EXACT-Tx's ambitions and KPIs and alignment with our strategy. The CEO has the overall responsibility for ESG in EXACT-Tx and our ESG commitment is overseen by the Board of Directors. Our governance structure is elaborated upon in the Corporate Governance report earlier in the annual report.

Employee engagement and wellbeing

EXACT-Tx's employees are at the core of the Company's strategy and future. We aim to create a culture which appeals to high calibre employees with diverse backgrounds and experience. Furthermore, the opportunity for employees to grow and develop their skills and competencies is important in retaining and developing talented leaders.

The culture and environment of the Company is reflected in the hiring process with a strong focus on diversity (gender, skillset, background and culture) as well as in career development. The latter is delivered through structured objective setting, regular performance appraisals, feedback and the opportunity to discuss career and development plans.

Employee wellbeing is of paramount importance to enhance productivity and motivation. This has been particularly evident during the global pandemic through 2020 and 2021 where the organisation demonstrated agility in ensuring appropriate arrangements were in place to enable working from home, whilst maintaining focus on wellbeing.

EXACT-Tx provides competitive compensation for all our employees reflecting their level of experience, qualification and expertise. In addition, all employees can take advantage of our flexible hours policy.

EXACT-Tx had seven full time employees as at 31 December, 2021 (four as at 31 December, 2020). A whisleblower policy was adopted by the Board in 2021.

Business ethics

To ensure that patients, research and development partners, employees, shareholders and other stakeholders feel confident about our commitment to operate in accordance with responsible, ethical and sound corporate and business principles, the Company has established a set of ethical guidelines that are presented in its corporate governance policy as well as its personnel handbook. Material breaches of the ethical guidelines may result in termination of employment.

The Group takes a zero-tolerance stance towards corruption, money laundering and insider trading. All employees are encouraged to report any breaches of Group regulations. No incidents were reported in 2021.

Diversity and inclusion

EXACT-Tx encourages the development of a diverse and inclusive work environment and promotes an open and strong corporate culture with a healthy, safe and fair work environment that enables free exchange of ideas and fosters collaboration. The Company is committed to being an equal opportunity employer and to fair treatment for each of our employees throughout their time with the Company. We strictly prohibit discrimination of any form on the basis of gender, age, race, ethnic background, sexual orientation, among other diversity metrics.

Statement by the Board of Directors

The Board of Directors have today considered and approved the Annual Report of EXACT-Tx for the fiscal year from 1 January, 2021 to 31 December, 2021.

In our opinion, EXACT-Tx's 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, EXACT-Tx's financial statements provide a fair presentation of the assets, liabilities and financial position as at 31 December, 2021, and of the results of operations and cash flows for the fiscal year from 1 January, 2021 to 31 December, 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 EXACT-Tx; 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 8 June, 2022.

EXACT Therapeutics AS
27 April, 2022

Dr Masha Strømme
Executive Chair of the Board

Dr Jean-Claude Provost
Board Member

Ann-Tove Kongsnes
Board Member

Sir William Castell
Board Vice-Chair

Dr Jean-Michel Cosséry
Board Member

Anders Wold
Board Member

Dr Aitana Peire
Board Member

Consolidated statement of comprehensive income

For the years ended 31 December

Amounts in NOK	Notes	2021	2020
Government grants and other income	2.2	52,000	-
Total other income		**52,000**	**-**
Employee benefit expenses	2.3	17,990,196	14,074,351
Other operating expenses	2.4	39,355,744	19,546,046
Depreciation and amortisation	3.1, 3.2	1,816,883	1,078,264
Operating profit or loss		**-59,110,824**	**-34,698,661**
Finance income	4.7	959,185	1,773,356
Finance costs	4.7	438,543	160,163
Profit or loss before tax		**-58,590,181**	**-33,085,468**
Income tax expense	5.1	-	-
Profit or loss for the year		**-58,590,181**	**-33,085,468**
Allocation of profit or loss:			
Profit/loss attributable to the parent		-58,590,181	-33,085,468
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		27,302	-71,843
Total items that may be reclassified to profit or loss		27,302	-71,843
Total other comprehensive income for the year		**27,302**	**-71,843**
Total comprehensive income for the year		**-58,562,879**	**-33,157,311**
Allocation of total comprehensive income			
Total comprehensive income attributable to owners of the parent		-58,562,879	-33,157,311
Earnings per share ("EPS"):			
Basic EPS - profit or loss attributable to equity holders of the parent	4.9	-1.95	-2.20
Diluted EPS - profit or loss attributable to equity holders of the parent	4.9	-1.95	-2.20

Consolidated statement of financial position

Amounts in NOK	Notes	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	4,684,249	4,504,997
Right-of-use assets	3.2	1,646,596	13,100
Total non-current assets		**6,330,846**	**4,518,097**
Current assets			
Other receivables	2.5	7,609,939	5,991,416
Other current financial assets	4.1	20,775,631	20,498,927
Cash and cash equivalents	4.6	82,910,921	139,224,380
Total current assets		**111,296,491**	**165,714,723**
TOTAL ASSETS		**117,627,336**	**170,232,820**
EQUITY AND LIABILITIES			
Equity			
Share capital	4.5	119,969	119,871
Share premium		215,628,677	215,137,483
Other paid-up equity		12,006,952	7,848,423
Uncovered loss		-122,014,853	-63,451,974
Total equity		**105,740,744**	**159,653,803**
Non-current liabilities			
Non-current lease liabilities	3.2	1,351,671	-
Non-current provisions	2.7	-	-
Total non-current liabilities		**1,351,671**	**-**
Current liabilities			
Current lease liabilities	3.2	361,797	37,894
Trade and other payables	2.6	10,173,123	9,434,496
Current provisions	2.7	-	1,106,627
Total current liabilities		**10,534,920**	**10,579,017**
Total liabilities		**11,886,591**	**10,579,017**
TOTAL EQUITY AND LIABILITIES		**117,627,336**	**170,232,820**

Oslo, 27 April 2022

Dr Masha Strømme
Executive Chair of the Board

Dr Jean-Claude Provost
Board Member

Ann-Tove Kongsnes
Board Member

Sir William Castell
Board Vice-Chair

Dr Jean-Michel Cosséry
Board Member

Anders Wold
Board Member

Dr Aitana Peire
Board Member

Consolidated statement of changes in equity

Amounts in NOK	Share capital	Share premium	Other paid-up equity	Foreign currency translation reserve	Uncover loss/ Retained earnings	Total equity
Balance at 1 January 2020	**89,912**	**72,440,981**	**-**	**-**	**-30,294,663**	**42,236,230**
Profit (loss) for the year	-	-	-	-	-33,085,468	-33,085,468
Other comprehensive income	-	-	-	-71,843	-	-71,843
Issue of share capital (Note 4.5)	29,959	146,487,193	-	-	-	146,517,152
Transaction costs	-	-3,790,691	-	-	-	-3,790,691
Share based payments - Options (Note 4.8)	-	-	7,737,565	-	-	7,737,565
Share based payments - RSUs (Note 4.8)	-	-	110,858	-	-	110,858
Balance at 31 December 2020	**119,871**	**215,137,483**	**7,848,423**	**-71,843**	**-63,380,131**	**159,653,803**
Profit (loss) for the year	-	-	-	-	-58,590,181	-58,590,181
Other comprehensive income	-	-	-	27,302	-	27,302
Issue of share capital (Note 4.5)	98	507,874	-	-	-	507,972
Transaction costs	-	-16,680	-	-	-	-16,680
Share based payments - Options/RSU (Note 4.8)	-	-	4,158,529	-	-	4,158,529
Balance at 31 December 2021	**119,969**	**215,628,677**	**12,006,952**	**-44,541**	**-121,970,312**	**105,740,745**

Consolidated statement of cash flows

For the years ended 31 December

Cash flows from operating activities (NOK)	Notes	2021	2020
Profit or loss before tax		**-58,590,181**	**-33,085,468**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial income/expense	4.7	-520,642	-1,613,193
Depreciation and impairment of property, plant and equipment	3.1	1,447,239	745,423
Amortisation and impairment of right-of-use asset	3.2	382,745	157,224
Share-based payment expense	4.8	4,158,529	7,848,423
Working capital adjustments:			
Changes in other receivables	2.5	-1,618,523	-899,874
Changes in trade and other payables	2.6	738,627	-248,542
Changes in provisions and other liabilities	2.7	-1,106,627	1,106,627
Net cash flows from operating activities		**-55,108,833**	**-25,989,380**
Cash flows from investing activities (NOK)			
Purchase of property, plant and equipment	3.1	-1,626,489	-3,963,350
Payment for established subsidiary	6.1	-	-117,096
Proceeds from sale of financial instruments	4.2	-	2,000,000
Interest received	4.7	616,409	982,478
Net cash flow from investing activities		**-1,010,080**	**-980,872**
Cash flow from financing activities (NOK)			
Proceeds from issuance of equity	4.5	507,874	146,517,152
Transaction costs on issue of shares	4.5	-16,680	-3,790,691
Payments for the principal portion of the lease liability	3.2	-438,477	-152,312
Payments for the interest portion of the lease liability	3.2	-97,811	-6,139
Interest paid	4.9	-2,298	-1,280
Net cash flows from financing activities		**-47,392**	**142,566,730**
Net increase/(decrease) in cash and cash equivalents		**-56,166,304**	**115,596,478**
Cash and cash equivalents at beginning of the year/period	4.6	139,224,380	23,754,682
Net foreign exchange difference		-147,154	-126,780
Cash and cash equivalents, end of year		**82,910,922**	**139,224,380**

1.1 General information

Corporate information
The consolidated financial statements of EXACT Therapeutics AS and its subsidiary (collectively, "the Group" or "EXACT Therapeutics") for the year ended 31 December 2021 were authorised for issue in accordance with a Board resolution on 27 April 2022. EXACT Therapeutics AS is a publicly listed company on the Euronext Growth, with the ticker symbol EXTX. EXACT Therapeutics AS is incorporated and domiciled in Norway, and the address of its registered office is Østre Aker vei 19, 0581 Oslo, Norway.

1.2 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. Further, management have prepared detailed cash flow forecasts and following consideration of these forecasts, the financial statements are prepared based on the going concern assumption.

Presentation currency and functional currency
The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the functional currency of the parent company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions for presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions.

1.3 Significant accounting policies

EXACT Therapeutics has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgemental 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 realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised 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.

Capitalisation of internal development costs
Development expenditures on an individual project, which represents new applications/ technology, are recognised 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.

Initial capitalisation 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.

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, 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 recognised in the financial statements, are summarised below:

Estimates and assumptions:
- Share based payments (note 4.8)
- Measurement of deferred tax assets (note 5.1)

The Group 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 whether deferred tax assets should be recognised (note 5.1).

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

2.1 Operating segments

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.
The chief operating decision maker is the executive management group which monitors the operating results of its business unit for the purpose of making decisions about resource allocation and performance assessment.

The Group is organised as one operating segment: research and development of ACT®.

The Group is still in the research and development phase and does not have revenue from contracts with customers.

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

Non-current assets	31/12/2021	31/12/2020
Norway	5,661,137	3,741,936
United Kingdom	669,709	776,161
Total non-current assets	**6,330,846**	**4,518,097**

2.2 Government grants and other income

ACCOUNTING POLICIES

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is is deducted from the cost 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 recognised as income in equal amounts over the expected useful life of the related asset.

When the Group 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 recognised 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. Revenue 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 and other income	2021	2020
Grant from the Research Council of Norway	-	-
Grant from SkatteFUNN	-	-
Other income	52,000	-
Total government grants and other income	**52,000**	**-**

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

Total government grants recognised	Line item in the consolidated statement of comprehensive income	2021	2020
Grant from the Research Council of Norway	Employee benefit expenses/ Other operating expenses	4,104,000	3,484,000
Grant from SkatteFUNN	Employee benefit expenses/ Other operating expenses	4,750,000	3,780,120
Total government grants recognised		**8,854,000**	**7,264,120**

Government grants receivable	31/12/2021	31/12/2020
Grant from the Research Council of Norway	1,752,667	1,161,334
Grant from SkatteFUNN	4,750,000	3,780,120
Total government grants receivable	**6,502,667**	**4,941,454**

Government grant receivables are included as other receivables in the consolidated statement of financial position and included in the specification in note 2.5.

Grant from Norsk Forskningsråd (The Research Council of Norway) is for a research project relating to the development of Acoustic Cluster Therapy for oncology.
3 grants have been posted to the profit and loss for research projects via the SkatteFUNN scheme. The amounts have been posted in full as a reduction in expensed costs related to the projects.

The SkatteFUNN grant A technology Platform for Localized Delivery of Medicinal Drugs started in 2017 and ended in 2021. The SkatteFUNN grant Clinical Development of Acoustic Cluster Therapy within Oncology started in 2020 and will end in 2023. The SkatteFUNN project period for Ultrasound Transducer for Acoustic Cluster Therapy is from 2020 to 2022.

The projects receiving grants have not generated income as of yet as the projects still are in an early stage.

2.3 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 is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. 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 in Norway and UK. The Norwegian scheme satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The UK scheme satisfies UK statutory requirements. Both 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.

Employee benefit expenses	2021	2020
Salaries	14,916,941	7,800,787
Social security costs	2,099,524	1,412,710
Pension costs	872,872	412,152
Other employee expenses (mainly Share option expenses)	3,051,902	7,932,702
Grants deducted employee	-2,951,043	-3,484,000
Total employee benefit expenses	**17,990,196**	**14,074,351**

Average number of full time employees (FTEs): 7

2.4 Operating expenses

ACCOUNTING POLICIES

Other operating expenses are recognised 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 amortisation.

Other operating expenses	2021	2020
Audit and accounting fees	735,974	514,113
Consulting fees	3,947,732	4,034,838
Legal expenses	815,014	1,076,014
Travel expenses	422,656	225,577
Lease expenses	530,343	488,805
Research expenses	34,494,888	13,314,205
Grants deducted	-5,902,957	-3,780,120
Other operating expenses	4,312,096	3,672,614
Total other operating expenses	**39,355,744**	**19,546,046**

For 2021 the total research expenses were NOK 34,494,888. Total research expenses for 2020 was NOK 13,314,205, recognised as employee benefit expenses and other operating expenses in the consolidated statement of comprehensive income.

Auditor fees	2021	2020
Audit fee	270,000	200,000
Audit related services	462,690	
Tax services	19,500	
Other services	-	336,925
Total remuneration to the auditor	**752,190**	**536,925**

Audit fee:
The amounts above are excluding VAT.

2.5 Other receivables

ACCOUNTING POLICIES

Other receivables
Other receivables are financial assets initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. Other receivables are subject to impairment by recognising an allowance for expected credit losses.

Other receivables consist mainly of VAT receivables and government grant receivables which are expected to be realised in the normal operating cycle within twelve months after the reporting period.

Other receivables	31.12.2021	31.12.2020
VAT receivable	447,911	766,240
Government grants	6,502,667	4,941,454
Other	659,361	283,722
Total other receivables	**7,609,939**	**5,991,416**

Allowance for expected credit losses	31.12.2021	31.12.2020
At January 1	-	-
Provision for expected credit losses	-	-
At December 31	**-**	**-**

The credit risk of financial assets has not increased significantly from initial recognition. The loss allowance is insignificant.

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

2.6 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 31.12. Other payables mainly consist of withholding payroll and social security tax. Other accrued expenses are payroll related accruals and other accruals.

Trade and other payables are measured at fair value upon initial recognition and

subsequently at amortised cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

Trade and other payables	31.12.2021	31.12.2020
Trade payables	3,182,989	1,807,041
Withholding payroll taxes and social security	656,457	488,683
Other accrued expenses[1]	6,333,677	7,138,772
Total trade and other payables	**10,173,123**	**9,434,496**

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

[1] Other accrued expenses include payroll accruals related to the period 2013-2015 for work performed by the Founders of the Company. Accrued debt to Per Sontum is NOK 1,410,000 (2020: NOK 1,410,000), Svein Kvåle is NOK 1,326,000 (2020: NOK 1,326,000) and Andrew Healey NOK 0 (2020: 688,000).

2.7 Provisions

ACCOUNTING POLICIES

Provisions are liabilities with uncertain timing or amount and are recognised when the Group has a present obligation (legal or constructive) because 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 recognised 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.

Social security for share-based payments: Contained a provision in 2020 for the accrued social security on share options and restrictive share units which will be paid when the options are exercised/fully vested. Following the assessment of the social security cost linked to the share option for 2021, the cost has been reduced by NOK 1,106,628. The background is that all existing and active share agreement contains a provision of which the employee indemnifies the company for any tax liability, including social security cost, arriving on the vesting/exercised of option or the subsequent sale of shares. In 2021 the company does not have any provision for such liability.

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
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:

	Salary related costs	Social security for share based payments/RSUs	Other short term provisions	Total
At 1 January 2020	**-**	**-**	**-**	**-**
Additional provisions made	-	1,106,627	-	**1,106,627**
Amounts used	-	-	-	-
Unused amounts reversed	-	-	-	-
Unwinding of discount and change in discount rate	-	-	-	-
At 31 December 2020	**-**	**1,106,627**	**-**	**1,106,627**
Current provisions	**-**	**1,106,627**	**-**	**1,106,627**
Non-current provisions	**-**	**-**	**-**	**-**

	Salary related costs	Social security for share based payments/RSUs	Other short term provisions	Total
At 1 January 2021	**-**	**1,106,627**	**-**	**1,106,627**
Additional provisions made	-	-	-	-
Amounts used	-	-	-	-
Unused amounts reversed	-	-1,106,627	-	**-1,106,627**
Unwinding of discount and change in discount rate	-	-	-	-
At 31 December 2021	**-**	**-**	**-**	**-**
Current provisions	**-**	**-**	**-**	**-**
Non-current provisions	**-**	**-**	**-**	**-**

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. Repair and maintenance costs are recognised 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 cash-generating units (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.

	Fixtures, fittings and tools	Total
Cost as at 1 January 2020	**2,431,576**	**2,431,576**
Additions	3,963,350	3,963,350
Cost as at 31 December 2020	**6,394,926**	**6,394,926**
Additions	1,626,489	1,626,489
Cost as at 31 December 2021	**8,021,415**	**8,021,415**
Depreciation and impairment as at 1 January 2020	**1,144,506**	**1,144,506**
Depreciation for the year	745,423	745,423
Depreciation and impairment as at 31 December 2020	**1,889,929**	**1,889,929**
Depreciation for the year	1,447,239	1,447,239
Depreciation and impairment as at 31 December 2021	**3,337,168**	**3,337,168**
Net book value:		
At 31 December 2020	**4,504,997**	**4,504,997**
At 31 December 2021	**4,684,249**	**4,684,249**
Economic life (years)	3-5	
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 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

Group as a lessee
At the commencement date, the Group recognises 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 (with an underlying value of less than 50 thousand NOK)

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

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 and index or rate.

The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

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 consolidated statement of financial position.

The Group's leased assets

The Group leases several assets, mainly an office building and a laboratory in Norway, and a smaller office in the UK. Leases of office buildings generally have lease terms between two and three years. The Group also leases some office buildings and equipment that are expensed as incurred as they are either considered short term or of low value.

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

Right-of-use assets

	Office Buildings	Total
Acquisition cost at 1 January 2020	**288,240**	**288,240**
Additions of right-of-use assets	-	-
Acquisition cost at 31 December 2020	**288,240**	**288,240**
Additions of right-of-use assets	2,016,241	2,016,241
Depreciation expense - old Norwegian office lease expired	-288,240	-288,240
Acquisition cost at 31 December 2021	**2,016,241**	**2,016,241**
Depreciation and impairment at 1 January 2020	**117,916**	**117,916**
Depreciation of right-of-use assets	157,223	157,223
Depreciation and impairment at 31 December 2020	**275,139**	**275,139**
Depreciation of right-of-use assets	382,745	382,745
Depreciation expense - old Norwegian office lease expired	-288,240	-288,240
Depreciation and impairment at 31 December 2021	**369,644**	**369,644**
Carrying amount at 31 December 2020	**13,101**	**13,100**
Carrying amount at 31 December 2021	**1,646,597**	**1,646,597**

Remaining lease term or remaining useful life	4
Depreciation plan	Straight-line method

Expenses in the period related to practical expedients and variable payments	**2021**	**2020**
Short-term lease expenses	266,591	28,990
Low-value assets lease expenses	-	-
Variable lease expenses in the period (not included in the lease liabilities)	-	-
Total lease expenses in the period	**266,591**	**28,990**

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 consolidated statement of comprehensive income, and the payments are presented in the Group's operating activities in the consolidated statement of cash flows.

The Group's lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	31/12/2021	31/12/2020
Less than one year	450,110	38,078
One to two years	463,613	
Two to three years	477,522	
Three to four years	491,847	
More than four years	42,217	
Total undiscounted lease liabilities	**1,925,309**	**38,078**

Changes in the lease liabilities - 2020		Total
At 1 January 2020	184,066	**184,066**
New leases recognised during the period	-	-
Cash payments for the principal portion of the lease liability	-152,312	**-152,312**
Cash payments for the interest portion of the lease liability	6,140	**6,140**
Interest expense on lease liabilities	-	-
Currency translation effects	-	-
Total lease liabilities at 31 December 2020	37,894	**37,894**
Current lease liabilities in the statement of financial position	37,894	**37,894**
Non-current lease liabilities in the statement of financial position		

Changes in the lease liabilities - 2021		Total
At 1 January 2021	37,894	**37,894**
New leases recognised during the period	2,016,240	**2,016,240**
Cash payments for the principal portion of the lease liability	-438,477	**-438,477**
Cash payments for the interest portion of the lease liability	97,811	**97,811**
Interest expense on lease liabilities	-	-
Currency translation effects	-	-
Total lease liabilities at 31 December 2021	1,713,469	**1,713,469**
Current lease liabilities in the statement of financial position	361,797	**361,797**
Non-current lease liabilities in the statement of financial position	1,351,671	**1,351,671**

Inflation adjustments

In addition to the lease liabilities presented above, the Group is committed to pay variable lease payments for its office buildings, mainly related to future inflation adjustments

which is not included in the initial calculation of lease liabilities. The lease liability and right-of-use asset will be adjusted to reflect the inflation adjustment when the uncertainty related to the adjustment has been resolved, however, due to low inflation forecasts these adjustments are expected to be immaterial.

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.

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 amortised cost: Includes mainly other receivables and cash and cash equivalents
- Financial assets measured subsequently at fair value through profit or loss: Includes other current financial assets

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 Solely Payments of Principal and Interest test ("SPPI test") , constituting debt instruments measured at amortised cost.

Financial Liabilities
- Financial liabilities measured subsequently at amortised cost: Represent the Group's non-interest-bearing liabilities such as trade payables.

The Group does not have derivative financial instruments measured at fair value. All financial assets and liabilities are measured subsequently at amortised cost, with the exception of other current financial assets measured at fair value.

Initial recognition and subsequent measurement

Financial assets and liabilities at amortised cost
The Group's financial assets and liabilities are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss upon impairment, when the instruments are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation is included as finance costs in the consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are recognised at fair value are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets
Financial assets measured at amortised cost are considered for impairment by recognising an allowance for expected credit losses (ECLs). The Group applies a simplified approach (as applicable for trade receivables) in calculating ECLs, where the Group does not track changes in credit risk, but instead recognises 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.

Derecognition of financial instruments
A financial asset is derecognised 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 derecognised 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 recognised in the consolidated statement of comprehensive income.

31/12/2021	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other receivables	2.5	7,609,939	-	7,609,939
Other current financial assets*		-	20,775,631	20,775,631
Cash and cash equivalents	4.6	82,910,921	0	82,910,921
Total financial assets		**90,520,860**	**20,775,631**	**111,296,491**
Liabilities				
Trade and other payables	2.6	10,173,123	-	10,173,123
Total financial liabilities		**10,173,123**	**-**	**10,173,123**

31/12/2020	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other receivables	2.5	5,991,416	-	5,991,416
Other current financial assets [1]		-	20,498,927	20,498,927
Cash and cash equivalents	4.6	139,224,380	0	139,224,380
Total financial assets		**145,215,796**	**20,498,927**	**165,714,723**
Liabilities				
Trade and other payables	2.6	9,434,496	-	9,434,496
Total financial liabilities		**9,434,496**	**-**	**9,434,496**

[1] Other current financial assets consist of bond funds shares, managed by DNB. The purpose of the investment is to generate returns on cash exceeding the interest rate on bank deposits.

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

4.2 Ageing of financial liabilities

Contractual undiscounted cash flows from financial liabilities are presented below:

Remaining contractual maturity							
31/12/2021	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	7,437,123	2,736,000					10,173,123
Non-current lease liabilities	397,443	435,645	476,571	42,012			1,351,671
Current lease liabilities	361,797						361,797
Total financial liabilities	**8,196,363**	**3,171,645**	**476,571**	**42,012**	**-**	**-**	**11,886,591**

Remaining contractual maturity							
31/12/2020	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	6,698,496	2,736,000					9,434,496
Non-current lease liabilities	-						-
Current lease liabilities	37,894						37,894
Total financial liabilities	**6,736,390**	**2,736,000**	**-**	**-**	**-**	**-**	**9,472,390**

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

		Non-cash changes				
2021	01/01/2021	Cash flow effect	New leases	Foreign exchange movement	Other changes	31/12/2021
Non-current lease liabilities	-		-1,609,281		-257,610	1,351,671
Current lease liabilities	37,894	-438,661	406,959		355,605	361,797
Total liabilities from financing	**37,894**	**-438,661**	**2,016,240**	**-**	**97,995**	**1,713,468**

		Non-cash changes				
2020	01/01/2020	Cash flow effect	New leases	Foreign exchange movement	Other changes	31/12/2020
Non-current lease liabilities	37,893	-37,893				-
Current lease liabilities	146,173	-108,279				37,894
Total liabilities from financing	**184,066**	**-146,172**	**-**		**-**	**37,894**

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, 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 minimise potential adverse effects of such risks through sound business practise, 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 summarised 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 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 as it currently has no interest-bearing debt. The fair

value of other current financial assets is dependent on market interest rates, however, the risk exposure is low as the assets consist of investment grade bonds and fixed rate bank deposits, the current interest rate environment is very low. The Group does not hedge interest risk exposure with the use of financial instruments at the current time but 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/loss before tax	Effect on equity
31/12/2021	+/- 50	1,310,677	1,310,677
31/12/2020	+/- 50	798,617	798,617

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) and the Group's net investments in foreign subsidiaries. The currently small amount of income is denominated in NOK. The Group's assets and liabilities at the end of the reporting period are mainly denominated in NOK, and the Group's equity is denominated in NOK. The expenses are mainly denominated in NOK and GBP, with some exposure in USD and EUR. 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/loss before tax	Effect on equity
Increase / decrease in NOK/GBP	31/12/2021	+/- 10%	2,798,184	2,798,184
Increase / decrease in NOK/GBP	31/12/2020	+/- 10%	546,718	546,718

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 other receivables, 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 DNB and Norwegian government branches.

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 from investors.

The Group's objective is to secure funding for its working capital, including mainly the research and development of ACT®. 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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, other receivables 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.

Other current financial assets
Other current financial assets comprise of investment in a quoted bond portfolio managed by DNB, thus the fair value is categorised as level 1.

4.5 Equity and shareholders

ACCOUNTING POLICIES

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

Distribution to shareholders
The Group recognises a liability to make distributions to equity holders when the distribution is authorised, and the distribution is no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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

Issued capital and reserves:

Share capital in EXACT Therapeutics AS	Number of shares authorised and fully paid	Par value per share (NOK)	Financial Position
At 1 January 2020	**89,912**	1.000	**89,912**
Share capital increase - 04.05.2020	1,680	1.000	1,680
Share capital increase - 24.06.2020	398	1.000	398
Share capital increase - 10.07.2020	27,881	1.000	27,881
Share split 1:250 - 27.07.2020	29,847,879	0.004	-
At 31 December 2020	**29,967,750**	**0.004**	**119,871**
Share capital increase - 28.06.2021	24,417	0.004	98
At 31 December 2021	**29,992,167**	**0.004**	**119,969**

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.

The Group's shareholders:

Shareholders in EXACT Therapeutics AS at 31.12.2020	Total shares	Ownership/ Voting rights
Kvåle AS	3,017,500	10.07%
PAACS Invest AS [1]	2,678,250	8.94%
Investinor Direkte AS	2,387,750	7.97%
Brekke Holding AS	2,357,500	7.87%
Andrew J. Healey	2,203,250	7.35%
Canica AS	2,021,000	6.74%
Per Christian Sontum	1,921,605	6.41%
Optimuspistor AS	1,574,750	5.25%
Verdipapirfondet Nordea Avkastning	1,244,999	4.15%
Helene Sundt AS	1,131,000	3.77%
Other shareholders (less than 3%)	9,430,146	31.48%
Total	**29,967,750**	**100%**

[1] Dr Masha Strømme's husband Dag Strømme owns the company PAACS Invest AS 100% which own 2,689,009 shares

Shareholders in EXACT Therapeutics AS at 31.12.2021	Total shares	Ownership/ Voting rights
Kvåle AS	3,021,770	10.08%
PAACS Invest AS	2,689,009	8.97%
Investinor Direkte AS	2,387,750	7.96%
Brekke Holding AS	2,362,376	7.88%
Andrew J. Healey	2,205,385	7.35%
Canica AS	2,021,000	6.74%
Per Christian Sontum	1,921,605	6.41%
Optimuspistor AS	1,574,750	5.25%
Verdipapirfondet Nordea Avkastning	1,244,999	4.15%
Helene Sundt AS	1,131,000	3.77%
Other shareholders	9,432,523	31.45%
Total	**29,992,167**	**100%**

Shares held by management or the Board at the end of the reporting periods are summarised in note 7.1.

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. 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.

Cash and cash equivalents	31.12.2021	31.12.2020
Bank deposits, unrestricted	82,461,373	138,921,611
Bank deposits, restricted	449,548	302,769
Total cash and cash equivalents	**82,910,921**	**139,224,380**

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

4.7 Financial income and expenses

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 finance income or finance costs, except for currency translation effects from investments in foreign subsidiaries which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 4.1.
Interest costs on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognised in the statement of financial position, for further disclosures see note 3.2.

Finance income	2021	2020
Interest income	339,706	65,210
Other finance income	276,703	917,268
Gain on foreign exchange	342,776	790,878
Total finance income	**959,185**	**1,773,356**

Finance costs	2021	2020
Interest expenses	100,109	23,619
Other finance costs	2,611	205
Loss on foreign exchange	335,822	89,035
Fair value loss on other current financial assets	-	47,304
Total finance costs	**438,543**	**160,163**

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

Other finance income is related to income from other current financial assets.

4.8 Share based payments

ACCOUNTING POLICIES

Employees (including 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 recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised 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 recognised as at the beginning and end of that period.

Service and non-market performance conditions are not considered 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 recognised 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 recognised 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 recognised 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)

Social security tax on share-based payments are recorded as a liability (see note 2.7).

Cash-settled transactions
A liability is recognised 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 recognised 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 a 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.

The Group has no practice of cash settlement for these share options and expects to settle the options by delivery of shares.

Transactions where the counterparty has choice of settlement in equity or in cash
Where the counterparty has the right to elect for settlement in either shares or cash, IFRS 2 regards the transaction as a compound transaction to which split accounting must be applied. The general principle is that the transaction must be split into a liability component and an equity component. Once split, the two components are accounted for separately. The Group first measures the fair value of the liability component and then that of the equity component. The fair value of the equity component is reduced to take into account the fact that the counterparty must forfeit the right to receive cash in order to receive shares. The sum of the two components is the fair value of the whole compound instrument. The equity component is establishing by the fair value (FV) of the equity alternative and subtracting the fair value of the liability component.

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 share option or restrictive share unit, volatility and dividend yield and making assumptions about them. Due to limited historical data and liquidity these assumptions include significant estimates by management. The most significant assumptions are described further below.

4.8 Share based payments (Continued)

Share option plan - Description

Under the Share Option Plan (SOP), share options of the parent are granted to management and employees of the Group. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options were granted on 1 February 2021, 14 June 2021 and 15 September 2021 and are split in 25%,25%, and 50% that vest over one, two and three years.

The share options can be exercised up to 10 years after the grant date and expire approximately nine years from the balance sheet date 31 December 2020. The Group elects whether to settle the share options in cash or by delivery of shares. The Group has no practice of cash settlement for these share options and expects to settle the options by delivery of shares. The Group accounts for the RSUs as equity-settled transactions, measured by applying the Black-Scholes-Merton option-pricing model for European options ("BSM"). Share options held by management at the end of the reporting period are summarised in note 7.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. NOK 4,269,387 been expensed as employee benefit expenses in the period NOK 7,737,565 in 2020.

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	2021 Number	2020 WAEP	2020 Number
Outstanding options 1 January	2.20	1,005,500	-	-
Options granted	24.93	540,000	2.19	1,028,000
Options forfeited	2.62	-816,750	-	-22,500
Options exercised[1]		-	-	-
Options expired		-	-	-
Outstanding options 31 December	18.57	728,750	-	1,005,500
Exercisable at 31 December	0.38	188,750	-	50,000

The weighted average remaining contractual life for the share options outstanding as of 31 December 2021 was 9.35 years (2020: 10 years).

[1] The exercise prices for options outstanding at the end of the year were NOK 0.38 for 188,750 options, NOK 18 for 50,000 options, NOK 23 for 20,000 options, NOK 25 for 220,000 options, NOK 26.40 for 250,000 options (2020: NOK 0.38 for 755,500 options, and NOK 7,69 for 250,000 options.

Assumptions used to determine fair value of share option grants:

	2021	2020
Weighted average fair values at the measurement date	21.27	31.80
Dividend yield (%)	0.0	0.0
Expected volatility (%)	89.9	90.1
Risk–free interest rate (%)	1.0	1.0
Expected life of share options (years)	6.38	10
Weighted average share price (NOK)	28.89	2.19
Model used	BSM	BSM

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. At last grant of options historic volatility of Exact Therapeutics AS share price did not provide sufficient historic data that corresponds to the expected life of the option. The expected volatility was therefore estimated based on the volatility of comparable listed companies. Risk free interest rates should be equal to the expected term of the option being valued.

(Cash or) Restrictive share units - Description
The Group has a board remuneration program where the Board members may receive the compensation in cash or in restrictive share units (RSU). Each RSU granted gives the right to acquire one ordinary share of EXACT Therapeutics AS. The number of RSUs granted to each Board Member is equal to the amount of remuneration such member resolves to receive in the form of RSUs, divided by the latest issue price of the shares. The following table illustrates the number of and movements in RSUs during the year:

	2021 Number	2020 Number
Outstanding RSUs at 1 January	0	-
RSUs granded/issued	24,417	99,500
RSUs paid	-24,417	-99,500
RSUs forfeited	-	-
RSUs exercised	-	-
RSUs expired	-	-
Outstanding RSUs at 31 December	**0**	**0**

4.9 Earnings per share

ACCOUNTING POLICIES

Basic EPS is calculated by dividing the profit and loss for the year attributable to ordinary equity holders of the parent 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 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:

	2021	2020
Profit or loss attributable to ordinary equity holders - for basic EPS	-58,590,181	-33,085,468
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution	-58,590,181	-33,085,468
Weighted average number of ordinary shares - for basic EPS	29,979,959	15,028,831
Weighted average number of ordinary shares - for diluted EPS	29,979,959	15,028,831

Basic EPS - profit or loss attributable to equity holders of the parent	-1.95	-2.20
Diluted EPS - profit or loss attributable to equity holders of the parent	-1.95	-2.20

Share options and RSUs issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognised as potential ordinary shares shall only be treated as dilutive if their conversion to ordinary shares would decrease earnings per share of increase loss per share from continuing operations. As the Company is currently loss-making an increase in the average number of shares would have an anti-dilutive effect.

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 recognised directly in equity is recognised 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 recognised 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 recognised 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 utilised, 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 recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised 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 realised 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised 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 recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has NOK 139,021,298 as at 31.12.2021 (NOK 65,990,535 as at 31.12.2020) of tax losses carried forward. 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. Other tax loss carried forward do not expire.

The parent company have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by NOK 31,968,216.

Deferred tax assets:	**31/12/2021**	**31/12/2020**
Property, plant and equipment	43,753	-269,434
Long-term receivables and liabilities in foreign currency	1,771,289	5,485
Accruals and more	6,173,678	12,861,834
Shares and other securities	-1,699,946	524,179
Losses carried forward (including tax credit)	139,021,298	65,990,535
Basis for deferred tax assets:	**145,310,072**	**79,112,599**
Calculated deferred tax assets	31,968,216	17,404,772
- Deferred tax assets not recognised	-31,968,216	-17,404,772
Net deferred tax assets in the statement of financial position	**-**	**-**

The Group's operations are subject to income tax in various foreign jurisdictions. The statutory income tax rates vary from 19% to 22%, which results in a difference between the statutory income tax rate in Norway and the average tax rate applicable to the Group. The average tax rate for the group's deferred tax assets is 22% for 31.12.2021 and 22% 31.12.2020. The average tax rate for the group's deferred tax liabilities is 22% for 31.12.2021 and 22% for 31.12.2020.

Reconciliation of income tax expense	**2021**	**2020**
Profit or loss before tax	-58,590,181	-33,085,468
Tax expense 22% (Norwegian tax rate)	-12,889,840	-7,278,803
Change to prior period tax expense	-	-
Permanent differences [1]	-4,750,000	-3,796,027
Effects of foreign tax rates	-	-
Effects of changes in tax rate	-	-
Currency effects	-	-
Effect of not recognising deferred tax assets	76,230,021	44,160,298
Recognised income tax expense	**-**	**-**

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

[1] The permanent differences are related to SkatteFUNN and other non-deductible costs in the Group's entities.

6.1 Interests in other entities

ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of EXACT Therapeutics AS and its subsidiary as of 31 December 2021. The subsidiaries are consolidated when control is achieved as defined by IFRS 10. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. However, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The consolidated entities

The subsidiaries of EXACT Therapeutics AS are presented below:

Consolidated entities 31 December 2021	Office	CUR	Shareholding and the Group's voting ownership share	Date of consolidation
ACT Therapeutics Ltd	Suffolk, UK	GBP	100%	31/03/2020

All subsidiaries are included in the consolidated statement of financial position.

To comply with the audit exemption for UK subsidiary companies under section 479A of the Companies Act, the Parent company EXACT Therapeutics AS guarantees all outstanding liabilities of ACT Therapeutics Ltd. for the year ended 31 December 2021

7.1 Remuneration to Management and the Board

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

The Board members may choose to receive compensation for their services in restricted stock units (RSUs), this option is described in note 4.8. The Board members holdings of RSUs are summarised further below.

Remuneration to Executive Management
The Board of EXACT Therapeutics AS determines the principles applicable to the Group's policy for compensation to the Executive Management. The Board determines remuneration of the CEO and management team based on recommendations from the Remuneration Committee. The Group's Executive Management includes the Chief Executive Officer, Chief Scientific Officer, Chief Medical Officer, Chief Technology Officer, Chief Financial Officer and Chief Operating Officer.

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 mobile telephone, insurance, and internet subscription. The fixed salary has been determined on the basis of recommendation from the Remuneration Committee, considering the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

Short Term Incentive: At the discretion of the Board, the Executive Management team may be eligible for a short-term incentive payment on both Company and individual performance. In 2021, short term incentive payments paid to Executive Management are summarised in the table below.

Pension
All Executive Management are members of the defined contribution pension scheme.

Other benefits
Members of Executive Management have been granted share options under the Group's share option plan, described in note 4.8. The share options held by the management team is summarised further below.

Severance Arrangements
If the CEO is terminated by the Board, he is not entitled to severance pay in addition to the ordinary notice period of 12 months. For other senior management, termination only results in payment of notice period.

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

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

NOK	Salary	Bonus	Pension	Other compensation	Total remuneration
Dr Rafiq Hasan, *CEO, to 19.01.2022* [1]	2,971,875	-	158,500	-	3,130,375
Dr Spiros Kotopoulis, *CTO to 31.08.2021*	1,293,639	-	71,064	2,243	1,366,946
Dr Svein Kvåle, *COO* [2]	1,322,904	130,000	96,792	2,196	1,551,892
Dr Andrew Healey, *CSO to 31.10.2020* [3]	153,370	-	-	688,195	841,565
Dominic Moreland, *CFO from 14.06.2021* [1 2 4]	1,286,996	219,109	142,541	297,188	1,945,834
Dominic Moreland, *CEO Interim, fr 17.10.2021--31.12.2021* [1 4]			119,236		
Dr Hilary McElwaine-Johnn, *CMO, from 01.02.2021* [1 2]	2,397,312	335,037	239,732	-	2,972,081
Total	**9,426,096**	**684,147**	**708,629**	**1,109,058**	**11,927,929**

[1] The average exchange rate in 2021 for GBP/NOK 11.8875 has been used to convert remuneration to NOK.

[2] Bonus amount relates to work performed in 2021

[3] Andrew Healey other compensation includes severance pay NOK 688,195. He rejoined the company 15 November 2021.

[4] Dominic Moreland other compensation includes joining bonus NOK 297,188 and interim CEO compensation, NOK 119,236, for the period 17.10.2021--31.12.2022. Other compensation for Dr Spiros Kotopoulis and Dr Svein Kvåle includes broadband connection for remote working.

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

NOK	Salary	Bonus	Pension	Other compensation	Total remuneration
Dr Rafiq Hasan *CEO from 01.08.2020* [1]	1,258,333	966,705	37,750	4,953	2,267,741
Dr Spiros Kotopoulis *CTO to 31.08.2021*	1,201,726	60,000	86,244	29,385	1,377,355
Stig Jarle Pettersen *CFO* [2]	-	-	-	988,575	988,575
Dr Per Christian Sontum *CEO to 31.07.2020*	1,382,809	-	95,232	24,424	1,502,465
Dr Svein Kvåle *COO*	1,328,005	50,000	95,280	26,548	1,499,833
Dr Andrew J. Healey *CSO to 31.10.2020*	1,197,065	-	87,505	18,583	1,303,153
Total	**6,367,938**	**1,076,705**	**402,011**	**1,092,468**	**8,939,122**

[1] The average exchange rate in 2020 for GBP/NOK 12.08 has been used to convert remuneration to NOK.

[2] Invoiced from CFO For Hire AS, 100% owned by Stig Jarle Pettersen. Resigned 01.01.2021

Remuneration to the Board of Directors:

NOK	2021	2020
Dr Masha Strømme - Chair of the Board, board fees	424,175	350,000
Sir William Castell - Board Vice-Chair	391,952	350,000
Dr Jean-Claude Provost - Board Member, board fees	130,000	125,000
Hans Henrik Klouman - Board Member	142,168	125,000
Dr Jean-Michel Cosséry - Board Member, board fees	130,000	93,750
Dr Susanne Stuffers - Board Member fr 26.06.2020-01.06.2021	130,000	-
Dr Aitana Peire - Board Member	151,106	-
Jan Fikkan - Board Member fr 14.05.2015-04.06.2020, board fees	-	125,000
Total compensation to Board of Directors	**1,499,401**	**1,168,750**

NOK	2021	2020
Dr Masha Strømme - Chair of the Board, executive chair fees[1]	267,667	460,274
Dr Masha Strømme - Chair of the Board, other fees	-	1,830
Dr Jean-Claude Provost - Board Member, advisory fees	-	255,130
Dr Jean-Michel Cosséry - Board Member, advisory fees	125,000	156,250
Total Executive Management and advisory fees	**392,667**	**873,484**

[1] Dr Masha Strømme assumed the position of Executive Chair from April 2020 to August 2020 inclusive during a period of extended sick leave for the CEO. Dr Masha Strømme also assumed the position of Executive Chair from 17 Oct 2021.

Shares held by Executive Management team:

	31/12/2021	31/12/2020
Dr Spiros Kotopoulis *CTO, to 31.08.2021*	-	7,500
Dr Per Christian Sontum *Founder*	1,921,605	1,921,605
Dr Svein Kvåle *COO, shares held by Kvåle AS*	3,021,770	3,017,500
Dr Andrew Healey *CSO, resigned 31.10.2020 and rejoined 15.11.2021*	2,205,385	2,203,250
Total	**7,148,760**	**7,149,855**

Shares held by the Board of Directors:

	31/12/2021	31/12/2020
Dr Masha Strømme *Executive Chair of the Board* [1]	2,689,009	2,678,250
Sir William Castell *Board Vice-Chair*	342,498	332,500
Dr Jean-Claude Provost *Board Member*	11,250	11,250
Hans Henrik Klouman *Board Member, Virkelyst AS, fr 12.06.2017-03.12.2021*	402,650	399,750
Dr Jean-Michel Cosséry *Board Member & Advisory committee member*	12,000	12,000
Dr Susanne Stuffer *Board Member, Ubiquity AS, fr 26.06.2020-01.06.2021*	134,000	134,000
Dr Aitana Peire *Board Member*	5,030	-
Jan Fikkan *Board Member, Fikkan Pharma AS, fr 14.05.2015-04.06.2020*	285,749	285,750
Total	**3,882,186**	**3,853,500**

* Dr Masha Strømme's husband Dag Strømme owns PAACS Invest AS which owns 2,689,009 shares per 31.12.2021.

Share options held by Executive Management team:

	31/12/2021	31/12/2020
Dr Rafiq Hasan *CEO, to 19.01.2022*	188,750	755,500
Dr Spiros Kotopoulis *CTO, to 19.01.2022*	-	250,000
Dominic Moreland *CFO, from 14.06.2021*	220,000	
Dr Hilary McElwaine-Johnn *CMO, from 01.02.2021*	300,000	
Total	**708,750**	**1,005,500**

The CEO share options have been granted as part of an Executive Management Incentive (EMI) scheme established in May 2020, for which the valuation of the Company was approved by the UK tax authorities, HMRC. Subsequent grants of share options to Dr Hilary McElwaine-Johnn and Dominic Moreland have been made under this EMI scheme with open market value at the grant date used as the exercise price.

At the AGM 2020, the Board members listed elected to receive the following RSUs, as adjusted to reflect the impact of the 250:1 share split: Dr Masha Strømme 32,500 RSUs; Sir William Castell 32,500 RSUs; Hans Henrik Klouman 16,250 RSUs; Jean-Claude Provost 6,250 RSUs; Jean-Michel Cosséry 12,000 RSUs. These RSU's had been fully exercised as per 31 December 2020.

At the AGM 2021, the Board members listed elected to receive the following RSUs: Dr Masha Strømme 6,489 RSUs; Sir William Castell 9,998 RSUs; Hans Henrik Klouman 2,900 RSUs; Dr Aitana Peire 5,030. These RSU's had been fully exercised as per 31 December 2021.

7.2 Related party transactions

Related parties are major shareholders, members of the board and management in the parent company and the group subsidiaries. Note 6.1 and 4.5 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1. Shares, share options and RSUs held by management and the Board are also summarised in note 7.1.

All transactions within the Group or with other 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 (outside the Group) for the relevant financial period:

Related party transactions in 2020 and balances at 31 December 2020	Executive Management	Board Member	Other Shareholders	Total
Current other receivable on related parties	10,081	-	-	10,081
Purchase of professional services from Theranostics Consulting[1]	-	255,130	-	255,130
Purchase of professional services from Dr Jean-Michel Cosséry[2]	-	156,250	-	156,250

[1] In 2020, the Company has used professional services from its Board member Dr Jean-Claude Provost in relation to consulting services. The work is related to work beyond board duties. The contract for these services is based on market rates and conditions for such services. These services have been invoiced by Theranostics Consulting, a company controlled by Board member, and included in other operating expenses.

[2] In 2020, the Company has used professional services from its Board member Dr Jean-Michel Cosséry in relation to consulting services. The work is related to work beyond board duties. The contract for these services is based on market rates and conditions for such services. These services have been invoiced and included in other operating expenses.

Related party transactions in 2021 and balances at 31 December 2021	Executive Management	Board Member	Other Shareholders	Total
Purchase of professional services from Dr Jean-Michel Cosséry[1]	-	125,000	-	
Purchase of Execuitve Chair duties from Dr Masha Strømme, invoiced from Sonalon AS	-	267,667	-	267,667
		-392,667	-	-267,667

[1] In 2021, the Company has used professional services from its Board member Dr Jean-Michel Cosséry in relation to consulting services. The work is related to work beyond board duties. The contract for these services is based on market rates and conditions for such services.

7.3 Events after the reporting period

ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorisation 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 recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised 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 recognised in its consolidated 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.

Covid-19
The Covid pandemic continues to have a detrimental impact on operations particularly enrolment into the phase I ACTIVATE study in both the UK and Norway. This is likely to continue through 2021 with delays likely to planned data readouts.

Ukrainian war conflict
The Group does not have any activities in Ukraine or Russia and so the conflict does not have any direct impact on the operation. However, the Group may be impacted indirectly through macro economical fluctuations, like interest rates, FX rate and inflation.

8.1 Changes in IFRS and new standards

IASB has published certain new standards and interpretations and amendments to existing standards and interpretations that are not effective for the annual period ending 31 December 2021, and that are not applied when preparing these financial statements

New standard
No new standards in issue but not yet adopted that is expected to have material impact on the financial statements.

Amendments

Amendments to IFRS 3 - Updating a reference to the conceptual Framework
The amendments updated the reference to the Conceptual Framework. The amendments will have accounting effect from 1 January 2022. The implementation is not expected to have material impact on the financial statements.

Amendments to IAS 1 - Classification of liabilities as current or non-current
A narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. The amendments will have accounting effect from 1 January 2023. The implementation is not expected to have material impact on the financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies
Following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed, IASB has issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments will have accounting effect from 1 January 2023. The implementation is not expected to have material impact on the financial statements.

Amendments to IAS 8 - Definition of Accounting Estimates
International Accounting Standards Board has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments will have accounting effect from 1 January 2023. The implementation is not expected to have material impact on the financial statements.

8.2 Change in accounting policies and disclosures

New standards
No new standards have been implemented in 2021.

Amendments

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

The implementation did not have any material impact on the financial statements.

Amendment to IFRS 16 - COVID-19-Related Rent Concessions

The implementation did not have any material impact on the financial statements.

INCOME STATEMENT

OPERATING INCOME AND OPERATING EXPENSES			
Amounts in NOK	**Notes**	**2021**	**2020**
Revenue		52,000	-
Total operating income		**52,000**	**-**
Employee benefit expenses	3, 4, 5, 6	8,219,610	15,128,349
Depreciation and amortisation	8	1,268,217	745,423
Other expenses	5, 6, 11	51,074,321	18,932,674
Total operating expenses		**60,562,148**	**34,806,446**
Operating loss		**-60,510,148**	**-34,806,446**
FINANCIAL INCOME AND EXPENSES			
Interest income from group companies	11	20,436	6,445
Other interest income	7	616,409	982,479
Other financial income	12	375,690	790,878
Other interest expenses		2,298	7,419
Other financial expenses	12	338,433	141,907
Net financial items		**671,803**	**1,630,475**
Profit or loss before tax		**-59,838,345**	**-33,175,971**
Profit or loss for the year		**-59,838,345**	**-33,175,971**
Annual net loss	**4**	**-59,838,345**	**-33,175,971**

BROUGHT FORWARD

Loss brought forward		-59,838,345	-33,175,971
Net brought forward	**4**	**-59,838,345**	**-33,175,971**

BALANCE SHEET

Amounts in NOK	Notes	31/12/2021	31/12/2020
ASSETS			
FIXED ASSETS			
TANGIBLE ASSETS			
Equipment and other movables	8	4,014,540	3,728,836
Total tangible assets	8	**4,014,540**	**3,728,836**
FINANCIAL FIXED ASSETS			
Investment in subsidiaries	11	117,096	117,096
Loan to group companies	10	1,786,240	1,732,890
Total tangible fixed assets		**1,903,336**	**1,849,986**
Total fixed assets		**5,917,876**	**5,578,822**
CURRENT ASSETS			
DEBTORS			
Other short-term receivables	6	7,377,485	5,439,646
Total receivables		**7,377,485**	**5,439,646**
INVESTMENTS			
Other marketable financial instruments	7	20,775,630	20,498,927
Total investments		**20,775,630**	**20,498,927**
CASH AND BANK DEPOSITS	**2**	**81,545,724**	**138,872,274**
Total current assets		**109,698,839**	**164,810,848**
TOTAL ASSETS		**115,616,715**	**170,389,670**

BALANCE SHEET (Continued)

EQUITY AND LIABILITIES			
Equity			
PAID-UP EQUITY			
Share capital	3, 4	119,969	119,871
Share premium reserve		215,628,677	215,137,483
Other paid-up equity	4	12,006,952	7,848,423
Total paid-up equity		**227,755,598**	**223,105,777**
RETAINED EARNINGS			
Uncovered loss		-123,465,990	-63,627,646
Total paid-up equity		**-123,465,990**	**-63,627,646**
Total Equity		**104,289,608**	**159,478,131**
LIABILITIES			
Current debt			
Trade creditors	10	5,386,168	2,547,255
Public duties payable		615,216	488,683
Liabilities to group companies		-	636,964
Other current debt	10	5,325,724	7,238,636
Total current liabilities		**11,327,108**	**10,911,538**
Total liabilities		**11,327,108**	**10,911,538**
TOTAL EQUITY AND LIABILITIES		**115,616,715**	**170,389,670**

Oslo, 27 April 2022

Dr Masha Strømme
Executive Chair of the Board

Dr Jean-Claude Provost
Board Member

Ann-Tove Kongsnes
Board Member

Sir William Castell
Board Vice-Chair

Dr Jean-Michel Cosséry
Board Member

Anders Wold
Board Member

Dr Aitana Peire
Board Member

NOTES 2021

NOTE 1: ACCOUNTING PRINCIPALS

The annual accounts have been prepared in conformity with the Accounting Act and Norwegian good accounting practice for small companies.

Foreign currency

Monetary foreign currency items are valued at the exchange rate on the balance sheet date.

Operating revenues

Income from the sale of goods is recognised on the date of delivery. Services are posted to income as they are delivered.

Tax

The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate of 22 % on the basis of tax-reducing and tax- increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are offset and entered net.

Classification and valuation of fixed assets

Fixed assets include assets included for long-term ownership and use. Fixed assets are valued at acquisition cost. Property, plant and equipment are entered in the balance sheet and depreciated over the asset's economic lifetime. Property, plant and equipment are written down to a recoverable amount in the case of fall in value which is expected not to be temporary. The recoverable amount is the higher of the net sale value and value in use. Value in use is the present value of future cash flows related to the asset. Write-downs are reversed when the basis for the write-down is no longer present.

Classification and valuation of current assets

Current assets and short-term liabilities normally include items that fall due for payment within one year of the balance sheet date, as well as items that relate to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value.

Shares in subsidiaries

Subsidiaries are valued using the cost method in the Company accounts. The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made when a fall in value is due to reasons that cannot be expected to be temporary and such write-down must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends, Group contributions and other distributions from subsidiaries are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/ Group contributions exceed the share of profits earned after the date

of acquisition, the excess amounts represent a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the Parent Company.

Receivables
Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables.

Government grants
Government grants are recognised when it is reasonably certain that the Company will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is meant to.

Research and development
Costs regarding research and development are expensed in accordance with the accounting act § 5-6 and IFRS, IAS 38.54 and 38.57.

Share-based payments
The Company has share-based programs for Executive Management. The programmes are measured at fair value at the date of the grant. The share option programme for Executive Management is settled in stocks. The fair value of the issued options is expensed over the vesting period which in this case is over the agreed-upon future service period.

The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued options of the transactions that are settled with equity instruments (settled with the Company's own shares) is recognised as salary and personnel cost in profit and loss and in other paid-in capital.

The value of the issued options of the programs that are settled in cash (cash-based programs) are recognised as salary and personnel cost in profit and loss and as a liability in the balance sheet. The liability is measured at fair value at each balance sheet date until settlement, and changes in the fair value are recognised in profit and loss.

Restricted stock units (RSUs)
The Company has a Board remuneration program where Board members may receive compensation in cash or in restricted stock units (RSUs). Each RSU granted gives the right to acquire one ordinary share in the Company.

Short-term investments
Securities in an easily tradable portfolio are valued at fair value at year end.

NOTE 2: BANK DEPOSITS

Funds available in the tax deduction account (restricted funds) are NOK 449,548. The deposit covers payroll taxes withheld from employees as per 31.12.2021. The Company has NOK 220,000 in an account for rent deposit.

NOTE 3: SHARE CAPITAL & SHAREHOLDERS

The share capital in EXACT Therapeutics AS as at 31.12 consists of:

	Number	Par value	Posted
Ordinary shares	29,992,167	0.004	119,969
Total	**29,992,167**		**119,969**

All shares give the same rights in the Company.

Statement of the largest shareholders as at 31.12.2021:

Shareholders in EXACT Therapeutics AS at 31.12.2021	Total shares	Ownership/ Voting rights
Kvåle AS	3,021,770	10.08%
PAACS Invest AS*	2,689,009	8.97%
Investinor Direkte AS	2,387,750	7.96%
Brekke Holding AS	2,362,376	7.88%
Andrew J. Healey	2,205,385	7.35%
Canica AS	2,021,000	6.74%
Per Christian Sontum	1,921,605	6.41%
Optimuspistor AS	1,574,750	5.25%
Verdipapirfondet Nordea Avkastning	1,244,999	4.15%
Helene Sundt AS	1,131,000	3.77%
Total	**20,559,644**	**68.56%**
Other shareholders	9,432,523	31.44%
Total	**29,992,167**	**100%**

Shares and options held by Executive Management and members of the Board of Directors:

	Ordinary	Options
Dr Rafiq Hasan, CEO, to 19.01.2022	-	188,750
Dominic Moreland, CFO, from 14.06.2021	-	220,000
Dr Hilary McElwaine-Johnn, CMO, from 01.02.2021	-	300,000
Dr Andrew Healey, CSO, resigned 31.10.2020 and re-joined 15.11.2021	2,505,385	-
Dr Svein Kvåle, COO, shares held by Kvåle AS	3,021,770	-
Board Members:	-	-
Dr Masha Strømme, Executive Chair of the Board	2,689,009	-
Sir William Castell, Board Vice-Chair	342,498	-
Dr Aitana Peire, Board Member	5,030	-
Hans Henrik Klouman, Board Member, from 12.06.2017-03.12.2021	402,650	-
Dr Jean-Claude Provost, Board Member	11,250	-
Dr Jean-Michel Cosséry, Board Member	12,000	-
Total	**8,989,592**	**708,750**

* Dr Masha Strømme's husband Dag Strømme owns the company PAACS Invest AS 100% which owns 2,689,009 shares.

As at 31.12.2021 the Company had issued share options to the CEO to subscribe for 188,750 shares at a strike price of NOK 0.384, CFO to subscribe for 220,000 shares at a strike price of NOK 25 and the CMO for 300,000 shares at a strike price of NOK 18 and 26.40.

The costs of these employee share-based transaction are expensed over the average vesting period with a total of NOK 4,158,529 in 2021, consisting of CEO NOK 569,044, CFO NOK 1,085,430 and other share option holders NOK 3,369,987. It also includes a cost reduction of NOK -865,932 due to departure of the CTO during 2021. Following the assessment of the social security cost linked to the share option for 2021, the cost has been reduced by NOK 1,106,628. The background is that all existing and active agreements contain a provision by which the employee indemnifies the Company for any tax liability, including social security cost, arriving on the vesting/exercised of options or the subsequent sale of shares. In 2021 the company does not have any provision for such liability.

The number of Restricted Stock Units (RSU) granted to Board Members is equal to the amount such member elects to receive in the form of RSUs, divided by the previous issue price of the shares at the time when the election is made.

NOTE 4: EQUITY CAPITAL

	Share Capital	Premium Share	Other paid in Equity Capital	Uncovered loss	Total equity capital
as at 31 December 2020	**119,871**	**215,137,483**	**7,848,423**	**-63,627,646**	**159,478,132**
Registered capital 28.06.2021	98	507,874			507,971
Registered capital cost		-16,680			-16,680
Cost of employee option and RSU			4,158,529		4,158,529
Profit and loss for the year			-	-59,838,344	-59,838,344
as at 31 December 2021	**119,969**	**215,628,677**	**12,006,952**	**-123,465,990**	**104,289,608**

The Company paid NOK 16,680 in fees for increase of registered capital in 2021 which is deducted from Share premium.

NOTE 5: SALARY COSTS AND BENEFITS, REMUNERATION TO THE CHIEF EXECUTIVE OFFICER, BOARD AND AUDITOR

Salary costs	2021	2020
Salaries	6,871,778	13,446,448
Employment tax	943,722	1,202,456
Pension cost	294,285	374,395
Other benefits	109,825	105,050
Total	**8,219,610**	**15,128,349**

In 2021 the Company employed an average of 4 full time equivalents.

Pension Liabilities

The Company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The Company's pension schemes satisfy the requirements of this Act.

Remuneration To Leading Personnel

Salary costs	Chief Executive (CEO)	Board
Salaries	-	1,624,401
Other remuneration	-	-
Total	-	**1,624,401**

The CEO in 2021 was based in the UK and paid from the subsidiary company ACT Therapeutics Ltd and resigned on 19. January 2022. The CEO's remuneration is not included in the table above.

The Board of Directors have received NOK 1,452,454 in board fees and NOK 171,947 in holiday pay and scientific advisory fees.

The Chair of the Board has received additional remuneration of NOK 267,667, which is invoiced from Sonalon Consulting AS, having assumed the role of Executive Chair from 17.10.21, due to the resignation of the CEO.

Auditor
Audit fees expensed in 2021 amount to NOK 270 000, audit related services NOK 462 690 and Tax services NOK 19 500, a total of NOK 752 190 from Ernst & Young AS.

All amounts excl. VAT.

NOTE 6: PUBLIC GRANTS

In 2021 a grant of NOK 2,990,000 was awarded to EXACT Therapeutics AS from Norges Forskningsråd (The Research Council of Norway), for a research project relating to the development of Ultrasound Transducer for Acoustic Cluster Therapy®. The grant Acoustic Cluster Therapy® for pancreatic cancer ended in September 2021 with a receivable of NOK 1,114,000. In 2020 EXACT Therapeutics AS received NOK 3,484,000 in grants from Norges Forskningsråd.

In 2021 two grants have been posted to income for research projects via the SkatteFUNN scheme of NOK 4,750,000 . The amounts have been posted in full as a reduction in expensed costs related to the relevant projects. In 2020 the company accrued and received in September 2021 NOK 3,780,120 in SkatteFUNN grants.

The SkatteFUNN grant Clinical Development of Acoustic Cluster Therapy® within Oncology started in 2020 and will end in 2023. The SkatteFUNN project period for Ultrasound Transducer for Acoustic Cluster Therapy® is from 2020 to 2022.

The grants have not generated income as of date as the projects remain at an early stage.

NOTE 7: INVESTMENTS

Current assets	Acquisition cost	Book value	Market value
Bonds in trading portfolio	20,775,630	20,775,630	20,775,630
Total	**20,775,630**	**20,775,630**	**20,775,630**

Market-based financial instruments in the trading portfolio are valued at market value. The 2021 increase in unrealized value adjustment is NOK 276,703. Total unrealised value increase is NOK 1,699,946.

NOTE 8: FIXED ASSETS

	Equipment and other movables
Acquisition Cost as at 01.01.2021	5,618,765
Addition of purchased fixed assets	1,553,921
Acquisition Cost as at 31.12.2021	**7,172,686**
Depreciation and write-downs as at 01.01.2021	1,889,929
Ordinary depreciation for the year	1,268,217

Depreciation and impairment as at 31 December 2021	**3,158,146**
Book value 01.01.2021	3,728,836
Additions in the year	1,553,921
The year's depreciation and write-downs	1,268,217
Book value 31.12.2021	**4,014,540**
Economic life (years)	3-5 years

NOTE 9: TAX

This year's tax expense	**2021**	**2020**
Entered tax on ordinary profit and loss		
Tax payable	-	-
Change in deferred tax assets	-	-
Tax expense on ordinary profit and loss	**-**	**-**

Taxable Income	**2020**	**2020**
Ordinary result before tax	-59,838,345	-33,175,971
Permanent differences	-4,750,133	-7,576,147
Changes in temporary differences	-4,668,708	12,535,303
Taxable income	**-69,257,186**	**-28,216,815**

Payable tax in the balance:	**2021**	**2020**
Payable tax on this year's result	-	-
Total payable tax in the balance	**-**	**-**

The tax effect of temporary differences and loss to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences.

	2021	**2020**	**Differences**
Tangible assets	-43,753	209,891	253,644
Long-term receivables and liabilities in foreign currency	-1,771,289	-5,485	1,765,804
Accruals and more	-6,173,678	-12,861,834	-6,688,156
Total	**-7,988,720**	**-12,657,428**	**-4,668,708**

	2021	**2020**	**Differences**
Shares and other securities	1,699,946	-524,179	-2,224,125
Accumulated loss to be brought forward	-139,021,298	-69,764,112	69,257,186
Not included in the deferred tax calculation	145,310,072	82,945,719	-62,364,353
Deferred tax assets (22%)	**-**	**-**	**-**

Deferred tax not included in the balance sheet.

NOTE 10: INTERCOMPANY ITEMS BETWEEN COMPANIES IN THE SAME GROUP

Receivables	2021	2020
Loan to ACT Therapeutics Ltd, repayment 31.12.2024	1,786,240	1,732,890
Total	**1,786,240**	**1,732,890**

Liabilities	2021	2020
Debt to supplier ACT Therapeutics Ltd	2,363,732	1,047,925
Other short-term liabilities to ACT Therapeutics Ltd	-	636,964
Total	**2,363,732**	**1,684,889**

NOTE 11: SUBSIDIARIES

Fixed assets	Ownership interest (%)	Acquisition cost	Book value
ACT Therapeatics Ltd	100%	117,096	117,096
Total	**100%**	**117,096**	**117,096**

EXACT Therapeutics AS owns 100% of the shares in ACT Therapeutics Ltd, which gives EXACT Therapeutics AS 100% of the votes in the Company. ACT Therapeutics Ltd has its registered office in Suffolk, United Kingdom. The annual result for the period 01.01-31.12.2021 was NOK 1,347,949. The book value of equity capital as at 31.12.2021 was NOK 1,633,327.

The following internal transactions have taken place in 2021:

Internal transaction in 2021	Amount	Internal gain
Purchase of R&D and administration services from ACT Therapeutics Ltd	13,937,835	1,393,784
Interest on loan to ACT Therapeutics ltd	20,436	

NOTE 12: AGIO

Agio income and loss	2021	2020
Agio	375,690	790,878
Disagio	335,822	94,399

NOTE 13: GOING CONCERN

The result for 2021 shows a result of NOK -59,838,345 after tax, compared to NOK -33,175,971 in 2020.

The business remains robust with good liquidity with no indication that operations cannot continue. The Board of Directors considers that the criteria for going concern are satisfied and the business is managed on this basis. The Covid-19 pandemic has had a detrimental impact on the ongoing clinical study in the UK. It remains uncertain when the environment will return to normal.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Exact Therapeutics AS

Opinion

We have audited the financial statements of Exact Therapeutics AS (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of cash flows and statement of changes in equity 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 legal 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 cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated 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 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 in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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

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We have nothing to report in this regard, and in our opinion, the other information are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements 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 Company or 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and 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's 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 fair presentation.
- 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.

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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, 27 April 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Anja Maan
State Authorised Public Accountant (Norway)

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